
# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

# Contents

# 1

# CONSOLIDATED FINANCIAL STATEMENTS

# 1.1 CONSOLIDATED INCOME STATEMENT

| *(in € millions)* | Notes | 2019 | 2018 |
|---|---|---|---|
| Operating revenue | 4.2 | 1,570 | 1,327 |
| Other revenue | 4.2 | 56 | 51 |
| **Total revenue** | 4.2 | **1,626** | **1,378** |
| Operating expenses | 4.3 | (958) | (842) |
| Depreciation, amortization and impairment losses | 5.6 | (123) | (75) |
| **Operating profit before other income and expenses (EBIT)** | 4.4 | **545** | **461** |
| Share of net profit from equity-accounted companies | 5.4 | 14 | 11 |
| Other income and expenses | 10.1 | (25) | (31) |
| **Operating profit including share of net profit from equity-accounted companies** | | **534** | **441** |
| Net financial expense | 6.1 | (35) | (37) |
| **Profit before tax** | | **499** | **404** |
| Income tax expense | 7 | (153) | (119) |
| **NET PROFIT** | | **346** | **285** |
| Net profit attributable to owners of the parent | | 312 | 254 |
| Net profit attributable to non-controlling interests | | 34 | 31 |

| | | | |
|---|---|---|---|
| Earnings per share (in €) | 8.2 | 1.30 | 1.07 |
| Diluted earnings per share (in €) | 8.2 | 1.29 | 1.06 |

# 1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in € millions)* | Notes | 2019 | 2018 |
|---|---|---|---|
| **Net profit** | | **346** | **285** |
| **Other comprehensive income** | | | |
| Currency translation adjustment | 1.5 | 21 | (68) |
| Fair v alue adjustments to financial instruments and assets at fair v alue through other comprehensiv e income | 1.5 | 23 | 4 |
| Tax on items that may be subsequently reclassified to profit or loss | 1.5 | (7) | - |
| **Items that may be subsequently reclassified to profit or loss** | | **37** | **(64)** |
| Actuarial gains and losses on defined-benefit plans | 1.5 | (8) | (0) |
| Tax on items that may not be subsequently reclassified to profit or loss | 1.5 | 2 | - |
| **Items that may not be subsequently reclassified to profit or loss** | | **(6)** | **(0)** |
| **TOTAL OTHER COMPREHENSIVE INCOME** | | **31** | **(65)** |
| **COMPREHENSIVE INCOME** | | **377** | **220** |
| Comprehensiv e income attributable to owners of the parent | | 351 | 192 |
| Comprehensiv e income attributable to non-controlling interests | | 26 | 29 |

# 1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## Consolidated assets

| *(in € millions)* | Notes | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Goodwill | 5.1 | 1,604 | 976 |
| Intangible assets | 5.2 | 706 | 432 |
| Property, plant and equipment | 5.3 | 169 | 52 |
| Investments in equity-accounted companies | 5.4 | 69 | 66 |
| Non-current financial assets | 6.2 | 75 | 48 |
| Deferred tax assets | 7.2 | 94 | 75 |
| **TOTAL NON-CURRENT ASSETS** | | **2,717** | **1,649** |
| Trade receivables | 4.7 | 2,073 | 1,875 |
| Inventories, other receivables and accruals | 4.7 | 359 | 307 |
| Restricted cash | 4.6 | 1,864 | 1,402 |
| Current financial assets | 6.2 | 136 | 46 |
| Other marketable securities | 6.3 | 733 | 654 |
| Cash and cash equivalents | 6.3 | 1,004 | 1,337 |
| **TOTAL CURRENT ASSETS** | | **6,169** | **5,621** |
| **TOTAL ASSETS** | | **8,886** | **7,270** |

## Consolidated equity and liabilities

| *(in € millions)* | Notes | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|---|
| Issued capital | | 486 | 479 |
| Additional paid-in capital and consolidated retained earnings (accumulated losses) | | (1,240) | (1,594) |
| Currency translation adjustment | | (391) | (424) |
| Treasury shares | | (48) | (22) |
| **Equity attributable to owners of the parent** | | **(1,193)** | **(1,561)** |
| Non-controlling interests | | 150 | 110 |
| **Total equity** | 8 | **(1,043)** | **(1,451)** |
| Non-current debt | 6.4/6.5 | 2,421 | 2,213 |
| Other non-current financial liabilities | 6.4/6.5 | 139 | 61 |
| Non-current provisions | 10.2 | 43 | 39 |
| Deferred tax liabilities | 7.2 | 174 | 136 |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,777** | **2,449** |
| Current debt | 6.4/6.5 | 374 | 276 |
| Other current financial liabilities | 6.4/6.5 | 177 | 125 |
| Current provisions | 10.2 | 22 | 40 |
| Funds to be redeemed | 4.5 | 5,161 | 4,959 |
| Trade payables | 4.5 | 261 | 224 |
| Current tax liabilities | 4.5 | 33 | 13 |
| Other payables | 4.7 | 1,072 | 614 |
| Bank overdrafts | 6.4/6.5 | 52 | 21 |
| **TOTAL CURRENT LIABILITIES** | | **7,152** | **6,272** |
| **TOTAL EQUITY AND LIABILITIES** | | **8,886** | **7,270** |

# 1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| | *(in € millions)* | Notes | 2019 | 2018 |
|---|---|---|---|---|
| + | Net profit attributable to owners of the parent | | 312 | 254 |
| + | Non-controlling interests | | 34 | 31 |
| - | Share of net profit from equity-accounted companies | 5.4 | (14) | (11) |
| - | Depreciation, amortization and provisions, net | | 126 | 72 |
| - | Expenses related to share-based payments | | 16 | 13 |
| - | Non-cash impact of other income and expenses | | 14 | 21 |
| - | Difference between income tax paid and income tax expense | | (8) | (18) |
| + | Dividends received from equity-accounted companies | 5.4 | 9 | 12 |
| **=** | **Funds from operations including other income and expenses** | | **489** | **374** |
| - | Other income and expenses (including restructuring costs) | | 35 | 26 |
| **=** | **Funds from operations before other income and expenses (FFO)** | | **524** | **400** |
| + | Decrease (increase) in working capital | 4.5 | 369 | 404 |
| + | Recurring decrease (increase) in restricted cash | 4.6 | (395) | (279) |
| **=** | **Net cash from (used in) operating activities** | | **498** | **525** |
| +/- | Other income and expenses (including restructuring costs) received/paid | | (33) | 1 |
| **=** | **Net cash from (used in) operating activities including other income and expenses (A)** | | **465** | **526** |
| - | Acquisitions of property, plant and equipment and intangible assets | | (98) | (90) |
| - | Acquisitions of investments (non-consolidated companies) | | (9) | (10) |
| - | External acquisition expenditure, net of cash acquired | | (757) | (245) |
| + | Proceeds from (expenditure on) disposals of assets | | (5) | 5 |
| **=** | **Net cash from (used in) investing activities (B)** | | **(869)** | **(340)** |
| + | Capital increase | | 5 | 13 |
| - | Dividends paid[1] | 3.1 | (87) | (136) |
| + | (Purchases) sales of treasury shares | | (52) | (42) |
| + | Increase in non-current debt | | 561 | 538 |
| - | Decrease in non-current debt | | (116) | (9) |
| + | Change in current debt | | (281) | 230 |
| **=** | **Net cash from (used in) financing activities (C)** | | **30** | **594** |
| **-** | **Net foreign exchange differences (D)** | | **10** | **(39)** |
| **=** | **Net increase (decrease) in cash and cash equivalents (E) = (A) + (B) + (C) + (D)** | | **(364)** | **741** |
| + | Cash and cash equivalents at beginning of period | | 1,316 | 575 |
| - | Cash and cash equivalents at end of period | | 952 | 1,316 |
| **=** | **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(364)** | **741** |

(1) Including cash dividends paid to owners of the parent for €62 million (€0.86 per share) and cash dividends paid to non-controlling interests for €25 million.

Net cash and cash equivalents at the end of the period can be analyzed as follows:

| | *(in € millions)* | Notes | 2019 | 2018 |
|---|---|---|---|---|
| + | Cash and cash equivalents | 6.3 | 1,004 | 1,337 |
| - | Bank overdrafts | 6.5 | (52) | (21) |
| **=** | **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **952** | **1,316** |

# 1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(in € millions)* | Issued capital | Additional paid-in capital | Treasury shares | Consolidated retained earnings (accumulated losses)[2] | Cumulative compensation costs – share-based payments | Cumulative fair value adjustments to financial instruments | Cumulative actuarial gains (losses) on defined-benefit plans | Cumulative currency translation adjustment[1] | Net profit attributable to owners of the parent | Equity attributable to owners of the parent | Total non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dec. 31, 2017 reported** | **471** | **697** | **(6)** | **(2,597)** | **98** | **13** | **(3)** | **(357)** | **247** | **(1,437)** | **150** | **(1,287)** |
| Impact of IFRS 15 | - | - | - | (55) | - | - | - | (1) | (6) | **(62)** | (1) | **(63)** |
| **Dec. 31, 2017 restated (IFRS 15)** | **471** | **697** | **(6)** | **(2,652)** | **98** | **13** | **(3)** | **(358)** | **241** | **(1,499)** | **149** | **(1,350)** |
| Impact of IFRS 9 | - | - | - | (8) | - | - | - | - | - | **(8)** | (4) | **(12)** |
| **Dec. 31, 2017 restated (IFRS 15 & IFRS 9)** | **471** | **697** | **(6)** | **(2,660)** | **98** | **13** | **(3)** | **(358)** | **241** | **(1,507)** | **145** | **(1,362)** |
| Appropriation of 2017 net profit | - | - | - | 241 | - | - | - | - | (241) | **-** | - | **-** |
| Increase (decrease) in share capital | | | | | | | | | | | | |
| - in cash | - | - | - | - | - | - | - | - | - | **-** | 3 | **3** |
| - cancellation of treasury shares | (2) | (24) | - | - | - | - | - | - | - | **(26)** | - | **(26)** |
| - options exercised | 2 | 9 | - | - | - | - | - | - | - | **11** | - | **11** |
| - dividends reinvested in new shares | 8 | 88 | - | - | - | - | - | - | - | **96** | - | **96** |
| Dividends paid | - | - | - | (200) | - | - | - | - | - | **(200)** | (32) | **(232)** |
| Changes in consolidation scope[4] | - | - | - | (127) | - | - | - | - | - | **(127)** | (34) | **(161)** |
| Compensation costs – share-based payments | - | - | - | - | 13 | - | - | - | - | **13** | - | **13** |
| (Acquisitions) disposals of treasury shares | - | - | (16) | - | - | - | - | - | - | **(16)** | - | **(16)** |
| Other | - | - | - | 3 | - | - | - | - | - | **3** | - | **3** |
| **Other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **4** | **-** | **(66)** | **-** | **(62)** | (2) | **(65)** |
| Net profit for the period | - | - | - | - | - | - | - | - | 254 | **254** | 31 | **285** |
| TOTAL COMPREHENSIVE INCOME | - | - | - | - | - | 4 | - | (66) | 254 | **192** | 29 | **220** |
| **Dec. 31, 2018** | **479** | **770** | **(22)** | **(2,743)** | **111** | **17** | **(3)** | **(424)** | **254** | **(1,561)** | **110** | **(1,451)** |
| Appropriation of 2018 net profit | - | - | - | 254 | - | - | - | - | (254) | **-** | - | **-** |
| Increase (decrease) in share capital | | | | | | | | | | | | |
| - in cash | - | - | - | - | - | - | - | - | - | **-** | 3 | **3** |
| - cancellation of treasury shares | - | (29) | - | - | - | - | - | - | - | **(29)** | - | **(29)** |
| - options exercised | - | 2 | - | - | - | - | - | - | - | **2** | - | **2** |
| - dividends reinvested in new shares | 7 | 137 | - | - | - | - | - | - | - | **144** | - | **144** |
| Dividends paid[3] | - | - | - | (206) | - | - | - | - | - | **(206)** | (25) | **(231)** |
| Changes in consolidation scope[4] | - | - | - | 61 | - | - | - | - | - | **61** | 31 | **92** |
| Compensation costs – share-based payments | - | - | - | - | 16 | - | - | - | - | **16** | - | **16** |
| (Acquisitions) disposals of treasury shares | - | - | (26) | - | - | - | - | - | - | **(26)** | - | **(26)** |
| Other[5] | - | - | - | 55 | - | - | - | - | - | **55** | 5 | **60** |
| **Other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **12** | **(6)** | **33** | **-** | **39** | (8) | **31** |
| Net profit for the period | - | - | - | - | - | - | - | - | 312 | **312** | 34 | **346** |
| **TOTAL COMPREHENSIVE INCOME** | **-** | **-** | **-** | **-** | **-** | **12** | **(6)** | **33** | **312** | **351** | 26 | **377** |
| **Dec. 31, 2019** | **486** | **880** | **(48)** | **(2,579)** | **127** | **29** | **(9)** | **(391)** | **312** | **(1,193)** | **150** | **(1,043)** |

(1) See Note 1.6 – "Presentation currency and foreign currencies" detailing the main exchange rates used in 2018 and 2019. The €391 million negative translation reserve attributable to owners of the parent corresponds mainly to translation adjustments arising from changes in exchange rates for the Brazilian real for €210 million, the Venezuelan bolivar soberano for €130 million and the pound sterling for €13 million.

(2) This amount includes the €1,894 million negative impact of acquiring Edenred entities owned by Accor and deducted from equity following the demerger in June 2010.

(3) Corresponding to the distribution of €206 million paid to Group shareholders (of which €62 million in cash and €144 million in shares – see Note 3.1 "Payment of the 2018 dividend") and €25 million paid to minority shareholders.

(4) In 2018, the main impact on the attributable scope of consolidation was the acquisition of non-controlling interests in UTA.

Changes in consolidation scope in 2019 (excluding the currency effect) correspond mainly to the Itaú transaction, as follows:

- acquisition of Itaú shares: €96 million, of which €86 million attributable to owners of the parent and €10 million attributable to non-controlling interests;
- transfer of attributable consolidated retained earnings to non-controlling interests (disposal of 11% of Ticket Serviços): €21 million decrease in equity attributable to owners of the parent and €21 million increase in non-controlling interests.

The effect of changes in consolidation scope attributable to owners of the parent also includes the €3 million negative effect of fair value adjustments to purchase commitments for non-controlling interests.

(5) The line "Other" corresponds mainly to the net impact of remeasuring the tax bases of the UTA purchase price allocations for €27 million and the net impact of recognizing the conversion option embedded in the OCEANE bonds for €26 million.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# INTRODUCTION

This icon indicates an IFRS standard issue.

This icon indicates a definition specific to the Edenred Group.

This icon indicates the use of an estimate or judgment. When the Group uses estimates and assumptions, it applies the method presented in Note 1.7. In the absence of standards or interpretations applicable to a specific transaction, the management of Edenred uses judgment to define and apply the accounting methods that will provide relevant and reliable information, so that the financial statements present a true and fair view of the financial position, the financial performance and the cash flows of the Group, and show the economic reality of transactions.

This icon indicates the Group's figures for the current year as well as the comparative period.

# NOTE 1 : PRESENTATION OF THE GROUP AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

## 1.1 . BUSINESS OVERVIEW

Global leader in payment solutions for the working world, Edenred is the everyday companion for people at work. Its leading intermediation platform connects 50 million employees and 2 million partner merchants via 830,000 corporate clients, across 46 countries. Thanks to its global technology assets, the Group managed 2.5 billion specific purpose payment transactions in 2019, primarily carried out via mobile applications, online platforms and cards, and representing nearly €30 billion in business volume.

Edenred's 10,000 staff are driven by a commitment to improving employees' quality of life, increasing companies' efficiency and boosting merchants' revenues. They achieve this through three business lines:

- Employee Benefits (food, meals, well-being, leisure, culture and human services)
- Fleet & Mobility Solutions (fuel, tolls, maintenance and business travel)
- Complementary Solutions, including Corporate Payment Services (virtual payment cards, identified wire transfers and supplier payments), Incentive & Rewards (gift cards and platforms, and incentive programs), and Public Social Programs.

Edenred is listed on the Euronext Paris stock exchange and included in the following indices: CAC Next 20, FTSE4Good, DJSI Europe and MSCI Europe.

## 1.2 . MANAGEMENT OF THE GROUP'S CAPITAL STRUCTURE

The Group's main capital management objective is to maintain an "investment grade" credit rating and robust capital ratios in order to facilitate business operations and maximize shareholder value.

Its capital structure is optimized to keep pace with changes in economic conditions by adjusting dividends, returning capital to shareholders or issuing new shares.

## 1.3 . INFORMATION ABOUT THE PARENT COMPANY EDENRED SA

Registered name: Edenred SA
Registered office: Be Issy, 14-16 Boulevard Garibaldi, 92180 Issy-les-Moulineaux – France

*Société anonyme à conseil d'administration* (French public limited company with a Board of Directors) with share capital of €486,409,714
Registered on the Nanterre Trade and Companies Register under No. 493 322 978
NAF code: 6420Z

**These financial statements for the year ended December 31, 2019 were approved for publication by the Board of Directors of Edenred on February 25, 2020. They will be submitted for shareholders' approval during the Annual Shareholders Meeting on May 7, 2020.**

## 1.4 . CHANGES OF ACCOUNTING METHODS

### 1.4.1 IFRS 16 – Leases

IFRS 16 – Leases is applicable for annual reporting periods beginning on or after January 1, 2019. It replaces IAS 17 – Leases and three related interpretations (IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases: Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability for all leases that fall within its scope, without differentiating between operating leases and finance leases. The lease liability is measured at the discounted present value of the future minimum lease payments due to the lessor over the life of the lease.

The Group has opted for the simplified retrospective approach to transition and has decided to apply certain options available under the new standard, including the following practical expedients and exemptions:

- exclusion from the requirements of IFRS 16 of leases with a term of less than 12 months and leases for which the underlying asset is of low value;
- for leases previously accounted for as finance leases under IAS 17, use of the carrying amount of the lease asset and lease liability immediately before the date of initial application of IFRS 16 as the carrying amount of the right-of-use asset and the lease liability at that date.

The term of each lease has been determined separately, taking into account periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Lease liabilities have been measured at the discounted present value of future minimum lease payments due over the life of the lease, using a discount rate based on the lessee's incremental borrowing rate at January 1, 2019. This rate is calculated as the sum of the following three rates for the maturity concerned: the risk-free rate in the lease currency, the Edenred Group's credit spread and the risk premium applied to borrowings by the subsidiary that is the lessee. The weighted average discount rate at January 1, 2019 was 3.4%.

The effects of applying IFRS 16 are as follows:

- recognition of a lease liability equal to the future minimum payments due to the lessor at January 1, 2019 over the remaining life of the lease, measured using a discount rate based on the Group's incremental borrowing rate, and presented under "Other financial liabilities" for €91 million;
- recognition in the opening statement of financial position at January 1, 2019 of right-of-use assets under "Property, plant and equipment" in an amount equal to the lease liability;
- no impact on opening equity at January 1, 2019;
- €29 million impact on EBITDA for full-year 2019 (corresponding to lease payments no longer classified as a component of EBITDA);
- inclusion in EBIT of right-of-use asset depreciation charges; however, the effect on EBIT of applying IFRS 16 is not material (non-material discounting adjustment);
- inclusion in net financial expense of interest on lease liabilities for €3 million in full-year 2019.

Leases included in the scope of IFRS 16 mainly concern real estate and vehicles leased by Edenred Group entities as lessees.

The difference between the lease liabilities of €91 million recognized at January 1, 2019 in accordance with IFRS 16 and the off-balance sheet commitments of €118 million disclosed in Note 11.5 to the consolidated financial statements for the year ended December 31, 2018 can be explained as follows:

- Leases taken into account for the calculation of the off-balance sheet commitments include short-term leases and leases of low-value assets, which are excluded from the calculation of lease liabilities under IFRS 16.

- Off-balance sheet commitments include not only lease payments but also related expenses such as maintenance fees and insurance premiums, which are excluded from lease liabilities.
- Lease liabilities under IFRS 16 also reflect discounting adjustments.
- Lastly, the off-balance sheet commitments correspond to the payments due to the lessors over the non-cancellable lease term, whereas lease liabilities are calculated over the lease term including any periods covered by options to extend or terminate the lease in accordance with IFRS 16.

**Impact on the consolidated financial statements:**

| *(in € millions)* | Dec. 31, 2018 Reported | Impact of IFRS 16 | Jan. 1, 2019 Restated |
|---|---|---|---|
| Goodwill | 976 | - | 976 |
| Intangible assets | 432 | - | 432 |
| Property, plant and equipment | 52 | 91 | 143 |
| Investments in equity-accounted companies | 66 | - | 66 |
| Non-current financial assets | 48 | - | 48 |
| Deferred tax assets | 75 | - | 75 |
| **TOTAL NON-CURRENT ASSETS** | **1,649** | **91** | **1,740** |
| Trade receivables | 1,875 | - | 1,875 |
| Inventories, other receivables and accruals | 307 | - | 307 |
| Restricted cash | 1,402 | - | 1,402 |
| Current financial assets | 46 | - | 46 |
| Other marketable securities | 654 | - | 654 |
| Cash and cash equivalents | 1,337 | - | 1,337 |
| **TOTAL CURRENT ASSETS** | **5,621** | **-** | **5,621** |
| **TOTAL ASSETS** | **7,270** | **91** | **7,361** |

| *(in € millions)* | Dec. 31, 2018 Reported | Impact of IFRS 16 | Jan. 1, 2019 Restated |
|---|---|---|---|
| **Total equity** | **(1,451)** | **-** | **(1,451)** |
| Non-current debt | 2,213 | - | 2,213 |
| Other non-current financial liabilities | 61 | 67 | 128 |
| Non-current provisions | 39 | - | 39 |
| Deferred tax liabilities | 136 | - | 136 |
| **TOTAL NON-CURRENT LIABILITIES** | **2,449** | **67** | **2,516** |
| Current debt | 276 | - | 276 |
| Other current financial liabilities | 125 | 24 | 149 |
| Current provisions | 40 | - | 40 |
| Funds to be redeemed | 4,959 | - | 4,959 |
| Trade payables | 224 | - | 224 |
| Current tax liabilities | 13 | - | 13 |
| Other payables | 614 | - | 614 |
| Bank overdrafts | 21 | - | 21 |
| **TOTAL CURRENT LIABILITIES** | **6,272** | **24** | **6,296** |
| **TOTAL EQUITY AND LIABILITIES** | **7,270** | **91** | **7,361** |

### 1.4.2 IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments provides guidance on the application of IAS 12 – Income Taxes. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments that affect the determination of taxable profit (or deductible tax losses), tax bases, unused tax losses, unused tax credits or tax rates.

