2005 DOCUMENT DE REFERENCE

This document constitutes the English language translation of INGENICO's 2005 Document de Référence *(registration document) filed with the* Autorité des Marchés Financiers *on June 1, 2006 under number R.06-081 in accordance with Article L 621-8-1-I of the* Code Monétaire et Financier *and its own General Regulations, particularly Article 212-13. The French* Document de Référence *may be used for purposes of a financial transaction if supplemented by an offering memorandum* (Note d'Opération) *that has received an AMF visa. It was prepared by the issuer and is binding on the signatories. AMF filing should not be construed to mean that the AMF vouches for the truthfulness and accuracy of the accounting and financial information contained in the* Document de Référence.

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GENERAL REMARKS

This *Document de Référence* contains statements regarding INGENICO'S objectives, prospects and strategy, including, without limitation, certain statements in Sections V, VI and XII. These forward-looking statements include statements that are not historical facts and in no way guarantee that the forward-looking information will prove accurate or that the desired results will be achieved. The forward-looking statements contained in this *Document de Référence* could also be affected by known and unknown risks, uncertainties and other factors that may cause INGENICO'S future results, performance and achievements to differ materially from the objectives expressed or suggested. These factors may include changes in the economic and business environment as well as the risk factors described in Section IV. INGENICO expressly disclaims any intention or obligation to update or revise any forward-looking statements contained in this *Document de Référence* to reflect the occurrence of unanticipated events.

As used herein, the terms **"INGENICO"** and the **"Company"** refer to INGENICO S.A. The terms the **"Group"** and the **"INGENICO Group"** refer to INGENICO S.A. together with its consolidated subsidiaries listed in Section VII, *Organization Chart.*

SECTION I. Party responsible for the *Document de Référence*

1.1 Party responsible for the *Document de Référence*

Amedeo d'Angelo, INGENICO Chief Executive Officer

1.2 Attestation of the party responsible for the *Document de Référence*

"*Having taken all reasonable care to ensure that such is the case, I certify that, the best of my knowledge, the information contained in this* Document de Référence *is true and accurate. Such information provides investors with all of the necessary elements on which to base a judgment on the net assets, operations, financial position, results and prospects of the Company. It does not omit any information which would be likely to alter its meaning.*
The Company has obtained a letter from its statutory auditors certifying that in compliance with professional standards applicable in France, they have verified the financial and accounting information provided in this Document de Référence *and that they have read the document in its entirety."*

Amedeo d'Angelo
Chief Executive Officer

1.3 Information policy

Olivier Aldrin
Chief Economic and Financial Officer
Tel.: +33 (0) 1 46 25 56 16
Fax: +33 (0) 1 47 72 56 95
e-mail: finance@fr.ingenico.com

Caroline Brochard-Garnier
Communication
Tel: +33 (0) 1 46 25 82 56
Fax: +33 (0) 1 46 25 81 01
e-mail: cbrochard@ingenico.fr

SECTION II. AUDITORS

2.1 Statutory auditors

KPMG Audit
(775 726 417 RCS Nanterre)
Department of KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex

Represented by Mr. Frédéric Quelin

First appointed: June 10,1986

Term renewed: April 20, 2004

Term expires: at the close of the Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009.

Conseil Gestion Expertise Comptable
(722 016 706 RCS Paris)
111-113, rue de Reuilly
75012 Paris

Represented by Mr. Jacques Moreau

First appointed: April 20, 2004

Term expires: at the close of the Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009.

KPMG Audit is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Versailles Regional Association of Statutory Auditors). C.G.E.C. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Paris* (the Paris Regional Association of Statutory Auditors).

2.2 Alternate auditors

Mr. Guillaume Livet
KPMG Audit
Department of KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex

First appointed: April 20, 2004

Term expires: at the close of the Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009.

Mr. Daniel Boulay
111-113, rue de Reuilly
75012 Paris

First appointed: June 9,1989

Term renewed: April 20, 2004

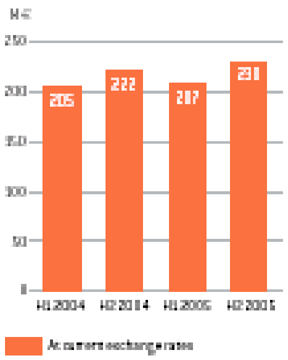
Term expires: at the close of the Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009.

Mr. Guillaume Livet is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles.* Mr. Daniel Boulay is a member of the *Compagnie Régionale des Commissaires aux Comptes de Paris.*

SECTION III. KEY FIGURES

Chiffre d'affaires et résultat opérationnel courant
Normes IFRS

Revenue



Annual revenue (M€)	
2004	427
2005	437

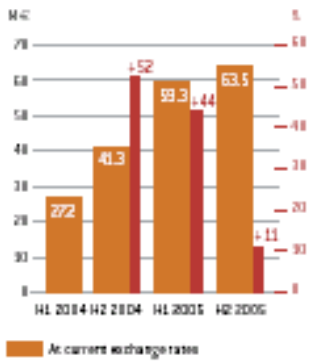
Operating income

Operating income (M€)	
2004	15.7
2005	8.2

Net profit attributable to Group shareholders

Net profit (M€)	
2004	2.6
2005	(40.1)

Net debt



SECTION IV. RISK FACTORS

4.1 Market risk

4.1.1 Liquidity risk

The Group's ability to repay its debts will depend on its future business performance and on its capacity to generate adequate cash. Although the Company believes that it will have sufficient cash flow in the future to service its debt and meet its financing needs, there is no guarantee that this goal will actually be achieved.

If future cash flow proved to be insufficient, the Group might be led to do the following:

- Reduce or delay investments.
- Dispose of assets.
- Issue debt securities or new shares.
- Restructure or refinance all or part of its debt.

During 2005, the Company made use of two of these four options, namely:

- The Board of Directors resolved at meetings on April 26 and 27, 2005 to issue "OCEANE" bonds, i.e. convertible into and/or exchangeable for new or existing Company shares with a total principal amount of €80,000,012.40, or 5,194,806 bonds with a face value of €15.40.

- The Company also refinanced its medium-term debt on June 15, 2005 with (i) a new amortizing loan of €32.5 million and (ii) a secured, 3-year revolving credit facility totaling €40 million.

These two options have put the Company in a position to be able to pursue external growth opportunities and to secure cash flow for a 3-year period.

These refinancing arrangements are subject to compliance with requirements under two ratios:

R2 = net debt/EBIT (i.e. operating income).
R4 = net debt/equity

INGENICO undertakes to maintain financial ratios R2 and R4 at the levels indicated below. They will be calculated annually on the basis of the consolidated financial statements at December 31st, and then at June 30th on a 12-month basis.

The applicable requirements at December 31, 2005 were as follows:

- R2 less than 2.3
- R4 less than 0.5

At December 31, 2005, these requirements were not met (R2, i.e. net debt/EBIT = 7.69; R4, i.e. net debt/equity = 0.62).

In a letter to INGENICO dated April 13, 2006, the Loan and Revolving Credit Agent confirmed that the lending banks unanimously agreed:

(i) Not to act on the event of default constituted by the Company's non-compliance with the R2 and R4 ratio requirements in the year ended December 31, 2005.

(ii) Adjust the ratio levels in accordance with International Financial Reporting Standards (IFRS).

(iii) Revise the ratio scale as shown below:

12-month period ending	***R2 less than:***	***R4 less than:***
June 30, 2006	4.8	0.7
June 30, 2006	2.5	0.7
June 30, 2007	2	0.7
June 30, 2007	2	0.7
June 30, 2008	2	0.7
June 30, 2008	1	0.7

(*R2: net debt/EBIT); R4: net debt/equity*)

In return for these adjustments, the following points were agreed to:

(i) The Loan repayment schedule would be modified as follows:

Due date	***Amount***
April 15, 2006	€4,062,500
October 15, 2006	€8,125,000
April 15, 2007	€4,062,500
October 15, 2007	€4.062.500
April 15, 2008	€4,062,500
October 15, 2008	€4,062,500

(ii) The Company undertakes not to carry out, and to ensure that its subsidiaries do not carry out, any external growth transactions during the entire term of the Facility without the prior written agreement of the Agent acting on behalf of all the Banks in the consortium.

At December 31, 2005, the share of the Company's debt subject to covenants (under IFRS) totaled €63,475,000.

The table below shows the Group's consolidated net financial position at December 31, 2005:

(in thousands of euros)	2005	2004
Cash and cash equivalents	55,087	36,192
Short-term investments	56,457	
Financial liabilities	(175,007)	(77,674)
NET DEBT	**(63,463)**	**(41,482)**

At December 31, 2005, cash and cash equivalents, together with short-term investments, totaled €111,540,000.

4.1.2 Interest rate risk

The €80,000,012.40 issue of 5,194,806 OCEANE convertible or exchangeable bonds bears interest at an annual fixed rate of 2.75 percent.

The €72.5 million refinancing total includes a new amortizing loan of €32.5 million that was swapped at a fixed rate of 2.423 percent covering the entire amount and the full term of the loan.

At December 31, 2005, 55 percent of the Group's debt was fixed-rate debt, with the balance made up of short-term lines of credit, as a result of which the Company is exposed in the event that interest rates go up.

To limit the impact of higher interest rates, the Group uses swaps and tunnels as risk management instruments. Early in fiscal year 2006, INGENICO entered into a €20 million collar agreement for a term of one year to hedge against rises in interest rates.

The effect of a 1-percent movement in interest rates would be to increase the Group's financial expense by some €780,000.

4.1.3 Foreign exchange risk

The Group has initiated a centralized policy for managing its foreign exchange exposure arising on business and financial transactions denominated in currencies other than the euro (chiefly transactions in dollars). The policy involves hedging transactions as early as the competitive bidding stage whenever possible, or otherwise at the time of invoicing.

The off-balance sheet instruments used are forward exchange contracts and foreign currency options.

The net position covered by these transactions encompasses bank balances, trade receivables and trade payables (the Group's business and financial position).

The sole purpose of these hedging instruments is to reduce the Group's overall exposure to exchange rate risk. And since the Group deals with first-class counterparties, liquidity risk remains fairly limited.

The Group controls counterparty risk on its investments and market transactions by carefully selecting first-class operators and by diversifying its banking counterparties. The Group therefore deems that it has low exposure to credit risk (in the sense of counterparty risk, given the high quality of the institutions handling its bank transactions).

The Group is also subject to foreign exchange risk arising on financial relations between Group entities, mainly with the parent company.

Cash transactions are coordinated at Company level by the Corporate Treasurer's Office.

Foreign exchange risk is hedged by geographical region, and, apart from exceptional cases, transaction foreign exchange risk is hedged by the Company.

To reduce this exposure, the Corporate Treasurer's Office uses the following hedging arrangements:

- Spot purchase/sale of foreign currency.
- Outright forward contracts (purchase or sale).
- Foreign exchange swaps.
- Plain vanilla currency options.

The net position covered by these transactions encompasses bank balances, trade receivables and trade payables (the Group's business and financial position).

Cash is used to hedge positions for which the Company has clear visibility and confirmed payment dates.

After hedging its foreign currency exposure (on business and financial positions), the Company's foreign exchange risk (chiefly involving Group foreign exchange risk) is broken down as follows:

Foreign exchange risk at Dec. 31, 2005 (in thousands)	**USD**	**GBP**	**AUD**	**Other**
Exposure	- 10.88	- 2.3	1.5	
Forwards/options	+ 2.2			
Net	- 8.68	- 2.3	1.5	

4.1.4 Equity risk

INGENICO'S share price may be volatile, either for intrinsic reasons or for reasons that have to do with the stock market and the industry in general, as described elsewhere in the present section on *Risk Factors.* Yet other factors may also play a role, including the state of the economy and the electronic payment industry in particular; publicity unfavorable to the Group's products and services or those of its competitors; fluctuations in the Group's earnings or in those of its competitors; and changes in the recommendations and forecasts issued by financial analysts with regard to the Group.

- *Share repurchase program and liquidity contract*

Under the Company's program to trade in its own shares in fiscal year 2005, 152,900 shares were directly purchased by the Company at an average price of €12.43, to be granted to employees of the Company or of associated companies.

Furthermore, under the liquidity contract implemented in fiscal year 2005, 635,598 shares were repurchased at an average price of €12.07 and 631,354 shares were sold at an average price of €11.87.

At December 31, 2005, the portfolio of shares purchased directly by the Company totaled 249,310 shares at an average price of €11.90.

The portfolio of shares purchased under the liquidity contract comprised 70,000 shares at December 31, 2005 (average price of €12.98).

At December 31, 2005, the Company thus held a total of 319,310 treasury shares with an average purchase price of €12.14, representing 1.07 percent of total share capital (which was 29,924,312 shares).

- *Sensitivity to share price*

Group portfolio at Dec. 31, 2005	***Treasury share portfolio at Dec. 31, 2005***	***Total***
€82,2815,000	319,310 shares/€13.19 (*) = €4,212,000	€86,427,000

(*) Dec. 31 2005 closing

After a 10-percent increase in INGENICO'S share price

Group portfolio at Dec. 31, 2005	***Treasury share portfolio at Dec. 31, 2005***	***Total***
€82,2815,000	319,310 shares/€14.51(*) = €4,633,000	€86,848,000

A 10-percent gain in INGENICO'S share price would raise the value of the total equity portfolio by 0.49 percent – or a mere €421,000. Given that INGENICO treasury shares account for only 4.87 percent of the total equity portfolio, the impact would therefore be negligible.

- *Cash*

Cash holdings are entrusted to premier financial institutions, most of them in France.

The Company carefully tracks the solvency of these institutions.

At December 31, 2005, the Company's cash holdings totaled €86,248,000, including €80,954,000 in short-term investments, mainly UCITS held for cash purposes and short-term notes.

4.2. Technology risk

4.2.1 Risks related to acceptance of chip card systems

In some countries, chip (or smart) card systems may not be accepted for reasons of cost, confidentially or security. The success of the smart card industry depends on the ability of INGENICO and other industry players to convince government and corporate decision-makers as well as other potential customers to switch over to chip card systems, thereby replacing existing systems such as magnetic stripe cards, biometric solutions and paper-based systems.

Potential customers equipped with magnetic stripe card readers will not necessarily derive decisive benefits from chip card technology. As a result, they may be reluctant to make the changeover. There is no guarantee that the long-range growth prospects for chip card systems on a number of markets such as North America will be fulfilled. If they are not, certain points in the Group's strategy are likely to fall short of expectations, and that, in turn, could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

To assess the risks related to acceptance of chip card systems, INGENICO refers to detailed market reports such as *Market Share: Chip Cards, Worldwide, 2005*, by Gartner Dataquest. In addition, figures provided every month by Group subsidiaries give management an accurate, real-time sense of how this risk is developing.

4.2.2 Risks related to the EMV international standard

Established jointly in 1997 by the Europay, Mastercard and Visa international networks, EMV is an international standard that allows many countries to make the shift from magnetic stripe to smart cards, based on a migration timetable that extends until 2008, and to access the new, chip-based technology for the first time. This technological advance makes it possible to enhance electronic payment security.

Card payment systems will be required to comply with the EMV standard; otherwise, payment security cannot be guaranteed. All current INGENICO terminals have obtained EMV Level 1 approval (i.e. international equipment certification). In addition, INGENICO has developed a library of applications that meet EMV Level 2 requirements and thus make it easier to obtain Level 2 approval, which is granted country by country.

On this basis, INGENICO has obtained local EMV certification in 100 countries. And in 2005, INGENICO was involved in 180 other EMV programs offering major potential for terminal sales around the world.

To assess the risks related to the EMV standard, INGENICO maintains strong working relationships with various standard-setting bodies. The same detailed market reports described in Section 4.2.1 help the Group monitor EMV deployment trends. In addition, INGENICO has created a special team dedicated to the issue in Scotland, takes part in EMVCo. working groups and makes sure that EMV specifications are scrupulously abided by.

4.2.3 Risks related to encryption technology

Chip cards use encryption technology to ensure the security of confidential information and monetary transactions handled by the system. This technology assigns each cardholder a private code that must be entered to encrypt and decrypt the related electronic messages.

The level of security offered by this technology depends on both the integrity of the user's private code and the proper use of algorithms.

Possible government regulations on use of such codes may reduce the level of security embodied in encryption technology and in INGENICO'S products.

Any one of the following events could lead to a lower level of security in technology used by INGENICO and some of its products, thereby affecting market acceptance for those products: any major advance in how to crack cryptographic systems, particularly through development of a simple factorization technique or of faster, more powerful computers; public dissemination of successful attempts at decryption or private code piracy; and stiffer government regulations that would restrict the use of cryptography and thereby have an adverse effect on the Group's operations, earnings, financial position and ability to meet its objectives.

To assess the risks related to encryption technology, INGENICO devotes part of its R&D efforts to cryptographic research and sends representatives to professional conferences at which cryptographic security issues are discussed. The appointment of professor Jacques Stern, a renowned cryptologist and director of the information technology laboratory at the Ecole Normale Supérieure, to the INGENICO Board of Directors has heightened awareness of security issues among Board members.

4.2.4 Risks related to development of other systems and standards that may be incompatible with secure payment systems

INGENICO considers chip card technology the best platform for providing a wide array of services, from networking, personal identification and security to e-commerce and mobile business. The Group's growth strategy reflects the firm belief that chip card technology will one day be the leading standard in secure access solutions.

If, however, alternative solutions were adopted, such as solutions based solely on software or new wireless arrangements that offer the same services without requiring chip card technology, this change could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

Continuing with the EMV program serves to lessen the risks related to development of other systems and standards that may be incompatible with secure payment systems. To gain greater control over these risks, INGENICO has created a marketing group in charge of new technology.

4.2.5 Risks related to new identification and authentication systems

Card issuers may introduce new identification and authentication systems, such as mini-cards and cards with technical characteristics different from the ones currently in use and therefore incompatible with INGENICO terminals.

INGENICO works closely with the main card issuers to limit this risk. However, certain issuers (particularly local or regional ones) might introduce cards that are incompatible with the Group's terminals.

Such a development could lead to a decline in INGENICO'S business activity in the countries or regions involved, a decline that could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

4.2.6 Risks related to product and service quality

Accelerated technological change on the secure transaction acquisition terminal market has prompted the Group to adopt new technologies that may ultimately prove to be unstable, thereby impacting the quality of the Group's products and services.

The Group has established a policy for monitoring and, if need be, controlling these risks. Some of them may, however, materialize and adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

4.2.7 Risks related to contactless technology

INGENICO has maintained its efforts at actively equipping its payment terminal range with the ability to interact with contactless cards. Such cards communicate with dedicated card readers via protocols that are only just entering the standardization phase. As a result, contactless cards developed by some vendors, especially new entrants from Asia, may prove to be incompatible with current industry standards.

To limit this risk, INGENICO strives to ensure that its terminals are compatible with a large number of sources. But given the wide range of contactless cards on the market and current trends in this new technology, some cards may prove to be incompatible with certain INGENICO terminals, a development that could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

4.3. Legal risk

4.3.1 Regulatory risk

The Group markets its products and services in a large number of countries, each one with its own regulations that affect the way that business is conducted.

The related risks include the following:
- Government control.
- Strict export license conditions.
- Restrictions on export of essential technology.
- Import or trade restrictions.
- Changes in customs tariffs.
- Directive 2002/96/CE on Waste Electrical and Electronic Equipment (WEEE) and directive 2002/95/CE, Restriction on Hazardous Substances (RoHS).

Although the Group's technology and products have been designed to comply with regulations in a large number of countries, failure to obtain regulatory authorization in due time could adversely affect sales and earnings. Under American and French law, some products are subject to export controls.

Although INGENICO believes that it has obtained all requisite export permits, the list of products and countries requiring such permits and the exact regulations that apply are periodically reviewed. Any failure to obtain the permits stipulated by such regulations could adversely affect INGENICO'S ability to market its products and services abroad.

These factors could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

Given the current infatuation with Internet, GSM, WAP and IP-based communication networks, it is entirely possible that new laws and regulations will be introduced to deal with issues of confidentiality, pricing, content and quality of products and services.

Growing concern about these issues as reflected in new law and regulations could conceivably slow down growth in these areas, possibly resulting in lower demand for INGENICO'S products and therefore adversely affecting the Group's operations, earnings, financial position and ability to meet its objectives.

4.3.2 Risks related to the WEEE and RoHS directives

The WEEE and RoHS directives were transposed into French law by decree 2005–829, dated July 20, 2005. This decree was subsequently followed by enforcement decrees focused on approval for waste recycling programs from industry self-regulation organizations and on proper waste treatment procedures.

- *WEEE directive*

The WEEE (Waste Electrical and Electronic Equipment) directive has been in effect in France since August 13, 2005. The guiding principle behind it is to make producers responsible. The latter are required to recover and recycle waste from industrial equipment (including payment terminals) and to bear the attendant costs. Their obligations under the directive include both household and professional waste. Although payment terminals account for only a negligible proportion of total waste electric equipment, the directive applies to payment terminal manufacturers as well.

INGENICO believes that its waste recovery and recycling obligations under these new regulations should have only limited financial impact. So far, however, assessments of this financial impact involve a number of unknowns, including the actual recovery rate and the responsibility of distributors.

INGENICO is working with the relevant stakeholders to define the best way to manage waste from products released after August 13, 2005 in Europe. The Group's overall objective is to meet the new obligations for manufacturers under the directive. More specifically, INGENICO has been striving to set up recovery and treatment procedures suited to customer needs and to payment terminal distribution arrangements in each country.

- *RoHS directive*

The RoHS (Restriction on Hazardous Substances) directive will be applied in France as of July 1, 2006. It places strict limitations on the use of four heavy metals (lead, cadmium, hexavalent chromium and mercury) and of two brominated flame retardants (PBB and PBDE) in certain types of electrical and electronic equipment. The restrictions on use of these substances in a given product imply that similar restrictions apply to all its component parts.

The RoHS directive entails two obligations. All products rendered obsolete by the directive must be removed from inventory, and all products and their components put out on the market as of July 1, 2006 must be made compliant with the directive. The cost of transposing this directive (particularly regarding inventory obsolescence and replacement of components) should be limited.

If, however, the Group were unable to carry out the necessary changes within the allotted time limit to comply with the requirements resulting from the transposition of the WEEE and RoHS directives, such a situation could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

INGENICO has taken major steps to ensure that its products will be RoHS-compliant before the directive comes into force on July 1, 2006 in Europe, and by the end of the year in non-E.U. countries.