The Group has adopted IFRIC 23 – Uncertainty over Income Tax Treatments with effect from January 1, 2019, after discussing the most significant potential uncertainties with all Group subsidiaries. These discussions had no material impact on the financial statements.

## 1.5 . BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Pursuant to European Regulation (EC) 1606/2002 of July 19, 2002, the Edenred consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union as of that date. They include comparative financial information for 2018, prepared in accordance with the same principles and conventions and the same standards.

IFRSs are downloadable from the European Commission's website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr#overview

The consolidated financial statements are presented in million euros, rounded to the nearest million. In some cases, rounding may lead to non-material differences between reported totals and the sum of the reported amounts.

## 1.6 . PRESENTATION CURRENCY AND FOREIGN CURRENCIES

In accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, and for consolidation needs, balance sheet items expressed in a functional currency other than the euro are translated into euros at the exchange rate on the balance sheet date (closing exchange rate). Income statements expressed in a functional currency other than the euro are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity and recognized in profit or loss on disposal or closing of the business.

| | | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | | | Closing rate at Dec. 31, 2019 | Average rate | Closing rate at Dec. 31, 2018 | Average rate |
| ISO code | Currency | Country | EUR 1 = | EUR 1 = | EUR 1 = | EUR 1 = |
| ARS | Peso | ARGENTINA | 67.26 | 67.26 | 43.13 | 43.13 |
| BRL | Real | BRAZIL | 4.52 | 4.41 | 4.44 | 4.31 |
| USD | US dollar | UNITED STATES | 1.12 | 1.12 | 1.15 | 1.18 |
| MXN | Peso | MEXICO | 21.22 | 21.55 | 22.49 | 22.71 |
| RON | Leu | ROMANIA | 4.78 | 4.75 | 4.66 | 4.65 |
| GBP | Pound sterling | UNITED KINGDOM | 0.85 | 0.88 | 0.89 | 0.88 |
| SEK | Krona | SWEDEN | 10.45 | 10.59 | 10.25 | 10.26 |
| CZK | Koruna | CZECH REPUBLIC | 25.41 | 25.67 | 25.72 | 25.64 |
| TRY | Lira | TURKEY | 6.68 | 6.36 | 6.06 | 5.70 |
| VES | Boliv ar | VENEZUELA | 51,471.34 | 14,759.35 | 644.95 | 54.52 |

The impact on attributable consolidated equity of currency translation adjustments was a positive €33 million between December 31, 2018 and December 31, 2019. The difference mainly reflected movements in the following currencies:

| ISO code | Currency | Country | Dec. 31, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|---|---|
| BRL | Real | BRAZIL | (210) | (212) | 2 |
| USD | US dollar | UNITED STATES | 14 | 3 | 11 |
| MXN | Peso | MEXICO | (7) | (17) | 10 |
| GBP | Pound sterling | UNITED KINGDOM | (13) | (23) | 10 |
| | | **Total** | **(216)** | **(249)** | **33** |

### Hyperinflation in Argentina

Argentina has been qualified as a hyperinflationary economy since July 1, 2018. The Group has applied IAS 29 – Financial Reporting in Hyperinflationary Economies to its operations in this country since end-2018.

In line with this standard, a EUR/ARS exchange rate of 67.26 has been used. Non-monetary items have been adjusted using the consumer price index published by Argentina's national statistics institute, INDEC.

Application of IAS 29 had a €1 million negative impact on net profit attributable to owners of the parent. The impact on consolidated equity was a non-material €1 million.

## 1.7 . USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements requires the application of judgment and the use of estimates and assumptions to determine the reported amount of certain assets, liabilities, income and expenses, and to take into account the potential positive or negative effect of uncertainties existing at the balance sheet date. Due to changes in the assumptions used and economic conditions different from those existing at the closing date, the amounts in the Group's future financial statements could be materially different from current estimates.

# NOTE 2 : ACQUISITIONS, DEVELOPMENT PROJECTS AND DISPOSALS

In accordance with IFRS 10 – Consolidated Financial Statements, control over an entity has been determined based on a review of the criteria specified in the standard, which is not limited to the interest held in the entity (more than 50%); an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. For this purpose, fair values are determined in the new subsidiary's local currency. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.

In accordance with IFRS 11 – Joint Arrangements, companies over which the Group exercises significant influence, either directly or indirectly, are accounted for by the equity method. Under the equity method, investments in associates and joint ventures are initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

The Group has accounted for business combinations and changes in ownership interest that do not result in a loss of control in accordance with IFRS 3 (revised) – Business Combinations and IFRS 10 – Consolidated Financial Statements.

As part of certain acquisitions and/or business combinations, the Group has granted commitments to buy back minority shareholders' interests. The exercise price of these options can be fixed or calculated using a predefined formula, and they can be exercised at any time or at a set date.

The Group records a financial liability at its present value for the puts granted to the minority shareholders of the entities concerned. Subsequent changes to the commitment's value are recognized with adjustments to the equity attributable to owners of the parent.

All equity security transactions between controlling and non-controlling shareholders not involving a loss of control must be recognized directly in equity.

## Acquisitions, development projects and disposals in 2019

### The Right Fuelcard Company (TRFC)

On January 4, 2019, Edenred finalized the acquisition of 80% of the share capital of The Right Fuelcard Company (TRFC) group, the number four fuel card program manager in the United Kingdom. By expanding into the UK market, one of the largest in Europe, Edenred is consolidating its position as a global provider of fleet and mobility solutions in line with its strategic plan.

The transaction led to the recognition of a customer list for an amount of 35 million pounds sterling and goodwill of 88 million pounds sterling.

TRFC's contribution to the Group's consolidated financial statements can be analyzed as follows:

| (in € millions) | TRFC 2019 |
|---|---|
| Total revenue | 20 |
| Net profit attributable to owners of the parent | 6 |

### Corporate Spending Innovations (CSI)

On January 9, 2019, Edenred acquired all outstanding shares in Corporate Spending Innovations (CSI), one of the leading providers of automated corporate payment software in North America. The acquisition follows on from a European partnership formed close to two years ago between the two companies.

The purchase price allocation led to the recognition primarily of a customer list for an amount of 137 million US dollars, software for 7 million US dollars and goodwill of 466 million US dollars.

CSI's contribution to the Group's consolidated financial statements can be analyzed as follows:

| (in € millions) | CSI 2019 |
|---|---|
| Total revenue | 38 |
| Net profit attributable to owners of the parent | 1 |

### Road Account

On January 11, 2019, Edenred acquired the client portfolio of Road Account from AirPlus, a member of the Lufthansa Group, via its subsidiary UTA KG. AirPlus markets corporate toll payment solutions under the Road Account brand. The acquisition will enable UTA to expand its client base on the buoyant European toll market and creates new outlets for additional services.

The purchase price allocation led to the recognition primarily of a customer list for €12 million and goodwill of €20 million.

### Merits & Benefits and Ekivita

On January 30, 2019, Edenred acquired all outstanding shares in Merits & Benefits and Ekivita. Both leading players in Belgium's employee engagement platform market, the two companies supply several hundred corporate clients with customized e-commerce platforms that offer access to exclusive promotional deals across a network of more than 500 partner brick-and-mortar stores and e-retailers.

The purchase price allocation led to the recognition of a customer list for €6 million and goodwill of €7 million.

### Easy Welfare

On May 28, 2019, the Edenred Group acquired all outstanding shares in Italy's Easy Welfare, the number one operator of employee engagement platforms in the country. Edenred is leveraging its leading position in the Italian employee benefits market to step up the development of this fast-growing offering.

The purchase price allocation led to the recognition primarily of a customer list for €9 million and goodwill of €46 million.

Easy Welfare's contribution to the Group's consolidated financial statements can be analyzed as follows:

| (in € millions) | Easy Welfare 2019 |
|---|---|
| Total rev enue | 9 |
| Net profit attributable to owners of the parent | 3 |

### Benefit Online

July 30, 2019, Edenred announced the acquisition of all outstanding shares in Benefit Online, a pioneer in developing employee engagement platforms in Romania. With this flexible benefits platform, Edenred is addressing the increasing demand from companies that want to improve their employees' loyalty, motivation and purchasing power by offering them a wide range of benefits via simple and flexible digital solutions.

The provisional purchase price allocation led to the recognition of a customer list for 7 million Romanian lei, software for 4 million Romanian lei and goodwill of 21 million Romanian lei.

### Itaú Unibanco

Edenred announced the closing of the exclusive partnership agreement between Ticket Serviços, its subsidiary dedicated to Employee Benefits in Brazil, and Itaú Unibanco, Brazil's largest privately owned bank. Following the prior approval of the Brazilian Central Bank and the Brazilian antitrust authority, the contract was closed in accordance with the agreement signed and announced on September 5, 2018. Itaú Unibanco will exclusively distribute Edenred's Employee Benefits in Brazil. The new distribution channel strengthens Edenred's existing sales organization and will help speed up its growth in the high-potential Brazilian Employee Benefits market.

The share issue underwritten by minority shareholders for a total of 444 million Brazilian reais was paid up through the contribution of a customer list for 420 million Brazilian reais, with the balance of 24 million Brazilian reais paid in cash.

### Mint

On December 26, 2019, Edenred announced that it was acquiring the payroll card portfolio of Mint, the second-largest operator in pay solution distribution and management in the United Arab Emirates, via its C3 subsidiary. The acquisition will enable C3 to expand its client base on the buoyant Middle Eastern market.

The total purchase price was provisionally allocated to goodwill for an amount of 127 million UAE dirhams.

# NOTE 3 : SIGNIFICANT EVENTS

## 3.1 . PAYMENT OF THE 2018 DIVIDEND

At the Annual Shareholders Meeting on May 14, 2019, Edenred shareholders approved the payment of a 2018 dividend of €0.86 per share, with the option of reinvesting all of the dividend in new shares.

The reinvestment period, which ran from May 22, 2019 to the close of business on June 5, 2019, led to the issue of 3,938,507 new shares of Edenred common stock, representing 1.65% of the share capital, which were settled and admitted to trading on the Euronext Paris stock market on June 11, 2019.

The new shares carry dividend rights from January 1, 2019 and rank *pari passu* with existing shares of Edenred common stock. Following the issue, the Company's share capital comprised 243,204,857 shares.

The total dividend amounted to €206 million and included cash dividends of €62 million paid to Group shareholders on June 11, 2019.

## 3.2 . ISSUE OF BONDS CONVERTIBLE INTO AND/OR EXCHANGEABLE FOR NEW AND/OR EXISTING SHARES (OCEANE)

On September 3, 2019, Edenred announced that it had successfully placed bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") due 2024 (the "Bonds") for an amount of €500 million by way of a placement to qualified investors only (see Note 6.4 "Debt and other financial liabilities").

## 3.3 . ADLC

On October 9, 2015, the French company Octoplus filed a complaint with the French Antitrust Authority against several French companies in the meal voucher sector, including Edenred France. The Antitrust Authority's board met on April 5, 2016 and on July 7, 2016 to hear all the parties concerned as well as the investigation departments. On October 6, 2016, the Antitrust Authority decided to pursue its investigations without passing provisional measures against Edenred France.

On February 27, 2019, the investigation departments provided Edenred France with their final report, which contained two complaints dating from the early 2000s concerning information sharing through the Centrale de Remboursement des Titres (CRT) and the use of the CRT to lock up the meal voucher market. Edenred submitted its observations to the Antitrust Authority on April 29, 2019. On December 17, 2019, the Antitrust Authority announced that it had decided to fine Edenred €157 million on the grounds of the above two complaints. The Company received notification of the Antitrust Authority's decision on February 6, 2020, and is awaiting the fine collection document for payment within 30 days. Edenred contests the Antitrust Authority's analysis of the competitive situation in the French meal voucher market and the CRT's role in this market. It therefore intends to appeal this ruling and, based on the opinion of its legal advisors, considers that it has strong arguments to challenge the Antitrust Authority's decision. Therefore, the Company has not set aside a related provision.

## 3.4 . SUBSEQUENT EVENTS

### Syndicated credit facility

On February 12, 2020, the syndicated credit facility was renegotiated. The amount has been increased to €750 million and the maturity extended by five years to February 2025, with two new one-year extension options. New non-financial performance covenants have been added to the facility agreement in exchange for a reduction in the interest rate. The two performance criteria – promoting balanced nutrition and reducing greenhouse gas (GHG) emissions intensity – are aligned with the three pillars of the Group's ESG strategy (Planet, Progress, People).

### EBV

On February 4, 2020, the Lithuanian Antitrust Authority approved the acquisition by Edenred of a 60% stake in EBV Finance.

The deal was closed on February 10, 2020.

EBV Finance is a Lithuanian company specialized in tax refunds for European transportation companies. With this transaction, the Group is significantly strengthening its position in the segment and expanding its range of value-added services for international transportation companies in Europe.

# NOTE 4 : OPERATING ACTIVITY

## 4.1 . OPERATING SEGMENTS

IFRS 8 requires companies to present financial information aggregated into "operating segments". The operating segments must reflect the groupings made by "the chief operating decision maker" for the purposes of allocating resources and assessing the performance of the consolidated group.

For aggregation to occur, IFRS 8 requires that the operating segments have similar long-term economic characteristics, and be similar in each of the following respects:

a) the nature of the products and services;

b) the nature of the production processes;

c) the type or class of customer for their products and services;

d) the methods used to distribute their products or provide their services; and

e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

### Chief operating decision maker

Edenred's chief operating decision maker is the Chief Executive Officer assisted by the Executive Committee (or "executive management"). Executive management makes decisions about resource allocation to the operating segments and assesses their performance.

Executive management decisions are based on data produced by the Group's internal reporting system. The internal reporting system presents information at the country level. This is because Edenred's business is multi-location with operational decisions made at the level of each homogeneous geographic area.

In the Group's internal reporting system, country-level information is aggregated into four geographical operating segments:

- France;
- Europe (excluding France);
- Latin America;
- Rest of the World.

Except France, the presented segments are thus aggregations of operating segments.

### Aggregation

The "Europe (excluding France)" and "Latin America" aggregations meet the criteria mentioned above.

The "Rest of the World" segment aggregates the countries that are not included in "France", "Europe (excluding France)" and "Latin America".

Finally, "Holding & Other" includes the Edenred SA holding company, regional headquarters and companies with no operating activity.

Transactions between segments are not material.

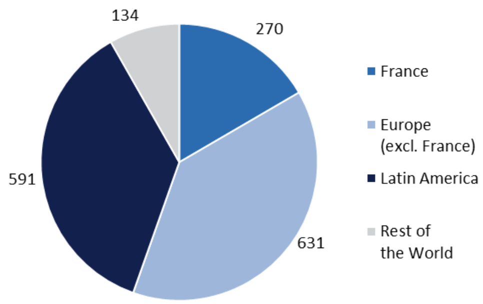
# Condensed financial information

## Income statement (in € millions)

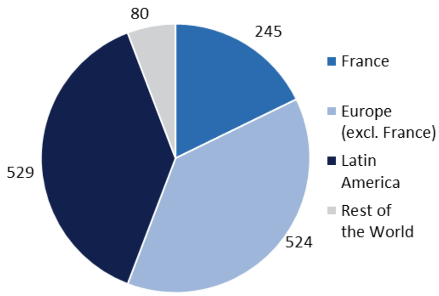
Executive management uses the following indicators to track business performance:

- Total revenue;
- EBIT.

### Total revenue from operating segments (including inter-segment revenue)

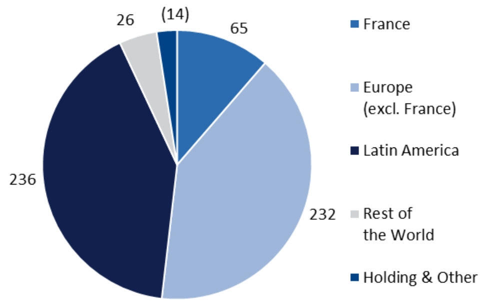



**2019**
**TOTAL:** 1,626

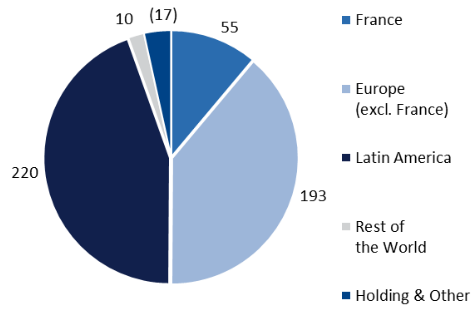



**2018**
**TOTAL:** 1,378

### EBIT




**2019**
**TOTAL:** 545

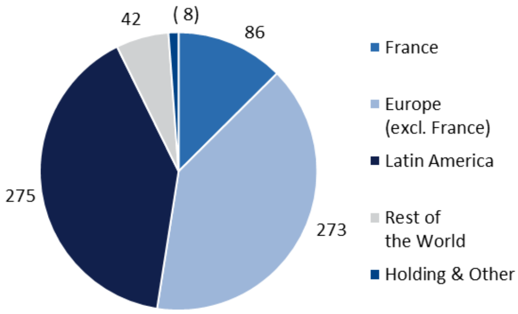



**2018**
**TOTAL:** 461

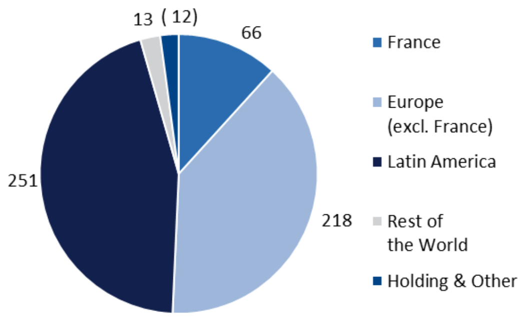
## Reconciliation of EBITDA to the amounts reported in the consolidated income statement

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | Holding & Other | TOTAL |
|---|---|---|---|---|---|---|
| Total revenue | 270 | 631 | 591 | 134 | - | **1,626** |
| Operating expenses | (184) | (358) | (316) | (92) | (8) | **(958)** |
| **EBITDA – 2019** | 86 | 273 | 275 | 42 | (8) | **668** |
| **EBITDA – 2018** | **66** | **218** | **251** | **13** | **(12)** | **536** |

## EBITDA




**2019**
**TOTAL:** 668




**2018**
**TOTAL:** 536

### Statement of financial position

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | Holding & Other | Dec. 31, 2019 |
|---|---|---|---|---|---|---|
| Goodwill | 160 | 548 | 411 | 485 | - | **1,604** |
| Intangible assets | 72 | 246 | 248 | 125 | 15 | **706** |
| Property, plant and equipment | 17 | 72 | 43 | 13 | 24 | **169** |
| Non-current financial assets and investments in equity-accounted companies | 1 | 68 | 13 | 8 | 54 | **144** |
| Deferred tax assets | 11 | 34 | 15 | 8 | 26 | **94** |
| **Non-current assets** | **261** | **968** | **730** | **639** | **119** | **2,717** |
| **Current assets** | **1,099** | **2,658** | **1,485** | **274** | **653** | **6,169** |
| **TOTAL ASSETS** | **1,360** | **3,626** | **2,215** | **913** | **772** | **8,886** |
| **Equity and non-controlling interests** | **(59)** | **1,007** | **815** | **606** | **(3,412)** | **(1,043)** |
| **Non-current liabilities** | **17** | **172** | **100** | **15** | **2,473** | **2,777** |
| **Current liabilities** | **1,402** | **2,447** | **1,300** | **292** | **1,711** | **7,152** |
| **TOTAL EQUITY AND LIABILITIES** | **1,360** | **3,626** | **2,215** | **913** | **772** | **8,886** |

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | Holding & Other | Dec. 31, 2018 |
|---|---|---|---|---|---|---|
| Goodwill | 160 | 366 | 415 | 35 | - | **976** |
| Intangible assets | 69 | 182 | 155 | 10 | 16 | **432** |
| Property, plant and equipment | 5 | 28 | 15 | 3 | 1 | **52** |
| Non-current financial assets and investments in equity-accounted companies | 2 | 62 | 7 | 2 | 41 | **114** |
| Deferred tax assets | 12 | 15 | 14 | 4 | 30 | **75** |
| **Non-current assets** | **248** | **653** | **606** | **54** | **88** | **1,649** |
| **Current assets** | **1,057** | **2,024** | **1,606** | **193** | **741** | **5,621** |
| **TOTAL ASSETS** | **1,305** | **2,677** | **2,212** | **247** | **829** | **7,270** |
| **Equity and non-controlling interests** | **128** | **663** | **720** | **48** | **(3,010)** | **(1,451)** |
| **Non-current liabilities** | **15** | **133** | **56** | **2** | **2,243** | **2,449** |
| **Current liabilities** | **1,162** | **1,881** | **1,436** | **197** | **1,596** | **6,272** |
| **TOTAL EQUITY AND LIABILITIES** | **1,305** | **2,677** | **2,212** | **247** | **829** | **7,270** |

## 4.2 . TOTAL REVENUE

As explained in Note 14.6 "Glossary", like-for-like or organic growth corresponds to comparable data, that is, at constant scope of consolidation and exchange rates. This indicator reflects the Group's business performance.

Changes in revenue between 2019 and 2018 break down as follows:

| | | | Δ 2019/2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Organic growth | | Changes in consolidation scope | | Currency effect | | Total change | |
| *(in € millions)* | **2019** | **2018** | In €m | As a % | In €m | As a % | In €m | As a % | In €m | As a % |
| Operating revenue | 1,570 | 1,327 | +185 | +13.9% | +70 | +5.3% | (12) | (0.9)% | +243 | +18.3% |
| Other revenue | 56 | 51 | +5 | +11.0% | +0 | +0.4% | (0) | (1.0)% | +5 | +10.4% |
| **Total revenue** | **1,626** | **1,378** | **+190** | **+13.8%** | **+70** | **+5.1%** | **(12)** | **(0.9)%** | **+248** | **+18.0%** |

## 4.2.1 Segment information by indicator

## Change in total revenue

### Total revenue by region

Total revenue is made up of operating revenue and other revenue.