To this end, the Group also enlisted the active support of its component suppliers and industrial partners.

INGENICO previously manufactured its products using fully controlled processes and technologies, such as lead soldering. But with the new standards soon coming into effect, and to ensure that its products maintain their prior performance and reliability levels, INGENICO and its industrial partners have been working together to validate new processes and ensure the compliance of all components used in its payment terminals.

INGENICO has inaugurated a full-fledged environmental policy that goes beyond mere compliance with laws and regulations such as the RoHS and WEEE directives. Not only has an Environment Department been created; the Group's various teams pay closer attention to the potential impact of products and corporate behavior on the natural landscape. They scrutinize behavior such as the use of potentially hazardous substances, supply modes, transport and distribution and energy consumption, at every stage in the product life cycle, from the drawing board to the end of useful life. The Group also takes particular care in selecting its manufacturing partners. Its aim is to work more and more with environmentally friendly production units.

In addition, INGENICO strives to improve environmental data disclosure. The Group is working to gradually introduce environmental indicators adapted to its business.

4.3.3 Risks related to the PCI-PED standard

PCI-PED approval (Payment Card Industry – PIN Entry Device), a set of standards established by Visa International, MasterCard International and JCB, guarantees that the cardholder's PIN number is always processed in a fully secure fashion by the card acceptance device and offers an extremely high level of payment transaction security.

These extremely exacting standards should gradually come to replace the Visa PED standard established by Visa and currently mandatory in all chip card payment systems. In November 2005, INGENICO achieved an industry first, obtaining on-line and off-line PCI-PED certification for two of its PIN pads.

Each adjustment in standards of this kind leads to changes in both the payment systems software kernel and even the hardware. The implications for INGENICO in terms of investment may therefore be quite significant.

INGENICO cooperates closely with payment organizations to ensure that any such standard remains valid for a minimum of three years. In addition, right from the initial design stage, INGENICO product development teams take these standards into account.

4.3.4 Risks related to claims from third parties

If third parties who deem that the Group's technology and products infringe upon their rights and if INGENICO were unable to obtain the licenses required to use this technology, the use of the technology and the sale of the products incorporating it might be prohibited. And if legal claims were initiated in such a case, INGENICO could be confronted with significant costs, production delays or the obligation to redesign its products.

Any one of these developments could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

To ensure that the rights of third parties are safeguarded, the Company conducts research on existing intellectual property and keeps a close watch over its portfolio. It also works with patent lawyers to stay informed of any possible patent claims and legal disputes that might arise from them.

4.4. Business risk

4.4.1 Industrial and environmental risk

The Group's ongoing success in the secure transaction system and payment terminal business depends on its ability to keep pace with technological innovation and to launch new products in a timely fashion.

The secure transaction system and payment terminal business is undergoing accelerated technological change. The market is characterized by constantly evolving customer demand, shifting industry standards and continuous product innovation. The Group's results could be affected if it failed to upgrade its products and their functionalities to reflect the latest technological advances, product features and hardware and software standards in the industry.

Decisions on new products must reflect both future demand and the pace of technological change and its major trends. The Group may therefore be led to invest considerable resources in developing new products that may not sell in large quantities. Achieving competitive edge is above all a matter of developing new products and services that are relevant to the market at competitive prices and in a timely fashion. Product and service development is an extremely complex process that requires relentless effort.

The Group's success in developing, launching and marketing new products and services hinges on several factors that include product screening; design and development of reliable, fast solutions; timely development of cost-competitive manufacturing processes; sales, service and marketing efficiency; pricing; and product performance.

Research and development outlays are significant and likely to increase. If such investments failed to result in the production of competitive products or to enable the Group to keep up with constant technological change, the Group's operations, earnings, financial position and ability to meet its objectives could be adversely affected.

Furthermore, in the absence of technological innovation in the Group's products, unit prices would be likely to go down over time, which could also adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

Working with its R&D center, INGENICO conducts annual reviews of its current products and products in the design stage, which involves examining the components, the nomenclatures, the approval and compliancy with the norm procedures. Following these reviews, a short-term and medium-term plan of action is drawn up to ensure that deadlines will be met.

4.4.2 Pricing risk

The Group prices its products and services based on assumptions as to expenses, procurement costs, amortization of R&D expenses, sales and marketing costs as well as market trends and expectations.

The factors influencing these assumptions are likely to change over time, thus leading the Group to review its approach to pricing.

In this respect, inappropriate pricing could adversely affect the Group's operations, earnings, financial position and ability to meet its objectives.

Group Marketing conducts pricing analysis in coordination with R&D and Purchasing in order to position the Group's prices in relation to the competition's prices, to changes in component costs, to "Redesign to Cost" efforts and to the useful lives of its products. The relevant decisions are made in operating committees and submitted to the Executive Committee.

4.4.3 Risks related to fluctuations in operating profit and the resulting impact on investment

The Group's performance may be influenced by a number of factors:

- Market uptake of new products.
- The success of e-commerce.
- The success of UMTS (Universal Mobile Telecommunications System).
- The success of Global System for Mobile Communications (GSM) and m-commerce on the world market.
- Major trends in cryptography and identification systems.
- Government regulations restricting the use, extent and power of encryption technology incorporated into Group products.
- Slower sales when new-generation products are expected on the market.
- The switch to chip cards in government ID and security programs.
- The switch to chip cards in emerging economies.
- The pace of EMV migration.
- Supply of materials and components such as microprocessors.
- Trends in technology, especially telecommunications technologies such as Ethernet, Bluetooth, GPRS, CDMA, USB, Browser and Wi-Fi.
- The adoption of local or regional banking standards such as the SEPA in the European Union.

4.4.4 Component sourcing risk

Although the Group deals with component sourcing on an ongoing basis, there may be difficult periods in which shortages occur. In 2000, the chip card industry was hit by worldwide microprocessor scarcity, and microprocessors are a vital component in EMV cards.

INGENICO is therefore highly dependent on microprocessor deliveries. Shortages in this area could result in future sales figures that fail to meet the Group's growth targets and adversely affect the Group's operations, earnings, financial position and ability to meet its objectives..

INGENICO has established a procedure to improve the scheduling of production needs (by optimizing order forecasts) and thereby to avoid the trap of having to pay certain prices for components.

4.4.5 Risks related to the Group's dependence on qualified staff and to labor unrest

Both success in the transaction systems and secure payments industry and overall business success partially depend on the Group's ability to build loyalty among its executives and key technical staff, particularly staff with R&D and marketing skills. If INGENICO failed to attract and retain qualified executives and technical staff, its ability to develop, install, implement, manage and deliver services and to manage the business effectively could be affected.

High-tech industries are characterized by high staff turnover. The job market for this kind of skills is extremely competitive in some regions. For this reason, fewer highly qualified employees are available, and the cost of hiring and retaining them is considerable. INGENICO is also exposed to the risk of labor unrest and strike activity.

Over the past several years, the Group's operations have not been hampered by any significant work stoppages. While INGENICO feels that relations with employees are good, it cannot guarantee that the Group will be entirely free of strike activity in the future. Such activity could disrupt the Group's business and adversely affect its operations, earnings, financial position and ability to meet its objectives.

An audit of skills found among "sensitive" technical staff is currently being formalized with the aim of safeguarding the information held by these employees and setting up an electronic document management program. This audit is being conducted by Group Development, R&D and Human Resources management.

4.4.6 Risks related to possible manufacturing defects and inadequate service provision

The Group's customers may be dependent on its products and services. A single operating or manufacturing defect in any of these products and systems could lead to far-reaching product liability lawsuits in which INGENICO might be judged heavily responsible for manufacturing defects. Claims of this kind could impair the Group's reputation and adversely affect its operations, earnings, financial position and ability to meet its objectives.

INGENICO has established a procedure for preparing quarterly income statements based on the monthly data supplied by all operating units using a document referred to as a "Dashboard." The purpose of these documents is to help assess management risk (particularly with relation to cash, inventory and profits). Decisions based on the resulting assessments are then confirmed in quarterly income statement audits.

INGENICO records provisions in the usual fashion to cover the estimated cost of the one-year warranties given at the time of sale. In addition, the Company may be led to record additional provisions to cover specific risks related to solving engineering problems.

4.4.7 Risks related to the competitive environment

The Group operates on highly competitive markets characterized by rapid technological change. Such competitive pressure could adversely affect its operations, earnings, financial position and ability to meet its objectives. The Group must compete with a large number of companies, some of which have superior resources and/or a larger share of certain market segments.

INGENICO believes that competition pressures are likely to mount as new manufacturers, particularly those based in emerging countries, strive to break into the payment terminal business.

INGENICO cannot guarantee that the products and services it develops will be accepted by the market or that it will maintain its current market position. As a result, the Group's operations, earnings, financial position and ability to meet its objectives could be adversely affected.

4.4.8 Risks related to specific countries

INGENICO sells its products and services around the world, and must therefore confront the risks inherent in global operations, which could adversely affect the Group's operations and earnings.

It should, however, be stressed that INGENICO derives the bulk of its revenue from a large number of Group business units located chiefly across Western Europe and North America, with a further ambition of growing its business on emerging markets in Asia such as China and South Korea.

In addition, most of INGENICO'S customers are either top-ranking banks or companies whose business is financial transaction processing.

Historically, there have been three basic kinds of country-specific risk:

- Unstable economies and national governments.
- Risks of war, expropriation, renegotiation or cancellation of current contracts.
- Currency restrictions, laws and other policies with an impact on foreign commerce and investment.

INGENICO'S general policy is to protect itself against any risks that might hinder the Group's operations. For this reason, when initiating business activity in an emerging economy, it obtains the standard kind of payment guarantees, and subsequently adjusts them as business volume and the political situation in the country change.

These risks are reviewed at executive-level meetings. The Group also follows a global credit management procedure.

4.4.9 Risks related to possible acquisitions requiring an external growth policy

The acquisition of companies offering major synergies with INGENICO'S current business has been and still is an important component in the Group's strategy. Implementing this strategy entails a number of risks and uncertainties that involve the following areas:

- The Group's ability to leverage synergies and economies of scale made possible by these acquisitions.
- The Group's ability to build lasting loyalty among the acquired companies' staff and customer base.
- The Group's ability to successfully integrate the acquired companies' business, products, workforce and manufacturing facilities.
- The Group's ability to integrate the acquired companies' products and technology, while pursuing other business at the same time.
- The Group's ability to derive sustained profitability from the products and technology acquired in this fashion.
- The Group's ability to grow its business in emerging countries in which the secure transaction systems and payment terminal market is in the expansion phase.

The Group cannot guarantee that future acquisitions will be carried out and that adequate financing will be available. Likewise, the Group cannot guarantee that any future acquisition will have no adverse effect on its earnings and financial position.

The Group has recorded goodwill on external growth transactions. Accelerated amortization of the recorded goodwill may have a significant impact on the Group's accounts.

The present value of goodwill has been reviewed using the discounted cash flow (DCF) method. The following key assumptions are as follows:
- 3-year projections extended to infinity.
- Weighted average capital cost (WACC) of 10 percent.
- Perpetual growth rate of 3 percent.

INGENICO cannot guarantee that unfavorable future events or circumstances will not lead the Company to review the present value of goodwill and to record further, significant, exceptional amortization charges that could have a significant adverse effect on earnings.

The growth strategy is examined by the Strategy Committee, set by the Board of Directors and implemented by the Development Division.

4.5. Exceptional facts and legal disputes

The Group is involved in a number of legal disputes, most of them related to its ordinary business activity.

After conferring with its lawyers and legal advisors, Company management believes that there are no legal disputes, arbitration proceedings or exceptional facts that could have, or have recently had, a significant impact on the Company's financial position, earnings, operations and net assets, with the exception of the following legal disputes.

On May 17, 2005, the Company was served with a summons to appear in the Paris Commercial Court *(Tribunal de Commerce),* following a claim by the company BULL S.A. that INGENICO had unilaterally terminated a distribution framework agreement. BULL S.A. requested that the Tribunal de Commerce order INGENICO to pay BULL S.A. the aggregate sum of €6.9 million on the grounds that as a result of said termination, BULL S.A. suffered a loss of earnings, financial consequences and the damage to its reputation.

On June 16, 2005, INGENICO IBERIA S.L. in Madrid and its subsidiary in Portugal were served with a summons to appear in the Civil Courts of the Court of Lisbon, following a claim by the company BULL PORTUGESA COMPUTADORES that INGENICO IBERIA S.L. had unilaterally terminated a distribution agreement. BULL PORTUGESA COMPUTADORES requested that the Court order INGENICO IBERIA S.L. to pay the sum (to be made up) of €2.2 million, in particular on the grounds that INGENICO IBERIA S.L. terminated he agreement without advance notice, that BULL PORTUGESA COMPUTADORES suffered a loss of earnings as a result and that its credit and reputation were undermined.

On December 30, 2005, INGENICO brought an action against BULL S.A. in the Paris Commercial Court for failure to meet its essential contractual obligations as sole distributor and for causing the Company to lose markets in the Central and Eastern European countries covered by the contract. INGENICO requested that the Court order BULL S.A. to pay the Company €17.7 million in damages for its loss of earnings between 2001 and 2005, and €1 million to compensate for damage to the Company's reputation.

This legal dispute was settled in April 2006 when a transaction agreement was signed with the BULL Group.

In France, the company Virgile has instigated legal proceedings with respect to a payment system in taxis (the INGECAB system, which enables passengers to pay by bankcard) not yet in use in France.

Virgile claims to hold a European patent and a French patent for this system, which, it alleges, INGENICO is attempting to manufacture and market in France. INGENICO believes, however, that it can prove the prior use of this system in Australia. This dispute is pending before the Paris *Tribunal de Grande Instance* (county court).

INGENICO records provisions for litigation and claims when the Group has a present legal or constructive obligation related to lawsuits, government inquiries, legal disputes and other third party claims. The amount of these provisions is determined by estimating the specific risks involved. At December 31, 2005, the provisions recorded to cover all litigation and claims totaled €4,942,000.

4.6 Insurance – Coverage for possible risks encountered by the issuer

The Group's policy is to purchase insurance from outside carriers that covers insurable risks at reasonable rates.

The Group believes that the kinds of risks covered by its insurance policies are consistent with standard industry practice.

At January 1, 2006, a new Group-wide program including commercial property and casualty insurance and MAT insurance was introduced.

- Commercial property insurance

Insured parties:	The Group and its subsidiaries.
Coverage:	All real and movable property owned by the insured or under their responsibility as tenants, occupants, bailees, possessors, custodians or holders in any capacity, located in or adjacent to the insured places of business.
Maximum claim:	€5,000,000 per claim and per business premise, after deductibles, barring exceptions.
Deductible:	There is a deductible per claim on any insured losses.
Annual premium:	€138,375.
Coverage effective:	January 1, 2006
Coverage expires:	January 1st

- Commercial casualty insurance

Insured:	The Group and its subsidiaries.
Coverage:	Design, manufacture, maintenance and servicing of electronic payment terminals and all related IT applications, and training in and on said terminals and applications, as well as transaction security, including on the Internet, and other modes of data transmission.
Maximum claim:	See table below for France. The maximum claim depends on the kind of loss and where it occurs.
Deductible:	The size of the deductible depends on the kind of loss and where it occurs.
Annual premium:	€168,421.
Coverage effective:	January 1, 2006
Coverage expires:	January 1st
Term:	3 years

OPERATIONAL LIABILITY	MAXIMUM CLAIM	DEDUCTIBLE PER CLAIM
All losses combined (bodily injury, property damage and consequential and non-consequential non-material loss)	€15,000,000 per claim	None on bodily injury
Includes:		
Consequence of employer's inexcusable negligence	€5,000,000 per claim per year	€15,000 per victim
Consequential property damage and non-material loss	Included	€3,000
Non-consequential non-material loss	€6,100,000 per claim	€3,000
Accidental environmental impairment (bodily injury, consequential property and non-material loss)	€2,000,000 per claim per year	€1,500
Post-delivery and professional liability		
All losses combined (bodily injury, property damage and consequential and non-consequential non-material loss)	€23,000,000 per year	€20,000 except on bodily injury
Includes:		
Professional liability (including non-consequential non-material loss)	€10,000,000 per year	€20,000
Removal expenses incurred by the Insured	€2,000,000 per year	€20,000
Disassembly/reassembly expenses incurred by the Insured	€750,000 per year	€20,000
Legal expenses	€50,000	

Benefits cover legal expenses.

- MAT insurance

Insured: The Group and its subsidiaries.

Coverage: All cargo, merchandise, materials, equipment, finished and/or semi-finished goods related to the business of the insured, provided that said items are transported at the insured's peril or that the insurance costs are borne by the insured, and provided that the insured has an insurable interest being transported.

Maximum benefit: In transit:

€500,000 (or equivalent in foreign currency) per means of conveyance and per place of storage during the journey.

Storage:

€500,000 (or equivalent in foreign currency) for warehouse storage.

Deductible: The size of the deductible depends on the nature of the loss.

Annual premium: Estimated minimum annual premium of €120,000.00 + expenses payable in 4 equal installments.

The final annual premium is calculated by applying a fixed rate to annual revenue, exclusive of tax, reported by the insured.

Coverage effective: January 1, 2006

Coverage expires: January 1st

SECTION V. INFORMATION ABOUT THE ISSUER

5.1. History and development of the Company

5.1.1 Corporate name and registered office

The corporate name of the Company is "Compagnie Industrielle et Financière d'Ingénierie INGENICO."

The Company may also do business as INGENICO.

The Company's registered office is located at 192, Avenue du Général de Gaulle, 92200 Neuilly sur Seine.

5.1.2 Place of registration and registration number

The Company is registered with the *Registre du Commerce et des Sociétés de Nanterre* (Business Registry of Nanterre) under the number 317 218 758.

The Company's APE code is 721 Z; its SIRET number is 317 218 758 00033.

5.1.3 Date of incorporation and duration of the Company

The Company was first registered with the *Registre du Commerce et des Sociétés* on June 10, 1980.

Its period of duration is set at 99 years starting from the date on which it was registered, except in the case of early dissolution or of extension, as provided for herein.

5.1.4 Legal form and applicable legislation

The Company is a French *société anonyme* with a Board of Directors governed by the laws and regulations applicable to commercial companies, in particular Book II of the French Commercial Code and Decree No. 67-236 of March 23, 1967.

5.1.5 Fiscal year

The fiscal year begins on January 1st and ends on December 31st.

5.1.6 History

INGENICO is the world's leading provider of electronic payment terminals and secure transaction and payment systems[1].

The secure transaction industry encompasses a constantly expanding range of business areas, from independent shops to large-scale and medium-scale chain stores, from service stations and parking areas to mass transit and public services, from telecommunications and manufacturing to services, healthcare, insurance and public administration.

[1] Own research and analysis of annual reports of market players.

INGENICO operates on five continents, both through its subsidiaries and sub-subsidiaries and through its worldwide distribution network.

1980 – INGENICO created, a company specializing in research and production of electronic payment card terminals.

1984 – MK3 series, the first intelligent magnetic stripe/chip card terminal.

1985 – INGENICO listed on the Second Marché of the Paris Bourse.

1987 – INGENICO PACIFIC created. Transfer to Monthly Settlement Market of the Paris Bourse.

1988 – Stake in GEMPLUS acquired.

1990 – EUROMOS secure Multiple Application Architecture, defining the first proprietary ASIC, later to become UNICAPT™.

1992 – ELITE terminal range.

1994 – GEMPLUS holding disposed of.

Adoption by major card issuers Visa, MasterCard and Europay of a common standard for chip cards as future means of payment.

1995 – INGENICO adopts a powerful, 3-pronged growth strategy: create a terminal range incorporating chip standards based on French know-how and security standards developed on the Australian market; use acquisitions to get a foothold on key European markets; achieve organic growth in Asia-Pacific.

In Australia, the Group's subsidiary INGENICO PACIFIC gains access to the markets of Southeast Asia, while other emerging countries such as China directly adopt electronic wallet technology.

1996 – INNOVATRON DATA SYSTEMS business goodwill acquired.

Acquisition of EPOS in Germany.

UNICAPT 8 architecture.

ELITE 700 MOBILE LINE and ELITE 510, 500, 600, 700 product range.

Strategic alliance with IVI in Canada through acquisition of 16.9-percent stake in IVI.

1998 – 40-percent stake acquired in VERON, the leading electronic payment company in Italy.

1999 – DE LA RUE TERMINAL BUSINESS (a branch of the DE LA RUE Group) and BULL TERMINAL BUSINESS (a branch of the BULL Group) acquired.

Subsidiary created in Sweden.

INGENICO SOFTWARE division created.

UNICAPT 16 architecture.

INGENICO New Elite 790 GSM and NCC Communication product line.

INGENICO smart reader card for Internet security.

Marc Lassus group acquires a 29.7-percent stake in INGENICO by buying out the stake held by BULL.

2000 – BULL withdraws from INGENICO–IVI–BULL joint venture in Latin America; INGENICO Do Brasil created.

INGENICO disposes of its stake in VERON and creates INGENICO ITALIA.

Acquisition of LEXEM, a company specializing in secure electronic transactions on new networks and supplier of Cyber-Comm.

Acquisition of ITS, a British purchasing card issuer and transaction operator; new position for INGENICO on the burgeoning B2B market with supplier malls.

2001 – French integration engineering firm EAC bought out.

IVI CHECKMATE CORP. bought out and renamed INGENICO Corp.

2002 – 19.18-percent stake acquired in COM 1, a French company specializing in miniature telecom equipment.

2003 – The i Series, a new UNICAPT 32-based payment terminal range, rolled out and rapidly successful.

Renewed focus on core business; Barcelona plant outsourced, EAC disposed of.

COM 1 modem business acquired, telecom capabilities integrated.

Company reorganized into three functions, two product and services divisions and six regional sales offices.

2004 – Return to organic growth and operating profits thanks to two years of consolidation efforts, cost control, more efficient, better coordinated marketing of terminals to the banking, retail and service station industries, and expansion into emerging, high-potential secure electronic transaction markets.

Ongoing success for the i Series, the new, sole payment terminal range based on UNICAPT 32, accounting for nearly 70 percent of total sales in December 2004.

Major market success with EMV migration programs in the United Kingdom, Brazil and Turkey.

Europa business acquired in Australia, creating an opportunity to sell mobile commerce communications products to taxi fleets.

2005 – Mr. David Znaty becomes new Chairman of the Board of Directors on April 19, 2005.