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | TOTAL |
|---|---|---|---|---|---|
| Total revenue – 2019 | 270 | 631 | 591 | 134 | **1,626** |
| Total revenue – 2018 | 245 | 524 | 529 | 80 | **1,378** |
| Change | +25 | +107 | +62 | +54 | +248 |
| % change | +9.9% | +20.3% | +11.8% | +69.3% | **+18.0%** |
| **LIKE-FOR-LIKE CHANGE** | **+25** | **+77** | **+72** | **+16** | **+190** |
| **LIKE-FOR-LIKE CHANGE AS A %** | **+9.9%** | **+14.7%** | **+13.6%** | **+21.2%** | **+13.8%** |

### Operating revenue by region

Changes in operating revenue between 2019 and 2018 break down by region as follows:

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | TOTAL |
|---|---|---|---|---|---|
| Operating revenue – 2019 | 264 | 620 | 559 | 127 | **1,570** |
| Operating revenue – 2018 | 239 | 516 | 497 | 75 | **1,327** |
| Change | +25 | +104 | +62 | +52 | +243 |
| % change | +10.2% | +20.0% | +12.5% | +70.9% | **+18.3%** |
| **LIKE-FOR-LIKE CHANGE** | **+25** | **+74** | **+72** | **+14** | **+185** |
| **LIKE-FOR-LIKE CHANGE AS A %** | **+10.2%** | **+14.3%** | **+14.4%** | **+19.3%** | **+13.9%** |

### Other revenue

Other revenue is the interest generated by investing cash over the period between:

- the issue date and the reimbursement date for prepaid vouchers; and
- the loading date and the redeeming date for prepaid cards.

Total revenue corresponds to the sum of operating revenue and other revenue.

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | TOTAL |
|---|---|---|---|---|---|
| Other revenue – 2019 | 6 | 11 | 32 | 7 | **56** |
| Other revenue – 2018 | 6 | 8 | 32 | 5 | **51** |
| Change | +0 | +3 | +0 | +2 | **+5** |
| % change | +0.4% | +36.7% | +0.9% | +42.9% | **+10.4%** |
| **LIKE-FOR-LIKE CHANGE** | **+0** | **+3** | **+0** | **+2** | **+5** |
| **LIKE-FOR-LIKE CHANGE AS A %** | **+0.4%** | **+36.8%** | **+0.4%** | **+51.9%** | **+11.0%** |

## 4.2.2 Operating revenue by business line

In accordance with IFRS 15, revenue is recognized upon the transfer of control to the customer.

- Employee Benefits and Fleet & Mobility Solutions business lines:
  - commissions received from corporate clients are recognized when vouchers are issued and sent to clients;
  - commissions received from partner merchants are recognized upon presentation of the vouchers for reimbursement by the beneficiary;
  - profits on vouchers that expire without being reimbursed are recognized in income after the expiry date of the reimbursement rights.

  Where the Group acts as the agent, only the agency commission is recognized. All revenue generated through principal/agent arrangements in which the Group acts as the principal is recognized in full.
- Complementary Solutions business line: the revenue corresponds to the amount billed to the corporate client and is recognized on delivery of the solutions.

In addition to the information broken down by region as presented in the section on segment information and in accordance with IFRS 15, the following tables show a breakdown of the Group's operating revenue by business line.

| *(in € millions)* | Employee Benefits | Fleet & Mobility Solutions | Complementary Solutions | TOTAL |
|---|---|---|---|---|
| Operating rev enue – 2019 | 975 | 409 | 186 | **1,570** |
| Operating rev enue – 2018 | 854 | 336 | 137 | **1,327** |
| Change | +121 | +73 | +49 | **+243** |
| % change | +14.1% | +21.8% | +35.6% | **+18.3%** |
| **LIKE-FOR-LIKE CHANGE** | **+111** | **+53** | **+21** | **+185** |
| **LIKE-FOR-LIKE CHANGE AS A %** | **+13.0%** | **+15.8%** | **+14.9%** | **+13.9%** |

## 4.3 . OPERATING EXPENSES

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| Employee benefit expense | (479) | (426) |
| Cost of sales | (157) | (152) |
| Business taxes | (47) | (41) |
| Rental expense[1] | (1) | (21) |
| Other operating expenses | (274) | (202) |
| **TOTAL OPERATING EXPENSES** | **(958)** | **(842)** |

(1) Operating expenses for 2019 reflect the €21 million effect of restating property rental expenses following the application of IFRS 16.

Other operating expenses consist mainly in IT expenses, external fees, marketing and advertising expenses, additions to and reversals of impairment of current assets, and development expenses.

## 4.4 . EBIT

Changes in EBIT between 2019 and 2018 break down as follows:

| | | | Δ 2019/2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Organic growth | | Changes in consolidation scope | | Currency effect | | Total change | |
| *(in € millions)* | 2019 | 2018 Restated | In €m | As a % | In €m | As a % | In €m | As a % | In €m | As a % |
| **EBIT** | **545** | **461** | **+68** | **+14.8%** | **+22** | **+4.8%** | **(6)** | **(1.3)%** | **+84** | **+18.3%** |

EBIT is analyzed by operating segment in the table below:

| *(in € millions)* | France | Europe (excl. France) | Latin America | Rest of the World | Holding & Other | TOTAL |
|---|---|---|---|---|---|---|
| EBIT – 2019 | 65 | 232 | 236 | 26 | (14) | **545** |
| EBIT – 2018 | 55 | 193 | 220 | 10 | (17) | **461** |
| Change | +10 | +39 | +16 | +16 | +3 | **+84** |
| % change | +18.4% | +20.5% | +7.5% | +163.7% | +14.2% | **+18.3%** |
| **LIKE-FOR-LIKE CHANGE** | **+10** | **+26** | **+19** | **+8** | **+5** | **+68** |
| **LIKE-FOR-LIKE CHANGE AS A %** | **+18.2%** | **+13.6%** | **+8.6%** | **+80.8%** | **+31.6%** | **+14.8%** |

## 4.5 . CHANGE IN WORKING CAPITAL AND FUNDS TO BE REDEEMED

Funds to be redeemed correspond to the face value of all vouchers in circulation and funds loaded on cards but not yet used. They derive from multiple transactions:

- on the one hand, with customers to whom vouchers have been issued or whose cards have been loaded, with a corresponding inflow recognized either in available cash or – depending on applicable regulations – in restricted cash (mainly in France, Belgium, the United States, the United Kingdom and Romania);
- on the other hand, with merchants that are reimbursed by Edenred with respect to the vouchers and cards used by employees in their establishments.

Considering Edenred's operations, the main components of working capital analyzed are funds to be redeemed and restricted cash. These two aggregates are key indicators for managing the business.

Funds to be redeemed are recognized in current liabilities.

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|
| Inventories, net | 32 | 27 | 5 |
| Trade receivables, net | 2,073 | 1,875 | 198 |
| Other receivables, net | 327 | 280 | 47 |
| **ASSETS** | **2,432** | **2,182** | **250** |
| Trade payables | (261) | (224) | (37) |
| Other payables | (1,072) | (614) | (458) |
| Funds to be redeemed | (5,161) | (4,959) | (202) |
| **LIABILITIES** | **(6,494)** | **(5,797)** | **(697)** |
| **NEGATIVE WORKING CAPITAL** | **(4,062)** | **(3,615)** | **(447)** |
| Current tax liabilities | (33) | (13) | (20) |
| **NET NEGATIVE WORKING CAPITAL (INCL. CORPORATE INCOME TAX LIABILITIES)** | **(4,095)** | **(3,628)** | **(467)** |

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| **Working capital at beginning of period** | **(3,615)** | **(3,230)** |
| Change in working capital[(1)] | (369) | (404) |
| Acquisitions | (52) | (14) |
| Disposals/liquidations | (2) | 1 |
| Change in impairment of current assets | (10) | (3) |
| Currency translation adjustment | (37) | 34 |
| Reclassifications to other balance sheet items | 23 | 1 |
| **Net change in working capital** | **(447)** | **(385)** |
| **WORKING CAPITAL AT END OF PERIOD** | **(4,062)** | **(3,615)** |

(1) See section 1.4 "Consolidated statement of cash flows".

## 4.6 . CHANGE IN RESTRICTED CASH

Restricted cash corresponds to voucher reserve funds. These funds, which are equal to the face value of vouchers in circulation, are subject to specific regulations in some countries, such as France for the *Ticket Restaurant*® and *Ticket CESU* solutions. In particular, use of the funds is restricted and they must be clearly segregated from the Group's other cash. The funds remain Edenred's property and are invested in locally regulated interest-bearing financial instruments.

Restricted cash corresponds mainly to voucher reserve funds subject to special regulations in the following countries: France (€722 million), the United Kingdom (€613 million), Belgium (€302 million) Romania (€94 million), the United States (€63 million), Italy (€19 million), Brazil (€12 million) the United Arab Emirates (€10 million), Bulgaria (€10 million), Uruguay (€9 million) and Taiwan (€8 million).

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| **Restricted cash at beginning of period** | **1,402** | **1,127** |
| Like-for-like change for the period[(1)] | 395 | 279 |
| Acquisitions | 31 | - |
| Currency translation adjustment | 27 | (4) |
| Other changes | 9 | - |
| **Net change in restricted cash** | **462** | **275** |
| **RESTRICTED CASH AT END OF PERIOD** | **1,864** | **1,402** |

(1) See section 1.4 "Consolidated statement of cash flows".

## 4.7 . TRADE AND OTHER RECEIVABLES AND PAYABLES

### Trade receivables

In accordance with IFRS 9, impairment of trade and other receivables is recognized on the basis of expected losses and no longer on incurred losses. A provision for impairment will therefore need to be recognized as soon as the receivable arises. For receivables with no significant financing component, the Group applies the alternative model, which consists of recognizing a provision equal to the lifetime expected losses on the contract.

| *(in € millions)* | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| Trade receivables, gross | 2,183 | 1,977 |
| Impairment losses | (110) | (102) |
| **TRADE RECEIVABLES, NET** | **2,073** | **1,875** |

### Inventories, other receivables and accruals

**Accounting method used for inventories**

Inventories are measured at the lower of cost and net realizable value, in accordance with IAS 2 – Inventories. Cost is determined by the weighted average cost method.

For Edenred, inventories mainly include ProwebCE ticket inventories and payment cards, as well as paper for printing vouchers.

| *(in € millions)* | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| Inventories | 32 | 27 |
| VAT recoverable | 121 | 90 |
| Employee advances and prepaid payroll taxes | 5 | 5 |
| Other prepaid and recoverable taxes | 37 | 40 |
| Prepaid expenses | 26 | 21 |
| Other receivables | 139 | 125 |
| **INVENTORIES, OTHER RECEIVABLES AND ACCRUALS, GROSS** | **360** | **308** |
| Impairment losses | (1) | (1) |
| **INVENTORIES, OTHER RECEIVABLES AND ACCRUALS, NET** | **359** | **307** |

## Other payables and accruals

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| VAT payable | 43 | 41 |
| Wages, salaries and payroll taxes payable | 92 | 84 |
| Other taxes payable (excl. corporate income tax) | 22 | 22 |
| Deferred income | 35 | 33 |
| Other payables | 880 | 434 |
| **Total other payables and accruals** | **1,072** | **614** |
| Corporate income tax liabilities | 33 | 13 |
| **OTHER PAYABLES AND ACCRUALS, NET** | **1,105** | **627** |

# NOTE 5 : NON-CURRENT ASSETS

## 5.1 . GOODWILL

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired and the acquisition price is allocated. For this purpose, fair values are determined in the new subsidiary's local currency.

**Goodwill**

Goodwill, representing the excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets and liabilities acquired at the acquisition date, is recognized in assets under "Goodwill". Goodwill mainly results from the expected synergies and other benefits arising from the business combinations that have not been recognized as separated assets in IFRS.

In accordance with IFRS 3 (revised) – Business Combinations, each time it acquires an interest of less than 100% in an entity, the Group must choose whether to measure the non-controlling interest at fair value or as the non-controlling interest's proportionate share of the acquiree's identifiable net assets (with no change possible later in the event of an additional interest being acquired that does not transfer control). If the business is measured at its total fair value including non-controlling interests, goodwill attributable to non-controlling interests is also recognized.

Goodwill arising on investments in associates – corresponding to companies over which the Group exercises significant influence – is included in the carrying amount of the associate concerned.

Goodwill arising on the acquisition of subsidiaries is reported separately.

Goodwill is tested for impairment at least once a year and more frequently if there is any indication that it may be impaired. If the carrying amount of goodwill exceeds its recoverable amount, an irreversible impairment loss is recognized in the income statement.

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Goodwill, gross | 1,778 | 1,147 |
| Accumulated impairment losses | (174) | (171) |
| **GOODWILL, NET** | **1,604** | **976** |

| *(in € millions)* | **Dec. 31, 2019** | **Dec. 31, 2018** |
|---|---|---|
| United States (including CSI) | 429 | 14 |
| Brazil (including Repom and Embratec) | 353 | 359 |
| UTA (including Road Account) | 169 | 149 |
| United Kingdom (including Prepay Technologies and TRFC) | 149 | 43 |
| Italy (including Easy Welfare) | 92 | 46 |
| France (Ticket Cadeaux) | 92 | 92 |
| France (primarily ProwebCE) | 52 | 52 |
| Dubai (including Mint) | 46 | 9 |
| Mexico | 45 | 42 |
| Romania (including Benefit Online) | 36 | 31 |
| Finland | 19 | 19 |
| Slovakia | 18 | 18 |
| Poland (including Timex) | 18 | 18 |
| Sweden | 17 | 17 |
| France (Moneo Resto) | 14 | 14 |
| Czech Republic | 13 | 13 |
| Belgium (including Merits & Benefits and Ekivita) | 11 | 4 |
| Japan | 9 | 12 |
| Portugal | 6 | 6 |
| Other (individually representing less than €5 million) | 16 | 18 |
| **GOODWILL, NET** | **1,604** | **976** |

Changes in the carrying amount of goodwill during the period presented were as follows:

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| **NET GOODWILL AT BEGINNING OF PERIOD** | **976** | **994** |
| **Increase in gross goodwill and impact of scope changes** | **620** | **27** |
| United States (CSI acquisition) | 407 | - |
| United Kingdom (TRFC acquisition) | 99 | - |
| Italy (Easy Welfare acquisition) | 46 | - |
| Dubai (Mint acquisition) | 37 | - |
| Germany (Road Account acquisition) | 20 | - |
| Belgium (Merits & Benefits and Ekivita acquisitions) | 7 | - |
| Romania (Benefit Online acquisition) | 4 | - |
| Germany (UTA acquisition) | - | 1 |
| Slovakia | - | (3) |
| Brazil (Good Card consolidation) | - | 4 |
| Poland (Timex acquisition) | - | 18 |
| Peru (Effectibono acquisition) | - | 4 |
| Other acquisitions | - | 3 |
| **Goodwill written off on disposals for the period** | - | - |
| **Impairment losses** | **(3)** | **(5)** |
| **Currency translation adjustment** | **11** | **(40)** |
| **NET GOODWILL AT END OF PERIOD** | **1,604** | **976** |

## 5.2 . INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses, in accordance with IAS 38 – Intangible Assets.

Incurred expenses related to internal projects are differentiated whether they are incurred during the research phase or the development phase. This differentiation is essential as the financial treatment is different for the two categories.

For an internal project, the research phase includes the preliminary investigation phase before the development phase, represented by the market application.

Expenses incurred during the research phase of an internal project are not capitalized but expensed in the income statement of the period during which they occurred.

Expenses incurred during the development phase of an internal project are analyzed in order to determine whether or not they can be capitalized. If the six criteria defined by IAS 38.57 are simultaneously met, expenses can be capitalized and amortized over the period defined by the category of assets in which they are included. If not, they are expensed in the income statement of the period during which they occurred.

As a reminder, according to IAS 38.57, expenses may only be capitalized if the entity demonstrates the following six items:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group's main brands are considered as having indefinite useful lives and are therefore not amortized. Their carrying amount is reviewed at least once a year and more frequently if there is any indication that they may be impaired. If their recoverable amount determined according to the criteria applied at the acquisition date is less than their carrying amount, an impairment loss is recognized.

Other intangible assets (acquired and internally developed software, licenses and customer lists) are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives, as follows:

- licenses: life of the license;
- customer lists: 3 to 18 years;
- software: 2 to 7 years.

Identifiable intangible assets recognized in a business combination are initially recognized at amounts determined by independent valuations, performed using relevant criteria for the business concerned that can be applied for the subsequent measurement of the assets. Identifiable brands are measured based on multiple criteria, taking into account both brand equity and their contribution to profit. Customer lists are measured based on the cost of acquiring new customers.

Most brands have been qualified as having an indefinite useful life because the Group considers that there is no foreseeable limit to the period in which they can be used.

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| **GROSS CARRYING AMOUNT** | | |
| Brands | 66 | 66 |
| Customer lists | 620 | 335 |
| Licenses and software | 374 | 330 |
| Other intangible assets | 101 | 85 |
| **TOTAL GROSS CARRYING AMOUNT** | **1,161** | **817** |
| **ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | | |
| Brands | (11) | (10) |
| Customer lists | (145) | (111) |
| Licenses and software | (250) | (220) |
| Other intangible assets | (49) | (45) |
| **TOTAL ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | **(455)** | **(385)** |
| **NET CARRYING AMOUNT** | **706** | **432** |

Customer lists acquired primarily comprise that of CSI for a net €113 million, UTA (including Road Account) for a net €102 million, Itaú Unibanco for a net €90 million, TRFC for a net €38 million and Easy Welfare for a net €9 million.

Other intangible assets concern mainly assets in progress in the framework of IT platform development projects.

Changes in the carrying amount of intangible assets over the period were as follows:

| *(in € millions)* | **2019** | **2018** |
|---|---|---|
| **CARRYING AMOUNT AT BEGINNING OF PERIOD** | **432** | **433** |
| Intangible assets of newly consolidated companies | 287 | 8 |
| Internally generated assets | 19 | 47 |
| Additions | 54 | 20 |
| Amortization for the period | (80) | (61) |
| Impairment losses for the period | (9) | - |
| Currency translation adjustment | 5 | (17) |
| Reclassifications | (2) | 2 |
| **CARRYING AMOUNT AT END OF PERIOD** | **706** | **432** |

## 5.3 . PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 – Property, Plant and Equipment. Assets under construction are measured at cost less any accumulated impairment losses. They are depreciated from the date when they are put in service.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, using the components method, from the date when they are put in service. The main depreciation periods applied are as follows:

- building improvements, fixtures and fittings: 5 to 15 years;
- equipment and furniture: 4 to 7 years.

Investment properties are depreciated on a straight-line basis over their estimated useful lives, using the components method. The Group's investment properties are located exclusively in Venezuela. Buildings are depreciated over a maximum of 40 years. Other components are depreciated over the same periods as other property, plant and equipment.

| (in € millions) | Dec. 31, 2019 GROSS CARRYING AMOUNT | Dec. 31, 2019 DEPRECIATION AND IMPAIRMENT LOSSES | Dec. 31, 2019 NET CARRYING AMOUNT | Dec. 31, 2018 GROSS CARRYING AMOUNT | Dec. 31, 2018 DEPRECIATION AND IMPAIRMENT LOSSES | Dec. 31, 2018 NET CARRYING AMOUNT |
|---|---|---|---|---|---|---|
| Land | 2 | - | 2 | 2 | - | 2 |
| Buildings | 18 | (7) | 11 | 13 | (6) | 7 |
| Fixtures | 32 | (18) | 14 | 30 | (18) | 12 |
| Equipment and furniture | 123 | (94) | 29 | 124 | (95) | 29 |
| Assets under construction | 10 | - | 10 | 2 | - | 2 |
| Right of use (IFRS 16) | 132 | (29) | 103 | - | - | - |
| **Total** | **317** | **(148)** | **169** | **171** | **(119)** | **52** |

Changes in the carrying amount of property, plant and equipment during the period were as follows:

| (in € millions) | 2019 | 2018 |
|---|---|---|
| **CARRYING AMOUNT AT BEGINNING OF PERIOD** | **52** | **46** |
| Property, plant and equipment of newly consolidated companies | - | 1 |
| Additions | 25 | 22 |
| Disposals | - | (1) |
| Depreciation for the period | (15) | (15) |
| Currency translation adjustment | (1) | (2) |
| Reclassifications | 5 | 1 |
| **CARRYING AMOUNT AT END OF PERIOD – BEFORE IFRS 16** | **66** | **52** |
| Impact of IFRS 16 at end of period* | 103 | - |
| **CARRYING AMOUNT AT END OF PERIOD** | **169** | **52** |

* The impact of IFRS 16 on the opening carrying amount came to €91 million.

## 5.4 . INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

In accordance with IFRS 12 – Disclosure of Interests in Other Entities, an entity must disclose information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities; and
- the effects of those interests on its financial position, financial performance and cash flows.

As per IAS 28 (revised), exercising significant influence over a company consists in having the power to participate in the financial and operating policy decisions of the company but not control (as in the case of a fully consolidated company) or joint control over those policies.

At December 31, 2019, this item consisted mainly of AGES (AGES Maut System GmbH & Co KG and Ages International GmbH & Co KG) and MSC (Mercedes Service Card Beteiligungs GmbH and Mercedes Service Card GmbH & Co KG).

***Change in investments in equity-accounted companies:***

| *(in € millions)* | **2019** | **2018** |
|---|---|---|
| **Investments in equity-accounted companies at beginning of period** | 66 | 62 |
| Share of net profit from equity-accounted companies | 14 | 11 |
| Impact of the Goodcard acquisition | - | 7 |
| Impairment of inv estments in equity-accounted companies | (2) | - |
| Impact of full consolidation of UTA Polska | - | (2) |
| Div idends receiv ed from inv estments in AGES and MSC equity-accounted companies | (9) | (12) |
| **Investments in equity-accounted companies at end of period** | **69** | **66** |

## 5.5 . IMPAIRMENT TESTS

### Recoverable amount of assets

In accordance with IAS 36 – Impairment of Assets, the carrying amounts of goodwill, intangible assets, property, plant and equipment, and investment properties are tested for impairment when there is any indication that they may be impaired. Assets with an indefinite useful life – corresponding solely to goodwill and brands – are tested at least once a year.