Bond issue of May 4, 2005 totaling €80,000,012.40, or 5,194,806 bonds with a face value of €15.40, a 7-year maturity and yielding 2.75 percent.

Mr. Amedeo d’Angelo becomes Chief Executive Officer on June 6, 2005.

New strategy unveiled by Chief Executive Officer on September 20, 2005:

- Renewed focus on the Group's core business.
- Return to profitability through disposal of non-strategic businesses.
- Revamped senior management.
- Gross margin pushed up by scaling back product range, focusing on wireless and mobile business and limiting peripherals.

Top-priority markets for INGENICO: France, the United States, China and Japan.

5.2. Investments

5.2.1 New investments in 2005

→ HUNGARY

In January 2005, INGENICO opened a subsidiary in Hungary to distribute its products and services locally. The new company, called INGENICO HUNGARY SYSTEM INTEGRATOR LLC, wholly owned by INGENICO, will be striving to win over a significant share of the 30,000-strong installed base of EFT/POS terminals as equipment fleets are upgraded to move to EMV-compliant solutions.

→ SWITZERLAND

In February 2005, INGENICO acquired a 51-percent stake in the company XA S.A. with the aim of becoming a major player in the Swiss payment terminal market. Under the sales agreement, INGENICO will acquire an additional 19-percent stake from minority shareholders at a price based on operating income for the 2005-2007 period. The agreement also gives minority shareholders a call option and INGENICO a put option at a price to be determined based on the company's operating income.

The current Swiss market, marked by high-cost, high-value products, offers INGENICO an opportunity to break in quickly:

- By selling motorized terminals to large-scale retailers.

- By selling the entire INGENICO product range via an innovative, direct online sales model to merchants and hotel or restaurant proprietors, who tend to be under-equipped.

The current installed base of some 80,000 terminals is likely to grow by 50 percent over the next few years as EMV migration moves forward, more attractive terminals are marketed and competition intensifies between INGENICO and the country's legacy providers.

→ LUXEMBOURG

In connection with the creation of INGENICO POLAND LTD, INGENICO founded INGENICO EASTERN EUROPE I SARL in March 2005, a company in which it has an 80-percent stake.

→ POLAND

In March 2005, INGENICO created a subsidiary in Poland, INGENICO POLAND LTD, 80 percent of whose capital is held by a holding company, INGENICO EASTERN EUROPE 1 SARL. The remaining 20 percent are owned by the Polish subsidiary's management.

The task awaiting the new company is to replace a large portion of the 100,000 terminals making up the country's terminal base, especially those installed by the BULL network at Polcard, a key company in Poland's electronic payment business.

There is considerable room for expansion here, since a country with an equivalent population and a fully mature market would have a terminal installed base five times as large as the one in Poland today.

→ SOUTH KOREA

INGENICO established a joint venture in March 2005 with GENESIS CAPITAL PARTNERS. With a 50.01-percent stake in the new undertaking, INGENICO is now in good position to conquer a sizeable share of the fragmented Korean market, on which more than ten local firms have been competing.

The co-shareholder of the joint venture, GENESIS CAPITAL PARTNERS, has a put option to sell all of its shares to INGENICO. The price of the option will be determined based on the revenue and EBIT generated by the joint venture during the twelve months prior to exercising the option.

The EMV migration process combined with the arrival of a new entrant is expected to lead quickly to market consolidation. This is an opportunity for INGENICO to achieve accelerated growth in one of the most dynamic economies in Northeast Asia.

→ CHINA

In August 2005, INGENICO moved to full ownership of INGENICO BEIJING, the local subsidiary in which it previously held a 25-percent stake, by buying out the remaining 75 percent held by Mr. Meng Yu for total consideration of €2.7 million, divided up as follows:

- €1.2 million paid in 2005 (part of it under an earn-out clause agreed to when INGENICO S.A. acquired its initial 25-percent stake in 2001).

- The balance in the form of three payments of €500,000 each, scheduled for the first quarters of 2007, 2008 and 2009, subject to achievement of specified revenue targets.

At the same time, INGENICO BEIJING purchased INGETEC's business for €0.5 million. This enabled INGENICO BEIJING to take over the sales, deployment and maintenance contracts covering INGENICO payment terminals formerly negotiated by INGETEC, along with the inventory, equipment and staff associated with performance of those contracts.

INGENICO invested $840,000 (roughly €0.7 million) to recapitalize its Chinese subsidiary.

→ ITALY

INGENICO ITALIA SPA bought out the 33-percent minority stake held by Mr. Luciano Cavazzana, the Executive Vice President of INGENICO ITALIA SPA, in its subsidiary EPOS ITALIA SPA. Created in 2002, EPOS ITALIA SPA specializes in payment terminal installation, maintenance and repair.

The transaction involves the following terms and conditions:
- €150,000 paid in 2005.
- Three further payments of €100,000 each in 2007, 2008 and 2009, subject to achievement of a specified consolidated EBIT target by INGENICO ITALIA and EPOS ITALIA.

5.2.2 Divestitures initiated in 2005

As part of its program of renewed focus on core business, INGENICO disposed of subsidiaries considered non-strategic or with insufficient market share to enable them to play a major role. Initiated in late 2005, these divestitures were all completed by early 2006.

→ **DEBITEK** (United States)

An American company in which INGENICO S.A. had a 99.13-percent interest, DEBITEK designs and markets electronic cash payment systems centered on card readers for closed user groups. Because most of DEBITEK card readers are used by American customers with magnetic stripe cards, they represent a local product line distinct from the product range offered by INGENICO. In 2005, DEBITEK booked $7.1 million in sales (€5.9 million) and $39,000 in profit from operations.

This subsidiary was sold on February 7, 2006 to Heartland Payment Systems, a major player on the U.S. market. INGENICO provided a guarantee on Debitek's assets and liabilities that expires on April 1, 2007 (except in the case of possible claims related to tax liabilities or environmental issues, for which the guarantee expires 75 days after the end of the time limit for claiming tax liabilities and three years after the transaction date for environmental issues).

→ **INGENICO AB** (Sweden)

INGENICO AB, a Swedish company wholly owned by INGENICO S.A. until March 2006, adapts and markets INGENICO hardware and software, especially the E510 and E790 terminals. INGENICO AB holds a 15-percent share of the Swedish market. In 2005, it booked 25.3 million Swedish kronas (€2.69 million) in revenue and 2.603 million Swedish kronas (€277,000) in net profit.

The strategic rationale behind this divestiture is to replace a direct sales business model limited to Sweden by an exclusive distribution model via a local partner with a major footprint across Scandinavia (Sweden, Norway, Denmark and Finland).

INGENICO AB was bought out on March 7, 2006 by Bankenes Betalingssentral AS (BBS), a leading Norwegian player in payment terminal distribution and electronic transaction acquisition. INGENICO provided a guarantee on its former subsidiary's assets and liabilities that expires on April 30, 2007 (except in the case of possible claims related to tax liabilities, for which the guarantee expires one month after the end of the time limit).

→ **INGENICO TRANSACTION SYSTEM** (United Kingdom)

INGENICO TRANSACTION SYSTEM (ITS), a British subsidiary wholly owned by INGENICO S.A. until March 2006, provides a B2B solution for processing transaction data from purchasing cards used by a number of British companies. In 2005, ITS booked revenue of £2.24 million (€3.27 million) and net profit of £274,000 (€300,000).

ITS was sold to American Express on March 13, 2006. INGENICO provided a guarantee on its former subsidiary's assets and liabilities that expires on May 31, 2007 (except in the case of possible claims related to tax liabilities, for which the guarantee expires seven years after the transaction date).

SECTION VI. BUSINESS OVERVIEW

6.1. Organization structure of the Group

6.1.1 The Executive Committee, Management Committee and Leadership Group

With the appointment of a new senior management team in 2005, major changes were introduced in the makeup of Group management and the way it functions. Additionally, two decision-making levels were eliminated with the aim of speeding up the decision-making process, enhancing the Group's responsiveness and cutting back on management costs.

The Group's structure now comprises three special management bodies made up of functional and operational managers, all of whom report to the Chief Executive Officer.

Executive Committee members:

- The Chief Executive Officer
- The Marketing & Engineering Director
- The Industrial Operations Director
- The Chief Economic and Financial Officer
- The Group Development Director.

The Executive Committee defines what strategies the Group should pursue and creates the conditions for implementing them. It meets on a weekly basis.

Management Committee members:

- The members of the Executive Committee
- The Group Human Resources Director
- The Chief Scientist
- The "Redesign-to-Cost" Director
- The Sales and Services Division representative, who is the Chief Executive Officer of INGENICO U.K.

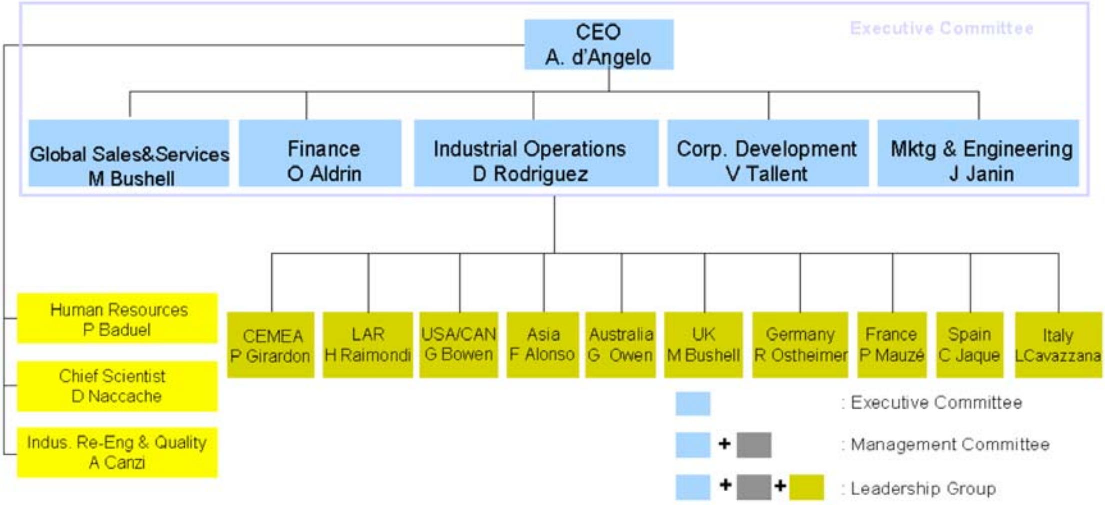
The Management Committee, which also includes support staff, reviews how the company is operating. It convenes on a monthly basis.

Leadership Group members:

- The members of Management Committee
- The ten Regional or Country Directors.

The Leadership Group takes part in implementing company strategy and also participates in managing the company's budget. The Leadership Group convenes on a quarterly basis.

6.1.2 Principal company divisions



Functional organization chart at March 1, 2006.

The Group is organized into two operational divisions and five regions and five countries in which the company distributes its products and services.

The operational divisions are Marketing & Development and Industrial Operations.

The Group's five regions are Northern Europe, North America, Latin America, Asia and a region combining Central and Eastern Europe, the Middle East, Africa and India. The five countries are France, Germany, Italy, Spain and Australia.
These business divisions are supported by three cross-divisional head-office functions: Finance, Human Resources, and Mergers and Acquisitions.

This new organization structure was established in September 2005.

The Marketing and Business Development Division coordinates the development of the Group's offer of payment terminals and solutions and is in charge of marketing and external relations.

This division includes the following:

- The departments in charge of developing payment terminals and telecom modules.
- The department in charge of the Group's software and hardware platform.
- The Marketing Department.
- The External Relations Department, which includes external communications and relations with the leading card issuers.
- The Environment Department, whose responsibility is to devise and implement projects for protecting the environment.

The Industrial Operations Division is in charge of information systems, production engineering and planning, manufacturing and managing the quality of all terminals and solutions marketed by the Group.

This division includes the following:

- The Engineering Department.
- The Manufacturing and Production Planning Department.
- The Terminals and Solutions Quality Department.
- The Information Systems Department.
- The Purchasing Department.

During the year 2005, two new divisions reporting directly to Group senior management were created to ensure more effective implementation of the Group's new strategy. At the same time, the Sales and Services Division was reorganized to a large extent.

The Reengineering Department. Although this department already existed within INGENICO, it took on new importance in 2005. The new Reengineering Department now reports directly to Group senior management and plays a key role in cutting costs, the Group's top priority objective. The department closely monitors purchasing, transport and terminal manufacturing costs. In 2005, its efforts were focused mainly on the i5100, the flagship product in the terminal range, since high-volume sales of the i5100 offered a good opportunity to achieve major cost savings in just a short time. The Reengineering Department also strives to improve the quality of product components and thus the overall quality of the Group's products.

The Science Department. This body is in charge of innovation in all the Group's business areas and is responsible for patents. In its efforts to foster innovation, it draws on the work of a Science Committee, a Patents Committee and an Innovation Committee. A recent example of its achievements is an iPod-based payment solution.

Sales and Services. In 2005, this division was reorganized to achieve greater efficiency. The five Regional Directors and the five leading National Directors now report to the Executive Committee.

In addition, INGENICO decided to capitalize on the best practices in each key area of Group activity. As a result, the regional and country directors who demonstrated exceptional skill in specific areas now have worldwide responsibility for developing those areas. They report to the Sales and Services Division representative.

The vertical markets defined on this basis are services, network communication controllers (NCCs), lottery ticketing and unattended devices (i9xxx product range).

6.2. Markets

The Group's core business is the secure payment market. This market chiefly consists of banks and acquirers, with two main market segments: independent merchants and hospitality. Multi-lane retail and gasoline distribution are two other important secure payment markets for the Group.

Building on its significant expertise in secure payment solutions, INGENICO has extended its offering to reach new secure transaction markets such as secure mobile commerce, unattended distribution systems and electronic identity checking in a mobile environment.

6.2.1 Banks and transaction acquirers

This is the Group's principal market. It encompasses banks, distributors operating on behalf of banks and companies that acquire card transactions on behalf of banks.

- **Independent merchants and branch outlets**

Payment terminals and PIN pads currently make up the bulk of INGENICO's offering in this market, sold through banks, local or regional distributors and transaction acquirers.

The Group markets its products and services in close to 100 countries, either though its subsidiaries or its network of some fifty distributors.

INGENICO delivers its payment terminals and related services to the world's largest banks or their representatives, such as Barclaycard, BNP Paribas, Royal Bank of Scotland, Bank of America and HSBC.

All these terminals and PIN pads use IngeCore™, a component of the UNICAPT™ platform, and the High Security Core (HSC) microprocessor, which guarantees fully safeguarded transactions, data integrity and secure multi-application management.

- **Hospitality**

INGENICO offers specific solutions to these businesses, chiefly based on portable terminals that allow restaurant customers to make card payments without leaving their table. The program launched in 2004 to develop this offer, called Pay@Table, was deployed in more than 20 countries in 2005.

Through partnerships with restaurant and hotel management software providers, such as Micros, INGENICO products can be incorporated into restaurant and hotel information systems. INGENICO's integrated i7700, i7800, or i7900 series terminals, featuring Bluetooth, Wi-Fi or GSM/GPRS technologies, facilitate customer order handling and speed up transactions by bringing payment to the table. Profitability for restaurant and hotel owners rises as they reduce table turnover time and increase customer satisfaction.

In 2005, INGENICO also developed the semi-integrated Call-A-Cab solution, which caters to the restaurant and taxi industries. With Call-A-Cab, restaurant employees can use the INGENICO payment terminal to order taxis for their customers. This service increases customer satisfaction, diminishes the risks and insurance costs linked to selling alcoholic beverages and lets restaurant owners advertise their responsible behavior toward customers. Call-A-Cab was nominated for a Sesame award at the Cartes 2005 trade show.

INGENICO continued to deploy these solutions in 2005, with a strong marketing campaign in Asia, particularly Singapore, as well as in Russia and Malta. In Canada, INGENICO built new alliances with hospitality solution providers Aloha and Squirrel.

All of these terminals use the **IngeCore™** platform.

6.2.2 Multi-lane retail

Whether dealing directly with multi-lane retailers or through integrators, INGENICO has adopted a pan-continental approach.

INGENICO's offers these customers **complete, integrated solutions**, seamlessly incorporated into their information systems. The most popular solutions include PIN pads that hook up to payment points, electronic transaction management software for payments or loyalty programs (IngeStore™, e^{N}-Concert™) and check readers.

INGENICO also delivers services to professionals (assistance in designing electronic payment systems) and customers (installation, maintenance, training and software upgrades).

Terminals in the i6000 series (such as i6500 or i6770) include electronic signature capture capability. This feature, used by most major North American retailers, translates into significant savings for INGENICO customers by eliminating the need to archive paper receipts. The Sign@Lane program strives to develop the use of electronic signature capture outside the United States, especially in Europe, in payment or sales situations such as car rentals where documents or contracts frequently need to be signed. In 2005, European companies began to show significant interest in INGENICO's signature capture terminals.

All of these terminals use the **IngeCore™** platform.

INGENICO's customers include some of the world's largest retailers, such as Wal-Mart, Home Depot, Carrefour, and Safeway.

In 2005, INGENICO pursued growth in the European multi-lane retail market segment, chiefly driven by agreements concluded with IBM since 2002. In Italy, INGENICO signed its first-ever agreement with Carrefour. In Norway, INGENICO signed – via its partner, Steria – an agreement to equip ICA, a leading Scandinavian retail chain.

In the United States, INGENICO signed contracts with new customers such as Rooms To Go, Academy Sports, Ross Stores, Cingular Wireless, Blockbuster and Wynn Resorts. INGENICO also installed a novel contactless payment solution in 5,300 outlets of a major North American retailing group

6.2.3 Service stations

INGENICO has developed payment terminals and integrated electronic payment software solutions (IngeStore™, e^{N}-Concert™) designed to meet the service station industry's specific needs, including prepaid gas card management and high-volume transaction processing.

In 2005, INGENICO launched the i9400, a new secure payment terminal for unattended gas distribution that can be integrated into gas pumps to accept round-the-clock payments. These terminals meet strict criteria, such as sophisticated ergonomic design and the ability to operate in a rugged environment. A major contract was signed at the end of 2005 with a Middle-Eastern company.

INGENICO also delivers **services** tailored to the needs of gas distributors, including installation, maintenance, call center services and installed base management systems that support remote software upgrades.

Some of the service station industry's biggest players, such as BP or Shell, are among INGENICO's customers.

All of these terminals use the **IngeCore™** platform.

In 2005, INGENICO continued to strengthen its foothold in the gasoline distribution market. In particular, INGENICO deepened its business bond with Repsol and BP in Spain, France and Portugal. INGENICO also signed a contract with BP for deployment in Poland in 2007. In Italy, INGENICO successfully integrated its EMV terminals and PIN pads into existing systems for Gilbarco Veeder/Root, one of the world's biggest equipment suppliers for the gasoline industry. In France, Tokheim, one of the foremost worldwide suppliers of gasoline retailers, installed INGENICO solutions in 1,000 service stations flying the flag of Carrefour, Champion, Casino or Centre E. Leclerc.

6.2.4 Other markets

INGENICO has put its expertise in secure automated transactions to work in designing specific solutions to break into new high-growth-potential markets.

- **Secure mobile commerce**

- *Lottery ticketing*

Since lottery companies require the same high standards of security as merchants and banks for their gaming transactions, lottery ticketing is a new market for INGENICO.

INGENICO offers a range of terminals designed to acquire secure lottery transactions. One of these, the i8550, is a multi-application mobile terminal (GSM/GPRS, text-to-speech, bar-code scanner) adapted to visually impaired users. It enables members of the Spanish organization for the blind, ONCE, to sell lottery tickets in a mobile environment. In 2003, INGENICO signed a contract with ONCE to supply these terminals in partnership with G-Tech, the world's largest supplier of lottery systems. Deployment was completed in 2005. Today, the visually-impaired members of this organization use 24,000 of INGENICO's mobile terminals.

INGENICO's lottery ticketing-compatible products include:

- Countertop terminals (examples: i5310, i5100).

- Portable terminals for indoor environments, some equipped with Bluetooth or Wi-Fi technology enabling payment away from the sales counter (e.g. i7780, i7910).

- Mobile terminals using long-range wireless technologies (e.g. i8200, i8500, i8550) for outdoor environments.

- Terminals featuring color touch screens, such as the i6770, for customer-activated payment and customer interfacing.

In 2005, this market also opened the door to new growth prospects for INGENICO, especially in Poland, Russia and Italy.

- *Unattended distribution of goods and services*

Of the 25 million unattended distribution machines found worldwide – car park ticket machines, movie and game rental machines, gas pumps, snack and beverage vending machines – most are not equipped to accept card payments.

INGENICO sells secure payment modules for these machines and facilitates their integration. Its i9000 series modules, comprising a keypad, hybrid reader for both magnetic stripe and smart cards, screen, ticket or receipt printer and security microprocessor, accept both proprietary and/or payment cards.

INGENICO also offers professional services to its customers to assist them in integrating its terminals into unattended systems.

- Taxi fleets

Now that Europa has integrated the Group, INGENICO proposes an all-in-one solution to taxi companies. Called IngeCab, this solution delivers end-to-end management of all in-cab electronic transactions.

The IngeCab solution is made up of the following components:

- Automotive Communication Controller, a local server that manages all in-cab electronic peripherals.
- Secure taxi meter.
- Payment terminal and printer for customer receipts.
- GPS screen.

Benefits of using this solution include automatic dispatch of jobs to drivers, increased security for users with the secure taxi meter and the ability to accept card payments.

At this time, the IngeCab solution is mainly sold in the Asia-Pacific region. It is used by the Australian taxi company CabCharge. In 2005, INGENICO began to equip taxis in Thailand. In Poland, a pilot test has been planned with one of the country's biggest cab companies. In France, INGENICO signed a major contract with Taxis G7, the leading Parisian taxi company.

- Other secure mobile commerce market segments

INGENICO's principal offering for home deliveries consists of i8500 and i8550 terminals, which combine card payment functions with bar-code readers to trace packages. In addition to secure payment applications, these terminals can also manage business applications and connect to a central database using GPRS technology to facilitate the work of delivery persons at all times, whatever their location.

For the passenger verification market, particularly rail transportation, INGENICO chiefly proposes Bluetooth-enabled mobile terminals that link to Personal Digital Assistants (PDAs). This type of solution was deployed in Italy in 2004 by the country's national rail company, Trenitalia.