### Reversal of impairment losses

In accordance with IAS 36 – Impairment of Assets, impairment losses on goodwill are irreversible. Impairment losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

### Cash-generating units

Impairment tests are performed at the level of the cash-generating unit (CGU) or group of CGUs.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. It corresponds to the level at which the Group organizes its businesses and monitors its results for internal management purposes. All assets are allocated to CGUs. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, it may be allocated to a group of CGUs which may not be greater than an operating segment as defined in Note 4 “Operating Activity”.

Indications of impairment are as follows for active CGUs:

- a 15% drop in like-for-like operating revenue;
- a 20% drop in like-for-like EBITDA; or
- any event or change in the economic environment indicating a current risk of impairment.

CGUs, which correspond to the Group’s operating segments, are identified by country. For the main countries, they are identified by type of solution (Employee Benefits, Fleet & Mobility Solutions and Incentives & Rewards) if there are very different activities with separated sales teams and customer portfolios.

**Methods used to determine recoverable amounts**

Impairment tests consist in comparing the carrying amount of a CGU with its recoverable amount, defined as the higher of fair value less cost to sell and value in use.

The carrying amount corresponds to the carrying value of capital employed.

For Edenred, it includes:

- goodwill;
- property, plant and equipment and intangible assets;
- working capital excluding float but including current tax liability.

Float corresponds to operating working capital, that is, vouchers in circulation to be redeemed less trade receivables.

Impairment tests are carried out in two steps:

- Step one: the carrying amount of the CGU/group of CGUs is compared to an EBITDA multiple that is considered as being representative of fair value less cost to sell. The Group considers that a difference of more than 20% between the fair value, less cost to sell, and the carrying amount means a potential loss in value.
- Step two: when there is a risk of a loss in value identified using this method or changes in the economic environment of the country or the local business, a test based on the discounted cash flow method is applied in order to determine the potential loss in value compared with the carrying amount.

**The method used is as follows:**

| Step 1: Fair value less cost to sell | Step 2*: Value in use |
|---|---|
| **EBITDA multiple method:** This method can be used to measure fair value less cost to sell, and provides the best estimate of the price at which a CGU could be sold on the market on the valuation date. The method consists of calculating the CGU's average EBITDA for the last two years and applying a multiple based on the CGU's geographic location and the specific country risk. The multiples applied correspond to the average of transactions occurring on the market and within a range comparable to the valuation multiples of the Edenred Group. If the recoverable amount is less than the carrying amount, it is recalculated using the discounted cash flow method (Step 2). | **Discounted cash flow method:** The projections used are consistent with the five-year business plans approved by the Board of Directors. In 2019, the rate used to discount cash flows was the Group's after-tax weighted average cost of capital (WACC), broken down by country and by business type. The perpetuity growth rate is aligned with the economic outlook in each of the countries concerned. |

** Used in two situations:*
*- the first step demonstrates loss of value;*
*- the country or the subsidiary is under specific economic circumstances.*

If as a result of this test the recoverable amount is less than the carrying amount, an impairment loss is recognized in an amount corresponding to the value-in-use method. The impairment loss is recorded first as a deduction from the carrying amount of the goodwill allocated to the CGU/group of CGUs, and then as a deduction from the carrying amount of the other assets of the CGU/group of CGUs.

The following CGUs were tested using the value-in-use method in 2019:

Japan and Colombia.

The following CGUs were tested using the value-in-use method in 2018:

Brazil (Repom), United Kingdom (Prepay Technologies), UTA, Slovakia, Japan, Colombia, Chile, Uruguay, Malaysia (Cardtrend), United States (Nutrisavings) and Nicaragua (Nectar Technology).

Potential risks linked to Brexit were taken into account when testing value in 2019.

## Impairment losses

Accumulated impairment losses on property, plant and equipment and intangible assets amounted to €204 million in 2019, versus €227 million in 2018. An impairment loss of €3 million was recorded in 2019 on Edenred Japan goodwill (see Note 10.1 "Other income and expenses").

**Property, plant and equipment and intangible assets of CGUs impacted by accumulated impairment losses are detailed as follows:**

| | Dec. 31, 2019 | | | | Dec. 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| *(in € millions)* | Gross carrying amount | Depre-ciation/ amort-ization | Accumu-lated impair-ment losses | Net carrying amount | Gross carrying amount | Depre-ciation/ amort-ization | Accumu-lated impair-ment losses | Net carrying amount |
| Goodwill | 1,778 | | (174) | **1,604** | 1,148 | - | (172) | 976 |
| Brands | 66 | (6) | (5) | **55** | 66 | - | (10) | 56 |
| Customer lists | 620 | (141) | (4) | **475** | 335 | (89) | (21) | 225 |
| Other intangible assets | 475 | (278) | (21) | **176** | 415 | (240) | (24) | 151 |
| Property, plant and equipment | 317 | (148) | - | **169** | 171 | (119) | - | 52 |
| **TOTAL** | **3,256** | **(573)** | **(204)** | **2,479** | **2,135** | **(448)** | **(227)** | **1,460** |

## Key assumptions

In 2019, the discount rate applied was based on the Group weighted average cost of capital (WACC) and averaged 8.8% (9.0% in 2018).

The table below presents the discount rates and perpetuity growth rates for the CGUs tested in 2019.

| | Discount rate | | Perpetuity growth rate | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019* | 2018 |
| Europe (excl. France) | N/A | 7.8%-11.2% | N/A | 2.0%-2.5% |
| Latin America | 12.5% | 10.6%-14.7% | 3.0% | 3.0%-6.1% |
| Rest of the World | 6.4% | 7.0%-17.0% | 1.4% | 1.2%-4.0% |

* Source: IMF inflation forecast for 2024.

## Sensitivity analysis

### Rate sensitivity

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | WACC sensitivity | | | | Perpetuity growth rate sensitivity | | | |
| *(in € millions)* | +100 bps | +50 bps | -50 bps | -100 bps | -100 bps | -50 bps | +50 bps | +100 bps |
| France | - | - | - | - | - | - | - | - |
| Europe (excl. France) | - | - | - | - | - | - | - | - |
| Latin America | - | - | - | - | - | - | - | - |
| Rest of the World | (2) | (1) | 2 | 3 | (2) | (1) | 1 | 3 |

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | WACC sensitivity | | | | Perpetuity growth rate sensitivity | | | |
| *(in € millions)* | +100 bps | +50 bps | -50 bps | -100 bps | -100 bps | -50 bps | +50 bps | +100 bps |
| France | - | - | - | - | - | - | - | - |
| Europe (excl. France) | - | - | - | - | - | - | - | - |
| Latin America | - | - | - | - | - | - | - | - |
| Rest of the World | (3) | (2) | 1 | 1 | (2) | (1) | 1 | 1 |

In 2019, changes in the weighted average cost of capital (WACC) and the perpetuity growth rate would have the following impacts on the Rest of the World region:

Regarding discount rates, the impacts on recognized impairment losses would be as follows:

- a 50 basis point increase in the discount rate would have had the effect of increasing the recognized loss by around €1 million for the Rest of the World region;
- a 100 basis point increase in the discount rate would have had the effect of increasing the recognized loss by around €2 million for the Rest of the World region.

Regarding perpetuity growth rates, the impacts on recognized impairment losses would be as follows:

- a 50 basis point decrease in the discount rate would have had the effect of increasing the recognized loss by around €1 million for the Rest of the World region;
- a 100 basis point decrease in the discount rate would have had the effect of increasing the recognized loss by around €2 million for the Rest of the World region.

### Growth assumption sensitivity

| | 2019 | | | |
|---|---|---|---|---|
| | Business growth sensitivity | | Margin rate sensitivity | |
| *(in € millions)* | -10% | +10% | -100 bps | +100 bps |
| France | - | - | - | - |
| Europe (excl. France) | - | - | - | - |
| Latin America | - | - | - | - |
| Rest of the World | (1) | 1 | (1) | 1 |

Business growth is measured by like-for-like growth of business volume. The margin rate is defined as the ratio between EBIT before depreciation, amortization, provisions and impairment and operating revenue.

In 2019, a 10% fall in business volume would have had the effect of increasing the recognized impairment loss by around €1 million.

In 2019, a 100 basis point fall in the margin rate would have increased the recognized impairment loss by around €1 million.

## 5.6 . DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization, provision expenses and impairment losses reflect the operating costs of assets owned by Edenred. This item also includes amortization of fair value adjustments to assets acquired in business combinations.

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| Amortization of fair v alue adjustments to assets acquired in business combinations | (38) | (21) |
| Amortization of intangible assets | (42) | (38) |
| Depreciation of property, plant and equipment | (15) | (16) |
| Depreciation of right-of-use assets (effect of applying IFRS 16) | (28) | - |
| **TOTAL** | **(123)** | **(75)** |

In 2019, amortization of fair value adjustments to assets primarily included €10 million for CSI, €7 million for UTA, €7 million for Ticket Log, €3 million for TRFC, €2 million for Itaú and €2 million for ProwebCE.

# NOTE 6 : FINANCIAL ITEMS

## 6.1 . NET FINANCIAL EXPENSE

Net financial expense includes:

- interest expense or income on borrowings, other financial liabilities and loans and receivables;
- exchange gains and losses on financial transactions;
- movements on financial provisions.

| *(in € millions)* | **2019** | **2018** |
|---|---|---|
| Gross borrowing cost | (56) | (47) |
| Hedging instruments | 20 | 18 |
| Income from cash and cash equivalents and other marketable securities | 23 | 10 |
| **Net borrowing cost** | **(13)** | **(19)** |
| Net foreign exchange gains (losses) | (1) | 4 |
| Other financial income | 5 | 1 |
| Other financial expenses* | (26) | (23) |
| **NET FINANCIAL EXPENSE** | **(35)** | **(37)** |

* Other financial expenses in 2019 included interest on IFRS 16 liabilities for €3 million.

Gross borrowing costs for 2019 include amortization of bond issue costs for €9 million and interest income of €1 million on NeuCP issued at negative interest rates.

Interest paid amounted to €28 million in 2019 and €29 million in 2018.

Hedging instruments are related to expenses and income on interest rate swaps as presented in Note 6.6 "Financial instruments and market risk management".

Other financial income and expenses mainly concern bank fees, banking expenses, miscellaneous interest, and financial provisions.

## 6.2 . FINANCIAL ASSETS

IFRS 9 defines financial assets as a contractual right to receive an economic benefit that will ultimately result in the receipt of cash flows or an equity instrument. Financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the asset. The initial fair value corresponds to the asset's purchase price.

Financial assets and liabilities are recognized and measured in accordance with IFRS 9 – Financial Instruments.

Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified among the three main categories defined in IFRS 9, as follows:

- **At amortized cost:** One of the conditions of eligibility of a debt instrument for measurement at amortized cost is that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding ("SPPI instruments"). SPPI instruments include:

  **1)** term deposits and loans to non-consolidated companies. These assets are initially recognized at fair value;

  **2)** bonds and other marketable securities that are **held to maturity**. These assets are initially recognized at fair value.

  They are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the reporting date. The impairment loss – corresponding to the difference between the carrying amount and the recoverable amount (i.e., the present value of expected cash flows discounted using the original effective interest rate) – is recognized in the income statement. It is reversible if recoverable value increases in following periods. For these two categories, initial fair value is equivalent to acquisition cost, because no material transaction costs are incurred.

- **At fair value through profit or loss:** Mutual fund units in cash are booked in "**Financial assets at fair value through profit and loss**". These assets are recognized at fair value in the balance sheet and fair value changes are recorded in the income statement.
- **At fair value through other comprehensive income (OCI):** Derivative financial instruments recorded in assets and eligible for hedge accounting are measured at fair value and fair value changes are recorded in other comprehensive income.

## 6.2.1 Non-current financial assets

Non-current financial assets consist mainly of equity interests in non-consolidated companies, and deposits and guarantees.

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Gross carrying amount | Impairment losses | Net carrying amount | Gross carrying amount | Impairment losses | Net carrying amount |
| Equity interests | 58 | (7) | 51 | 35 | (1) | 34 |
| Deposits and guarantees | 24 | - | 24 | 12 | - | 12 |
| Other | 1 | (1) | - | 2 | - | 2 |
| **NON-CURRENT FINANCIAL ASSETS** | **83** | **(8)** | **75** | **49** | **(1)** | **48** |

## 6.2.2 Current financial assets

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Gross carrying amount | Impairment losses | Net carrying amount | Gross carrying amount | Impairment losses | Net carrying amount |
| Other current financial assets | 30 | (2) | 28 | 2 | - | 2 |
| Deriv ativ es | 108 | - | 108 | 44 | - | 44 |
| **CURRENT FINANCIAL ASSETS** | **138** | **(2)** | **136** | **46** | **-** | **46** |

Other current financial assets primarily represent short-term loans with external counterparts.

Derivatives are recognized according to IFRS 9 – Financial Instruments. Their accounting treatment is detailed in Note 6.6 "Financial instruments and market risk management".

## 6.3 . CASH AND CASH EQUIVALENTS AND OTHER MARKETABLE SECURITIES

### Cash and cash equivalents

“Cash and cash equivalents” include bank balances and short-term investments in money market instruments. To be classified in cash and cash equivalents, investments have to respect IAS 7 criteria. These instruments mainly correspond to bank term deposits and risk-free interest-bearing demand deposits. They have initial maturities of three months or less, are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

### Other marketable securities

Instruments that have initial maturities of more than three months and less than one year are reported under “Other marketable securities”. These instruments are highly liquid and are subject to an insignificant risk of changes in value due to interest rate and foreign exchange rate changes. However, they are no longer classified as cash and cash equivalents in line with IAS 7. This line item also includes restricted cash, corresponding to cash and cash equivalents subject to restrictions due to regulations that are specific to a country (such as exchange rate control). Instruments with initial maturities of more than one year may also be reported under this caption if they can be sold or canceled at any time with incurring material penalties.

### Accounting method

“Cash and cash equivalents” and “Other marketable securities” are financial assets recognized according to IFRS 9 – Financial Instruments (see Note 6.3) and its amendments.

Both cash and cash equivalents and other marketable securities are taken into account for the calculation of net debt.

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Gross carrying amount | Impairment losses | Net carrying amount | Gross carrying amount | Impairment losses | Net carrying amount |
| Cash at bank and on hand | 461 | - | 461 | 865 | - | 865 |
| Term deposits and equiv alent – less than 3 months | 528 | - | 528 | 423 | - | 423 |
| Bonds and other negotiable debt securities | - | - | - | 32 | - | 32 |
| Mutual fund units in cash – less than 3 months | 15 | - | 15 | 17 | - | 17 |
| **CASH AND CASH EQUIVALENTS** | **1,004** | - | **1,004** | **1,337** | - | **1,337** |
| Term deposits and equiv alent – more than 3 months | 528 | (1) | 527 | 491 | (1) | 490 |
| Bonds and other negotiable debt securities | 203 | - | 203 | 163 | - | 163 |
| Mutual fund units in cash – more than 3 months | 3 | - | 3 | 1 | - | 1 |
| **OTHER MARKETABLE SECURITIES** | **734** | **(1)** | **733** | **655** | **(1)** | **654** |
| **TOTAL CASH AND CASH EQUIVALENTS AND OTHER MARKETABLE SECURITIES** | **1,738** | **(1)** | **1,737** | **1,992** | **(1)** | **1,991** |

## 6.4 . DEBT AND OTHER FINANCIAL LIABILITIES

**Debt**

Non-banking debt (bonds, private placements such as Schuldschein instruments, etc.) and bank borrowings set up as interest-bearing lines of credit and bank overdrafts are recognized for the amounts received, net of direct issuing costs.

Debt is measured at amortized cost. Amortized cost is determined by the effective interest rate method, taking into account the costs of the issue and any issue or redemption premiums.

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Non-current | Current | Total | Non-current | Current | Total |
| Convertible bonds | 500 | - | 500 | - | - | - |
| Non-bank debt | 1,897 | 252 | 2,149 | 2,197 | - | 2,197 |
| Bank borrowings | 24 | 16 | 40 | 16 | 66 | 82 |
| NEU CP | - | 106 | 106 | - | 210 | 210 |
| **DEBT** | **2,421** | **374** | **2,795** | **2,213** | **276** | **2,489** |
| **BANK OVERDRAFTS** | **-** | **52** | **52** | **-** | **21** | **21** |
| IFRS 16 liabilities | 80 | 25 | 105 | - | - | - |
| Deposits and guarantees | 10 | 19 | 29 | 1 | 13 | 14 |
| Purchase commitments for non-controlling interests | 46 | 129 | 175 | 57 | 102 | 159 |
| Derivatives | - | 1 | 1 | - | 6 | 6 |
| Other | 3 | 3 | 6 | 3 | 4 | 7 |
| **OTHER FINANCIAL LIABILITIES** | **139** | **177** | **316** | **61** | **125** | **186** |
| **DEBT AND OTHER FINANCIAL LIABILITIES** | **2,560** | **603** | **3,163** | **2,274** | **422** | **2,696** |

The contractual documents for debt and other financial liabilities do not include any particular covenants or clauses that could significantly change the terms.

# Debt

## Convertible bonds and non-bank debt

On September 6, 2019, Edenred issued bonds convertible and/or exchangeable for new and/or existing shares (OCEANEs) for a total nominal amount of €500 million. The OCEANEs, which do not pay interest, were issued at a price equal to 108% of their nominal value, corresponding to a gross yield to maturity of -1.53% and an IFRS yield of -0.18%. They are convertible at a price of €61.13, representing a conversion premium of 40%. Bonds that have not been converted, redeemed or retired and canceled will be redeemed at par on September 6, 2024.

At December 31, 2019, the Group's gross outstanding bond position amounted to €2,475 million, which breaks down as follows:

| Issue date | Amount in €m | Coupon | Maturity |
|---|---|---|---|
| September 6, 2019 | 500 | 0% | 5 years<br>September 6, 2024 |
| December 6, 2018 | 500 | 1.875% | 7 years &<br>3 months<br>March 6, 2026 |
| March 30, 2017 | 500 | 1.875% | 10 years<br>March 30, 2027 |
| March 10, 2015 | 500 | 1.375% | 10 years<br>March 10, 2025 |
| October 30, 2013 | 250 | 2.625% | 7 years<br>October 30, 2020 |
| May 23, 2012 | 225 | 3.75% | 10 years<br>May 23, 2022 |
| **Gross outstanding bond position** | **2,475** | | |

At December 31, 2018, the gross outstanding bond position amounted to €1,975 million.

| Issue date | Amount in €m | Coupon | Maturity |
|---|---|---|---|
| December 6, 2018 | 500 | 1.875% | 7 years &<br>3 months<br>March 6, 2026 |
| March 30, 2017 | 500 | 1.875% | 10 years<br>March 30, 2027 |
| March 10, 2015 | 500 | 1.375% | 10 years<br>March 10, 2025 |
| October 30, 2013 | 250 | 2.625% | 7 years<br>October 30, 2020 |
| May 23, 2012 | 225 | 3.75% | 10 years<br>May 23, 2022 |
| **Gross outstanding bond position** | **1,975** | | |

### Other non-bank debt

At the end of December 2019, €105 million worth of Euro PP *(Schuldschein)* private placement notes (out of an original issue of €250 million) were repaid in advance in line with the Group's strategy to actively manage debt maturities and borrowing costs, using part of the proceeds from the €500 million convertible bond issue. The €145 million of Euro PP notes outstanding at December 31, 2019 have the following maturities and interest rates:

| Rate | | Amount in €m | Coupon | Maturity |
|---|---|---|---|---|
| Fixed | 1.05% | 45 | 5 | June 29, 2021 |
| Variable | 6-month Euribor* +105 bps | 68 | 5 | June 29, 2021 |
| Fixed | 1.47% | 32 | 7 | June 29, 2023 |
| **Total Schuldschein loan** | | **145** | | |

* 6-month Euribor with a 0% floor.

## Bank borrowings

Outstanding bank borrowings at December 31, 2019 amounted to €40 million.

### NEU CP program

In April 2019, Edenred raised the cap on its Negotiable EUropean Commercial Paper (NEU CP) program to €750 million, compared with the €500 million authorization in place since March 2019. At December 31, 2019, current debt outstanding under the program stood at €106 million.

## Maturity analysis – carrying amounts

### At December 31, 2019

| *(in € millions)* | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|
| Convertible bonds | - | - | - | - | 500 | - | 500 |
| Non-bank debt | 252 | 113 | 236 | 32 | - | 1,516 | 2,149 |
| Bank borrowings | 16 | 9 | 9 | 5 | 1 | - | 40 |
| NEU CP | 106 | - | - | - | - | - | 106 |
| **DEBT** | 374 | 122 | 245 | 37 | 501 | 1,516 | 2,795 |
| **BANK OVERDRAFTS** | 52 | - | - | - | - | - | 52 |
| IFRS 16 liabilities | 25 | 19 | 15 | 12 | 11 | 23 | 105 |
| Deposits and guarantees | 19 | 10 | - | - | - | - | 29 |
| Purchase commitments for non-controlling interests | 129 | 42 | - | - | - | 4 | 175 |
| Derivatives | 1 | - | - | - | - | - | 1 |
| Other | 3 | 3 | - | - | - | - | 6 |
| **OTHER FINANCIAL LIABILITIES** | 177 | 74 | 15 | 12 | 11 | 27 | 316 |
| **TOTAL** | **603** | **196** | **260** | **49** | **512** | **1,543** | 3,163 |

## At December 31, 2018

| *(in € millions)* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and beyond | Dec. 31, 2018 |
|---|---|---|---|---|---|---|---|
| Non-bank debt | - | 253 | 113 | 238 | 137 | 1,457 | 2,197 |
| Bank borrowings | 67 | 5 | 5 | 5 | - | - | 81 |
| NEU CP | 210 | - | - | - | - | - | 210 |
| **DEBT** | 277 | 258 | 117 | 242 | 137 | 1,457 | 2,489 |
| **BANK OVERDRAFTS** | 21 | - | - | - | - | - | 21 |
| Deposits and guarantees | 13 | 1 | - | - | - | - | 14 |
| Purchase commitments for non-controlling interests | 102 | 22 | 19 | 1 | - | 16 | 160 |
| Derivatives | 6 | - | - | - | - | - | 6 |
| Other | 4 | 3 | - | - | - | - | 7 |
| **OTHER FINANCIAL LIABILITIES** | 124 | 26 | 19 | 1 | - | 16 | 186 |
| **TOTAL** | **422** | **284** | **136** | **243** | **137** | **1,473** | **2,696** |

### Credit facility

At December 31, 2019, Edenred had a €700 million undrawn confirmed line of credit, expiring at the end of July 2023. This facility will be used for general corporate purposes. On February 12, 2020, the syndicated credit facility was renegotiated. The amount now stands at €750 million and the maturity has been extended by five years to February 2025, with two new one-year extension options. New non-financial performance covenants have been added to the facility agreement in exchange for a reduction in the interest rate. The two performance criteria – promoting balanced nutrition and reducing greenhouse gas (GHG) emissions intensity – are aligned with the three pillars of the Group's ESG strategy (Planet, Progress, People).

## 6.5 . NET DEBT AND NET CASH

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Non-current debt | 2,421 | 2,213 |
| Other non-current financial liabilities | 139 | 61 |
| Current debt | 374 | 276 |
| Other current financial liabilities | 177 | 125 |
| Bank ov erdrafts | 52 | 21 |
| **DEBT AND OTHER FINANCIAL LIABILITIES** | **3,163** | **2,696** |
| Current financial assets | (136) | (46) |
| Other marketable securities | (733) | (654) |
| Cash and cash equiv alents | (1,004) | (1,337) |
| **CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS** | **(1,873)** | **(2,037)** |
| **NET DEBT** | **1,290** | **659** |

Other non-current and current financial liabilities include lease liabilities recognized in application of IFRS 16.

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| **Net debt at beginning of period** | **659** | **697** |
| Impact of IFRS 16 at beginning of period | (91) | - |
| Increase (decrease) in non-current debt | 208 | 464 |
| Increase (decrease) in other non-current financial liabilities | 181 | 44 |
| Decrease (increase) in other marketable securities | (79) | 114 |
| Decrease (increase) in cash and cash equiv alents, net bank ov erdrafts | 364 | (741) |
| Increase (decrease) in other financial assets and liabilities | 89 | 81 |
| **Increase (decrease) in net debt** | **672** | **(38)** |
| Impact of IFRS 16 | (41) | - |
| **NET DEBT AT END OF PERIOD** | **1,290** | **659** |

## 6.6 . FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

The Group uses derivative financial instruments to hedge its exposure to risks arising in the course of its business. Hedged risks are currency and interest rate risks.

In accordance with IFRS 9, derivatives are initially recognized at cost. They are subsequently measured at fair value at each period-end. The intended use of the derivatives determines the IFRS designation and therefore the accounting treatment of changes in fair value.

Most interest rate and foreign currency derivatives used by Edenred are designated as hedging instruments. In accordance with IAS 39, hedge accounting is applicable if, and only if:

- at the time of setting up the hedge, there is a formal designation and documentation of the hedging relationship;
- the effectiveness of the hedging relationship can be demonstrated from the outset and at each balance sheet date, prospectively and retrospectively.

### Financial instruments designated as hedging instruments

When derivatives are designated as hedging instruments, their accounting treatment varies depending on whether they are designated as:

- a fair value hedge of an asset or a liability or of an unrecognized firm commitment; or
- a cash-flow hedge.

| Fair value hedge | Cash flow hedge |
|---|---|
| A fair value hedge is a hedge of the exposure to changes in fair value of a financial liability or an unrecognized firm commitment.<br><br>The gain or loss from the change in fair value of the hedging instrument is recognized in profit or loss on a symmetrical basis with the gain or loss from the change in fair value of the hedged item. These two remeasurements offset each other within the same line items in the income statement, except for the ineffective portion of the hedge. | A cash flow hedge is a hedge of the exposure to variability in future cash flows associated with an existing asset or liability, or a highly probable forecast transaction.<br><br>The effective portion of the gain or loss from remeasurement at fair value of the hedging instrument is recognized in equity and the ineffective portion is recognized in the income statement for the period.<br><br>Cumulative gains or losses in equity are recycled to the income statement in the period when the hedged item affects profit. |

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss carried in equity at the time remains in equity and is recognized in the income statement when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss carried in equity is immediately transferred to the income statement.

### Other derivatives

Derivatives not designated as hedging instruments are classified as "Financial assets at fair value through profit and loss". Any changes in their fair value are booked in financial income or expense.

# Interest rate risk: fixed/variable interest rate analysis

## 1) Hedging impact

### Before hedging

Debt before interest rate hedging breaks down as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Interest rate | % of total debt | Amount | Interest rate | % of total debt |
| Fixed-rate debt[1] | 2,724 | 1.5% | 97% | 2,313 | 2.1% | 93% |
| Variable-rate debt | 71 | 1.4% | 3% | 176 | 1.4% | 7% |
| **DEBT** | **2,795** | **1.5%** | **100%** | **2,489** | **2.0%** | **100%** |

(1) The rates mentioned for fixed-rate debt correspond to the contractual rates (i.e., 3.750%, 2.625%, 1.375%, 1.875% and 1.875%) applied to the exact number of days in the year divided by 360.

### After hedging

Debt after interest rate hedging breaks down as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Interest rate | % of total debt | Amount | Interest rate | % of total debt |
| Fixed-rate debt | 866 | 0.6% | 31% | 455 | 1.1% | 18% |
| Variable-rate debt | 1,929 | 0.9% | 69% | 2,034 | 1.2% | 82% |
| **DEBT** | **2,795** | **0.8%** | **100%** | **2,489** | **1.2%** | **100%** |

## 2) Hedging of interest rate risk

Interest rate risk on fixed rate debt and variable rate financial assets is hedged using swaps where the Group is the fixed rate lender and variable rate borrower:

- swaps to hedge debt in euros: notional amount of €1,932 million relating to an underlying debt of €2,052 million and for a fair value of €67 million representing a financial asset;
- swaps to hedge marketable securities in Brazilian reais: notional amount of €278 million relating to an underlying debt of 1,255 million Brazilian reais and for a fair value of €36 million representing a financial asset;
- swaps to hedge marketable securities in Mexican pesos: notional amount of €46 million relating to an underlying debt of 1,000 million Mexican pesos and for a fair value of €3 million representing a financial asset.

Under IFRS 9, swaps on debt are designated as hedging instruments in fair value hedges and swaps on marketable securities are designated as hedging instruments in cash flow hedges. These hedging operations have no material impact on the income statement as the efficiency ratio is almost 100%.

| *(in € millions)* | Notional amount | Fair value | 2020 | 2021 | 2022 | 2023 | 2024 and beyond |
|---|---|---|---|---|---|---|---|
| BRL: fixed-rate receiver swaps[(1)] | 278 | 36 | - | 9 | 114 | 44 | 111 |
| EUR: fixed-rate payer swaps | 50 | (1) | - | - | 50 | - | - |
| EUR: variable-rate payer swaps | 1,882 | 68 | 125 | - | 225 | 32 | 1,500 |
| MXN: fixed-rate receiver swaps[(2)] | 46 | 3 | - | - | - | 23 | 23 |
| **TOTAL** | **2,256** | **106** | **125** | **9** | **389** | **99** | **1,634** |

(1) BRL 1,255 million (€278 million) in swaps to hedge marketable securities of the Ticket Serviços SA, Repom and Ticket Log entities.

(2) MXN 1,000 million (€46 million) in swaps to hedge marketable securities of the Edenred Mexico entity.

### 3) Interest rate risk sensitivity

Edenred is exposed to the risk of fluctuations in interest rates, given:

- the cash flows related to variable-rate debt, after hedge accounting; and
- derivative financial instruments eligible for cash flow hedge accounting for the ineffective portion of the hedging relationships.

The analysis below has been prepared assuming that the amount of the debt and the notional amounts of derivative instruments at December 31, 2019 remains constant over one year.

A 100 basis point change in interest rates (mainly the 3-month Euribor) would have the following impacts on equity and profit (before tax) at year-end:

| | Profit | | Equity | |
|---|---|---|---|---|
| *(in € millions)* | 100 bp decrease in interest rates* | 100 bp increase in interest rates | 100 bp decrease in interest rates* | 100 bp increase in interest rates |
| Debt at variable rate after hedge accounting | 15 | (15) | - | - |
| Derivatives eligible for cash flow hedge accounting | - | - | (0) | 1 |
| **TOTAL** | **15** | **(15)** | **(0)** | **1** |

* 100-bps fall in interest rates in positive rates and in negative rates.

## Foreign exchange risk: currency analysis

### 1) Hedging impact

#### Before hedging

Debt before currency hedging breaks down as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Interest rate | % of total debt | Amount | Interest rate | % of total debt |
| EUR | 2,785 | 1.5% | 100% | 2,423 | 1.8% | 97% |
| Other currencies | 10 | 6.1% | 0% | 66 | 12.1% | 3% |
| **DEBT** | **2,795** | **1.5%** | **100%** | **2,489** | **2.0%** | **100%** |

#### After hedging

Debt after currency hedging breaks down as follows:

| | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Interest rate | % of total debt | Amount | Interest rate | % of total debt |
| EUR | 2,751 | 0.8% | 98% | 2,420 | 1.0% | 97% |
| Other currencies | 44 | 3.8% | 2% | 69 | 6.6% | 3% |
| **DEBT** | **2,795** | **0.8%** | **100%** | **2,489** | **1.2%** | **100%** |

### 2) Currency hedges

For each currency, the "notional amount" corresponds to the amount of currency sold or purchased forward. Fair value is the difference between the amount converted at the period-end forward rate (which is different from the contract-date forward rate) and at the spot rate on the hedge's inception date.

All currency transactions carried out by the Group, as listed below, are hedging transactions. They consist of designated hedges of intra-group loans and borrowings in foreign currencies and correspond to documented fair value hedging relationships.

At December 31, 2019, currency derivatives had an aggregate positive fair value of €0 million.

This figure breaks down as follows:

| *(in € millions)* | Notional amount | Fair value | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond |
|---|---|---|---|---|---|---|---|---|
| SEK | 62 | - | 62 | - | - | - | - | - |
| MXN | 3 | - | 3 | - | - | - | - | - |
| PLN | 5 | - | 5 | - | - | - | - | - |
| **FORWARD PURCHASES AND CURRENCY SWAPS** | **70** | **-** | **70** | **-** | **-** | **-** | **-** | **-** |
| AED | 33 | - | 33 | - | - | - | - | - |
| USD | 1 | - | 1 | - | - | - | - | - |
| CZK | 0 | - | 0 | - | - | - | - | - |
| **FORWARD SALES AND CURRENCY SWAPS** | **34** | **-** | **34** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **104** | **-** | **104** | **-** | **-** | **-** | **-** | **-** |

### 3) Sensitivity to exchange rates

A change of +10% in currency exchange rates of the major currencies would have the following impact on EBIT: Brazil (BRL) €17 million and Mexico (MXN) €4 million.

A change of -10% in currency exchange rates of the major currencies would have the following impact on EBIT: Brazil (BRL) €20 million and Mexico (MXN) €5 million.

## Liquidity risk

The tables below show the repayment schedule of debt, interest included.

Future cash flows relating to interest rates are calculated using market interest rates at December 31, 2019. Variable rates are estimated by reference to forecast rates and fixed rates are known in advance. Future cash flows represented by debt repayments are estimated based on the assumption that the facilities will not be rolled over at maturity.

### At December 31, 2019

| *(in € millions)* | Dec. 31, 2019 carrying amount | Contractual flows | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond |
|---|---|---|---|---|---|---|---|---|
| Convertible bonds | 500 | 500 | - | - | - | - | 500 | - |
| Bonds | 2,004 | 2,004 | 252 | - | 236 | - | - | 1,516 |
| Schuldschein | 145 | 145 | - | 113 | - | 32 | - | - |
| NEU CP | 106 | 106 | 106 | - | - | - | - | - |
| Bank borrowings | 40 | 40 | 16 | 9 | 9 | 5 | 1 | - |
| Future interest | N/A | 186 | 40 | 34 | 29 | 25 | 25 | 33 |
| **DEBT** | **2,795** | **2,981** | **414** | **156** | **274** | **62** | **526** | **1,549** |
| Bank overdrafts | 52 | 52 | 52 | - | - | - | - | - |
| Other financial liabilities | 316 | 316 | 177 | 73 | 15 | 12 | 11 | 28 |
| Future interest | N/A | (65) | (19) | (16) | (11) | (9) | (5) | (5) |
| **BANK OVERDRAFTS AND OTHER FINANCIAL LIABILITIES** | **368** | **303** | **210** | **57** | **4** | **3** | **6** | **23** |
| **DEBT AND OTHER FINANCIAL LIABILITIES** | **3,163** | **3,284** | **624** | **213** | **278** | **65** | **532** | **1,572** |

## At December 31, 2018

| *(in € millions)* | Dec. 31, 2018 carrying amount | Contrac-tual flows | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and beyond |
|---|---|---|---|---|---|---|---|---|
| Bonds | 1,948 | 1,948 | - | 253 | - | 238 | - | 1,457 |
| Schuldschein | 249 | 249 | - | - | 112 | - | 137 | - |
| NEU CP | 210 | 210 | 210 | - | - | - | - | - |
| Bank borrowings | 82 | 82 | 67 | 5 | 5 | 5 | 0 | - |
| Future interest | N/A | 242 | 46 | 42 | 37 | 31 | 27 | 59 |
| **DEBT** | **2,489** | **2,731** | **323** | **300** | **154** | **274** | **164** | **1,516** |
| Bank overdrafts | 21 | 21 | 21 | - | - | - | - | - |
| Other financial liabilities | 186 | 186 | 124 | 26 | 20 | 1 | - | 15 |
| Future interest | N/A | (20) | (19) | (15) | (9) | (2) | 4 | 21 |
| **BANK OVERDRAFTS AND OTHER FINANCIAL LIABILITIES** | **207** | **187** | **126** | **11** | **11** | **(1)** | **4** | **36** |
| **DEBT AND OTHER FINANCIAL LIABILITIES** | **2,696** | **2,918** | **449** | **311** | **165** | **273** | **168** | **1,552** |

# Credit and counterparty risk

In the normal course of business, the Group is exposed to the risk of counterparties being unable to honor their contractual obligations.

For example, the Group is exposed to credit risk in the event of default by its clients and to counterparty risk in respect of its investments of cash and its purchases of derivative instruments.

With several tens of thousands of corporate and public authority clients at December 31, 2019, the Group has a highly diversified customer base. Moreover, its clients include all types of entities, ranging from large and medium-sized corporates to national, regional and local public authorities.

The Group diversifies its exposure to financial counterparties by investing available cash with a variety of leading financial institutions. About 80% of investments are with institutions rated investment grade.

Its maximum exposure to a single financial counterparty represented less than 15% of the total funds invested at the closing date.

# Financial instruments and fair value analysis of financial assets and liabilities

The fair value hierarchy comprises the following levels:

- **Level 1**: fair value assessed by reference to prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2**: fair value assessed by reference to quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- **Level 3**: fair value assessed by reference to inputs related to the asset or liability that are not based on market data (unobservable inputs).

## Market value of financial instruments

| *(in € millions)* | Fair value | Dec. 31, 2019 carrying amount | Amortized cost | Fair value through profit and loss | Fair value through other comprehensive income | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Non-current financial assets | 75 | 75 | 24 | 51 | - | - | - | 51 |
| Restricted cash | 1,879 | 1,864 | 1,864 | - | - | - | - | - |
| Current financial assets | 136 | 136 | 28 | - | 108 | - | 108 | - |
| Other marketable securities | 747 | 733 | 732 | 1 | - | 1 | - | - |
| Cash and cash equivalents | 1,004 | 1,004 | 989 | 15 | - | 15 | - | - |
| **TOTAL ASSETS** | **3,841** | **3,812** | **3,637** | **67** | **108** | **16** | **108** | **51** |
| **LIABILITIES** | | | | | | | | |
| Non-current debt | 2,661 | 2,421 | 2,421 | - | - | - | - | - |
| Other non-current financial liabilities | 139 | 139 | 139 | - | - | - | - | - |
| Current debt | 380 | 374 | 374 | - | - | - | - | - |
| Other current financial liabilities | 177 | 177 | 176 | - | 1 | - | 1 | - |
| Bank overdrafts | 52 | 52 | 52 | - | - | - | - | - |
| **TOTAL LIABILITIES** | **3,409** | **3,163** | **3,162** | **-** | **1** | **-** | **1** | **-** |

# Derivative financial instruments

| | | Dec. 31, 2019 | | | Dec. 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| *(in € millions)* | **IFRS classification** | Fair value | Notional amount | Face value | Fair value | Notional amount | Face value |
| **Derivative financial instruments – asset position** | | | | | | | |
| Interest-rate instruments | Cash-flow hedge | 39 | 324 | - | 16 | 359 | - |
| Interest-rate instruments | Fair-value hedge | 68 | 1,882 | - | 26 | 1,636 | - |
| Currency instruments | Fair-value hedge | - | - | 65 | - | - | 3 |
| Currency instruments | Cash-flow hedge | - | - | - | 1 | - | 544 |
| **Derivative financial instruments – liability position** | | | | | | | |
| Interest-rate instruments | Cash-flow hedge | (1) | 50 | - | - | - | - |
| Interest-rate instruments | Fair-value hedge | - | - | - | (5) | 352 | - |
| Currency instruments | Fair-value hedge | - | - | 34 | - | - | 3 |
| Currency instruments | Cash-flow hedge | - | - | 5 | - | - | - |
| **NET DERIVATIVE FINANCIAL INSTRUMENTS** | | **106** | **2,256** | **104** | **38** | **2,347** | **550** |

Derivative instruments were measured at December 31, 2019 by applying a credit valuation adjustment (CVA) in accordance with IFRS 13.

The CVA for a given counterparty is determined by calculating the result of: (i) exposure (i.e., the market value of the derivative instruments purchased from the counterparty, if positive), (ii) probability of default, and (iii) loss given default. CVAs at December 31, 2019 were not material.

### Cumulative fair value of financial instruments

Changes in retained earnings related to fair value of financial instruments are detailed in the table below:

| *(in € millions)* | Dec. 31, 2018 | New transactions | Change in fair value | Reclassification to P&L | Dec. 31, 2019 |
|---|---|---|---|---|---|
| Cash-flow hedge financial instruments (after tax) | 13 | 3 | 15 | (2) | **29** |
| Securities at fair v alue | 4 | - | - | - | **4** |
| **Total** | **17** | **3** | **15** | **(2)** | **33** |

# NOTE 7 : INCOME TAX – EFFECTIVE TAX RATE

## 7.1 . INCOME TAX

Income tax is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

In accordance with IAS 12 – Income Taxes, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax base using the liability method. This method consists of adjusting deferred taxes at each period-end, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The effects of changes in tax rates (and tax laws) are recognized in the income statement for the period in which the change is announced.

Edenred has decided that the French tax assessed on the value added by the business (CVAE), which is based on the value added reflected in the individual financial statements, had the characteristics of an income tax, as defined in IAS 12. Therefore, income tax expense also includes the expense related to the CVAE. The CVAE amounted to €3 million in 2019 and to €3 million in 2018.

### Income tax expense and benefit

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| Current taxes | (123) | (100) |
| Withholding tax | (6) | (2) |
| Prov isions for tax risks | (1) | - |
| **SUB-TOTAL: CURRENT TAXES** | **(130)** | **(102)** |
| Deferred taxes arising on temporary differences during the period | (23) | (17) |
| Deferred taxes arising on changes in tax rates or rules | - | - |
| **SUB-TOTAL: DEFERRED TAXES** | **(23)** | **(17)** |
| **TOTAL INCOME TAX EXPENSE** | **(153)** | **(119)** |

## Tax proof

| *(in € millions)* | 2019 | 2018 |
| --- | --- | --- |
| **Net profit** | **346** | **285** |
| Income tax | (153) | (119) |
| **Profit before tax** | **499** | **404** |
| **Standard tax rate in France** | **34.43%** | **34.43%** |
| **Theoretical income tax expense** | **(172)** | **(141)** |
| Differences in foreign tax rates | 36 | 24 |
| Tax impact of share of net profit from equity-accounted companies | 5 | 4 |
| Adjustments for current taxes in respect of prior years | (7) | (4) |
| Adjustments for taxes arising on changes in tax rates | (2) | - |
| Movements in impairment of deferred tax assets | (2) | (4) |
| Other items* | (11) | 2 |
| **TOTAL ADJUSTMENTS TO THEORETICAL INCOME TAX EXPENSE** | **19** | **22** |
| **INCOME TAX EXPENSE** | **(153)** | **(119)** |
| **EFFECTIVE TAX RATE** | **30.7%** | **29.5%** |

* Other items include the impact of permanent differences and items taxed on bases other than the Group entities' taxable profit, primarily through withholding tax, France's CVAE tax and Italy's IRAP tax.

## 7.2 . DEFERRED TAXES

Deferred taxes are recognized for all temporary differences, except when the difference arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures except when:

- the Group is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for ordinary and evergreen tax loss carry forwards only when it is probable that the asset will be recovered in the foreseeable future. The probability of recovery of deferred tax assets is reviewed on a periodic basis for each tax entity. Where appropriate, the review may lead the Group to derecognize deferred tax assets that had been recognized in prior years. The probability of recovery is assessed using a tax plan that indicates the taxable income outlook for the entity, as projected over a period of three years. The assumptions used in the tax plan are consistent with those used in the budgets and medium-term plans prepared by Group entities and approved by executive management.

Deferred taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related deferred tax is also recorded in equity. Adjustments to deferred tax assets acquired in a business combination are recognized in profit or loss without a corresponding adjustment to goodwill.

In accordance with IAS 12, deferred taxes are not discounted.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- Edenred has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

## Details of recognized deferred tax assets and liabilities

| *(in € millions)* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Temporary differences | 64 | 47 |
| Recognized deferred tax assets on tax losses | 30 | 28 |
| **SUB-TOTAL: DEFERRED TAX ASSETS** | **94** | **75** |
| Temporary differences | 174 | 136 |
| **SUB-TOTAL: DEFERRED TAX LIABILITIES** | **174** | **136** |
| **NET DEFERRED TAX ASSET (LIABILITY)** | **(80)** | **(61)** |

At December 31, 2019, unrecognized deferred tax assets on tax loss carryforwards amounted to €20 million, including €11 million for the Holding & Other segment (primarily Edenred SA) and €2 million for India.

At December 31, 2018, unrecognized deferred tax assets on tax loss carryforwards amounted to €22 million, including €11 million for the Holding & Other segment (primarily Edenred SA) and €2 million for India.