In 2005, INGENICO continued to grow its m-commerce activity by selling its i8550 solution to the Norwegian postal services and the French direct-to-home frozen food delivery company, Thiriet.

- **Electronic identity checking**

The electronic identity market encompasses both the public sector (e.g. national and local government, administrative institutions, police force) and the private sector (e.g. airports, large companies).

INGENICO developed two identity management solutions in 2004, one of which was a citizen enrollment station. As part of its strategy to refocus on its core business, INGENICO has chosen to concentrate its efforts on its identification verification terminal rather than pursue the technical or commercial development of its enrollment station.

The identity verification solution is based on the i8500 terminal paired with an Automated Fingerprint Identification System (AFIS) developed by Cogent Systems. The rugged, mobile terminal is designed for easy transport by police or customs officers.

INGENICO aims to become a major supplier of mobile identity verification systems. In particular, the Group targets public-sector entities, airports and large companies eager to improve identity checks in a mobile environment using biometric technologies.

Over the past few years, INGENICO had begun to develop specific healthcare, electronic commerce and business solutions. Now entirely refocused on its core business, INGENICO is no longer actively developing these market segments.

6.3. Customers

6.3.1 Types of INGENICO customers

INGENICO's target customers can be described as follows:

- Banks and other financial institutions that provide their merchant customers with the payment terminals they need.

- Distributors and, in the United States, ISOs (Independent Service Organizations) who represent these same financial institutions.

- Large multi-lane retailers and gasoline distributors with high-volume purchasing levels that call for direct sales management.

- Value Added Resellers (VARs) and integrators who resell INGENICO solutions and often provide additional services to their customers, such as integration, consulting and maintenance. These VARs and integrators mainly operate in the large-scale retail, lottery ticketing, administrative services and taxi fleet markets.

6.3.2 Customer concentration

In 2005, the Group's top ten customers generated 27.23 percent of its total revenue.

The Group's biggest customer generated revenue of €28.9 million in 2005, which was 6.6 percent of the Group's total revenue for that year.

	2005		**2004**		**2003**	
€ millions	€ millions	% total revenue	€ millions	% total revenue	€ millions	% total revenue
Revenue – Top customer	28.9	6.61%	35.2	8.20%	14.8	4.16%
Revenue – Top 5 customers	74.8	17.12%	110	25.76%	60.2	16.91%
Revenue – Top 10 customers	119	27.23%	161.1	37.70%	92.8	26.07%
Total revenue	***437***	***100%***	***427.1***	***100%***	***356***	***100%***

6.4. Products and services

Based on the specific needs of each market or target customer, INGENICO offers selected modules or a complete range of payment terminals, solutions, communications equipment and services for the secure acquisition of electronic transactions.

INGENICO rounds off its terminals and solutions offer with installation, maintenance and call center services, as well as installed base management systems that support remote software upgrades, for example.

6.4.1 Terminals and peripherals

INGENICO markets the following electronic terminals and peripherals for the acquisition of secure transactions:

- **iSeries line of payment terminals:**

- Countertop terminals for independent merchants (examples: i5100, i5310).

- Mobile terminals for indoor environments, especially restaurants, equipped with wireless communications technologies such as Bluetooth or Wi-Fi enabling remote payment away from the sales counter (e.g. i7780, i7810). With GSM technology becoming more affordable and widespread, INGENICO's GSM/GPRS terminals are now also perfectly suitable for indoor environments (e.g. the i7910).

- Mobile terminals for outdoor environments using wireless telecom technologies (GSM, GPRS, CDMA). These differ from portable terminals in their management capacity. They enable itinerant vendors, delivery persons, and taxis to conduct online transactions (e.g. i8200, i8500, i8550).

- PIN pads that hook up to payment terminals to facilitate the entry of PIN codes. PIN pads can be purchased separately from terminals and hooked up to cash registers, in order to upgrade legacy terminals for compliance with standards like EMV (e.g. i3010, i3050, i3070, i3380).

- Keypads and card readers designed to be built into vending machines (e.g. the i9400).

- Peripherals connected to payment terminals, such as check readers. These devices read CMC7 and OCR fonts and print currency amounts. They speed up check processing and help fight fraud (e.g. i2600, E0200).

6.4.2 Network communication

The Group also offers telecom routers capable of concentrating several thousand payment terminals before they connect up to banking networks (e.g. Network Communication Controller units).

6.4.3 Applications

The INGENICO terminal range is accompanied by a software offer. These applications are designed to handle debit, credit, electronic wallet, customer loyalty, cash coupon management and prepaid card transactions. Totaling some 800 applications in 2006, this is the most extensive applications library in the world.

Virtually all these applications use the software platform Unicapt™ 32, built around the Group's proprietary ASIC, the Millenium.

The Millenium is the high-security hardware core around which the Group's terminals are designed. Two versions are available to adapt to the level of security required in different markets. Unicapt™ 32 is the secure software platform underpinning every one of the Group's applications.

Multi-lane retail and service stations. To serve these two market segments, INGENICO's offering includes specific integrated software such as e^N-Concert™ and IngeStore™ to handle payment transaction flows.

The e^N-Concert™ solution designed for the North American market has already gained great popularity in the United States and Canada. With the more specifically European centralized payment solution, IngeStore™, finalized in 2004, INGENICO has closed several major deals.

A large-scale project in France and Germany aims to install INGENICO's IngeStore™ solution and payment terminals – for the sales counter or unattended gas pumps – in BP's 520 service stations in France and 2,800 stations in Germany.

6.4.4 Customer services

INGENICO offers services to assist customers with installation, maintenance and call center services, as well as installed base management systems that support remote software upgrades, for example.

In the near future, INGENICO will weld its various systems for managing terminal bases to offer its customers better performing solutions with equal flexibility.

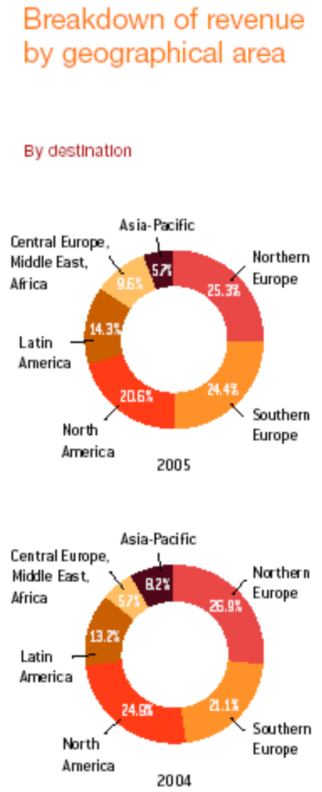
6.5. Overall business activity

6.5.1 Change in revenue

INGENICO stepped up sales in 2005, reaching €437 million, up 2.2 percent over 2004.

Despite the significant rise in terminal sales volume, revenue growth was stunted by a decline in average terminal retail prices. However, to offset falling market prices, INGENICO is further developing its range of versatile terminals, with positive impact on prices and margins.

6.5.2 Breakdown of revenue by geographical area



6.5.3 Breakdown of revenue by period

Revenue	2005	2004
€ millions		
Q1	97.7	92.2
%	22.3%	**21.50%**
Q2	109.7	113.3
%	25.0%	**26.50%**
H1	**207.4**	205.5
%	47.3%	**48%**
Q3	105.5	96
%	24.1%	**22.50%**
Q4	124	125.9
%	28.6%	**29.50%**
H2	**229.5**	221.9
%	**52.7%**	**52%**
Full-year total	**436.9**	**427.4**
		100%

INGENICO's revenue may fluctuate from one period to another, depending on geographical location and target market. For example, fourth-quarter business tends to be weaker for the multi-lane retail segment, while business in the Southern Europe region is more modest during the summer months.

The amount of revenue earned in each of the four quarters, expressed as a percentage of the Group's full-year revenue, is relatively well-balanced, although the Q4 figure is generally slightly higher than that of any of the first three quarters.

The Group's global presence cushions against the impact of specific operations in any single region. Accelerated local growth can nevertheless be observed in markets where new security standards such as EMV or new products are introduced. This growth is often reflected in additional revenue generated just before the start of a new calendar year.

6.6. Cross-functional operations

6.6.1 Marketing

- Organization structure

The Group's Marketing Department encompasses operational marketing, product marketing and new technology marketing.

The operational marketing team conducts market research, makes sales forecasts, analyses these forecasts and creates the products necessary to introduce new terminals into new countries and regions.

The product marketing team defines and tracks product life cycles, manages products and prices, and introduces new products into new countries.

The new technology marketing team promotes the Unicapt™ 32 software platform, the Group's various software products and introduces new technologies such as contactless and biometric technologies.

About fifteen persons make up INGENICO's Marketing Department.

- *Initiatives*

INGENICO's Marketing Department continuously strives to anticipate technological and market trends related to secure electronic transactions. The Group was the first to focus on multi-application management in 1991 (with UNICAPT™), GPRS technology and the adoption of ARM microprocessors in 2002, and Bluetooth in 2003.

In 2005, INGENICO proved its ability to create innovative solutions when it demonstrated the first-ever terminal to accept iPod payments, at the Cartes 2005 trade show in Paris.

Today, INGENICO's marketing teams have opted to cut costs by streamlining its range of products. Following a concerted effort, the Group successfully scaled its product range back from 123 products in 2003 to 42 at the end of 2005. It was rewarded with substantial savings in terms of development, production, storage, marketing and sales expenditure.

Another role of the Marketing Department is to enhance the modularity of INGENICO's products to optimize productivity, costs and the scalability of terminals.

Since 2003, INGENICO's marketing teams have launched 24 iSeries terminals. The i5100, the star of this new line-up, sells extremely well due to its excellent positioning: a product with international appeal, compliant with the latest standards and very competitively priced. In less than 30 months, INGENICO has sold over 1,000,000 of these units worldwide, making the i5100 the best-selling terminal in the world in 2005.

In 2005, INGENICO marketed the following innovative new products:

- The i7910, a portable GPRS terminal for salespeople working in a mobile environment.

- The i8550, a rugged, versatile mobile GPRS terminal for itinerant merchants.

- The i9400, an EMV-compliant payment module for self-service machines.

- The i3070 and i3380, the first PCI-PED approved PIN pads for retailers.

Since 2004, INGENICO has launched several marketing programs to promote its products and solutions in specific target markets:

• Pay@Table for the hospitality segment: although card payments at restaurant tables are widespread in France, they are still the exception elsewhere. The goal of INGENICO's Pay@Table program is to encourage that practice. In 2004, the program was deployed in the United Kingdom, Italy, Canada and Brazil. In 2005, it was extended to include Malta, Russia, and Asia, above all Singapore.

• Pay@Door for mobile commerce, home deliveries, and postal services: INGENICO solutions now enable card payments upon delivery. Online sales have increased demand for home deliveries and consequently the demand for payment options from the home. In 2005, INGENICO continued to promote its innovative solutions, conquering new customers in France and Norway.

• Sign@Lane for major retailers: The basic goal of Sign@Lane is to promote the use of electronic signature capture capability, a feature that has enabled large-scale retailers to make substantial savings in terms of archiving paper receipts. The program aims to reinforce INGENICO's portfolio of payment, customer loyalty and point-of-sale advertising solutions.

The solutions sold in connection with these programs often include value-added applications, such as taxi-calling while closing payment at a restaurant table, delivery route optimization and multimedia applications for points of sale.

6.6.2 Product engineering

- *Organization structure*

Two main departments are responsible for developing new products for the Group. The first, the Platform Engineering Department, is in charge of Group's hardware and software cores. The second department, Hardware Engineering, designs and produces the terminals and peripherals sold to INGENICO's markets.

- **Platform Engineering**

This department evolves INGENICO's software platform and secure hardware core to adapt to the new functionalities of its terminals, such as Wi-Fi, Internet or contactless card reading capabilities.
It also builds the tools needed to develop software applications.

In addition, the platform engineering team delivers software application support to INGENICO's distribution subsidiaries.

- **Hardware Engineering**

This department designs and develops terminals based on the user specifications provided by the Marketing Department.

It also provides hardware support to INGENICO's distribution subsidiaries.

- *Initiatives*

- **Platform Engineering**

INGENICO made further, major enhancements in its new UNICAPT™ 32 platform in 2005 to incorporate a multitude of communications capabilities (Ethernet, Bluetooth, GPRS, CDMA, USB, Browser, Wi-Fi). Integrating the latest technologies into the Group's terminals is vital to meet the growing communications needs of today's customers as well as to position the Group on tomorrow's markets.

IngeCore™ combines the Millenium security processor with the UNICAPT™ 32 operating system, which guarantees total portability for all applications (debit, credit, electronic wallet, customer loyalty) across all INGENICO systems. It also ensures data integrity, since all applications can be run independently of each other.

Ever since it was introduced in 1991, UNICAPT™ has been constantly evolving. Today, UNICAPT™ 32 offers more powerful performance and reinforced security, notably through compliance with the new EMV standards.

In June 2003, INGENICO developed its first banking products based on IngeCore™, such as the i5100 countertop terminal and the i3300 PIN pad, enabling merchants to gradually migrate toward EMV.

In 2004, the complete multi-lane retail product line and all other products targeting the banking market made the shift to IngeCore™.

Today, all of INGENICO's new products are built around IngeCore™, which facilitates maintenance and development and enables the Group to deliver even greater functionality at better value to customers.

At end 2005, 92 percent of all terminals manufactured by INGENICO contained IngeCore™.

- **Hardware Engineering**

Following several years of development work of the new generation of products, in 2005, INGENICO's research and development teams strove to create high-value-added solutions. These solutions – for example, the i6770 multimedia touch-screen terminal – give INGENICO a competitive edge as well as a chance to break into new markets.

With the new i8500 biometric terminal – capable of connecting to a central database in real time – the Group is in excellent position to move into the electronic identity verification market.

INGENICO's research and development teams also been focusing on "Redesign to Cost," i.e. optimizing the manufacturing costs of certain products, and product stabilization. The initial results are highly encouraging: INGENICO reaped substantial cost savings after redesigning its telecom modules.

6.6.3 Quality

\- *Organization structure*

The Quality Department ensures that the new products defined by Marketing and the Hardware Engineering meet specific quality standards.

The Quality Department is involved in the product life cycle from the design to validation phases, and conducts qualification testing in compliance with industry standards as well as the needs of INGENICO's customers. It also conducts final checks prior to delivery at its manufacturing partner and supplier sites.

By monitoring feedback from staff in the field, INGENICO can respond to customer complaints while preventing any risk of recurrent malfunction.

\- *Initiatives*

With the rapid rise in the number of terminals manufactured over the past few years, the Quality Department was compelled in 2005 to handle incidents linked to the quality of subassemblies or components integrated into INGENICO's products.

To prevent situations like this in the future, the Quality Department has restructured its services to reinforce the supplier qualification system with regular checks and auditing of supplier manufacturing processes.

6.6.4 Industrial operations, purchasing and manufacturing

\- *Organization structure*

The Industrial Operations Department is in charge of the manufacturing rollout of new products designed by Hardware Engineering.

The Purchasing Department selects component suppliers and negotiates with these suppliers as well as production units outside of the Group. Centralizing the purchasing of materials and components has enabled INGENICO to obtain better sourcing conditions.

The Production Department, in tandem with the operational marketing team, is in charge of the production and delivery of terminals to INGENICO's distribution subsidiaries and customers, based on sales forecasts. It is also in charge of outsourcing to production units.

- *Initiatives*

In 2005, all of INGENICO's manufacturing operations were outsourced to top-notch industrial partners.

Most of these operations are now conducted in low-cost countries (Brazil, Mexico, the Czech Republic) to ensure competitive edge. The worldwide presence of INGENICO's industrial partners also translates into more flexibility for the Group and optimal closeness to its markets.

In 2005, a total of 1.921 million terminals were manufactured, mainly by the Group's preferred partners: Jabil in South America, MSL in the Czech Republic and SMTC in Mexico.

INGENICO has deployed a so-called "dual manufacturing" strategy based on several versatile suppliers. This means that the Group can replace one supplier with another whenever needed, thereby reducing risk to a minimum and enhancing its bargaining position. Ingenico has also signed long-term contracts with partners that contain appropriate logistics-related agreements to ensure uninterrupted sourcing.

By locating production on multiple continents, the Group also reduces its exposure to foreign exchange risk.

INGENICO's suppliers include some of the world's top electronic component manufacturers, such as STMICROELECTRONICS, NEC, MOTOROLA, TEXAS INSTRUMENTS, PHILIPS, and CONEXANT.

INGENICO's top ten suppliers represent about 70 percent of raw material purchases.

Purchases	2005		2004		2003	
€ millions	€ millions	%	€ millions	%	€ millions	%
Top supplier	76.21	25.51%	69.04	23.30%	50.54	29.89%
Top 5 suppliers	190.3	63.69%	213.01	71.88%	117.81	69.67%
Top 10 suppliers	216.02	72.30%	253.33	85.49%	137.34	81.22%
Total	**298.79**	**100.00%**	**296.34**	**100.00%**	**169.09**	**100.00%**

INGENICO and NCR Corporation, the leader of automated point-of-sale solutions, signed an agreement in May 2004 that allows INGENICO to use NCR's signature capture licenses and include NCR signature capture capability in its signature-capture touch-screen payment terminals.

INGENICO has stepped up its support for its industrial partners and introduced a more extensive quality control system. The Group also centralized materials and components purchasing, leading to improved sourcing conditions.

All the departments described in this section contribute to product development through a five-phase process called PLC (Product Life Cycle).

6.6.5 Other activities

- *Organization structure*

An External Relations Department is in charge of external communications and relations with leading card issuers (Visa, Mastercard, American Express, JCB), the financial markets and the Group's commercial partners.

An Environment Department is responsible for ensuring that the products and solutions marketed by INGENICO comply with standards relating to environmental protection.

- *Initiatives*

The External Relations Department works to foster ties with issuers and establish a collaborative relationship, for example, when it comes to defining new security standards or marketing new types of cards.

In 2005, thanks to the efforts of this department, INGENICO signed a partnership agreement with Welcome Real-time, a company specializing in loyalty systems designed for banks and merchants.

During the year, the Environment Department launched a project to bring its terminals into compliance with the European RoHS (Restriction of Hazardous Substances) directive. This directive restricts the use of lead, so new components must be selected and assembly lines redesigned. This directive will be enforced as of July 1, 2006.

The Environment Department also initiated the "WEEE" project to recover end-of-life terminals placed on the market as of August 2005.

6.7. Regional business activity

6.7.1 Organization structure

INGENICO has ten distribution and application software development subsidiaries: in France, Italy, Germany, Spain, the Northern Europe region, the region combining Central and Eastern Europe/Middle East/Africa and India, North America, Latin America, Asia and Australia.

These subsidiaries are run by CEOs or business unit managers.

They generally encompass finance, human resources, sales, marketing, application development, customer service and logistics departments.

6.7.2 Initiatives

Countries or regions are in charge of marketing the Group's products, solutions and services, developing application software and delivering services to INGENICO's business customers.

INGENICO has compiled a detailed inventory of the various payment, customer loyalty, and electronic wallet applications that have been developed locally. The Group manages roughly 800 applications, 350 of which are currently used and updated on a regular basis. Some 300 additional software applications have been developed by the Group's partner distributors.

To streamline costs, more and more developments have been entrusted to centers located in countries with lower labor costs such as Brazil and the Philippines.

In 2005, about 60 percent of these software applications were upgraded to EMV compliance.

INGENICO's customer service operations are particularly strong in France, Italy, the United Kingdom, the United States and Brazil. In Brazil, services account for close to 30 percent of the distribution subsidiary's business. On the whole, EMV migration fuels this business, especially in France and Italy, where the changeover to the new standards necessitates the downloading of compliant applications.

6.7.3 Business activity by region

The Group's operations are organized into five regions and five countries. However, for the sake of clarity, the Group's business will be broken down in the rest of this document into the following geographical regions: Northern Europe, Southern Europe, Central and Eastern Europe/Middle East/Africa and India, North America, and Latin America.

Needless to say, business performance in each of the five regions and five countries will be discussed as each geographical region is reviewed.

6.7.3.1. Geographical region: Northern Europe

From an operational standpoint, this geographical region includes the Northern European region (made up of the United Kingdom, Norway and Sweden) and one country, Germany.
In 2005, Group revenue in this area amounted to €110.7 million, almost 4 percent less than in 2004. This decrease came after an unusually strong sales performance in 2004 (+ 35 percent), reflecting EMV deployment in the United Kingdom.

In the United Kingdom, INGENICO completes EMV migration

EMV migration boosted sales in 2004 (+ 35 percent). In 2005, the EMV terminal installation process slowed down.

The Group bolstered its position in the banking industry, signing several multiyear contracts, chiefly with HBOS, Lloyds TSB and Barclaycard Business. During the year as well, HSBC designated INGENICO as its preferred supplier of countertop terminals.

INGENICO also signed a contract with Eastman Kodak, the world leader in deploying digital photo kiosks. Kodak chose INGENICO for its ability to deliver high-performance, end-to-end payment solutions and its global presence.

In addition, INGENICO won a first-ever contract to supply the U.K.'s Post Office with several thousand i5100 terminals featuring a range of value-added applications on top of the payment functionality.

Ongoing expansion in Norway and Denmark

In Norway, INGENICO won a contract to equip ICA, a leading Scandinavian retail chain, with i6400 terminals, supported by the IngEstate terminal estate management system.

The Group will also be providing Norway's postal service with i6400 PIN pads and i8550 mobile terminals.

In Denmark, INGENICO and its partner LDB A/S have begun deployment of the i5100, viewed as the cutting-edge terminal on the market today.

Sound performance in Germany

In Germany, INGENICO ranks among the leading players on the secure transaction solutions market. The Group's local subsidiary enjoyed a good year of business with the main bankcard service providers, including TeleCash, Easycash, CardProcess and InterCard.

For the gasoline distribution industry, INGENICO installed its IngeStore solution and 4,500 payment terminals at BP service stations in the country.
In large-scale retail, the Group joined forces with Alphyra to equip 12,000 Schlecker stores with i5300 terminals.

6.7.3.2 Geographical region: Southern Europe

From an operational standpoint, this geographical region includes three countries: Spain, France, and Italy.

Growth fueled by EMV migration

In 2005, Southern Europe (France, Italy, Spain and Portugal) provided INGENICO with €106.8 million in revenue, up 19 percent in relation to 2004. This growth was spurred by EMV deployment programs in Spain and Italy.