Deferred tax assets on tax loss carryforwards break down as follows by maturity:

| *(in € millions)* | Dec. 31, 2019 |
|---|---|
| 2019 | |
| 2020 | 2 |
| 2021 | 2 |
| 2022 | 2 |
| 2023 | 5 |
| 2024 and beyond | 20 |
| Indefinite | 162 |
| **TOTAL** | **193** |

## NOTE 8 : EQUITY

### Note on the negative value of Group retained earnings

At December 31, 2019, total equity attributable to owners of the parent amounted to a negative €1,193 million. This negative value is mainly due to the legacy of the financial statements established for Edenred's demerger from the Accor group in July 2010.

In these financial statements, equity represented a negative €1,137 million at December 31, 2008, a negative €1,187 million at December 31, 2009 and a negative €1,044 million at December 31, 2010. This was due to the recognition at historical cost of assets contributed or sold to Edenred by Accor through the asset contribution-demerger transaction.

None of the legal restructuring operations, whether consisting of asset contributions or sales by Accor in favor of Edenred, qualify as business combinations under IFRS 3. Whatever the legal method used to create the Edenred Group, the transactions would not have changed Edenred's scope as defined in the consolidated financial statements. Consequently, the contributions were analyzed as an internal restructuring of Edenred without any effect on Edenred's consolidated financial statements, to the extent that all of the contributed entities were already included in the scope of the consolidated financial statements. Similarly, the legal sale transactions between Accor and Edenred did not constitute acquisitions for Edenred, because all of the sold entities were already included in the scope of Edenred's combined financial statements prior to the legal sale transactions. However, in Edenred's financial statements, the sales led to an outflow of cash to the shareholder, Accor, without any benefit being received in return. The cash outflow therefore had to be recognized when it occurred as a distribution of reserves by Edenred, giving rise to a reduction in equity.

## 8.1 . EQUITY

### Issued capital

At December 31, 2019, the Company's capital was made up of 243,204,857 shares with a par value of €2 (two) each, all fully paid up.

These 243,204,857 shares are ordinary shares with rights to all distributions of interim and final dividends, reserves or equivalent amounts.

**Change in capital in number of shares:**

| | 2019 | 2018 |
|---|---|---|
| **At January 1** | **239,266,350** | **235,403,240** |
| Capital increase linked to dividend payments | 3,938,507 | 3,863,610 |
| Shares issued on conversion of performance share rights | 894,357 | 381,970 |
| Shares issued on exercise of stock options | 126,850 | 646,515 |
| Share cancellation | (1,021,207) | (1,028,985) |
| **At December 31** | **243,204,857** | **239,266,350** |

## Treasury shares

Edenred shares held by the Group are recorded as a deduction from consolidated equity at cost. Capital gains/losses on disposal of Edenred shares are recognized directly in equity and do not affect profit for the financial year.

| *(in number of shares)* | 2019 | 2018 |
|---|---|---|
| **Shares at beginning of period** | **1,367,212** | **1,197,257** |
| PURCHASES OF SHARES | | |
| Share buy-back agreements | 1,197,860 | 1,500,064 |
| Liquidity contracts | 8,648 | 1,212 |
| SALES OF SHARES | | |
| Purchase option exercise, bonus shares and capital allocations | (414,870) | (302,336) |
| Share cancellation | (1,021,207) | (1,028,985) |
| **SHARES AT END OF PERIOD** | **1,137,643** | **1,367,212** |

Edenred SA shares held by the Company are measured at cost and recorded as a deduction from equity under "Treasury shares".

At December 31, 2019, a total of 1,137,643 shares were held in treasury.

At December 31, 2018, a total of 1,367,212 shares were held in treasury.

| | | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | SOLD | | PURCHASED | | SOLD | | PURCHASED | |
| ENTITY TO WHICH THE CUSTODY OF THE LIQUIDITY CONTRACT* HAS BEEN ASSIGNED | PERIOD | NO. | TOTAL *(in € millions)* | NO. | TOTAL *(in € millions)* | NO. | TOTAL *(in € millions)* | NO. | TOTAL *(in € millions)* |
| Exane BNP Paribas | Since Oct. 3, 2016 | | | | | 2,004,701 | 59 | 2,003,489 | 59 |
| Kepler | Since Jun. 3, 2019 | 605,144 | 26 | 613,792 | 26 | | | | |

* In accordance with the code of ethics published by the Association française des marchés financiers (AMAFI) on March 8, 2011 and recognized by France's financial markets regulator Autorité des marchés financiers (AMF) on March 21, 2011.

The funds allocated to the liquidity contract but not invested in Edenred shares represent liquid assets and are classified as cash equivalents and cash equivalents.

## Dividends

### 2019 dividend

At the Edenred Shareholders Meeting called to approve the financial statements for the year ended December 31, 2019, shareholders will be asked to approve a dividend of €0.87 per share, representing a payout ratio of 67% of attributable Group net profit, in line with the Group's dividend policy.

Subject to approval by the Shareholders Meeting, this dividend will be granted during the first half of 2020. The dividend was not recognized under liabilities in the financial statements for the year ended December 31, 2019 as these financial statements were presented before appropriation of profit.

## 8.2 . EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share are calculated by dividing net profit (attributable to owners of the parent) by the weighted average number of shares outstanding during the year (adjusted to exclude shares held in treasury during the year).

### Diluted earnings per share

Diluted earnings per share are calculated based on the average number of outstanding shares, as adjusted to include the weighted average number of shares that would result from the exercise, during the year, of existing stock options and any other dilutive instruments.

Diluted earnings per share are based on the average number of outstanding shares adjusted to take into account the effect of the potential ordinary shares.

At December 31, 2019, the Company's share capital was made up of 243,204,857 ordinary shares. At December 31, 2019, the number of shares outstanding and the weighted average number of ordinary shares outstanding broke down as follows:

| *(in shares)* | 2019 | 2018 |
|---|---|---|
| **SHARE CAPITAL AT END OF PERIOD** | **243,204,857** | **239,266,350** |
| **Number of shares outstanding at beginning of period** | **237,898,638** | **234,205,983** |
| Number of shares issued for dividend payments | 3,938,507 | 3,863,610 |
| Number of shares issued on conversion of performance share plans | 894,357 | 381,970 |
| Number of shares issued on conversion of stock-option plans | 126,850 | 646,515 |
| Number of shares canceled | (1,021,207) | (1,028,985) |
| **Issued shares at period-end excluding treasury shares** | **3,938,507** | **3,863,110** |
| Treasury shares not related to the liquidity contract | 238,717 | (169,243) |
| Treasury shares under the liquidity contract | (8,648) | (1,212) |
| **Treasury shares** | **230,069** | **(170,455)** |
| **NUMBER OF SHARES OUTSTANDING AT END OF PERIOD** | **242,067,214** | **237,898,638** |
| Adjustment to calculate weighted average number of issued shares | (1,659,119) | (1,529,894) |
| Adjustment to calculate weighted average number of treasury shares | 358,665 | 81,837 |
| **Total weighted average adjustment** | **(1,300,454)** | **(1,448,057)** |
| **WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE YEAR** | **240,766,760** | **236,450,581** |

In addition, 30,150 stock options (number outstanding at December 31, 2019) and 2,302,899 performance shares were granted to employees between 2015 and 2019. Conversion of all of these potential shares would increase the number of shares outstanding to 244,400,263.

Based on the above number of potential shares and the average Edenred share price calculated:

- from January 1, 2019 to December 31, 2019 for Plans 3, 4, 5, 6, 7, 8, 9 and 10 (€41.96);
- from February 27, 2019 to December 31, 2019 for Plan 11 (€43.21);

The diluted weighted average number of shares outstanding at December 31, 2019 was 242,459,771.

| | 2019 | 2018 |
|---|---|---|
| **Net profit attributable to owners of the parent** *(in € millions)* | **312** | **254** |
| Weighted average number of issued shares *(in thousands)* | 241,546 | 237,736 |
| Weighted average number of treasury shares *(in thousands)* | (779) | (1,285) |
| **Number of shares used to calculate basic earnings per share** *(in thousands)* | **240,767** | **236,451** |
| **BASIC EARNINGS PER SHARE** *(in €)* | **1.30** | **1.07** |
| Number of shares resulting from the exercise of stock options *(in thousands)* | 21 | 90 |
| Number of shares resulting from performance share grants *(in thousands)* | 1,672 | 2,418 |
| **Number of shares used to calculate diluted earnings per share** *(in thousands)* | **242,460** | **238,959** |
| **DILUTED EARNINGS PER SHARE** *(in €)* | **1.29** | **1.06** |

## 8.3 . NON-CONTROLLING INTERESTS

| *(in € millions)* | |
|---|---|
| **Dec. 31, 2017 restated (IFRS 15)** | **149** |
| Impact of IFRS 9 | (4) |
| **Dec. 31, 2017 restated (IFRS 15 & IFRS 9)** | **145** |
| Net profit from non-controlling interests for the period | 31 |
| Dividends paid to non-controlling interests | (32) |
| Changes in consolidation scope | (34) |
| Capital increase | 3 |
| Other | - |
| Currency translation adjustment | (2) |
| Fair value adjustments to financial instruments and assets at fair value through other comprehensive income | - |
| **Dec. 31, 2018** | **110** |
| Impact of IFRS 16 | - |
| **Dec. 31, 2018 restated (IFRS 16)** | **110** |
| Net profit from non-controlling interests for the year | 34 |
| Dividends paid to non-controlling interests | (25) |
| Changes in consolidation scope | 31 |
| Capital increase | 3 |
| Other | 5 |
| Currency translation adjustment | (12) |
| Fair value adjustments to financial instruments and assets at fair value through other comprehensive income | 4 |
| **Dec. 31, 2019** | **150** |

Changes in consolidation scope between 2018 and 2019 primarily concerned the acquisition of an 80% interest in TRFC and the transfer of minority interests to Itaú for 11% (see Note 2 “Acquisitions, development projects and disposals”).

## 9.1 . SHARE-BASED PAYMENTS

### Stock option plans

The fair value of the options is recognized on a straight-line basis over the vesting period for the relevant plan. The cost is included in employee benefit expense, with a corresponding adjustment to equity. When the option is exercised, the cash amount received by the Group in settlement of the exercise price is booked in cash and cash equivalents, with a corresponding adjustment to equity.

IFRS 2 – Share-based Payment applies to the stock option plans set up by the Board of Directors on August 6, 2010, March 11, 2011 and February 27, 2012. These plans do not have any specific vesting conditions except for the requirement for grantees to continue to be employed by the Group at the end of the vesting period.

The fair value of services received as consideration for the stock options is measured by reference to the fair value of the options at the grant date. The fair value of the options is determined using the Black & Scholes option pricing model. The grant date is defined as the date when the plan's terms and conditions are communicated to Group employees: it corresponds to the date on which the Board of Directors approved the plan.

The main characteristics of the current stock option plans at December 31, 2019 are summarized in the table below:

| | Plan 3 |
|---|---|
| Date of Shareholders' Meeting authorization | May 10, 2010 |
| Date granted by the Board of Directors | February 27, 2012 |
| Duration of the plan | 8 years |
| Start date of the exercise period | February 28, 2016 |
| Expiry date of the exercise period | February 27, 2020 |
| Expected life of the options | 0.2 years |
| Exercise price | €19.03 |
| Number of grantees at the grant date | 18 |
| Number of options at the plan launch | 382,800 |
| **Number of options remaining at December 31, 2019** | **30,150** |

The fair value of the options at the grant date was determined using the Black & Scholes option pricing model. The main data and assumptions used for the fair value calculations are as follows:

| | Plan 3 |
|---|---|
| Date granted by the Board of Directors | February 27, 2012 |
| **Data at the grant date** | |
| Number of options at the plan launch | 382,800 |
| Edenred share price | €20.36 |
| Exercise price | €19.03 |
| Duration of the plan | 8 years |
| Expected volatility | 26.50% |
| Risk-free interest rate | 1.72% |
| Expected dividend yield | 2.81% |
| **OPTION FAIR VALUE** | **€4.25** |
| **PLAN FAIR VALUE** | **€1.6m** |

**Maturity of stock options**

The Group has decided to base the assumed exercise dates of stock options on observed exercise dates under previous plans in the Accor group. The schedule applied is as follows:

- 35% of options exercised after four years;
- 20% of options exercised after five years;
- 35% of options exercised after six years;
- 5% of options exercised after seven years;
- 5% of options exercised after eight years.

Maturities of stock options correspond to the options' expected lives.

**Share price volatility**
Edenred's volatility assumptions are based on the period covered by its liquidity contract.

However, as the options have an eight-year life, the Edenred Group also calculated the historical volatility over eight years for three companies operating in the same business segment. Average volatility for these companies was consistent with the rate used by the Edenred Group.

**Risk-free interest rate**
The risk-free interest rate is the implied yield available on zero-coupon issues by the French government at the grant date.

Movements in 2019 of stock option subscription plans in effect on December 31, 2019 are detailed below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| **OPTIONS OUTSTANDING AT BEGINNING OF PERIOD** | **167,000** | **€18.93** | **875,665** | **€16.25** |
| Options granted | | | | |
| Options canceled or expired | (10,000) | - | (62,150) | €13.69 |
| Options exercised | (126,850) | €43.25 | (646,515) | €15.81 |
| Correction from previous year | | | | |
| **OPTIONS OUTSTANDING AT END OF PERIOD** | **30,150** | **€42.86** | **167,000** | **€18.93** |
| **OPTIONS EXERCISABLE AT END OF PERIOD** | **30,150** | **€42.86** | **167,000** | **€18.93** |

The weighted average exercise price was €42.86 in 2019 and €18.93 in 2018.

## Performance share plans

IFRS 2 – Share-based Payment also applies to the performance share plans set up by the Board of Directors on February 27, 2012, February 18, 2013, February 17, 2014, February 20, 2015, December 9, 2015, May 4, 2016, March 8, 2017, February 21, 2018 and February 27, 2019.

The recognition principles are the same as those applied to stock option plans.

The number of performance shares is reviewed annually based on changes in the probability of the performance objectives being met.

## Main characteristics

Edenred's Board of Directors, at its meetings of February 27, 2012, February 18, 2013, February 17, 2014, February 20, 2015, December 9, 2015, May 4, 2016, March 8, 2017, February 21, 2018 and February 27, 2019, carried out the conditional attribution of performance shares.

The duration of the 2012-to-2015 plans is five years. Performance shares granted to French tax residents are subject to a three-year vesting period followed by a two-year lock-up and shares granted to residents of other countries are subject to a five-year vesting period without any lock-up. During the two-year lock-up, shares cannot be sold. The duration of the 2016-to-2020 plans is three years for all beneficiaries.

Performance shares vest when the performance conditions are fulfilled. However, if the grantee is no longer employed by the Group on the vesting date, depending on the reason for his or her departure the performance share rights may be forfeited or the number of rights may be reduced proportionately to his or her actual period of service since the grant date. Shares definitively acquired cannot exceed 100% of the initial amount granted.

Under the three year plan, the 597,220 shares originally granted on February 27, 2019 will vest on February 27, 2022 provided that several performance conditions are met.

Fulfillment of the performance conditions will be assessed over the period from January 1, 2019 to December 31, 2021, based on the degree to which the following objectives have been met:

(i) two internal performance objectives, which will determine 75% of the total grant and are linked to like-for-like growth in:

- ✓ operating EBIT;
- ✓ funds from operations before other income and expenses (FFO);

(ii) one external (market) performance objective, which will determine 25% of the total grant and is linked to:

- ✓ Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index.

Depending on the actual percentage of fulfillment of each of the plan's three performance conditions, the percentage of fulfillment of each performance condition may reach a maximum of 150% and the conditions can offset each other, when one condition is exceeded and another is not met or only partially met. However, the total number of vested shares may not exceed 100% of the initial amount of shares granted.

Performance shares vest subject to the fulfillment of performance conditions and provided that the grantees are still employed by the Group at the end of the vesting period.

The performance objectives are as follows:

| Plan 3 | | Plan 5 | | Plan 6 | | Plan 7 | |
|---|---|---|---|---|---|---|---|
| Plan of February 27, 2012 | | Plan of February 17, 2014 | | Plan of February 20, 2015 | | Plan of December 9, 2015 | |
| 867,575 shares | | 824,000 shares | | 800,000 shares | | 137,363 shares | |
| Weight | Conditions | Weight | Conditions | Weight | Conditions | Weight | Conditions |
| 50% of the shares granted for the 2011 and 2012 plans | Like-for-like growth in business volume for the years 2012, 2013 and 2014 | 80% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) | 80% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) | 75% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) |
| 50% of the shares granted for the 2011 and 2012 plans | Like-for-like growth in funds from operations for the years 2012, 2013 and 2014 | 20% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index | 20% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index | 25% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index |
| The performance objectives were met for Plan 3 | | The performance objectives were partially met for Plan 5 | | The performance objectives were partially met for Plan 6 | | The performance objectives were partially met for Plan 7 | |

| Plan 8 | | Plan 9 | | Plan 10 | | Plan 11 | |
|---|---|---|---|---|---|---|---|
| Plan of May 4, 2016 | | Plan of March 8, 2017 | | Plan of February 21, 2018 | | Plan of February 27, 2019 | |
| 990,080 shares | | 794,985 shares | | 685,706 shares | | 597,220 shares | |
| Weight | Conditions | Weight | Conditions | Weight | Conditions | Weight | Conditions |
| 75% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) | 75% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) | 75% of the shares granted | Two internal performance objectives, linked to like-for-like growth in business volume and funds from operations before non-recurring items (FFO) | 75% of the shares granted | Two internal performance objectives, linked to like-for-like growth in operating EBIT and funds from operations before non-recurring items (FFO) |
| 25% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index | 25% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index | 25% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index | 25% of the shares granted | One market performance objective, linked to Edenred's total shareholder return (TSR) compared with the average TSR of the companies in the SBF 120 index |
| The performance objectives were met for Plan 7 | | The performance objectives are still being assessed for Plan 9 | | The performance objectives are still being assessed for Plan 10 | | The performance objectives are still being assessed for Plan 11 | |

## Fair value of performance share plans

The fair value of performance shares corresponds to the share price on the day of the granting, net of the expected dividend payment during the vesting period. Note that for Plans 3, 5, 6 and 7, for French tax residents, the two-year lock-up period led to a valuation of an illiquidity risk based on the interest rate for a loan to an employee, equal to the interest rate applied by a credit institution to a private client with average financial capacities.

The fair value of performance shares is recognized on a straight-line basis over the vesting period in employee benefit expense, with a corresponding adjustment to equity.

The current fair value of Plan 11 performance shares is €33.54 per share, compared with a share price of €38.07 on February 26, 2019, the last trading day before the grant date.

The fair value of performance shares is recognized on a straight-line basis over the vesting period in employee benefit expense, with a corresponding adjustment to equity. The total cost recognized in respect of the 2019 plan amounted to €16 million in 2019.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Fair v alue of benefits for French tax residents | 16.08 | 15.04 | 18.38 | 24.26 | 33.54 |
| Fair v alue of benefits for non-residents | 15.91 | 15.04 | 18.38 | 24.26 | 33.54 |
| Expense recognized* (in € millions) | 11.20 | 8.92 | 12.36 | 13.30 | 15.80 |

** With a corresponding adjustment to equity for the duration of the plan.*

## 9.2 . PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and discount rates. These assumptions take into account the macroeconomic situation and other specific circumstances in each country where the Group operates.

The fair value of the plan assets intended to hedge retirement obligation and other long-term employee benefits is used in order to evaluate the amount of the liability related to them. Pension and other retirement benefit obligations recognized in the balance sheet correspond to the discounted present value of the defined-benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent future economic benefits available for the Group, for instance in the form of refunds from the plan or reductions in future contributions to the plan.

The net defined-benefit obligation is recognized in the balance sheet under "Non-current provisions".

For defined-benefit plans, current and past service costs are recognized in operating expenses.

For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity.

However, actuarial gains and losses related to current employees' long-term benefits, particularly long-service awards and loyalty bonuses, are recognized immediately in net financial expense.

Group employees receive three kinds of benefits:

1) **Short-term benefits**: paid vacation, paid sick leave and profit-shares.

2) **Long-term benefits**: long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses.

3) **Post-employment benefits:**

   a. Defined-contribution plans: Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. Contributions to these plans are recognized immediately as an expense. The external organization is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined-contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined-contribution pension schemes in other countries.

   Contributions to these plans are recognized in the period to which they relate.

   b. Defined-benefit plans (end-of-career compensation, pension funds): For defined-benefits plans, the Group assesses its obligation in accordance with IAS 19 (revised) – Employee

Benefits. These plans are characterized by the employer's obligation toward employees. If they are not entirely pre-funded, a provision must be set aside.

For Edenred, the main post-employment defined-benefit plans concern:

- Defined-benefit pension plans, for which the benefits are calculated as follows:
    - lump-sum payments made to employees on retirement, determined by reference to the employee's years of service and final salary;
    - calculation based on factors defined by the Finance and Human Resources Departments each year;
    - related obligation covered by a provision in the balance sheet.

These plans mainly concern:

- Holding & Other (57.8% of the total projected benefit obligation at end-2019 versus 69.6% at end-2018);
- United Kingdom (19.5% of the total projected benefit obligation at end-2019 versus 10.7% at end-2018, after deducting plan assets);
- France (12.9% of the total projected benefit obligation at end-2019 versus 12.4 % at end-2018);
- Belgium (2.4% of the total projected benefit obligation at end-2019 versus 0.2% at end-2018, after deducting plan assets).

- Length-of-service awards in Italy (7.4% of the obligation at December 31, 2019):
    - lump-sum payments made to employees on retirement, resignation or dismissal, determined by reference to the employee's years of service and final salary;
    - related obligation covered by a provision in the balance sheet.

- The Edenred Group's pension obligations are funded under insured plans or by external funds. Plan assets therefore consist mainly in the classes of assets held in insurers' general portfolios managed according to conservative investment strategies.

## Actuarial assumptions

Actuarial valuations are based on a certain number of long-term factors defined by the Group, which are reviewed each year.

| 2019 | France | United Kingdom | Belgium | Italy | Holding & Other |
|---|---|---|---|---|---|
| Rate of future salary increases | 2.8% | N/A | 2.8% | 1.8% | 3%-4% |
| Discount rate | 0.8% | 1.9% | 0.5% | 0.5% | 0.8%-1.5% |
| Inflation rate | 1.8% | 3.6% | 1.8% | 1.8% | 1.8% |

| 2018 | France | United Kingdom | Belgium | Italy | Holding & Other |
|---|---|---|---|---|---|
| Rate of future salary increases | 2.8% | N/A | 2.8% | 1.5% | 3%-4% |
| Discount rate | 1.5% | 2.8% | 1.5% | 1.5% | 1.5% |

## Funded status of post-employment defined-benefit plans and long-term employee benefits

To improve legibility, Edenred has decided to present only non-zero and/or material aggregates.