A strong business year in Spain and Portugal

In Spain, after obtaining four major certifications for EMV migration, the Group booked large-scale payment terminal orders from CECA and SERMEPA, two leading associations serving Spain's banking community.

Deployment of INGENICO's lottery ticketing solution also continued at ONCE, Spain's National Organization for the Blind. By the end of 2005, the Group had delivered a total of 24,000 i8550 terminals equipped with "text to speech" technology.

In Portugal, INGENICO obtained EMV certification from the operator SIBS and initiated an EMV migration process at the BP service station chain.

Penetrating the mobile commerce and unattended distribution markets in France

In 2005, INGENICO stepped up its efforts in France – one of the Group's four strategic markets. The new management team carried out a major overhaul that led to renewed customer confidence.

In the banking sector, INGENICO's legacy clients include Crédit Mutuel and Crédit Agricole. In 2004, Société Générale placed its first order with the Group, which was fully delivered in 2005.

Initiated with INGENICO in 2003, the TEPEO project at BNP-Paribas continued in 2005. The project covers delivery of terminals and software applications, installation and servicing for a network of 30,000 merchants.

In 2005, the Group broke into the mobile business market in France, winning contracts with the leading cab company in Paris, Taxi G7, and Thiriet, France's number two player in home delivery of frozen foods.

INGENICO leverages EMV migration in Italy and penetrates new markets

In Italy, the fast-paced changeover to EMV enabled the Group to deploy 150,000 payment terminals and check readers, including the new Bluetooth i7780 and GPRS i7910 devices. INGENICO's customer base now encompasses virtually all of Italy's banks, chief among them CIM Italia, Banca SanPaolo IMI and Consorzio Triveneto.

Through partnership agreements with the Group, NCR, IBM and Wincor/Nixdorf have incorporated INGENICO payment terminals into their point-of-sale facilities. This opens up new vistas for INGENICO in Italy's large-scale retail sector, a major target market for the Group. INGENICO also signed a large contract with Carrefour in 2005.

In the government services sector, INGENICO shipped check readers to all Italian post offices (Poste Italiane).

Lastly, in 2005, INGENICO acquired the remaining 33-percent stake in EPOS ITALIA SpA, its Italian subsidiary specialized in payment terminal installation, maintenance and repair.

6.7.3.3 Geographical region: Central and Eastern Europe, Middle East, Africa and India

From an operational standpoint, this geographical region corresponds to the region INGENICO calls CEMEA.

In 2005, revenue from this region totaled €41.9 million, an improvement of almost 73 percent over the figure for 2004.
This successful performance was made possible by the partnership policy it launched several years ago as well as the responsiveness and expertise of INGENICO's local teams.

Fast-expanding Central European markets and new market openings in the Middle East, for electronic payments in particular, also boosted INGENICO's powerful growth in this geographical region.

Outstanding sales performances

In Turkey, INGENICO practically doubled its sales compared with 2004. The launch of a new, more competitive offer combined with the sales drive of our local partner pulled in additional market share. The Group aims to retain its slot as the biggest supplier of EMV migration in Turkey.

Sales shot up in the Middle East in 2005, reflecting INGENICO's sales presence in this region through its local partners.

A larger footprint in Central and Eastern Europe via new subsidiary and office openings

In Switzerland, INGENICO acquired a 51-percent stake in the company XA SA in February 2005, thereby gaining entry into a promising upgrade market, in particular, that of EMV migration.

In Hungary, INGENICO opened a subsidiary to distribute and service its products locally. A first major commercial success was obtained in 2005, cementing INGENICO's market presence.

As equipment fleets are upgraded to move to EMV-compliant solutions, INGENICO plans to win over a significant share of the Hungarian market, which is expected to triple in size over the next five years.

With its new subsidiary in Poland, INGENICO has become a leading supplier of payment solutions. The Group is ready to tap the significant growth potential offered by this upgrade market for EMV migration.

In Serbia and Montenegro, INGENICO inaugurated a new office in Belgrade, thereby moving into a young yet fast-developing market.

INGENICO established another new office in India. The Group is now poised to gain a grasp on this market, which is expected to pick up momentum as of 2006.

6.7.3.4 Geographical region: North America

From an operational standpoint, this geographical region corresponds to INGENICO's North American region.

In 2005, the Group booked sales of €90.2 million in North America, down 15 percent from the level achieved in 2004.

INGENICO: a major developer of contactless payment solutions

In 2005, INGENICO maintained its leading position in North American multi-lane retail. INGENICO also heavily deployed contactless payment modules throughout the United States, contributing to the mounting popularity of this new payment method. The Group also strengthened its position in Canada's hospitality industry, leveraging new partnerships.

Further growth in U.S. large-scale retail

INGENICO won new contracts with firms like Rooms to Go, Academy Sports, Ross Stores, Cingular Wireless, Blockbuster, U-Haul, and Wynn Resorts.

The announced rollout of the i6550, the Group's new signature capture interactive terminal, had an adverse effect on sales of the e^N-Touch 1000, however, with some orders being deferred.

Developing contactless payment in the U.S.

Contactless payment is currently gaining ground among merchants concerned with transaction speed and fast customer service. In 2005, INGENICO was involved in deploying a number of contactless solutions for premium clients, including 7-Eleven, a leading retailer in North America and Duane Reade, a major drugstore chain in the New York area.

Number One in Canada

The success of the iSeries product family has enabled INGENICO to stay on top of its Canadian customers' needs for more powerful and more secure electronic transaction solutions.

- During the spring of 2005, NOVA Information Systems Canada, one of the largest credit card processors in North America, successfully deployed the i5100 product line.
- TD Canada Trust, a leading financial services firm in the country, plans to deploy the i3070, a PCI PED-certified PIN pad.

Working with hospitality solutions providers such as Micros, Aloha and Squirrel, INGENICO also developed new application interfaces like Call A Cab that build on the functionalities of its Pay@Table solution, centered on the i7780 Bluetooth terminal.

6.7.3.5 Geographical region: Latin America

From an operational standpoint, this geographical region corresponds to INGENICO's Latin American region.

In 2005, Group sales in Latin America totaled €62.3 million, up almost 11 percent in relation to 2004.

INGENICO, the benchmark provider in Latin America

In 2005, INGENICO confirmed its leading position in Latin America, proving itself capable of delivering solutions tailored to the unique needs of widely different markets. The Group posted growth of nearly 11 percent in the region, with close to 300,000 terminals sold in 2005 and a total of one million units installed.

Booming sales in Brazil

INGENICO sold no less than 210,000 payment terminals in 2005, accounting for 60 percent of total payment terminal sales in the country.

The Group works with the country's main acquirers, including American Express, Redecard, VISANET, Bancomer, Creditbanco. By making its payment terminals a vital component of their purchasing and transaction business, INGENICO has become their strategic partner.

Ingenico has also succeeded in getting a solid foothold in large-scale retail. From Pão De Açúcar-Casino and Carrefour to Casas Bahias and Extra Supermercados, a large number of retail chains have adopted the Group's payment solutions. To grow its business in this area, Ingenico has also joined forces with international and local systems integrators, all of them major providers of point-of-sale solutions for multi-lane environments.

A new subsidiary in Chile

Chile is one of the soundest, most dynamic markets in the region. With a healthy banking system, a high level of technological sophistication and powerful local service infrastructure, the country holds tremendous potential for the electronic transaction business, which is still in its early stages there.

Now that a new subsidiary has been opened in Santiago, the Group fully expects to become a major player in the country.

Strong presence and broad market success in the region

INGENICO is present across all of Latin America. 2005 was a year of ongoing expansion in Argentina, Mexico, Peru, Columbia, Venezuela and Costa Rica.

The Group also branched out into the Caribbean, now doing business in Guatemala, Panama and Paraguay.

With 85,000 terminals sold in these countries, INGENICO increased its market share by 100 percent in 2005.

Recognized hardware, software and service capabilities

In Latin America, INGENICO has become the benchmark on the transaction acceptance market. The Group not only offers customers a broad range of terminals and PIN pads; it also develops the necessary software applications and delivers end-to-end service.

INGENICO is now widely recognized as the most adaptable player in Latin America when it comes to developing electronic payment applications (credit, debit, customer loyalty and proprietary cards). The quality of the customer care it provides is also acknowledged throughout the region.

6.7.3.6 Geographical region: Asia-Pacific

From an operational standpoint, this geographical region includes a region, Asia, and one country, Australia.

In 2005, INGENICO booked revenues in this region totaling €25 million, 29 percent lower than in the previous year.

New organization structure and development in key markets

2005 was a year of transition for INGENICO in the region, with the Group taking over its Chinese subsidiary and reorganizing its sales channels and technical support network.

INGENICO's business in the Asia-Pacific region grew more slowly, due to postponed EMV migration in South Korea, major deployment delays in Japan and engineering difficulties in Australia.

The Group nonetheless demonstrated its ability to supply its main customers in this highly-competitive environment, especially those in Taiwan, Thailand, Hong-Kong and the Philippines.

Japan, a key market for INGENICO in Asia

In Japan, one of the Group's four strategic markets, rollout and deployment of the iSeries product line was launched in 2005. The i5100 terminal has established a presence in all the major business sectors. The Pay@Table solution has also been steadily gaining ground and the current EMV deployment process offers INGENICO new opportunities for rapid growth in the country.

INGENICO ups its presence in China with full ownership of its local subsidiary

In China, the Group moved to full ownership of the local subsidiary in which it previously held a 25-percent stake. INGENICO is thus poised to take advantage of the country's boom conditions, further amplified by the 2008 Olympics and the shift to EMV.

Joint venture in South Korea

In South Korea, INGENICO established a joint venture in March 2005 with GENESIS. With a 50.01-percent stake in the new undertaking, INGENICO is now in good position to conquer a sizeable share of the fragmented Korean market, on which close to a dozen local firms have been competing.

Steady growth in the rest of the region

In Taiwan, EMV changeover has enabled the Group to gain market share even under highly competitive conditions. INGENICO was also one of the main sponsors of the OneSmart Paypass event in July 2005 organized by MasterCard in Taipei.

In the Philippines, INGENICO has retained its leading position in the banking sector. The Group has also begun marketing its new mobile terminals for home delivery and customer loyalty applications.

In Thailand, INGENICO has equipped the taxis in Bangkok and the other main cities with mobile payment terminals. The Group plans to extend its business in the country in 2006.

In Singapore, the Group teamed up with a client to launch a large-scale campaign promoting Pay@Table. This solution for facilitating payment at restaurant tables should help to anticipate future EMV migration.

INGENICO's prospects are bright for 2006, with major deployment projects expected in Japan, EMV migration in Southeast Asia and the rollout of terminals with the contactless, Wi-Fi and GPRS capabilities so eagerly awaited by the markets.

Leading the market in Australia

In 2005, INGENICO consolidated its market leadership in Australia, while extending its footprint in New Zealand and the Pacific Islands.

INGENICO's customer base includes Australia's top five banks: ANZ, CBA (Commonwealth Bank of Australia), NAB (National Australia Bank), Westpac and St. George Bank. The Group also has a strong presence in the retail and services sectors, supplying major firms like Australia Post, David Jones, McDonald's, Coles Myer, Woolworths and Cabcharge.

6.8. Strategy

6.8.1 Product strategy

INGENICO is expanding its product and service portfolio in most markets where secure electronic transactions are acquired. This development, which reflects technological and market trends, is based on the following:

- The most extensive offering in the industry. INGENICO proposes a comprehensive range of terminals, solutions and services to banks, multi-lane retailers and gasoline distributors.

Its offer is currently the largest in the payment and secure transaction industry and meets the needs of all forms of commerce around the world, from independent merchants to hypermarkets to departments stores, taxis, hotels and restaurants.

The applications developed by or on behalf of INGENICO round off the Group's hardware offer, the biggest on the market, and ensure the Group's leadership on its targeted markets.

- Maximum security: INGENICO strives to guarantee the highest levels of security for its customers and their electronic transactions, abiding by all technical regulations in force for each country and each customer. All of INGENICO's standard solutions are EMV-compliant and certified – or in the process of certification – in accordance with the local standards upheld in each country where these solutions are marketed. Other international approvals, such as TQM (MasterCard) and PCI PED (Visa), serve as additional security guarantees for users of INGENICO solutions.

- Technological breakthroughs: one of the Group's primary objectives is to maintain its high level of investment in R&D and preserve a significant lead in terms of technological innovation. Accordingly, INGENICO devoted 9.3 percent of its revenue to researching and developing new higher-performance, higher-security payment systems, all based on UNICAPT™ 32 architecture and compliant with the latest smart card EMV standards. Some of these systems boast the most innovative biometric, touch screen, GPRS, CDMA, Bluetooth or Wi-Fi technologies.

In 2005, INGENICO distinguished itself through multiple innovations and experiments:

- Since October 2005, INGENICO has been part of a pilot project in Caen, France, to test payments using a cell phone containing an NFC chip paired with an INGENICO terminal. This is the first time anywhere in the world that a contactless payment has been carried out as part of a real-life experiment using a cell phone, and not a card.

- INGENICO's research teams designed the first-ever terminal to accept iPod payments. This innovation, showcased with the i5100 terminal at the Cartes 2005 trade show in Paris, sparked considerable attention. It proved INGENICO's ability to innovate for the benefit of its existing and future customers.

- In the United States, Ingenico installed contactless payment modules in the 5,300 outlets of a major North American retail chain enabling the payment of minor purchases by simply waving the card in front of the reader.

6.8.2 Geographical development strategy

INGENICO's senior management distinguished four top-priority geographical areas in which the Group needs to develop its business: France, the United States, Japan and China:

- In France, INGENICO defined and implemented a plan of action to regain market leadership.
- In China, INGENICO is working to step up its presence on this emerging market.
- In Japan, the world's second biggest market in terms of volume, following the United States, INGENICO is currently the only foreign supplier and plans to fully exploit its vast potential.
- In the United States, INGENICO aims to significantly grow its banking sector business (INGENICO is number 1 in the North American multi-lane retail market).

INGENICO also has renewed interest in other high-growth-potential countries.

6.8.3 Partnerships

INGENICO has drawn from the complementary expertise of its partners around the world to enrich its offering and develop its business in regions where its presence was weak. INGENICO's most important partners include IBM, Cogent and G-Tech.

In 2005, INGENICO continued to actively build alliances to support its manufacturing, marketing, technology and sales activities. By making this an essential aspect of its business development over the past few years, the Group has been able to focus on its key competencies and accelerate its growth rate.

- Manufacturing partnerships: INGENICO chose to outsource all its payment terminal production activities to optimize its costs and better employ its resources. Its principal partners are located around the world: MSL in the Czech Republic, Jabil in Brazil and SMTC in Mexico.

- Marketing and technology partnerships: In 2005, INGENICO again teamed up with Visa International, MasterCard and American Express, notably to conduct contactless payment pilot programs.

INGENICO sustained technology alliances with major firms working with secure transactions, such as COGENT SYSTEMS, the specialist in biometric technologies, and GTECH, a lottery systems software vendor. Through these partnerships, INGENICO has been able to break into fast-growing new markets.

A new partnership agreement was signed with Orpak in 2005 to deliver automatic payment solutions in service stations in the Middle East, Eastern Africa and the United States.
OTI supplies INGENICO with contactless readers to be connected to the Group's terminals.

- Sales partnerships: INGENICO's alliance with IBM, concluded in 2002, has stimulated its growth in the European large-scale retail market, especially in the United Kingdom and in France.

6.9. Competitive positioning

In Issue 845, November 2005, of The Nilson Report, this U.S. publication released a ranking of the leading electronic payment market players worldwide based on estimated terminal sales.

INGENICO crowned the list, with an estimated market share of 23 percent.

The table below shows The Nilson Report's ranking of the top nine players in the market.

RANK	MANUFACTURER	SHARE
1.	Ingenico	23.0%
2.	VeriFone	21.8%
3.	Hypercom	15.2%
4.	Lipman	9.7%
5.	Thales	5.7%
6.	Sagem	4.4%
7.	CyberNet	4.0%
8.	Axalto	3.0%
9.	Intellect	1.7%

The Group confirms its leadership in the payment terminal market as indicated in the preceding table, with a market share of 23.80 percent worldwide at the end of 2005.

Rank	**Name**	**2005 revenue in $ millions**	**Market share**
1	INGENICO	524*	23.8%
2	VERIFONE	485**	22%
3	HYPERCOM	245	11.10%
4	LIPMAN/DIONE	235	10.70%
5	KEYCORP	104.5***	4.80%
6	AXALTO	75.4	3.40%
	Subtotal	1,668.9	75.90%
	Other: Sagem, Thales, Da Sistemi, Trintech, Panasonic, etc.	531.1	24.10%
	TOTAL	2.200	100%

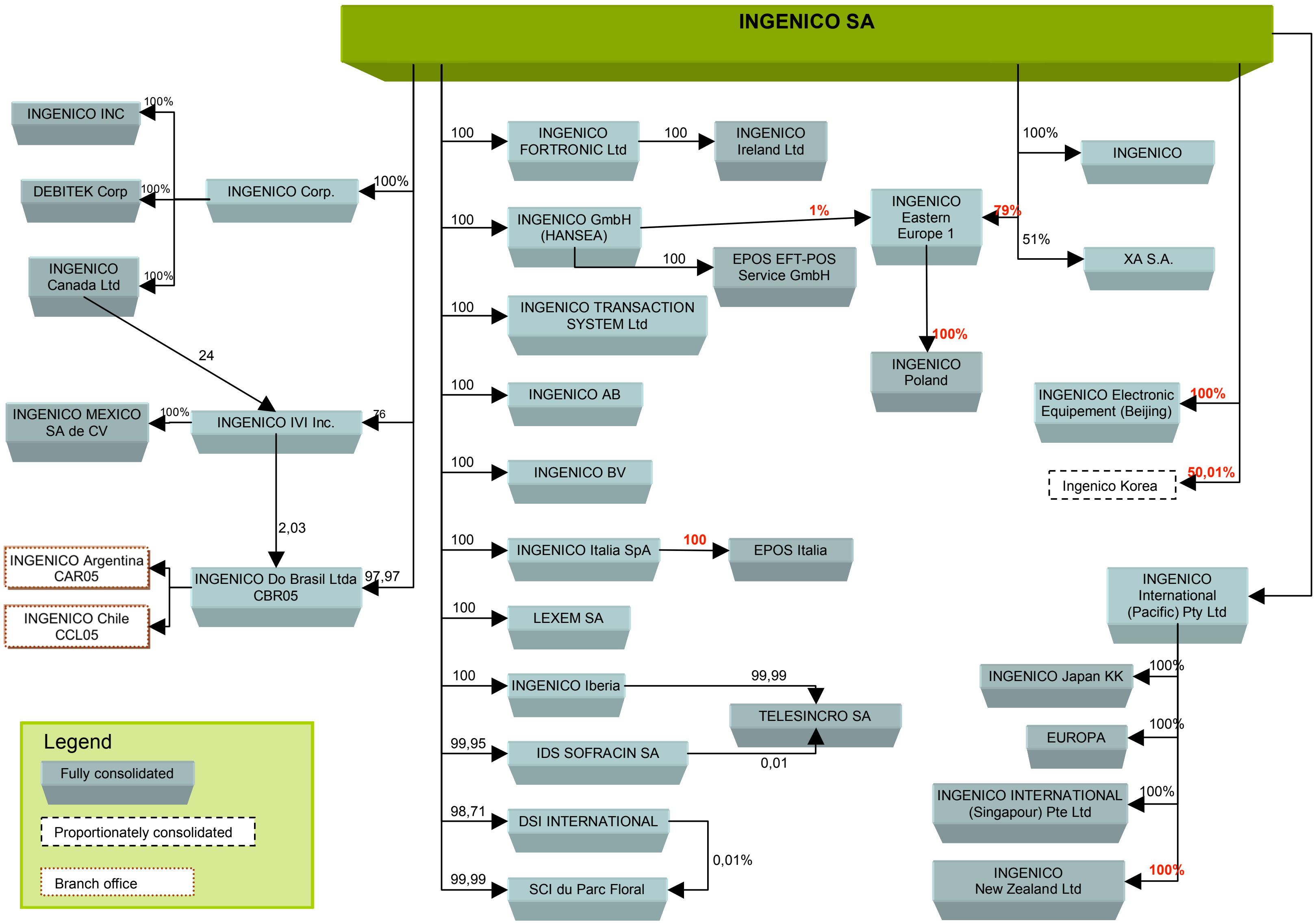
(*) The euro-to-US dollar conversion rate used is the average 2005 rate: 1 euro = 1.24 US dollar
(**) Revenue for the fiscal year ended October 31, 2005
(***) Revenue for the fiscal year ended June 30, 2005

SECTION VII. ORGANIZATION CHART

INGENICO, a French holding company, consolidates all the companies listed in Note 3 to the consolidated financial statements for 2005. Directly or indirectly, it holds 100 percent of the share capital and voting rights of its principal operating subsidiaries.

The organization chart below shows the structure of the Group at December 31, 2005.

Since this date, the Group has disposed of those subsidiaries described in Paragraph 5.2.2.


INGENICO SA
INGENICO INC
100%
DEBITEK Corp
100%
INGENICO Corp.
100%
INGENICO Canada Ltd
100%
24
INGENICO MEXICO SA de CV
100%
INGENICO IVI Inc.
76
2,03
INGENICO Argentina CAR05
INGENICO Chile CCL05
INGENICO Do Brasil Ltda CBR05
97,97
100
INGENICO FORTRONIC Ltd
100
INGENICO Ireland Ltd
100
INGENICO GmbH (HANSEA)
1%
100
EPOS EFT-POS Service GmbH
INGENICO Eastern Europe 1
79%
100%
INGENICO Poland
100
INGENICO TRANSACTION SYSTEM Ltd
100
INGENICO AB
100
INGENICO BV
100
INGENICO Italia SpA
100
EPOS Italia
100
LEXEM SA
100
INGENICO Iberia
99,99
TELESINCRO SA
99,95
IDS SOFRACIN SA
0,01
98,71
DSI INTERNATIONAL
0,01%
99,99
SCI du Parc Floral
100%
INGENICO
51%
XA S.A.
INGENICO Electronic Equipement (Beijing)
100%
Ingenico Korea
50,01%
INGENICO International (Pacific) Pty Ltd
INGENICO Japan KK
100%
EUROPA
100%
INGENICO INTERNATIONAL (Singapour) Pte Ltd
100%
INGENICO New Zealand Ltd
100%
Legend
Fully consolidated
Proportionately consolidated
Branch office

SECTION VIII. REAL ESTATE PROPERTY, FACILITIES, AND EQUIPMENT

8.1 Principal property, plant, and equipment

None of the companies in the INGENICO Group owns real estate on an unrestricted ownership basis. The Group leases the space for its principal offices and also rents sublet offices in Suresnes, France.