### At December 31, 2019

| *(in € millions)* | Defined-benefit pension plans | Other defined benefit plans* | Total |
|---|---|---|---|
| Present value of funded obligation | 26 | - | 26 |
| Fair value of plan assets | (18) | - | (18) |
| **Surplus (deficit)** | **8** | **-** | **8** |
| Present value of unfunded obligation | - | 23 | 23 |
| Unrecognized past service cost | - | - | - |
| Surplus recognized in assets | - | - | - |
| **LIABILITIES RECOGNIZED IN THE BALANCE SHEET** | **8** | **23** | **31** |

* *Including length-of-service awards and loyalty bonuses.*

### At December 31, 2018

| *(in € millions)* | Defined-benefit pension plans | Other defined benefit plans* | Total |
|---|---|---|---|
| Present value of funded obligation | 20 | - | 20 |
| Fair value of plan assets | (17) | - | (17) |
| **Surplus (deficit)** | **3** | **-** | **3** |
| Present value of unfunded obligation | - | 25 | 25 |
| **LIABILITIES RECOGNIZED IN THE BALANCE SHEET** | **3** | **25** | **28** |

* *Including length-of-service awards and loyalty bonuses.*

# Change in funded status of post-employment defined-benefit plans by region

| *(in € millions)* | Pension plans: France | United Kingdom | Belgium | Italy | Holding & Other* | Rest of the World | Total | Other benefits | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Projected benefit obligation at beginning of period** | **3** | **14** | **5** | **2** | **17** | **3** | **44** | **1** | **45** | **44** |
| Service costs | 1 | - | - | - | 2 | 1 | 4 | - | 4 | 3 |
| Interest costs | - | - | - | - | 1 | - | 1 | - | 1 | 1 |
| Past service costs (plan amendments) | - | - | - | - | - | - | - | - | - | - |
| Plan curtailments/settlements | - | - | - | - | (8) | - | (8) | - | (8) | - |
| Benefits paid | - | - | - | - | - | (1) | (1) | - | (1) | (2) |
| Actuarial (gains) losses | - | 3 | 1 | - | 3 | 1 | 8 | - | 8 | - |
| Currency translation adjustment | - | 1 | - | - | - | - | 1 | - | 1 | - |
| Total other | - | - | - | - | - | - | - | - | - | 1 |
| **PROJECTED BENEFIT OBLIGATION AT END OF PERIOD** | **4** | **18** | **6** | **2** | **15** | **4** | **49** | **1** | **50** | **46** |

* *The impact on actuarial gains and losses is mainly due to experience adjustments resulting from the change in governance.*

| *(in € millions)* | France | United Kingdom | Belgium | Italy | Holding & Other | Rest of the World | Total | Other benefits | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fair value of plan assets at beginning of period** | **-** | **11** | **5** | **-** | **-** | **1** | **17** | **-** | **17** | **18** |
| Financial income | - | 1 | - | - | - | - | 1 | - | 1 | - |
| Actual return on plan assets | - | - | - | - | - | - | - | - | - | - |
| Employer contributions | - | - | - | - | - | - | - | - | - | - |
| Benefits paid | - | (1) | - | - | - | - | (1) | - | (1) | (1) |
| Currency translation adjustment | - | 1 | - | - | - | - | 1 | - | 1 | - |
| **FAIR VALUE OF PLAN ASSETS AT END OF PERIOD** | **-** | **12** | **5** | **-** | **-** | **1** | **18** | **-** | **18** | **17** |

| *(in € millions)* | France | United Kingdom | Belgium | Italy | Holding & Other | Rest of the World | Total | Other benefits | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Plan deficit at beginning of period*** | **3** | **3** | **-** | **2** | **17** | **2** | **27** | **1** | 28 | **26** |
| **Provision at end of period** | 4 | 6 | 1 | 2 | 14 | 3 | **30** | 1 | 31 | 28 |
| **PLAN DEFICIT AT END OF PERIOD** | **4** | **6** | **1** | **2** | **14** | **3** | **30** | **1** | **31** | **29** |

* *Including length-of-service awards and loyalty bonuses.*

| *(in € millions)* | France | United Kingdom | Belgium | Italy | Holding & Other | Rest of the World | Total | Other benefits | Total 2019 | Total 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Service costs** | **-** | **-** | **-** | **-** | **2** | **1** | **3** | **-** | **3** | **3** |
| Net interest income | - | - | - | - | (8) | - | (8) | - | (8) | - |
| **COST FOR THE PERIOD** | **-** | **-** | **-** | **-** | **(6)** | **1** | **(5)** | **-** | **(5)** | **3** |
| **Actuarial gains and losses recognized in equity** | **-** | **3** | **1** | **(0)** | **3** | **1** | **7** | **(0)** | **7** | **1** |

## Charges in pension liabilities (including loyalty bonuses) between January 1, 2018 and December 31, 2019

| *(in € millions)* | **Amount** |
|---|---|
| **Liability at January 1, 2018** | **26** |
| Additions for the year | 4 |
| Rev ersals of unused amounts | - |
| Used amounts | (1) |
| Actuarial gains and losses for the period recognized in equity | 1 |
| Effect of changes in consolidation scope | - |
| Currency translation adjustment | (1) |
| **Liability at December 31, 2018** | **28** |
| Additions for the year | 4 |
| Rev ersals of unused amounts | (8) |
| Used amounts | (1) |
| Actuarial gains and losses for the period recognized in equity | 7 |
| Effect of changes in consolidation scope | - |
| Currency translation adjustment | 1 |
| **LIABILITY AT DECEMBER 31, 2019** | **31** |

## Actuarial gains and losses arising from changes in assumptions and experience adjustments

| *(in € millions)* | **2019** | **2018** |
|---|---|---|
| Actuarial (gains) and losses – experience adjustments | 2 | 2 |
| Actuarial (gains) and losses – changes in demographical assumptions | - | - |
| Actuarial (gains) and losses – changes in financial assumptions | 5 | (1) |
| **Actuarial (gains) losses** | **7** | **1** |

## Sensitivity analysis

At December 31, 2019, a 0.5 point increase/decrease in the discount rate would lead to a roughly €4 million change in the Group's projected benefit obligation.

# NOTE 10 : OTHER PROVISIONS AND OBLIGATIONS

## 10.1 . OTHER INCOME AND EXPENSES

To make the consolidated financial statements easier to read, certain specific items of income and expense are reported under "Other income and expenses". This item is used only for income and expenses:

- related to a major event that occurred during the reporting period; and
- whose impact, if it were not presented separately from that of other transactions, would distort the understanding of the Group's underlying performance by users of the financial statements.

Other income and expenses can be analyzed as follows:

| *(in € millions)* | 2019 | 2018 |
|---|---|---|
| Movements in restructuring provisions | (2) | (1) |
| Restructuring and reorganization costs | (3) | (4) |
| **Restructuring expenses** | **(5)** | **(5)** |
| Impairment of property, plant and equipment | - | (5) |
| Impairment of intangible assets | (14) | (1) |
| **Impairment of assets** | **(14)** | **(6)** |
| Capital gains and losses | (4) | - |
| Reclassification of currency translation adjustments | (2) | - |
| Provisions | 16 | 2 |
| Non-recurring gains (losses) | (16) | (22) |
| **Other** | **(6)** | **(20)** |
| **TOTAL OTHER INCOME AND EXPENSES *** | **(25)** | **(31)** |

(*) Net cash costs included under this caption amounted to €33 million in 2019 and €26 million in 2018.

Other income and expenses in 2019 were primarily as follows:

- €6 million in fees related to acquisitions in 2019;
- additional impairment of €8 million for Colombian, French and Mexican assets;
- goodwill impairment in Brazil for €3 million relating to a non-core asset and in Japan for €3 million;
- restructuring costs for €5 million.

Other income and expenses in 2018 were primarily as follows:

- €16 million in fees related to acquisitions in 2018;
- additional impairment of €3 million for Russian assets;
- goodwill impairment in Malaysia for €4 million;
- restructuring costs for €5 million.

## 10.2 . PROVISIONS

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it.

Provisions for losses due to voucher theft are calculated for reported thefts based on a percentage of the stolen vouchers' aggregate face value corresponding to the Group's best estimate of the proportion of those vouchers that will be cashed in.

Movements in non-current provisions between January 1, 2019 and December 31, 2019 can be analyzed as follows:

| *(in € millions)* | Dec. 31, 2018 | Impact on equity | Additions | Used amounts | Reversals of unused amounts | Currency translation adjustment | Reclassi-fications and changes in scope | Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| - Provisions for pensions and loyalty bonuses | 28 | 7 | 4 | (1) | (8) | - | 1 | 31 |
| - Provisions for claims and litigation and other contingencies | 11 | - | 2 | (2) | (1) | - | 2 | 12 |
| **TOTAL NON-CURRENT PROVISIONS** | **39** | **7** | **6** | **(3)** | **(9)** | **-** | **3** | **43** |

Movements in current provisions between January 1, 2019 and December 31, 2019 can be analyzed as follows:

| *(in € millions)* | Dec. 31, 2018 | Impact on equity | Additions | Used amounts | Reversals of unused amounts | Currency translation adjustment | Reclassi-fications and changes in scope | Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| - Restructuring provisions | 2 | - | 2 | (1) | - | - | - | 3 |
| - Provisions for claims and litigation and other contingencies | 38 | - | 7 | (23) | (1) | - | (2) | 19 |
| **TOTAL CURRENT PROVISIONS** | **40** | **-** | **9** | **(24)** | **(1)** | **-** | **(2)** | **22** |

Taken individually, all ongoing disputes are immaterial, with the exception of those presented in Note 10.3 "Claims and litigation".

The used amounts of provisions for claims and litigation mainly comprised the utilization of a €19 million provision relating to the dispute with Kering (formerly PPR) and Conforama.

## 10.3 . CLAIMS AND LITIGATION

In the normal course of its business, the Group is involved in a certain number of disputes with third parties or with judicial or administrative authorities (including tax authorities).

Information on these disputes can be found in Note 10.3 to the consolidated financial statements for the year ended December 31, 2019. Developments in 2019 are presented below.

### Antitrust dispute in France

On October 9, 2015, the French company Octoplus filed a complaint with the French Antitrust Authority against several French companies in the meal voucher sector, including Edenred France. The Antitrust Authority's board met on April 5, 2016 and on July 7, 2016 to hear all the parties concerned as well as the investigation departments. On October 6, 2016, the Antitrust Authority decided to pursue its investigations without passing provisional measures against Edenred France.

On February 27, 2019, the investigation departments provided Edenred France with their final report, which contained two complaints dating from the early 2000s concerning information sharing through the Centrale de Remboursement des Titres (CRT) and the use of the CRT to lock up the meal voucher market. Edenred submitted its observations to the Antitrust Authority on April 29, 2019. On December 17, 2019, the Antitrust Authority announced that it had decided to fine Edenred €157 million on the grounds of the above two complaints. Edenred believes that the Antitrust Authority has misunderstood the competitive situation in the French meal voucher market and the CRT's role in this market. It therefore intends to appeal this ruling and, based on the opinion of its legal advisors, considers that it has strong arguments to challenge the Antitrust Authority's decision. Therefore, the Company has not set aside a related provision.

### Dispute with Kering (formerly PPR, which has been substituted for Fnac in the procedure) and Conforama

Edenred France (to which the rights of Accentiv' Kadéos were transferred) is involved in a dispute with Fnac and Conforama, two members of its gift solution acceptance and distribution network. The litigation concerns the breach by both companies of some of their contractual obligations, particularly the exclusive distribution of the Kadéos® card applicable until December 31, 2011.

In a decision on the merits of the case handed down on March 14, 2016, the Paris Commercial Court ordered Kering and Conforama to pay Edenred France an additional €7 million for damages sustained as well as €100,000 as compensation for the lawsuit brought by Kering and Conforama, which was considered to represent an abuse of process.

In a ruling handed down on December 12, 2018, the Paris Court of Appeal ordered Edenred France to return the above amounts that it had received in penalties and damages. Edenred France opposes the Court of Appeal's ruling and has brought the matter before the Court of Cassation. Proceedings are still ongoing. In the meantime, the penalties and damages totaling €19 million were repaid by Edenred France on January 24, 2019. This amount had been fully provisioned at December 31, 2018.

### Futureo dispute

Edenred France was a 38% minority shareholder of Aqoba SA, which in turn controlled Aqoba EP, a payment institution licensed by France's banking supervisor, Autorité de Contrôle Prudentiel et de Résolution.

Aqoba SA and Aqoba EP were placed in compulsory liquidation in June 2014, notably leading to the termination of Aqoba EP's contract for the supply of payment services to Futureo.

On December 24, 2014, Futureo was also placed in compulsory liquidation. The liquidator brought suit against Edenred France and another shareholder of Aqoba SA before the Nanterre Commercial Court, alleging that they were responsible for Futureo's bankruptcy. Futureo's former Chief Executive Officer joined the suit.

Together, Futureo's liquidator and the former Chief Executive Officer estimate their losses at around €15.6 million.

The Commercial Court held the first-instance hearing on December 17, 2019 and is expected to hand down its ruling in the first half of 2020.

Based on the opinion of its legal advisers, the Company believes that it has solid arguments in its defense. Therefore, the Company has not set aside a related provision.

### Turkish antitrust litigation

In February 2010, the Turkish antitrust authorities conducted an investigation into Edenred Turkey and Sodexo Turkey to examine the behavior of these two entities on their market between 2007 and 2010. In July 2010, this investigation resulted in a decision to close the case without further action. After examining the application of another market participant seeking the annulment of that decision, the High Court of Justice ruled that the antitrust authorities had to conduct a full investigation of six market participants in Turkey, including Edenred, on the basis of their respective behavior on the service voucher market between 2007 and 2010.

On November 15, 2018, the Turkish antitrust authorities imposed a fine of approximately €1 million on Edenred in its capacity as a shareholder of Netser, the subsidiary set up 17 years ago with Sodexo to offer restaurant operators an efficient, low-cost technical electronic payments solution. Edenred paid the fine in the first half of 2019. The Company appealed the decision before the Ankara Administrative Court on May 31, 2019.

### ICSID dispute

Pursuant to a change in the Hungarian regulatory and tax framework related to the issue conditions of meal and food vouchers, the Company filed a request for arbitration in August 2013 against the Hungarian government before the International Centre for Settlement of Investment Disputes (ICSID). The hearing was held before the Arbitral Court in November 2015, and on December 13, 2016, the Court sentenced the Hungarian Government to pay Edenred approximately €23 million, excluding interest (5% per year starting on January 1, 2012, which represents approximately €6 million). This decision represents an important step in the settlement of the dispute.

As the procedure is now closed, at December 31, 2016, the amount to be received is considered as certain according to IAS 37. As a consequence and pending the enforcement of the arbitral award, an estimate considered as reasonable of income and a related receivable for a net amount of €22 million were recognized in "Non-recurring income and expenses" in the Group's financial statements for the period ended December 31, 2016. This amount was received in March 2017. On April 11, 2017, the Hungarian government filed an application for annulment of the award, claiming that the tribunal had manifestly exceeded its powers and had failed to provide a legal basis for its award. The ad hoc proceedings related to this application have been stayed in response to an application for revision filed by the Hungarian government (see below). However, this situation does not affect the Company's assessment of the risk at December 31, 2018.

On June 5, 2018, the Hungarian government filed an application for the revision of the award further to a decision handed down by the Court of Justice of the European Union on March 6, 2018 in the Achméa case. The reconstituted tribunal dismissed the Hungarian government's claim on February 7, 2019 and reopened its investigation into the annulment procedure, which had been stayed. The appeal against the annulment procedure was heard on January 27, 2020. The Court's ruling is expected to be handed down in the first half of 2020. Edenred views the application as having no basis in law and has thus not revised its assessment of the risk at December 31, 2019.

## Edenred SA tax audit

In 2018 and 2019, a tax audit was carried out at Edenred SA, covering the period 2014 to 2016.

In December 2018, the French tax authorities notified the Company of a proposed reassessment of the tax paid in 2014. on the grounds that the brand royalties billed to the Brazilian subsidiaries were understated and were not on arm's length terms.

Notification of the proposed reassessments of tax paid in 2015 and 2016 was received by the Company in July 2019. As originally expected, the tax authorities reduced the 2014 reassessment to align its position with that adopted with regard to 2015 and 2016.

The total tax, late interest and penalties claimed for the three years amount to €17 million. The Company has contested the reassessments and took up the matter with the national tax board in early 2019. The national tax board heard the Company's arguments at the end of January 2020. Its decision is currently pending.

Based on the opinion of its tax advisers, the Company believes that it has solid arguments in its defense. Therefore, the Company has not set aside a related provision.

## Tax litigation in Brazil

### Municipal tax – Ticket Serviços

In December 2011, the municipality of São Paulo notified the Brazilian company Ticket Serviços of a reassessment of municipal tax (ISS – *Imposto Sobre Serviços*) for the period from April to December 2006, even though the company had already paid this tax to the municipality of Alphaville.

For this period, the principal amount of the reassessment was 8 million Brazilian reais (€2 million), plus 83 million Brazilian reais (€18 million) in penalties and interest at December 31, 2019.

In November 2012, the municipality notified the company, on the same basis, of the amounts related to the period from January 2007 to March 2009.

For this second period, the principal amount of the reassessment was 28 million Brazilian reais (€6 million), plus 305 million Brazilian reais (€68 million) in penalties and interest at December 31, 2019. The company's motion before the Brazilian courts was denied in the first trial and an appeal was filed.

In addition to the reassessments mentioned above, the company may be required to pay for the government's legal fees and the court fees for a total of 42 million Brazilian reais (€9 million).

The administrative chamber of appeal ruled against the company on September 23, 2014. The company appealed the decision.

On August 11, 2015, the appeal lodged by the company was denied, thereby putting an end to the administrative phase of the dispute.

On November 10, 2015, the company filed a motion with the Court of Justice of the State of São Paulo for cancellation of the reassessments.

Based on the opinion of its tax advisers, the Company believes that the chance of a favorable outcome is very good. Therefore, the Company has not set aside a related provision.

The motion included a request to defer the payment of the disputed amount, which was granted by a decision handed down on November 12, 2015. The tax authorities appealed this decision, but the appeal was denied. The State of São Paulo appealed to the Supreme Court of Justice.

At the Court's request, the company provided a guarantee issued by Swiss Re.

A first instance decision is still being awaited.

An expert was appointed as part of the proceedings to observe and examine the facts of the case. The expert's opinion was favorable to the company.

Based on the opinion of an expert who has examined the facts, the Company believes that the chance of a favorable outcome is very good. Therefore, the Company has not set aside a related provision.

#### Tax allowance for goodwill amortization

In January 2012, the Brazilian federal tax authorities notified Ticket Serviços of a reassessment of corporate income tax and the additional contribution (IRPJ and CSLL) for the fiscal years spanning from 2007 to 2010. The principal amount of the reassessment was 82 million Brazilian reais (€18 million), plus 271 million Brazilian reais (€60 million) in penalties and interest at December 31, 2019.

During 2016, the tax authorities issued two new reassessments, in line with the previous reassessment, for the following periods:

- for 2011, the principal amount of the reassessment was 25 million Brazilian reais (€5 million), plus 68 million Brazilian reais (€15 million) in penalties and interest at December 31, 2019;
- for 2012, the reassessment was 16 million Brazilian reais (€4 million), plus 43 million Brazilian reais (€10 million) in penalties and interest at December 31, 2019.

The tax authorities disallowed the tax deductibility of the goodwill amortization recognized on the buyout of the minority interest in Ticket Serviços. Ticket Serviços initiated proceedings before the administrative courts. The motion was denied by the higher court. The company was officially notified of this decision on August 14, 2015 and filed a request for clarification.

The request was rejected by the administrative courts.

The company has filed a first-instance request before the judicial courts to have the reassessments canceled and an application has also been made for a stay of payment of the contested amount. In 2018, the company posted a bank guarantee in support of its application for a stay of payment in an amount of 352 million Brazilian reais (€78 million), which constitutes an off-balance sheet commitment given by the Group.

Based on the opinion of its tax advisers, the Company believes that the chance of a favorable outcome is very good. Therefore, the Company has not set aside a related provision.

### Tax litigation in Italy

In 2019, a tax audit was carried out at Edenred Italy, covering the period from 2014 to 2016.

In June 2019, the Italian tax authorities informed the company that the tax audit had been completed. The tax authorities have challenged the brand royalties billed to Edenred Italia by Edenred SA, as well as the timing of revenue recognition.

In November 2019, the authorities issued a reassessment notice confirming their positions. This notice has the effect of suspending the statute of limitations.

The administrative procedure is currently pending.

Based on the opinion of its tax advisers, the Company believes that it has solid arguments in its defense. However, in line with the principle of prudence, a provision of €1 million has been set aside for this matter, corresponding to the Company's estimate of the reassessment risk which is viewed as limited.

# NOTE 11 : ADDITIONAL INFORMATION

## 11.1 . ADDITIONAL INFORMATION ABOUT JOINTLY CONTROLLED ENTITIES

Not applicable.

## 11.2 . RELATED-PARTY TRANSACTIONS

For the purpose of applying IAS 24, the Group has identified the following related parties:

all members of the Executive Committee and of the Board of Directors, and the members of their direct families;

all companies in which a member of the Executive Committee holds material voting rights;

*Companies accounted for by the equity method*

Relations between the parent company and its associates are presented on a dedicated line in the consolidated income statement and statement of financial position.

*Members of the Executive Committee*

Transactions with members of the Executive Committee are disclosed in full in Note 11.3.

*Members of the Board of Directors*

The only compensation paid to the members of the Board of Directors are the attendance fees. The amount of attendance fees paid to the members of the Board of Directors in respect of 2019 totaled €0.6 million. The Chief Executive Officer does not receive any attendance fees; his compensation is disclosed in Note 11.3 "Compensation paid to key management staff".