- Commercial lease for INGENICO's principal offices in Neuilly-sur-Seine

INGENICO's new headquarters are located at 192, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France, with office space covering a total of approximately 1,900 square meters. The lease, signed on November 1, 2005, provides for the initial lease payment to be made on April 1, 2006.

On a full-year basis, rent, including utilities and expenses, for INGENICO's former principal offices in Puteaux totaled €1,123,000, excluding tax. Rent including utilities and expenses for the new registered office, excluding tax, will total €1,069,000 in 2006, €1,119,818 in 2007 and €1,179,000 in 2008.

- Subletting agreement for a building in Suresnes

INGENICO signed an agreement with TEKSID FRANCE on December 19, 2001, expiring on November 30, 2007, to sublet office space totaling approximately 1,970 square meters in Suresnes, France.

Rent, including utilities and expenses, is €567,000 (excluding tax).

Land and a building owned by INGENICO BARCELONA were sold in November 2005 for €8 million, representing a gain of €4.5 million.

A *Société Civile Immobilière* (SCI) wholly owned by INGENICO sold a building in August 2005 for €950,000, generating a €374,555 gain.

Property, plant and equipment owned by various Group subsidiaries (INGENICO UK, INGENICO BARCELONA, INGENICO INC.), mainly comprising production facilities and equipment (dies in particular), totaled €38 million on December 31, 2005.

8.2 Environmental impact

INGENICO has partnered with world-renowned suppliers to meet its manufacturing needs. Every one of these suppliers has undertaken to comply with the environmental program defined in the Group sourcing policy.

Everywhere in the world, INGENICO's subcontracting partners work within an environmental protection system that guarantees consistent and effective processes conducive to the continuous improvement of their environmental scorecard.

SECTION IX. FINANCIAL POSITION AND EARNINGS

9.1. Financial position

The Company's financial position is described and analyzed in Section 6.

9.2. Operating income

Operating income is provided in Section 6.

9.2.1 Key factors impacting revenue

See Section 6, § 6.6 and 6.7.

9.2.2 Change in net revenue and net profit

See Section 6, § 6.5.1, 6.5.2. and 6.5.3.

9.2.3 Strategies or factors with past or potential impact on the Company's business activities

See Section 4, § 4.4.

See Section 6, § 6.6.2. and § 6.8

9.2.4 Excerpt from the Management Report for the year ended December 31, 2005

"I° BUSINESS ACTIVITY AND TRENDS, RESULTS AND FINANCIAL POSITION OF THE COMPANY AND GROUP

1- Results

The Group booked revenue of €436.9 million in 2005, versus €427.4 million in 2004, up 2.2 percent.

Whereas sales activity was fairly stationary in the first half of 2005 (€207.4 million, versus €205.5 million in the first half of 2004), mainly reflecting delivery problems related to a production site transfer, revenue in the second half of 2005 rose to €229.5 million (versus €221.8 million in the second half of 2004).

On a like-for-like basis – that is, leaving aside component sales, henceforth recognized in "Cost of Sales" – revenue in the second half stood 6.8 percent higher than in the second half of 2004 and a full 12.7 percent higher than in the first half of 2005.

This is INGENICO's strongest performance for any half year since the company was founded.

Group business activity in 2005 reflects two trends:

- *A booming market driven above all by EMV deployment, constant demand for innovation in payment terminals and strong growth on emerging markets, providing new outlets for INGENICO's products (particularly Eastern Europe).*

- *In spite of this favorable context, Group sales growth was hampered by temporary delivery problems caused by external factors (one of our manufacturing subcontractors transferred a production site) or internal factors (engineering problems with a leading customer in the first half).*

The impact of these difficulties was particularly noteworthy in the first half of the year.

Profit from operations (that is, before non-recurring items) reflects the operating disruptions encountered by the Group during the year.

Under IFRS accounting, profit from ordinary activities amounted to €8.2 million for the year, versus €15.7 million In 2004 (€17.2 million published under French GAAP for fiscal year 2004).

However, a closer look at half-year results bears out the assertion that a number of significant problems that emerged in the first half were short-lived.

For example, profit from ordinary activities in the first half of 2005 was €1.1 million (0.5 percent of revenue for the period), compared to €8.4 million in the first half of 2004 (4.1 percent revenue for the period).

In the second half of 2005, profit from operations showed marked improvement, totaling €7.2 million (3.1 percent of revenue for the period), a figure similar to profit from operations in the second half of 2004, which was €7.3 million (3.4 percent of revenue).

During the year, INGENICO also recorded significant non-recurring charges and provisions totaling €42.6 million and related mainly to the following:

- *A change in the method for measuring inventory provisions (€8.9 million). The new, more conservative treatment more accurately reflects life-cycle acceleration for products affected by continuous innovation.*

- *A charge covering all the costs attributable to an engineering problem encountered in large-scale deployment of a new product at one specific customer's sites (€14.7 million).*

- *Settlement of an exceptional legal dispute in the United States, including the corresponding attorneys' fees.*

- *A €9.3 million restructuring charge as part of the plan of action devised by the new management team that took over in June 2005, one of whose key aims was to cut costs and lower the Group's breakeven point.*

In addition, INGENICO recognized a provision of €4 million in 2005 to cover any potential losses on the planned disposal of non-strategic assets. In the event of gains on these disposals, they will be recognized in the period in which the transactions occur.

Due to these non-recurring charges and provisions, the Group booked a net loss of €40.1 million, whereas it recorded net profit of €2.6 million in 2004 (IFRS accounting).

At December 31, 2005, net debt was €63.4 million, compared to €41.5 million at December 31, 2004.

This represents a 62.6 percent debt-to-equity ratio, up from 31.9 percent au December 31, 2004.

This heavier debt burden is directly related to net profit for the year, since the Group's working capital requirements remained stable over the period.

It is worth stressing that INGENICO significantly strengthened its capital structure during the year.

- *First of all, the Group carried out an €80 million bond issue in April 2005 (OCEANE).*
- *Second of all, most of its existing lines of credit and borrowings (€72.5 million) were restructured and rescheduled.*

At December 31, 2005, the company's total borrowings and other financial liabilities were as follows:

(in thousands of euros)	2005	2004
Bonds convertible into or exchangeable for new or existing shares (OCEANE)	68,374	
Bank borrowings	20,451	15,611
Short-term notes	40,000	
Finance lease obligations	4,348	2,837
Other financial liabilities	872	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**134,045**	**18,448**
Short-term bank and related borrowings	16,931	18,026
Finance lease obligations (current portion)	2,111	541
Bank overdrafts	21,920	40,659
TOTAL CURRENT FINANCIAL LIABILITIES	**40,962**	**59,226**
TOTAL FINANCIAL LIABILITIES	**175,007**	**77,674**

Revenue derived by INGENICO S.A. from holding company business and sales in France totaled €198 million, up from €179 million in 2004, generating an operating loss of €1.949 million and a net loss of €42.2 million."

SECTION X. CASH FLOW AND EQUITY

10.1. Equity interest

See Section 20, §20.2 "*Statements of changes in shareholders' equity*" *[To be checked for consistency]*.

10.2 Cash flow

See Section 20, §20.2 "*Consolidated cash flow statements*".

10.3 Borrowing costs and debt structure

See Section 20, §20.2, item 8 "*Net finance costs*" and item 20 "*Net debt*".

10.4 Restrictions on use of capital

See Section 20, §20, "*Other obligations*" on the sale of trade receivables, and Section 22.

10.5 Sources of financing

See Section 20, §20 "*Breakdown of financial liabilities*".

SECTION XI. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Research and development policy

Innovation and development are crucial ingredients for the Group's growth. At the end of 2005, INGENICO launched several ambitious programs to bolster its innovation capabilities.

11.2 Investing in research and development

INGENICO has always invested heavily in research and development.

In 2004, R&D expenditure totaled €32.4 million, equal to 7.6 percent of revenue, and in 2005, €40.9 million, or 9.3 percent of revenue. These outlays are comparable in percentage terms to outlays by the other key players in the electronic payment industry and much higher in absolute terms.

The average staffing level of the research and development departments is 315 persons, 65 of whom work in Platform Engineering.

11.3 R&D organization structure

Since September 2005, research and development activities have been split up between the Science Department and the Marketing and Engineering Department. The Science Department determines future lines of action, which are then implemented by the Engineering Department.

The Hardware Engineering and Platform Engineering Departments are in charge of designing terminals and software and managing development costs.

11.4 R&D initiatives

INGENICO hopes to reap the concrete benefits of the following initiatives in 2006:

- The creation of a Science Committee made up of visionaries from outside the Group and designated technology experts from within the Group. The role of the Science Committee is to engage in thorough exploration of the Group's technological prospects and its ability to innovate.

- Participation by INGENICO in one or more joint research projects under consideration by the company. Such projects would provide an opportunity for INGENICO to pool know-how and creativity by teaming up with outside partners to carry out ambitious innovations in the field of electronic payment.

- Selection and recruitment of one or more doctoral students from CIFRE to work on the more sophisticated aspects of the technologies developed by INGENICO or in which the Company has a medium- or long-term interest.

In addition, INGENICO has initiated two ambitious projects with French high-tech firms:

- A first project in partnership with Cryptolog, a company with a world-class reputation for cryptography consulting. This project aims at equipping INGENICO terminals with advanced cryptology technology that makes fully secure dialogue over a variety of transmission channels a reality.

- A second project with Atlantic Radio System, a cutting-edge company specializing in FM data transmitters. In 2005, INGENICO unveiled a groundbreaking module that lets users carry out transactions via their MP3 player. INGENICO intends to leverage the experiments conducted in 2005 to develop new mobile transaction paradigms in 2006.

11.5 Development

11.5.1 Development of terminals

All terminal development operations are centralized in Barcelona, Spain and conducted by a team of 65 people.

The terminals include the following:

- Countertop terminals such as the i5100 and i5310.

- PIN pads designed to be hooked up to countertop terminals such as the i3300, i3050 and i3010.

- Portable terminals like the i7770, i7780 and i7310. Some of these are Bluetooth-enabled terminals offering wireless communications. All are compatible with the Pay@Table program.

- Mobile terminals such as the i7910 and i8200. These terminals can connect to remote servers via GPRS and CDMA telecom modules. All these terminals are compatible with the Pay@Door program.

- The i8500 terminal in all its versions. This versatile device is a mobile terminal boasting a GSM/GPRS telecom module for access to remote servers. With its bar-code reader and large screen display, it is the terminal best suited to lottery systems like the one used by the Spanish organization ONCE. Equipped with a fingerprint sensor, it also part of INGENICO's electronic identity verification offer.

- Secure payment modules such as the i9410, i9420 and i9450. These modules are designed to be integrated into unattended distribution systems for goods or services, such as beverage vending machines or gas pumps.

- PIN pads designed to be connected to cash registers or embedded payment systems in taxis, among other possibilities. These PIN pads include the i6400 and the i6280.

- PIN pads to be incorporated into point-of-sale systems enabling electronic signature capture as well as point-of-sale advertising. These include the i6550 and the i6770.

11.5.2 Development of telecom modules and routers

Telecom module development operations are based in Bordeaux, France. Eight people work together

SECTION VIII. REAL ESTATE PROPERTY, FACILITIES, AND EQUIPMENT

8.1 Principal property, plant, and equipment

None of the companies in the INGENICO Group owns real estate on an unrestricted ownership basis. The Group leases the space for its principal offices and also rents sublet offices in Suresnes, France.

- Commercial lease for INGENICO's principal offices in Neuilly-sur-Seine

INGENICO's new headquarters are located at 192, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France, with office space covering a total of approximately 1,900 square meters. The lease, signed on November 1, 2005, provides for the initial lease payment to be made on April 1, 2006.

On a full-year basis, rent, including utilities and expenses, for INGENICO's former principal offices in Puteaux totaled €1,123,000, excluding tax. Rent including utilities and expenses for the new registered office, excluding tax, will total €1,069,000 in 2006, €1,119,818 in 2007 and €1,179,000 in 2008.

- Subletting agreement for a building in Suresnes

INGENICO signed an agreement with TEKSID FRANCE on December 19, 2001, expiring on November 30, 2007, to sublet office space totaling approximately 1,970 square meters in Suresnes, France.

Rent, including utilities and expenses, is €567,000 (excluding tax).

Land and a building owned by INGENICO BARCELONA were sold in November 2005 for €8 million, representing a gain of €4.5 million.

A *Société Civile Immobilière* (SCI) wholly owned by INGENICO sold a building in August 2005 for €950,000, generating a €374,555 gain.

Property, plant and equipment owned by various Group subsidiaries (INGENICO UK, INGENICO BARCELONA, INGENICO INC.), mainly comprising production facilities and equipment (dies in particular), totaled €38 million on December 31, 2005.

8.2 Environmental impact

INGENICO has partnered with world-renowned suppliers to meet its manufacturing needs. Every one of these suppliers has undertaken to comply with the environmental program defined in the Group sourcing policy.

Everywhere in the world, INGENICO's subcontracting partners work within an environmental protection system that guarantees consistent and effective processes conducive to the continuous improvement of their environmental scorecard.

SECTION IX. FINANCIAL POSITION AND EARNINGS

9.1. Financial position

The Company's financial position is described and analyzed in Section 6.

9.2. Operating income

Operating income is provided in Section 6.

9.2.1 Key factors impacting revenue

See Section 6, § 6.6 and 6.7.

9.2.2 Change in net revenue and net profit

See Section 6, § 6.5.1, 6.5.2. and 6.5.3.

9.2.3 Strategies or factors with past or potential impact on the Company's business activities

See Section 4, § 4.4.

See Section 6, § 6.6.2. and § 6.8

9.2.4 Excerpt from the Management Report for the year ended December 31, 2005

"I° BUSINESS ACTIVITY AND TRENDS, RESULTS AND FINANCIAL POSITION OF THE COMPANY AND GROUP

1- Results

The Group booked revenue of €436.9 million in 2005, versus €427.4 million in 2004, up 2.2 percent.

Whereas sales activity was fairly stationary in the first half of 2005 (€207.4 million, versus €205.5 million in the first half of 2004), mainly reflecting delivery problems related to a production site transfer, revenue in the second half of 2005 rose to €229.5 million (versus €221.8 million in the second half of 2004).

On a like-for-like basis – that is, leaving aside component sales, henceforth recognized in "Cost of Sales" – revenue in the second half stood 6.8 percent higher than in the second half of 2004 and a full 12.7 percent higher than in the first half of 2005.

This is INGENICO's strongest performance for any half year since the company was founded.

Group business activity in 2005 reflects two trends:

- *A booming market driven above all by EMV deployment, constant demand for innovation in payment terminals and strong growth on emerging markets, providing new outlets for INGENICO's products (particularly Eastern Europe).*

- *In spite of this favorable context, Group sales growth was hampered by temporary delivery problems caused by external factors (one of our manufacturing subcontractors transferred a production site) or internal factors (engineering problems with a leading customer in the first half).*

The impact of these difficulties was particularly noteworthy in the first half of the year.

Profit from operations (that is, before non-recurring items) reflects the operating disruptions encountered by the Group during the year.

Under IFRS accounting, profit from ordinary activities amounted to €8.2 million for the year, versus €15.7 million In 2004 (€17.2 million published under French GAAP for fiscal year 2004).

However, a closer look at half-year results bears out the assertion that a number of significant problems that emerged in the first half were short-lived.

For example, profit from ordinary activities in the first half of 2005 was €1.1 million (0.5 percent of revenue for the period), compared to €8.4 million in the first half of 2004 (4.1 percent revenue for the period).

In the second half of 2005, profit from operations showed marked improvement, totaling €7.2 million (3.1 percent of revenue for the period), a figure similar to profit from operations in the second half of 2004, which was €7.3 million (3.4 percent of revenue).

During the year, INGENICO also recorded significant non-recurring charges and provisions totaling €42.6 million and related mainly to the following:

- *A change in the method for measuring inventory provisions (€8.9 million). The new, more conservative treatment more accurately reflects life-cycle acceleration for products affected by continuous innovation.*

- *A charge covering all the costs attributable to an engineering problem encountered in large-scale deployment of a new product at one specific customer's sites (€14.7 million).*

- *Settlement of an exceptional legal dispute in the United States, including the corresponding attorneys' fees.*

- *A €9.3 million restructuring charge as part of the plan of action devised by the new management team that took over in June 2005, one of whose key aims was to cut costs and lower the Group's breakeven point.*

In addition, INGENICO recognized a provision of €4 million in 2005 to cover any potential losses on the planned disposal of non-strategic assets. In the event of gains on these disposals, they will be recognized in the period in which the transactions occur.

Due to these non-recurring charges and provisions, the Group booked a net loss of €40.1 million, whereas it recorded net profit of €2.6 million in 2004 (IFRS accounting).

At December 31, 2005, net debt was €63.4 million, compared to €41.5 million at December 31, 2004.

This represents a 62.6 percent debt-to-equity ratio, up from 31.9 percent au December 31, 2004.

This heavier debt burden is directly related to net profit for the year, since the Group's working capital requirements remained stable over the period.

It is worth stressing that INGENICO significantly strengthened its capital structure during the year.

- *First of all, the Group carried out an €80 million bond issue in April 2005 (OCEANE).*
- *Second of all, most of its existing lines of credit and borrowings (€72.5 million) were restructured and rescheduled.*

At December 31, 2005, the company's total borrowings and other financial liabilities were as follows:

(in thousands of euros)	2005	2004
Bonds convertible into or exchangeable for new or existing shares (OCEANE)	68,374	
Bank borrowings	20,451	15,611
Short-term notes	40,000	
Finance lease obligations	4,348	2,837
Other financial liabilities	872	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**134,045**	**18,448**
Short-term bank and related borrowings	16,931	18,026
Finance lease obligations (current portion)	2,111	541
Bank overdrafts	21,920	40,659
TOTAL CURRENT FINANCIAL LIABILITIES	**40,962**	**59,226**
TOTAL FINANCIAL LIABILITIES	**175,007**	**77,674**

Revenue derived by INGENICO S.A. from holding company business and sales in France totaled €198 million, up from €179 million in 2004, generating an operating loss of €1.949 million and a net loss of €42.2 million."

SECTION X. <u>CASH FLOW AND EQUITY</u>

10.1. Equity interest

See Section 20, §20.2 "*Statements of changes in shareholders' equity*" *[To be checked for consistency]*.

10.2 Cash flow

See Section 20, §20.2 "*Consolidated cash flow statements*".

10.3 Borrowing costs and debt structure

See Section 20, §20.2, item 8 "*Net finance costs*" and item 20 "*Net debt*".

10.4 Restrictions on use of capital

See Section 20, §20, "*Other obligations*" on the sale of trade receivables, and Section 22.

10.5 Sources of financing

See Section 20, §20 "*Breakdown of financial liabilities*".

SECTION XI. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Research and development policy

Innovation and development are crucial ingredients for the Group's growth. At the end of 2005, INGENICO launched several ambitious programs to bolster its innovation capabilities.

11.2 Investing in research and development

INGENICO has always invested heavily in research and development.

In 2004, R&D expenditure totaled €32.4 million, equal to 7.6 percent of revenue, and in 2005, €40.9 million, or 9.3 percent of revenue. These outlays are comparable in percentage terms to outlays by the other key players in the electronic payment industry and much higher in absolute terms.

The average staffing level of the research and development departments is 315 persons, 65 of whom work in Platform Engineering.

11.3 R&D organization structure

Since September 2005, research and development activities have been split up between the Science Department and the Marketing and Engineering Department. The Science Department determines future lines of action, which are then implemented by the Engineering Department.

The Hardware Engineering and Platform Engineering Departments are in charge of designing terminals and software and managing development costs.

11.4 R&D initiatives

INGENICO hopes to reap the concrete benefits of the following initiatives in 2006:

- The creation of a Science Committee made up of visionaries from outside the Group and designated technology experts from within the Group. The role of the Science Committee is to engage in thorough exploration of the Group's technological prospects and its ability to innovate.

- Participation by INGENICO in one or more joint research projects under consideration by the company. Such projects would provide an opportunity for INGENICO to pool know-how and creativity by teaming up with outside partners to carry out ambitious innovations in the field of electronic payment.

- Selection and recruitment of one or more doctoral students from CIFRE to work on the more sophisticated aspects of the technologies developed by INGENICO or in which the Company has a medium- or long-term interest.

In addition, INGENICO has initiated two ambitious projects with French high-tech firms:

- A first project in partnership with Cryptolog, a company with a world-class reputation for cryptography consulting. This project aims at equipping INGENICO terminals with advanced cryptology technology that makes fully secure dialogue over a variety of transmission channels a reality.

- A second project with Atlantic Radio System, a cutting-edge company specializing in FM data transmitters. In 2005, INGENICO unveiled a groundbreaking module that lets users carry out transactions via their MP3 player. INGENICO intends to leverage the experiments conducted in 2005 to develop new mobile transaction paradigms in 2006.

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All terminal development operations are centralized in Barcelona, Spain and conducted by a team of 65 people.

The terminals include the following:

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- PIN pads designed to be hooked up to countertop terminals such as the i3300, i3050 and i3010.

- Portable terminals like the i7770, i7780 and i7310. Some of these are Bluetooth-enabled terminals offering wireless communications. All are compatible with the Pay@Table program.

- Mobile terminals such as the i7910 and i8200. These terminals can connect to remote servers via GPRS and CDMA telecom modules. All these terminals are compatible with the Pay@Door program.

- The i8500 terminal in all its versions. This versatile device is a mobile terminal boasting a GSM/GPRS telecom module for access to remote servers. With its bar-code reader and large screen display, it is the terminal best suited to lottery systems like the one used by the Spanish organization ONCE. Equipped with a fingerprint sensor, it also part of INGENICO's electronic identity verification offer.

- Secure payment modules such as the i9410, i9420 and i9450. These modules are designed to be integrated into unattended distribution systems for goods or services, such as beverage vending machines or gas pumps.

- PIN pads designed to be connected to cash registers or embedded payment systems in taxis, among other possibilities. These PIN pads include the i6400 and the i6280.

- PIN pads to be incorporated into point-of-sale systems enabling electronic signature capture as well as point-of-sale advertising. These include the i6550 and the i6770.

11.5.2 Development of telecom modules and routers

Telecom module development operations are based in Bordeaux, France. Eight people work together in the development team.

Development of telecom routers and NCCs (Network Communication Controllers) is carried out in Barcelona, Spain, by a team of six.

The telecom modules include the following:

- PSTN modems.

- “Plug It” modules offering terminal modularity and Bluetooth, GPRS and Wi-Fi compatibility.

11.5.3 Development of integrated software

The Group's software development activities, with respect to applications that make up INGENICO's EMV library, are based in Suresnes, France, and Dumferline, Scotland. The software development team boasts 65 members.

Two types of integrated software have been developed by the Group:

- The UNICAPT™ 32 platform, the basic architecture underpinning all INGENICO software.

- Management software designed (i) for installed base management (Terminal Management System); and (ii) for management of large secure transaction flows, especially in multi-lane retail and gasoline distribution.

Developing and enriching UNICAPT™

A large part of INGENICO's R&D investment is channeled into developing UNICAPT™, INGENICO's secure platform. The mainstay of all current INGENICO terminals, UNICAPT™ 32 allows customers to run multiple applications and gives them access to new telecom technology. This paves the way to new sources of revenue and lower cost of ownership.

In 2002 and 2003, INGENICO rolled out UNICAPT™ 32 as the foundation for the next generation of INGENICO terminals – the i Series – successfully marketed as of June 2003.

In 2004 and 2005, INGENICO enriched UNICAPT™ to include Ethernet, Bluetooth, GPRS, CDMA, USB, Internet Browser and Wi-Fi communication technology, along with large color screen and touch screen management capabilities. This platform also supports the SSL Internet security protocol and includes a web browser, so that pioneering business application services can be offered in addition to secure payment.

INGENICO's solutions are EMV-compliant

In September 2004, INGENICO achieved a new first in the industry by obtaining the first-ever multi-configuration kernel approval from EMV Co. Standard procedure up until then was that each version of an EMV application kernel (the functional software in payment applications) required separate approval for each configuration. This time, however, EMV Co. approved eight different configurations in the INGENICO software library, thus enabling the Group to respond instantly to requests for all possible combinations as to terminal type, cardholder verification system and parameters set by the acquiring bank. This approval confirmed that the strategy pursued by INGENICO since 2003 was the right one, a strategy based on a common approach to all terminals and all INGENICO customers around the world.

Growing use of the EMV standard in several countries has created a need to revise new applications for EMV-compliance. Chief developments carried out in 2004 include new EMV applications for Visanet and Redecard in Brazil and CECA in Spain, a new version of the Cartes Bancaires application (CB 5.2) for France and new versions of EMV applications for the Turkish, Italian and Russian markets.

Currently, INGENICO's application portfolio contains more than 800 applications, of which 120 are EMV-certified.

Management software

Terminal estate management software is developed in Dumfermline, Scotland. With the downloading and remote administration capabilities of the IngEstate and GEMS solutions, it is easy for INGENICO customers to efficiently manage their installed terminal base. These software suites are developed and enriched on an ongoing basis.

Management software for retail and service station integrated payment solutions is developed either in Suresnes, France, or in the United States.

These management software suites, called IngeStore™ in Europe and e^N-Concert™ in the United States, manage electronic payment flows from either a local or mainframe server and process all point-of-sale transactions at large retail outfits. In Europe, the IngeStore™ solution has been considerably enriched in the past few years, particularly in 2004, to strengthen the Group's presence in Europe's major retail and service station chains.

11.5.4 Local software application development

Embedded software applications are performed in the various regions and countries where INGENICO does business. Although regulatory requirements governing secure protocols and physical security generally apply nationwide, they can also be specific to certain customers. A local presence is therefore vital for a thorough understanding of national requirements as well as the needs of INGENICO's customers. Application coding, however, can be offshored. This is already the case for the Asia region, which transfers all embedded software development to a center in the Philippines. A new development center was set up in Brazil in 2005 for a few offshored developments.

The creation of centers to centralize embedded application programming for one or more regions constitutes one of the Group's major streamlining projects for 2004 and 2005.

11.6 Patents, licenses and brands

INGENICO holds patents covering all essential technologies used in its business, including modules for physical security of terminals, microprocessors dedicated to secure transaction processing, terminal/card interaction, incorporation of payment solutions into proprietary retail and gasoline payment systems and automatic check processing.

The Group's patent development policy is based on in-house R&D work, coupled with acquisition of intellectual property rights from third parties.

INGENICO has also adopted an active policy aimed at patenting and protecting its trademarks, designs and models around the world.

SECTION XII. TECHNOLOGY AND MARKET TRENDS

12.1 Emerging technologies

The following technology trends may influence the Group's product and technology strategy.

- **Contactless technologies**: contactless cards can speed up transaction acquisition, especially in the multi-lane retail and fast-food markets.

- **New encryption and electronic signature technologies**.

- **New form factors**: the new markets targeted by the Group require form factors that are different from those of the rugged payment terminals commonly used by independent merchants.

- **IP-based protocols**: using these new means of communications, new Web-based services can be offered to customers and merchants.

- **Open operating systems**: by combining open operating systems with the Unicapt™ 32 secure platform, INGENICO can offer new services with its terminals, such as the display of images, videos, or even voice data, itinerary management, inventory management and order-taking.

- **New software functionality**: included are customer loyalty, prepaid card or inventory management operations.

12.2 Market trends

The shift to EMV is a powerful trend in the electronic payment industry, one that gives INGENICO an opportunity to offer its smart-card-compatible terminals to existing or new customers.

In 2005, EMV migration was carried out in Turkey, Canada, France, and Brazil.

SECTION XIII. PROFIT FORECASTS OR ESTIMATES

13.1 Operating targets

Apart from the information provided in this section, the Group does not intend to communicate any profit forecasts or estimates.

The INGENICO Group has decided that its priority for the next few years is to raise its operating margins to a level comparable to those of its direct competitors, reaping the benefits of the significant industry-wide growth that is expected.

With this aim, the new management team formed in June 2005 has announced operating targets for 2006, to clearly demonstrate the Group's determination to return to profitability.

These targets are the result of assumptions and estimates, which are based on available market growth data and align with the plan of action defined by the new management team, especially with respect to the Group's efforts to curtail costs.

However, all the data provided and the assumptions made in this section are subject to change or modification due to uncertainties, in particular with respect to the economic, financial and competitive environment.

Furthermore, the occurrence of any of the risks described in the Section 4, *Risk Factors,* would impact the Group's performance and its ability to achieve its targets.

Consequently, these forecasts and estimates do not represent a guarantee or obligation that the Group will actually achieve the targets described in this section.

The principal assumptions made are as follows:

➔ Organic growth equal to at least 10 percent of revenue, resulting from four main factors:

- Continued deployment of EMV standards, especially in Southern Europe and Canada.
- Shortened payment terminal life cycles due in particular to strong demand for innovative communications (mobile terminals, etc.).
- Growing demand from emerging countries and regions (Eastern Europe, Russia, China, South Korea, etc.).
- And a growth factor specific to INGENICO, which is its management's strategy to focus on the banking market in the United States, the world's largest. Although INGENICO is the worldwide market leader, its share of the U.S. market is insignificant.

According to the independent consulting firm Frost and Sullivan, the estimated average annual growth for this market over the next few years is 8.5 percent.

➔ Cost savings by the Group, on a full-year basis, of €13 million.

- The Group's cost savings program was defined in the summer of 2005 and implemented throughout the second half of the year.

- This cost savings plan impacts most of the expense lines in INGENICO's management income statement.

➔ A reduction in the purchase cost of terminals following the "Redesign to Cost" program launched in the second half of 2005

This project aims to redesign certain terminal manufacturing parameters to lower production costs.

The production and sale of these economically optimized terminals is expected to generate direct cost savings of €7 million to €9 million in 2006.

INGENICO's 5 percent operating margin target is consistent with these assumptions when factoring in competitive pressure.

13.2 Statutory Auditors' report on INGENICO's operating targets

In our capacity as statutory auditors and pursuant to Commission Regulation (EC) No. 809/2004, we are submitting our report on the profit forecasts of the company Ingenico S.A., as contained in Section 13.1 of its *Document de Référence* for the fiscal year ended December 31, 2005.

These forecasts and the significant underlying assumptions were made under your responsibility, pursuant to the provisions of Commission Regulation (EC) No. 809/2004 and the CESR's recommendations pertaining to profit forecasts.

It is our responsibility to form an opinion, based on our audit, as to the proper compilation of these forecasts, as described in item 13.2 of Annex I of Commission Regulation (EC) No. 809/2004.

We conducted our audit in accordance with the professional standards applicable in France. Our audit work included an assessment of the methods used by the management team to prepare the forecasts. Procedures were also used to ensure that the accounting methods used to compile the forecasts are consistent with those used in the past by Ingenico S.A. to prepare its financial information. During the audit, we also gathered the information and explanations that we considered necessary to reasonably ensure that the forecasts have been adequately compiled on the basis of the stated assumptions.

We remind you that, due to the inherently uncertain nature of forecasts, real performance sometimes differs significantly from the announced forecasts and that we do not express any opinion about the accuracy of these forecasts.

In our opinion:

- The forecast has been properly compiled on the basis stated.

- The basis of accounting used for the profit forecast is consistent with the accounting policies of Ingenico S.A.

This report is given for the sole purpose of submission to the AMF in the *Document de Référence* and may not be used for any other purpose.

Paris La Défense, May 23, 2006

KPMG Audit

Paris, May 23, 2006

CGEC

Department of KPMG S.A.

Frédéric Quélin
Partner

Jacques Moreau
Partner

SECTION XIV. CORPORATE GOVERNANCE

14.1 Board of Directors

The members of the Company's Board of Directors are:

Name:	**Amedeo D'Angelo – Chief Executive Officer**
First appointed:	Annual Meeting of Shareholders held on April 19, 2005
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2010
Position in the Company in the past fiscal year:	Chief Executive Officer since June 6, 2005
Main duties outside the Company:	Chairman of Aspects Software Ltd.
Other duties outside the Company:	Chairman and CEO of Mobecom Srl
Positions held in the past five years:	Chief Operating Officer of Oberthur Card System from September 2000 to October 2002 YoungGeneration Spa: Chairman of the Board of Directors from September 2002 to April 2005 Mobileway Inc.: Chairman from February 2003 to December 2004

Name:	**Allan Green**
First appointed:	Annual Meeting of Shareholders held on October 18, 2004
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009
Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	Chairman of Candel & Partners since November 30, 1992 Chairman of Consellior SAS since May 30, 2001 CEO of Société de Tayninh S.A. since June 8, 1998

Other duties outside the Company:	Medigis S.A. board member since November 30, 1999 Advanced Vision Technology board member since May 5, 2004 Managing director of SCI 4H since April 27, 2000 Permanent representative of Société de Tayninh to Trivon AG since September 27, 2004 Permanent representative of Médigis to Escomed S.A. since July 29, 1997 Liquidator appointed by mutual agreement of Société Financière de Tayninh SCA since February 7, 2003
Positions held in the past five years	Chairman of Mobileway Holding S.A. from December 1, 1999 to September 30, 2002 Finno S.A. board member from December 30, 1996 to December 31, 2001 Biolog S.A. board member from November 10, 2000 to August 4, 2005 Permanent representative of Finno S.A. to Cyberis.com S.A. from October 31, 1998 to May 30, 2002 Chairman of Medigis S.A. from November 30, 1999 to May 17, 2004 Permanent representative of Société de Tayninh S.A. to NSX S.A. Permanent representative of Finno S.A. to Cibox Interactive S.A. from August 28, 2000 to February 28, 2002 Managing director of Commandor SARL from September 6, 2002 to October 27, 2004

Name:	**Michel Malhouitre**
First appointed:	Board meeting held on June 28, 1983
Re-appointed:	Annual Meeting of Shareholders held on May 9, 2001
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2006

Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	-
Other duties outside the Company:	Managing director of the SCI Bleu Gestion
Positions held in the past five years:	-

Name:	**Jean-Jacques Poutrel**
First appointed:	Annual Meeting of Shareholders held on April 19, 2005
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2010
Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	-
Other duties outside the Company:	Atlantic Radio System board member
Positions held in the past five years:	Chairman and CEO of Ingenico until 2003 Chairman of the Ingenico Italia Board of Directors until 2005 Ingenico International Pacific Pty Ltd. board member until 2005 Chairman of the Ingenico Fortronic Ltd. (Ingenico UK Limited) Board of Directors until 2005 Chairman of the Ingenico Iberia Board of Directors until 2005

Name:	**Thibault Poutrel**

First appointed:	Board meeting held on February 6, 2002. Appointment ratified at the Annual Meeting of Shareholders held on May 15, 2002
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2005
Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	Managing Director of Diamond Minds Investment SARL Managing Director of Access Consulting SARL
Other duties outside the Company:	Come and Stay S.A. board member since August 2001 Atlantic Radio System S.A. board member since 2002 Managing Director of SCI du 44, rue de Meaux since April 2005
Positions held in the past five years:	Eat On Line S.A. board member from March 2001 to February 2003 Internet plc France SAS from April 2002 to May 2003

Name:	**Jacques Stern**
First appointed:	Annual Meeting of Shareholders held on April 19, 2005
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2010
Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	Professor at the Ecole Normale Supérieure, Director of the IT department

Other duties outside the Company:	Member of the France Télécom Science Commission Member of the Conseil Stratégique des Technologies de l'Information (CSTI) Member of the Observatoire de la Sécurité des Cartes de Paiement (OSCP) IT expert in court Managing Director of Société Civile Immobilière les Avelines de Cabourg since January 1, 2000
Positions held in the past five years:	-

Name:	**SOCIETE DE TAYNINH** **Represented by Mr. Philippe Lazare**[2]
First appointed:	Board meeting held on March 15, 2006. Appointment to be submitted for ratification at the Annual Meeting of Shareholders held on May 5, 2006.
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2009
Position in the Company in the past fiscal year:	Permanent representative of Société de Tayninh until March 15, 2006
Main duties outside the Company:	Executive Vice President of La Poste, in charge of the General Public and Territorial Development, since January 2006
Other duties outside the Company:	Chairman and CEO of PosteImmo since 2004 Chairman of Immostoc since October 4, 2004 Permanent representative of PosteImmo S.A. to Locaposte since October 4, 2004

[2] Société Tayninh resigned from the Board of Directors at the Board meeting held on March 15, 2006. Mr. Philippe Lazare was appointed to the Board of Directors to fill the vacancy left by the resignation of Société de Tayninh during that same meeting.

Positions held in the past five years:	CEO of Eurotunnel from 2000 to 2001 Chairman and CEO of Eurotunnel in 2001 Member of the Executive Committee of La Poste and Chairman and CEO of Poste Immo in 2004 CEO of Sofiposte from February to December 2004 Chairman and CEO of SF11 until July 2005

Name:	**Guy Wyser-Pratte**
First appointed:	Annual Meeting of Shareholders held on April 19, 2005
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2010
Position in the Company in the past fiscal year:	Board member
Main duties outside the Company:	Chairman of Wyser-Pratte Management & Co.
Other duties outside the Company:	Prosodie S.A. board member Marine Corp University Foundation Chairman and board member
Positions held in the past five years:	Vivarte S.A. board member until February 2004 Comsat Corporation board member until March 2000

Name:	**David Znaty – Chairman of the Board of Directors**
First appointed:	Board meeting held on February 10, 2005, ratified by the shareholders at their Annual Meeting of April 19, 2005
Re-appointed:	-
End of term of office:	Annual Meeting of Shareholders called to approve the financial statements for the year ending December 31, 2010
Position in the Company in the past fiscal year:	Chairman of the INGENICO Board of Directors
Main duties outside the Company:	Expert in digital systems
Other duties outside the Company:	Member of the Convergent Capital S.A. Supervisory Board
Positions held in the past five years:	Chairman and CEO of Publicis Technology until April 2005

To the best of the knowledge of the Company, there is no family connection between the members of the Board of Directors other than the father-son relationship between Mr. Jean-Jacques Poutrel and Mr. Thibault Poutrel.

On the date that this *Document de Référence* was filed, to the best of the knowledge of the Company, no member of the Board of Directors has been convicted of fraud or publicly suspected or sanctioned by an official authority, or been involved in bankruptcy, receivership or liquidation proceedings within the past five years, with the exception of Mr. Allan Green, the liquidator of Société Financière de Tayninh, appointed by mutual agreement.

Article 17 of the Articles of Association allows the Board of Directors, at the request of the Chairman, to appoint one or more independent advisors, known as *censeurs*. *Censeurs* are invited to meetings of the Board of Directors and participate in an advisory capacity. They are selected from among the shareholders and appointed for a term of six years, which can then be renewed or terminated. *Censeurs* may receive remuneration, which is defined by the Board of Directors.

At the present date, the Board of Directors includes one *censeur*, Mr. William Nahum, appointed on March 15, 2006.

14.2 Expertise of the members of the Board of Directors

Amedeo D'Angelo – Mr. D'Angelo was educated in physics at Elk River High School, Minnesota, and the University of Milan (Statale), Italy. Amedeo d'Angelo was Sales and Marketing Director, Europe, for SAMSUNG SEMICONDUCTOR before assuming responsibility for worldwide sales and marketing as Chairman of GEMPLUS CARTES INTERNATIONAL. He founded the company INCARD, of which he served as Chief Executive Officer. He was also a director for OBERTHUR CARD SYSTEMS until being promoted to the position of Chief Operating Officer. Mr. D'Angelo went on to serve as Chairman of Aspects Software, Chairman of Mobileway Inc., and Chairman and CEO of YoungGeneration.

Allan Green – Mr. Green founded CANDEL ET PARTNERS, a company specializing in mergers and acquisitions, investment capital and venture capital, in 1992, and also serves as CEO of the company. In 1998, he set up the company FINANCIÈRE TAYNINH, a holding company with a controlling interest in the listed company SOCIÉTÉ DE TAYNINH, of which he is also the CEO. In 2001, he established CONSELLIOR, a company that also deals with mergers and acquisitions, and of which he is again the CEO.

Philippe Lazare – Mr. Lazare was educated at the Ecole Supérieure d'Architecture de Paris-La Défense. He held several positions in the PSA Group. Purchasing Department prior to joining the Thalès Group as director of a Sextant Avionique site. In 1994, he was appointed Chief Operating Officer of the Air France Group, in charge of the industrial logistics division, which encompassed Air France Maintenance, Air France Industries and Groupe Servaire. He then worked for the Lucien Barrière hotel and casino group as Managing Director (1998-2000) and for the Eurotunnel Group as Chairman and CEO until 2002. Within the LA POSTE Group, Mr. Lazare was Director of Purchasing, Property and Cost Control (2003-2004), member of the Executive Committee of LA POSTE, and Chairman and CEO of POSTE IMMO. In January 2006, he was appointed Chief Operating Officer of LA POSTE's general public (Grand Public) division.

Michel Malhouitre – Mr. Malhouitre is a digital electronics design and development engineer with an engineering degree from the Ecole Française de Radioélectricité et d'Electronique. In 1980, he co-founded INGENICO with Jean-Jacques Poutrel. He was technical director of INGENICO until 2000 and has served on the Board of Directors since 2000.

Jean-Jacques Poutrel – A pioneer in the electronic payment industry, Mr. Jean-Jacques Poutrel is one of the largest contributors to the industry's global development. He began developing sophisticated electronic payment solutions for hotels and hospitals as early as 1968. In 1980, he founded the INGENICO Group, of which he remained Chairman and CEO until 2003. Mr. Poutrel made INGENICO a worldwide leader of electronic payment.

Thibault Poutrel – Mr. Thibault Poutrel was educated at the Institut d'Etudes Politiques (IEP) in Paris and the London School of Economics. He worked for ABN AMRO France prior to joining Rothshild & Cie Bank. In 2001, he founded an investment vehicle, Diamond Minds, of which he is Managing Director. In 2003, he founded Access Consulting, a firm providing Internet and software integration consulting services.

Jacques Stern - Mr. Stern is a graduate of the Ecole Normale Supérieure (ENS) and defended his doctoral thesis in 1975. He has held teaching positions at the Université de Caen and Université de Paris VII and is currently a professor at the ENS as well as head of the IT department. Mr. Stern is a cryptography specialist who has authored over a hundred articles in scientific publications as well as a book entitled *La Science du Secret.* He own a dozen patents for his inventions. Mr. Stern was a member of the Defense Science Board from 1999 to 2005. He is a member of the Strategic Advisory Board on Information Technologies and the Observatory for Payment Card Security. He is a Knight of the French Legion of Honor.

Guy Wyser-Pratte – Mr. Wyser-Pratte is a graduate of the University of Rochester and New York University. From June 1962 to June 1966, he served in the United States Marine Corps. In 1991, he founded WYSER-PRATTE MANAGEMENT & CO, of which he is Chairman. His company specializes in arbitrage, business combinations, investment capital and venture capital.

David Znaty – Mr. Znaty holds a degree from the Ecole Supérieure d'Electronique et d'Automatisme de Paris and a Master of Science in Management from the Massachusetts Institute of Technology. He has worked as an expert in digital systems (software and hardware) since 1984. He has held a teaching position at the Ecole Centrale des Arts et Manufacture since 1980 and is an associate professor at the Université Panthéon-Assas. He is the author of several publications related to IT and has been a speaker at numerous conferences. He is President of the MIT Club in France. Mr. Znaty was Chairman and CEO of PUBLICIS TECHNOLOGY until April 2005.

14.3 Conflicts of interest

As of the date of submission of this *Document de Référence,* to the best of the knowledge of the Company, there are no potential conflicts between the private interests of any member of the Board of Directors and those of the Company.

Mr. Jacques Stern has informed the Company that he and his spouse indirectly own 26.8 percent of CRYPTOLOG INTERNATIONAL SAS, a supplier of INGENICO.

Mr. Jean-Jacques Poutrel and Mr. Thibault Poutrel have informed the Company that ATLANTIC RADIO SYSTEM, a potential supplier of INGENICO, following a technical and financial feasibility study of its technology, is a company in which Mr. Jean-Jacques Poutrel and his family hold more than 90 percent of the share capital through a holding company, and that Mr. Thibault Poutrel is a Board member of said holding company.

14.4 Leadership Group

The Leadership Group, chaired by Amedeo d'Angelo, includes the following members:

- **The Executive Committee**, which decides how the Group is to be organized, what strategies it should pursue and make proposals to the Board of Directors. The Executive Committee meets on a weekly basis.