## 11.3 . COMPENSATION PAID TO KEY MANAGEMENT STAFF

| *(in € millions)* | **2019** | **2018** |
|---|---|---|
| Short-term benefits | 13 | 11 |
| Share-based payments | 7 | 6 |
| **TOTAL COMPENSATION** | **20** | **17** |

## 11.4 . STATUTORY AUDITORS' FEES

The table below shows the total fees billed by the Statutory Auditors that were recognized in the income statement in respect of the two periods presented:

| | Deloitte & Associés | | | | Ernst & Young | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (excl. tax) | | % | | Amount (excl. tax) | | % | |
| *(in € millions)* | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Fees paid to the Statutory Auditors for certifying the financial statements** | | | | | | | | |
| - Issuer | (0.4) | (0.5) | 16% | 17% | (0.4) | (0.5) | 19% | 23% |
| - Fully consolidated subsidiaries | (1.4) | (1.4) | 58% | 50% | (1.3) | (1.3) | 68% | 64% |
| **SUB-TOTAL** | **(1.8)** | **(1.8)** | **74%** | **67%** | **(1.7)** | **(1.7)** | **87%** | **87%** |
| **Fees paid to the Statutory Auditors for other services*** | | | | | | | | |
| - Issuer | (0.0) | (0.1) | 1% | 2% | (0.0) | (0.0) | 0% | 1% |
| - Fully consolidated subsidiaries | (0.6) | (0.8) | 25% | 30% | (0.3) | (0.2) | 13% | 11% |
| **SUB-TOTAL** | **(0.7)** | **(0.9)** | **26%** | **33%** | **(0.3)** | **(0.3)** | **13%** | **13%** |
| **TOTAL** | **(2.5)** | **(2.7)** | **100%** | **100%** | **(2.0)** | **(2.0)** | **100%** | **100%** |

* In 2019, these fees mainly concerned tax and payroll compliance engagements, as well as buy-side due diligence.

## 11.5 . OFF-BALANCE SHEET COMMITMENTS

### Off-balance sheet commitments given

Off-balance sheet commitments amounted to €475 million at December 31, 2019, versus €433 million a year earlier.

At December 31, 2019, off-balance sheet commitments given broke down as follows:

| *(in € millions)* | Dec. 31, 2019 <1 year | Dec. 31, 2019 >1 year <5 years | Dec. 31, 2019 >5 years | Dec. 31, 2019 Total | Dec. 31, 2018 |
|---|---|---|---|---|---|
| Voucher sale guarantees given to the public sector | 81 | 23 | 8 | 112 | 88 |
| Guarantees given to the public sector in Mexico | 64 | 7 | - | 71 | - |
| Bank bonds issued in Brazil | - | - | 45 | 45 | 33 |
| Bail bond issued within the framework of tax litigation on municipal tax in Brazil (ISS) | - | - | 80 | 80 | 81 |
| Bail bond issued within the framework of litigation on tax allowances for goodwill amortization | - | - | 78 | 78 | 75 |
| Capital commitments given to the Partech VI investment fund | 6 | 3 | - | 9 | 8 |
| Intermarché bond as part of the contract with LCCC | 30 | - | - | 30 | 30 |
| **SUB-TOTAL** | **181** | **33** | **211** | **425** | **315** |
| Other* | 7 | 19 | 24 | 50 | 118 |
| **Total off-balance sheet commitments given** | **188** | **52** | **235** | **475** | **433** |

* Mainly comprising rental commitments not included in the scope of IFRS 16 and deposits.

To the best of the Group's knowledge and in accordance with generally accepted accounting principles, no commitments given have been omitted from the above list.

## Off-balance sheet commitments received

Off-balance sheet commitments received from third parties at December 31, 2019 amounted to €3 million. They consisted mainly in guarantees received from clients in Brazil in exchange for post-payment facilities granted by Repom for the same amount.

# NOTE 12 : LIST OF CONSOLIDATED COMPANIES AT DECEMBER 31, 2019

In accordance with regulation 2016-09 of French accounting board Autorité des Normes Comptables Françaises, the list of consolidated companies and details of the main investments in non-consolidated companies are provided below for users of the financial statements. All companies controlled by the Group or over which the Group exercises significant influence are included in the scope of consolidation.

| Company | Country | | 2019 Method | 2019 Interest held (%) | 2018 Method | 2018 Interest held (%) | Change (%) |
|---|---|---|---|---|---|---|---|
| **France** | | | | | | | |
| Conecs | France | | EQ | 25.00 | EQ | 25.00 | 0.00 |
| Edenred Corporate Payment France | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred France SAS | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Paiement | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Ticket Fleet Pro SAS | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Fuel Card A | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| La Compagnie des Cartes Carburants | France | | FC | 80.48 | FC | 80.48 | 0.00 |
| Proweb CE | France | | FC | 99.30 | FC | 99.30 | 0.00 |
| PW CE Participations | France | | FC | 99.30 | FC | 99.30 | 0.00 |
| Servicarte SA | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA France S.A.R.L. | France | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Fleet & Mobility SAS | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Addworking | France | | NC | 16.78 | NC | 16.78 | 0.00 |
| Lucky Cart SAS | France | | NC | 24.48 | NC | 24.39 | 0.09 |
| Zen Chef | France | | NC | 15.13 | NC | 15.76 | -0.63 |
| Andjaro | France | | NC | 22.73 | NC | 22.73 | 0.00 |
| ACTIVITIZ | France | | NC | 9.89 | NC | 9.89 | 0.00 |
| CRCESU | France | | NC | 16.67 | NC | 16.67 | 0.00 |
| CRT | France | | NC | 25.00 | NC | 25.00 | 0.00 |
| E-SOLUTIONS NC SAS | France | | NC | 30.00 | NC | 30.00 | 0.00 |
| **Europe (excl. France)** | | | | | | | |
| Edenred Austria GmbH | Austria | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Austria GmbH | Austria | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Belgium SA | Belgium | | FC | 100.00 | FC | 100.00 | 0.00 |
| Luncheck SA | Belgium | | FC | 99.99 | FC | 99.99 | 0.00 |
| Award Services | Belgium | | FC | 100.00 | FC | 100.00 | 0.00 |
| Merits & Benefits | Belgium | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Ekivita | Belgium | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Edenred Bulgaria AD | Bulgaria | | FC | 50.00 | FC | 50.00 | 0.00 |
| UTA Bulgaria | Bulgaria | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Burundi | Burundi | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Czech s.r.o. | Czech Republic | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred CZ SRO | Czech Republic | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Production Center | Czech Republic | | FC | 100.00 | FC | 100.00 | 0.00 |
| Nikosax A/S | Denmark | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Timex Card Estonia | Estonia | (UTA sub-group) | FC | 44.82 | FC | 44.82 | 0.00 |
| Edenred Finland | Finland | | FC | 100.00 | FC | 100.00 | 0.00 |
| Ages Maut System Gmbh & Co KG | Germany | (UTA sub-group) | NC | 16.60 | EQ | 16.60 | 0.00 |
| Ages International Gmbh & Co KG | Germany | (UTA sub-group) | NC | 16.60 | EQ | 16.60 | 0.00 |
| Edenred Deutschland Gmbh | Germany | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Incentive & Rewards Gmbh | Germany | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Vouchers Gmbh | Germany | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Tankkarten* | Germany | | FC | 100.00 | FC | 100.00 | 0.00 |
| Union Tank Eckstein Gmbh & Co. KG | Germany | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Itemion GmbH & Co. KG | Germany | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Union Tank Eckstein GmbH | Germany | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Itemion Verwaltungs GmbH | Germany | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Mercedes Service Card GmbH & Co KG | Germany | (UTA sub-group) | EQ | 40.67 | EQ | 40.67 | 0.00 |
| Mercedes Service Card Beteiligungs GmbH | Germany | (UTA sub-group) | EQ | 40.67 | EQ | 40.67 | 0.00 |
| Timex Card | Germany | | FC | 44.82 | FC | 44.82 | 0.00 |
| OMEGA 2 GmbH | Germany | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Vouchers Service | Greece | | FC | 51.00 | FC | 51.00 | 0.00 |
| UTA Magyarország Kft. | Hungary | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Nikosax HU | Hungary | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Magyarorszag Kft | Hungary | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Italia s.r.l. | Italy | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Italia SRL (Italy) | Italy | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Italia Fin S.r.l | Italy | | FC | 100.00 | FC | 100.00 | 0.00 |
| Easy Welfare | Italy | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Easy Welfare Broker | Italy | New in scope | FC | 100.00 | N/A | N/A | N/A |
| RWA Consulting | Italy | New in scope | FC | 100.00 | N/A | N/A | N/A |
| EW Innovation | Italy | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Welfare Innovation | Italy | New in scope | NC | 12.50 | N/A | N/A | N/A |
| Timex Card Lithuania | Lithuania | (UTA sub-group) | FC | 44.82 | FC | 44.82 | 0.00 |
| UAB Areja | Lithuania | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Edenred Luxembourg | Luxembourg | | FC | 100.00 | FC | 100.00 | 0.00 |
| Cube RE S.A | Luxembourg | | FC | 100.00 | FC | 100.00 | 0.00 |
| Daripod Holding | Luxembourg | | FC | 50.00 | FC | 50.00 | 0.00 |
| Edenred MD S.R.L. | Moldova | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Nederland B.V. | Netherlands | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Nederland | Netherlands | | FC | 100.00 | FC | 100.00 | 0.00 |
| Timex card | Poland | (UTA sub-group) | FC | 44.82 | FC | 44.82 | 0.00 |
| Nikosax PL | Poland | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Accor Services Polska SP. ZO.O. | Poland | | FC | 100.00 | FC | 99.99 | 0.01 |
| Edenred Portugal Lda | Portugal | | FC | 50.00 | FC | 50.00 | 0.00 |
| One Card | Portugal | | FC | 86.34 | FC | 56.34 | 30.00 |
| UTA Romania Services srl | Romania | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Romania srl | Romania | | FC | 100.00 | FC | 100.00 | 0.00 |
| BENEFIT ADMIN | Romania | New in scope | NC | 100.00 | N/A | N/A | N/A |
| BENEFIT BROKER DE PENSII PRIVATE | Romania | New in scope | NC | 100.00 | N/A | N/A | N/A |
| BENEFIT SYSTEMS SRL | Romania | New in scope | NC | 100.00 | N/A | N/A | N/A |
| Edenred Digital Technology Center | Romania | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Daripodarki | Russia | | FC | 50.00 | FC | 50.00 | 0.00 |
| Edenred Slovakia S.R.O. | Slovakia | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Slovakia s.r.o | Slovakia | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Ticket Service | Slovakia | | FC | 100.00 | NC | 0.00 | 100.00 |
| UTA Espana S.L | Spain | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Nikosax Espana | Spain | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred Espana SA | Spain | | FC | 100.00 | FC | 100.00 | 0.00 |
| IziCard SL | Spain | | NC | 39.68 | NC | 39.68 | 0.00 |
| Edenred Sweden AB | Sweden | | FC | 100.00 | FC | 100.00 | 0.00 |
| Delicard Group AB | Sweden | | FC | 100.00 | FC | 100.00 | 0.00 |
| UTA Tank AG | Switzerland | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Timex Card Ukraine | Ukraine | (UTA sub-group) | FC | 44.82 | FC | 44.82 | 0.00 |
| UTA Freight (UK) Limited | United Kingdom | (UTA sub-group) | FC | 83.00 | FC | 83.00 | 0.00 |
| Edenred (UK Group) Ltd | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred (Incentives & Motivation) Limited | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred (Travel) Limited | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred (Employee Benefits) Limited | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| Prepay | United Kingdom | | FC | 70.45 | FC | 70.45 | 0.00 |
| ECP UK | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| Luncheon Voucher Ireland | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| ChildCare Vouchers Limited | United Kingdom | | FC | 100.00 | FC | 100.00 | 0.00 |
| LaunchPad Recruits Ltd | United Kingdom | | NC | 13.23 | NC | 13.23 | 0.00 |
| Globalvcard Paysystems UK | United Kingdom | New in scope | FC | 100.00 | N/A | N/A | N/A |
| The Right Fuel Card Group | United Kingdom | New in scope | FC | 80.00 | N/A | N/A | N/A |
| PPS EU | United Kingdom | New in scope | FC | 70.45 | N/A | N/A | N/A |
| Diesel 24 | United Kingdom | New in scope | FC | 80.00 | N/A | N/A | N/A |
| JayTeeEnergy | United Kingdom | New in scope | FC | 80.00 | N/A | N/A | N/A |
| Be FuelCards | United Kingdom | New in scope | FC | 80.00 | N/A | N/A | N/A |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Latin America** | | | | | | | |
| Edenred Argentina | Argentina | | FC | 100.00 | FC | 100.00 | 0.00 |
| Soporte Servicios SA | Argentina | | FC | 100.00 | FC | 100.00 | 0.00 |
| Ticket Servicos Bresil | Brazil | | FC | 89.00 | FC | 100.00 | -11.00 |
| Ticketseg - Corretora de seguros S.A. | Brazil | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Participations Bresil | Brazil | | FC | 100.00 | FC | 100.00 | 0.00 |
| Accentiv' Servicos Tecnologica Da informacao S/A | Brazil | | FC | 65.00 | FC | 63.00 | 2.00 |
| Ticket Soluções HDFGT S.A | Brazil | | FC | 63.00 | FC | 63.00 | 0.00 |
| B2B Comercio Electronico de Pecas Ltda | Brazil | | FC | 42.65 | FC | 42.65 | 0.00 |
| Repom S/A | Brazil | | FC | 63.00 | FC | 63.00 | 0.00 |
| Topazio Cartoes | Brazil | | FC | 48.46 | FC | 48.46 | 0.00 |
| Ticket Freto | Brazil | | FC | 63.00 | FC | 63.00 | 0.00 |
| Good Card | Brazil | | EQ | 35.00 | EQ | 35.00 | 0.00 |
| Edenred Serviços Empresariais | Brazil | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Holding Financeira | Brazil | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Levo Log | Brazil | New in scope | FC | 63.00 | N/A | N/A | N/A |
| Accor Services Chile SA | Chile | | FC | 74.35 | FC | 74.35 | 0.00 |
| Servicios Empresariales de Colombia SA | Colombia | | FC | 100.00 | FC | 100.00 | 0.00 |
| Big Pass S.A. | Colombia | | FC | 100.00 | FC | 100.00 | 0.00 |
| Nectar Holdings | Costa Rica | | EQ | 30.00 | EQ | 30.00 | 0.00 |
| Operadora de Programas de Abasto Multiple SA de CV | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Accor Servicios Empresariales S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Sinergel S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Vales y Monderos Electronicos Punto Clave S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Merchant Services de Mexico S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Servicios Accor S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Sedesa | Mexico | | EQ | 20.00 | EQ | 20.00 | 0.00 |
| Servicios y soluciones empresariales ticket Edenred, S.A. de C.V. | Mexico | | FC | 100.00 | FC | 100.00 | 0.00 |
| Nectar Technology | Nicaragua | | FC | 51.00 | FC | 51.00 | 0.00 |
| Accor Services Panama SA | Panama | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Peru SA | Peru | | FC | 67.00 | FC | 67.00 | 0.00 |
| Efectibono | Peru | | FC | 67.00 | FC | 67.00 | 0.00 |
| Westwell Group SA | Uruguay | | FC | 100.00 | FC | 100.00 | 0.00 |
| Luncheon Tickets S.A. | Uruguay | | FC | 100.00 | FC | 100.00 | 0.00 |
| Promote S.A. | Uruguay | | FC | 100.00 | FC | 100.00 | 0.00 |
| Cestaticket Services C.A. | Venezuela | | FC | 57.00 | FC | 57.00 | 0.00 |
| Inversiones Quattro Venezuela | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Cinq Venezuela | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Huit Venezuela | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Neuf Venezuela | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Dix Venezuela S.A. | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Onze 2040 | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Douze | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Quatorze | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Quinze 1090 | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| Inversiones Seize 30 | Venezuela | | FC | 100.00 | FC | 100.00 | 0.00 |
| **Rest of the World** | | | | | | | |
| Globalvcard Canada | Canada | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Beijing Surfgold Technology Ltd | China | | FC | 100.00 | FC | 100.00 | 0.00 |
| Accentiv' Shangai Company | China | | FC | 100.00 | FC | 100.00 | 0.00 |
| Global Rewards HK | Hong Kong | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred (India) PVT ltd | India | | FC | 100.00 | FC | 100.00 | 0.00 |
| Surfgold.com PVT Ltd India | India | | FC | 100.00 | FC | 100.00 | 0.00 |
| SRI Ganesh Hospitality Services Private Limited* | India | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Japan | Japan | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred SAL | Lebanon | | FC | 80.00 | FC | 80.00 | 0.00 |
| Cardtrend Systems Sdn Bhd | Malaysia | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Maroc SAS | Morocco | | FC | 83.67 | FC | 83.67 | 0.00 |
| Edenred PTE Limited | Singapore | | FC | 100.00 | FC | 100.00 | 0.00 |
| Maintenance Vehicule China | Singapore | | EQ | 49.00 | NC | N/A | N/A |
| Smart Fleet Management Technology PTE. LTD. | Singapore | | EQ | 49.00 | NC | N/A | N/A |
| Edenred PTE Ltd. Taiwan Branch | Taiwan | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Kurumsal Cozumler SAS | Turkey | | FC | 100.00 | FC | 100.00 | 0.00 |
| Network Servisleri SAS | Turkey | | FC | 50.00 | FC | 50.00 | 0.00 |
| Accentiv Hediye Ve Danismanlik Hizmetleri | Turkey | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Ödeme Hizmetleri | Turkey | | FC | 100.00 | FC | 100.00 | 0.00 |
| C3 Card International Limited | United Arab Emirates | | FC | 100.00 | FC | 100.00 | 0.00 |
| C3 DTMFZ | United Arab Emirates | | FC | 100.00 | FC | 100.00 | 0.00 |
| C3 Edenred LLC | United Arab Emirates | | FC | 49.00 | FC | 49.00 | 0.00 |
| Edenred North America inc | United States | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Commuter Benefit Solutions | United States | | FC | 100.00 | FC | 100.00 | 0.00 |
| NutriSavings LLC | United States | | FC | 100.00 | FC | 100.00 | 0.00 |
| Beamery Inc | United States | | NC | 7.13 | NC | 7.13 | 0.00 |
| Beekeeper Holding Inc | United States | | NC | 3.98 | NC | 3.98 | 0.00 |
| Dexx Technologies Inc | United States | | NC | 9.82 | NC | 8.35 | 1.47 |
| CSI Enterprises Inc | United States | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Globalvcard LLC | United States | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Globalvcard Spend Secure LLC | United States | New in scope | FC | 100.00 | N/A | N/A | N/A |
| Fleet & Mobility North America | United States | New in scope | NC | 0.00 | N/A | N/A | N/A |
| **Holding & Other** | | | | | | | |
| ASM* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Gaméo* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Landray* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Saminvest* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| GABC* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Quattro* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Cinq* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Huit* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Neuf* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Onze* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Douze* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Quatorze* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Quinze* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Veninvest Seize* | France | | FC | 100.00 | FC | 100.00 | 0.00 |
| Edenred Fleet & Mobility Asia* | Singapore | | FC | 100.00 | NC | 0.00 | 100.00 |
| Edenred Global Rewards Singapore * | Singapore | | FC | 100.00 | NC | 0.00 | 100.00 |

*FC: full consolidation method*
*EQ: equity method*
*NC: non-consolidated*
** Holding company*

# NOTE 13 : UPDATE ON ACCOUNTING STANDARDS

## 13.1 . STANDARDS, AMENDMENTS AND INTERPRETATIONS MANDATORY FROM JANUARY 1, 2019

The following standards, amendments and interpretations adopted by the European Union with mandatory application on January 1, 2019 came into effect on that date:

| Standard | Name | Summary | Potential impact on Edenred's financial statements |
|---|---|---|---|
| IFRS 16 | Leases | IFRS 16 specifies how an IFRS issuer should recognize, measure, present and disclose leases. | See Note 1.3.1 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | The interpretation recommends that entities determine whether each uncertain tax treatment should be considered independently or whether some uncertain tax treatments should be considered together for the purposes of determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. | The Group has examined the potential uncertainties over tax treatments addressed in IFRIC 23. This examination did not lead to any changes in its assessment of existing tax risks at January 1, 2019 |
| Annual Improvements to IFRSs | 2015-2017 Cycle | 1) IFRS 3 – Business Combinations: amendment stipulating that when an entity acquires control of a joint operation, the previously held interest in that operation should be revalued.<br><br>2) IFRS 11 – Joint Arrangements: amendment stipulating that when an entity acquires joint control of a joint operation, the previously held interest in that operation should not be revalued.<br><br>3) IAS 12 – Income Taxes: amendment clarifying that the requirements in former paragraph 52B of IAS 12 apply to all income tax consequences of dividends.<br><br>4) IAS 23 – Borrowing Costs: amendments stipulating that where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, any balance outstanding when the asset is ready for its intended use or sale should be reclassified as part of the general pool for the calculation of the capitalization rate applicable to the general pool. | No material impact |
| Amendments to IFRS 9 | Prepayment features with negative compensation | Amendments to deal with common types of instrument whose contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount is less than unpaid amounts of principal and interest. | No material impact |
| Amendments to IAS 19 | Plan amendments, curtailments, and settlements | These narrow-scope amendments clarify that if a defined benefit plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. | No material impact |
| Amendments to IAS 28 | Long-term interests in associates and joint ventures | Addition of a paragraph clarifying that IFRS 9, including its impairment requirements, applies to long-term interests in an associate or joint venture. For the application of IFRS 9, no account is taken of the losses of the associate or joint venture or any impairment loss recognized on the net investment in application of IAS 28. | No material impact |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | The amendment aims to clarify the way entities recognize deferred tax related to leases and decommissioning obligations.<br>The proposed amendments would require an entity to recognize deferred tax on initial recognition of particular transactions to the extent that the transaction gives rise to equal amounts of deferred tax assets and liabilities. The amendments would apply to particular transactions for which an entity recognizes both an asset and a liability, such as leases and decommissioning obligations. | No material impact |

Other than IFRS 16, the application and impacts of which are detailed in Note 1.4, the application of these standards, amendments and interpretations did not have a material impact on the periods presented.

## 13.2 . STANDARDS, AMENDMENTS AND INTERPRETATIONS OPTIONAL FOR REPORTING PERIODS BEGINNING ON OR AFTER JANUARY 1, 2019

Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union:

The following standards and amendments published by the IASB have not yet been adopted by the European Union:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 3 – Business Combinations;
- IFRS 17 – Insurance Contracts.

The Group chose not to early adopt these standards and amendments at January 1, 2019.