  Executive Committee Members:

  - Amedeo d'Angelo, Chief Executive Officer
  - Olivier Aldrin, Chief Economic and Financial Officer
  - Vince Tallent, Chief Business Development Officer
  - Daniel Rodriguez, VP Operations
  - Jérôme Janin, Marketing & Engineering Director

- **The Management Committee**, which includes both the members of the Executive Committee and the Group's cross-functional directors. Its members are invited to Executive Committee meetings according to the issues on the agenda.

  Management Committee Members:

  In addition to the members of the Executive Committee:

  - Philippe Baduel, Director of Group Human Resources
  - Adriano Canzi, Director of Redesign-to-Cost activities
  - Malcolm Bushell, Global Sales & Services Director – U.K. General Manager
  - David Naccache, Chief Scientist

  The Leadership Group includes all members of the Executive Committee, the Management Committee and the directors of INGENICO units in the key regions and countries in which the company operates:

  - Fernando Alonso, Asia
  - Gareth Owen, Australia
  - Pierre Girardon, Central and Eastern Europe, the Middle East, India and Africa
  - Hilario Raimondi, Latin America
  - Geoff Bowen, North America
  - Pascal Mauze, France
  - Carlos Jaque, Spain
  - Luciano Cavazzana, Italy
  - Rolph Ostheimer, Germany

SECTION XV. TOTAL COMPENSATION

15.1 Total compensation paid to Company directors and executive officers

	2005			
Directors and officers in 2005	*Basic salary*	*Benefits in kind*	*Variable compensation*	*Directors' fees*[3]
Gérard Compain[4]	144,443	1,896	105,536[5]	
Michel Malhouitre				6,120
Thibault Poutrel				6,800
Philippe Germond[6]				6,120
Jean-Denis Massonaud [7]				5,440
Yves Sabouret[8]	118,532			17,720
Jean-Paul Giraud[9]				5,440
Jean-Jacques Poutrel				
David Znaty	252,857			
Amedeo d'Angelo	226,018[10]		100,000	
Allan Green				1,360
Société de Tayninh				
Jacques Stern				
Georges Cohen				
Guy Wyser-Pratte				
Jean-Marie Descarpentries				3,400

15.2 Pensions, post-employment and other benefits paid to directors and executive officers

Under a non-competition clause, Mr. Jean-Jacques Poutrel has been awarded compensation paid in installments over a 3-year period. The balance due as of December 31, 2005, which was €200,000, shall be paid in two installments, one scheduled for the end of January and the other for the end of July 2006.

15.3 Termination benefit obligations

Mr. Amedeo d'Angelo and Mr. David Znaty are both entitled to termination benefits.

➢ In the event that Mr. Amedeo d'Angelo is removed from office on any grounds other than gross negligence:

[3] Directors' fees for 2004 paid in 2005.
[4] Gérard Compain, Chief Executive Officer until June 6, 2005.
[5] Mr. Gérard Compain also received gross transaction compensation, in addition to salary, of €526,980.
[6] Director until April 18, 2005.
[7] Director until April 18, 2005.
[8] Yves Sabouret, Chairman of the Board and Director until April 19, 2005 (awarded €184.301,82 in gross transaction compensation).
[9] Director until April 18, 2005.
[10] Includes €54,427 paid by INGENICO Italia SpA.

1/ If he is removed from office in the first 12 months of his term as Chief Executive Officer, the Company shall award him the following compensation:

- A sum equal to 2 years of gross annual salary owing to him both as Chief Executive Officer of the Company and for all other duties and responsibilities he has at any company controlled by the Company (excluding directors' fees), plus

- A sum equal to the total value, at the date of his removal from office, of any free shares in the Company previously granted to him but whose 2-year acquisition period has not yet expired.

2/ If he is removed from office after the first 12 months of his term as Chief Executive Officer, the Company shall award him the following compensation:

- A sum equal to 1 year of gross annual salary owing to him both as Chief Executive Officer of the Company and for all other positions he holds and duties he carries out at any company controlled by the Company (excluding directors' fees), plus,

- A sum equal to the total value, at the date of his removal from office, of any free shares in the Company previously granted to him but whose 2-year acquisition period has not yet expired.

➢ In the event that Mr. David Znaty is removed from office following a change in control over the Company's equity or the acquisition of a predominant interest by a given shareholder, the Company shall award him compensation equal to the total value, at the date of his removal from office, of any free shares in the Company previously granted to him but whose 2-year acquisition period has not yet expired.

Moreover, in the event that Mr. David Znaty is removed from office on any grounds other than gross negligence, the Company shall award him compensation of €180,000.

15.4 Loans granted to or guarantees provided on behalf of directors and executive officers

None.

15.5 Stock options and free shares

See §17.2 and 17.3.

SECTION XVI. FUNCTIONING OF THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEES

16.1 End of term of office of Directors

See Section 14.1 of this *Document de Référence*.

16.2. Service contracts

In 2005, no service contract offering benefits upon its termination was entered into between a Board member and the Company or a Group subsidiary.

16.3 Special-focus committees

The Board of Directors has set up several special-focus committees.

- **The Strategy Committee**

The Strategy Committee is currently composed of five members, including a chairman, appointed by the Board of Directors. The Committee members are Michel Malhouitre, Allan Green, Thibault Poutrel, Jean-Jacques Poutrel and Guy Wyser-Pratte, the committee Chairman.

The Strategy Committee has been given the following mandate:

- To examine investment projects and plans for expanding existing operations in France or abroad, as well as any possible asset acquisition or disposal plan, so that the Board of Directors may give the necessary approval.

- To monitor previous investments periodically and to carry out all appropriate research and assignments.

- To examine all proposals by financial investors or industrial firms to acquire a stake in the Company, particularly through merger and acquisition operations.

- **The Audit and Finance Committee**

The Audit and Finance Committee is currently composed of two members (since the resignation of Georges Cohen from the Board of Directors), including a Chairman, appointed by the Board of Directors. The Committee members are Thibault Poutrel and Philippe Lazare, the Chairman.

The mandate of the Audit and Finance Committee is to assist the Board of Directors in continually monitoring the way in which the Company is run, pursuant to the law and the Articles of Association of the Company. The Committee is also responsible for alerting the Board to any irregularities or anomalies it may detect in the Company's financial statements and internal control procedures.

To fulfill this mandate, the Audit and Finance Committee examines the annual and half-year financial statements of the Group, such as they are presented by Management and before they are submitted to the Board of Directors. To this end, the Committee meets with the statutory auditors and reviews their analyses and conclusions.

- **The Compensation and Appointments Committee**

The Compensation and Appointments Committee is currently composed of three non-executive Directors. The committee members are Philippe Lazare, Guy Wyser-Pratte and Allan Green, the committee Chairman.

The Compensation and Appointments Committee makes recommendations to the Board of Directors on compensation of executive officers as well as on important appointments and employee shareholding policy.

- **The Corporate Governance and Ethics Committee**

The Corporate Governance and Ethics Committee is currently composed of three non-executive directors. The Committee members are Philippe Lazare, Guy Wyser-Pratte and Jacques Stern, the Chairman.

Its mandate is to examine all issues related to corporate governance and ethics inside the Group, and to convey its findings to the Board of Directors.

16.4 Corporate governance

The Company follows existing corporate governance recommendations in France.

CHAIRMAN'S REPORT

ON THE CONDITIONS FOR PREPARING AND ORGANIZING THE ACTIVITIES OF THE BOARD AND THE INTERNAL CONTROL PROCEDURES

Article l. 225-37 of the french commercial code

Pursuant to Article L. 225-37of the French Commercial Code as amended by the Financial Security Act No. 2003-706 of August 1, 2003 (Loi de Sécurité Financière), the Chairman of the Board of Directors hereby presents you with his report on the conditions under which the Board's activities are prepared and organized and the internal control procedures instituted by INGENICO.

For the purposes of the present report, the term "the Company" shall refer to INGENICO and the term "the Group" shall refer to the Company and the legal entities ("Subsidiaries") whose financial and business policies the Company is in a position to control, which usually means in practice that it holds at least half of all voting rights.

I - PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' ACTIVITIES

1.1 Rules of procedure

The Board of Directors is committed to carrying out its mandate in accordance with the new provisions contained in the Financial Security Act (Loi de Sécurité Financière). For this reason, it has decided to amalgamate, clarify and, if need be, supplement the rules of procedure it is required by law to uphold and the Company's own Articles of Association, and further to set forth the code of business conduct expected of its members.

To this end, the Board of Directors has established internal rules of procedure and a code of business conduct that reflect the principles of corporate governance it upholds and that may further their implementation.

1.2 Makeup of Board of Directors

1.2.1 Members of the Board of Directors

The Company is directed by a Board of Directors, consisting of three to twelve members, pursuant to Article 12 of the Articles of Association.

The Company's Board of Directors has opted for separating the functions of Chairman of the Board and Chief Executive Officer.

Proposed appointments to the Board of Directors are subject to prior examination by the Compensation and Appointments Committee and the Corporate Governance and Ethics Committee.

The Board of Directors strives to include at least three (3) non-executive members, in accordance with corporate governance recommendations, particularly those set forth in the combined report by the AFEP-MEDEF on "Corporate Governance of Publicly Listed Companies."

At the present date, it comprises the following members:

AMEDEO D'ANGELO

Position	Chief Executive Officer
Appointed	April 19, 2005
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2010

ALLAN GREEN

Position	Director
Appointed	October 18, 2004
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2009

MICHEL MALHOUITRE

Position	Director
Appointed	May 9, 2001
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2006

JEAN-JACQUES POUTREL

Position	Director
Appointed	April 19, 2005
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2010

THIBAULT POUTREL

Position	Director
Appointed	February 6, 2002
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2005.

JACQUES STERN

Position	Director
Appointed	April 19, 2005
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2010

PHILIPPE LAZARE [1]

Position	Director
Appointed	March 15, 2006
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2009

GUY WYSER-PRATTE

Position	Director
Appointed	April 19, 2005
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2010

DAVID ZNATY

Position	Chairman
Appointed	February 10, 2005
End of term	AM called to approve the financial statements for the year ending Dec. 31, 2010

(1) At the Board meeting on March 15, 2006, Mr. Philippe Lazare was appointed to the Board of Directors to fill the vacancy left by the resignation of Société de Tayninh during that same meeting.

The business address of the Board members is the address of the Company.

1.2.2 Censeurs

In addition, the Board of Directors may include one or more independent advisors, known as censeurs, appointed at the request of the Chairman. Their role is to counsel the Board of Directors on company policy and direction, based on their experience or particular qualifications. The censeur or censeurs may only take part in the deliberations of the Board of Directors in an advisory capacity.

The Board therefore closely scrutinizes all appointment recommendations to ensure that the candidate possesses the skills and the expertise required to assist the Board of Directors.

At the present date, the Board of Directors includes one censeur, Mr. William Nahum, appointed on March 15, 2006.

1.3 Election

Directors are elected or re-elected to office by the Annual Meeting of Shareholders. They may be re-elected at the end of their terms.

1.4 Term of office

The term of office of a Director is six years; it expires at the end of the Annual Meeting of Shareholders called to approve the financial statements for the previous fiscal year, held in the year in which his or her term of office expires.

1.5 Age limit

The number of Directors (individuals or representatives of legal entities) more than 75 years of age may not exceed one third, rounded to the next higher number, of sitting directors on the date of the Annual Meeting called to approve the annual financial statements. When this recommended number has been exceeded, the oldest director, except for the Chairman, shall be considered to have resigned.

The average age of current Board members is 54 and a half.

1.6 Shares held by Directors

In addition to the (10) shares mentioned in Article 12 of the Articles of Association, each Director shall pledge to hold one thousand (1,000) shares as of the beginning of his or her term of office.

Each censeur shall pledge to hold five hundred (500) shares as of the beginning of his or her term of office.

These shares must be registered shares that are fully paid and non-assessable.

This provision does not apply to shareholders who are Company employees appointed to the Board of Directors pursuant to Article L.225-22 of the French Commercial Code.

At the present date, the Directors have the following shareholdings:

Director	Shares	%/total	Voting rights	%/total
Jean-Jacques Poutrel *	1,550,231	5.18%	3,100,462	9.16%
Guy Wyser Pratte **	1,490,061	4.97%	1,490,061	4.40%
Allan Green ***	1,083,347	3.62%	1,083,347	3.20%
Thibault Poutrel	787,416	2.63%	1,574,832	4.65%
Michel Malhouitre	602,050	2.01%	1,204,100	3.56%
Société de Tayninh (member until 3/15/06)	49,007	0.16%	49,007	0.14%
Amedeo d'Angelo	3,025	0.01%	3,025	0.01%
David Znaty	2,527	0.01%	2,527	0.01%
Philippe Lazare (member as of 3/15/06)	1,500	0.01%	1,500	
Jacques Stern	1,010	0.01%	1,010	

(*) 1,308,248 of the 1,550,231 shares indicated for Mr. Jean-Jacques Poutrel in the table above have been stripped, with the result that Mr. Poutrel is now the bare owner of these shares, owned jointly with Ms. Tessa Leblon-Poutrel, Mr. Maxime Poutrel and Ms. Nadège Poutrel. Only 241,983 shares are thus fully owned by M. Jean-Jacques Poutrel.

(**) Held directly and indirectly.

(***) Held directly and indirectly (via Société de Tayninh, Financière de Tayninh and Candel & Partners).

1.7 Functioning of the Board of Directors

1.7.1 The Chairman

In accordance with Article 13 of the Articles of Association, the Board of Directors elects one of its members Chairman. This position must be occupied by an individual (rather than a legal entity), or the appointment shall be declared null and void.

The Chairman of the Board of Directors organizes and directs the Board of Directors, and represents it at the Annual Meeting of Shareholders. He also makes sure the Company's various bodies are functioning properly, particularly that the Board members are able to fulfill their mandate.

The Chairman's term of office expires by right at the first Annual Meeting of Shareholders held during the year of his seventy-fifth birthday.

1.7.2 Board meetings

The Board of Directors meets as often as the interests of the Company dictate, and at least once each quarter.

During the year ended December 31, 2005, the Board of Directors convened 13 times.

1.7.3 Calling meetings

Meetings may be called using any means by the Chairman or on the Chairman's behalf by any person designated by him, or alternatively at the request of half of the members of the Board.

Each call to a meeting of the Board of Directors is accompanied by the agenda for the meeting.

In the year ended December 31, 2005, the average advance notice given for Board meetings was 8 days.

The attendance rate at Board meetings in the year ended December 31, 2005 was 75 percent.

At the beginning of each calendar year, and for the current year, a Board meeting schedule is set by the Board of Directors at the Chairman's recommendation. The Chairman submits a draft timetable to the Board 3 months prior to the end of the preceding year.

The following persons are called to Board meetings:
- All members of the Board of Directors.
- The censeur.
- Two delegates of the works council, one representing technicians and supervisors, the other representing clerical and manual staff. These representatives may participate in Board meetings in a consultative capacity.
- The statutory auditors, but only in the case of meetings called to examine or approve annual or interim financial statements (especially half-year financial statements) or any other business requiring their presence.

1.7.4 Functioning of the Board of Directors

The Chairman makes sure that the Board of Directors functions properly and that the Board members are able to fulfill their mandate, particularly that they have all the necessary information to do so.

At every Board meeting, the Chairman reviews any significant events and operations that have taken place since the previous Board meeting.

The Chairman presents the Board members and statutory auditors with the draft regulated agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code. He also informs the statutory auditors of any regulated agreement approved by the Board of Directors and subject to ratification by the Annual Meeting of Shareholders.

At least once each quarter, the Chief Executive Officer submits a report to the Board of Directors that includes the key figures for the main companies in the Group, most notably sales, profit and performance in relation to forecasts.

The Chief Executive Officer also informs the Board of Directors of company performance in relation to the business plan, the estimated budget and the management indicators.

Moreover, the Chief Executive Officer provides the Board of Directors at least once each quarter with documents on the following:
- Net debt and the status of any credit lines open to the Company and the Group's main subsidiaries.
- The number of employees in the Company and the Group's main subsidiaries.
- Gross payroll (excluding payroll taxes).
- Gross inventory (including gross margin).
- Cash position.

Once each half-year period, the Board of Directors examines the statement of the Group's off-balance sheet commitments presented by the Chief Financial Officer.

Furthermore, the Chief Executive Officer keeps the Board of Directors informed of any decision involving internal reorganization and any asset acquisition or disposal plans.

1.7.5 Information provided to the Board of Directors

The ongoing provision of timely information to the members of the Board of Directors is a vital prerequisite for the fulfillment of their mandate.

At any time during the year, the Board of Directors may conduct any verifications and controls it deems appropriate. To this end, any Board member may ask to be supplied with the documents needed to fulfill his mandate by submitting a request to the Chairman of the Board.

Insofar as it is possible, the Board members are informed no later than 8 days prior to the date of the next Board meeting of all points to be discussed at that meeting, and they are supplied, within the same time limit, with any materials they may need to examine and understand the points on the agenda, so that they may properly fulfill their mandate. This obligation to provide adequate, relevant, exhaustive information is the responsibility of the Chairman of the Board and the Chief Executive Officer.

Prior to the meeting, each Board member is given a file containing the documents pertaining to the main points on the agenda:

- For meetings called to approve annual or interim financial statements, the file includes the parent company and consolidated financial statements and the accompanying notes, the management report and the management planning documents.

- For other meetings, the file includes any information liable to help the Board members to make enlightened decisions on the proposed agenda.

Similarly, the Board members must make sure that they have all the information they need to fulfill their mandate. It is their duty to request any further information they may require.

1.7.6 Representation of Board members

Board members have the option of authorizing another Board member in writing (for example, by mail, fax or telegram) to represent them at a Board meeting. No single Board member may have more than one proxy at a given Board meeting.

This option was used 16 times during the year ended December 31, 2005.

1.7.7 Videoconferencing

The Company's Articles of Association authorize the Board of Directors to include in its rules of procedure the provision that Directors shall be considered present, for calculating quorum and majority, if they take part in Board meetings via videoconferencing systems allowing them to be identified and enabling them to participate effectively, the characteristics of which are set forth by a decree of the French Conseil d'Etat, excepting meetings at which the Chairman of the Board and the Chief Executive Officer are elected or removed from office, as well as at meetings related to the matters referred to in Articles L.232-1 and L.233-16 of the French Commercial Code.

A proposed alteration in the Articles of Association shall be submitted to the Annual Meeting of Shareholders on May 5, 2006 so that the use of such telecommunications systems may be authorized in compliance with current law and regulations.

1.7.8 Decision-making

Decisions by the Board of Directors require a simple majority of those members present or represented, with the Chairman holding the casting vote in the event of a tie.

1.7.9 Proceedings

The proceedings of Board meetings shall not be considered valid unless at least half of all standing Board members, and no less than two Board members, are present.

The minutes of the proceedings at every Board meeting are recorded in a special register, signed by the Chairman and at least one other Board member.

The extracts or copies of these minutes shall be certified valid by the Chairman of the Board, the Chief Executive Officer, the Deputy Chief Executive Officers or the Board member serving as acting Chairman.

1.8 Mandate of the Board of Directors and the committees

1.8.1 The mandate of the Board of Directors

In addition to its legal prerogatives, the Board of Directors has the following responsibilities:

- To determine the Company's strategic policies and ensure that they are implemented.

- To concern itself with all issues related to the proper functioning of the Company and settle them through its proceedings.

- To examine all acts by which the various Group entities benefit from funding, guarantees and security interests.

- To study all internal or external transactions likely to have a material impact on profits or to alter the balance sheet structure substantially.

- To carry out any controls and verifications it may deem appropriate.

1.8.2 Prior approval by the Board of Directors

In accordance with the law, commitments by the Company to provide guarantees and security may only be approved by the Chief Executive Officer, subject to prior approval by the Board of Directors. The Board of Directors may set an annual limit, either an aggregate amount or an amount per commitment, below which no such prior approval is required. This provision applies both to transactions carried out by the Company itself and to transactions carried out by its subsidiaries.

The Board of Directors may also approve any agreements between the Company and any of its directors, executive officers or shareholders with over 10 percent of the voting rights in the Company.

Moreover, prior consent by the Board of Directors is required before the Chief Executive Officer may designate any person to serve as permanent representative of the Company or of its subsidiaries on the board of directors or supervisory board of a company that is not directly or indirectly controlled by the Company. The Board of Directors shall examine any related proposals and opinions expressed by the Compensation and Appointments Committee.

Last of all, prior approval by the Board of Directors is required for any regulated agreement of the kind referred to in Articles L.225-38 et seq. of the French Commercial Code, as well as for any "Golden Parachute" or "Supplementary Retirement" commitments made for the benefit of the Chairman, the Chief Executive Officer or a Deputy Chief Executive Officer in the form of compensation or benefits awarded upon termination of their mandate or subsequently thereto.

1.8.3 The special-focus Committees

The Board of Directors has set up four special-focus committees to ensure that it functions more smoothly and to help make the decision-making process more effective.

The committees are composed mainly of Directors, whether individuals or permanent representatives of legal entities, appointed by the Board.

However, the committees may also include one or more censeurs (independent advisors), as well as one or more outside members selected for their particular skills.

All committee members are required to serve in a personal capacity; no alternates or proxies are permitted.

• The Strategy Committee

The Strategy Committee is currently composed of five members, including a chairman, appointed by the Board of Directors.

The Committee members are Michel Malhouitre, Allan Green, Thibault Poutrel, Jean-Jacques Poutrel and Guy Wyser-Pratte, the committee Chairman.

The Strategy Committee has been given the following mandate:

- To examine investment projects and plans for expanding existing operations in France or abroad, as well as any possible asset acquisition or disposal plan, so that the Board of Directors may give the necessary approval.

- To monitor previous investments periodically and to carry out all appropriate research and assignments.

- To examine all proposals by financial investors or industrial firms to acquire a stake in the Company, particularly through merger and acquisition operations.

- To fulfill this mandate, the Strategy Committee may act in conjunction with the Chairman or Chief Executive Officer to enlist the cooperation of Group functional and operational directors.

The Committee may also make use of outside consultants and experts, subject to the approval of the Board of Directors.

The Committee periodically informs the Board of Directors of its work, research and recommendations. It is up to the Board to determine what use should be made of such information.

Each year, the Committee holds at least two meetings called by its Chairman, who also has the option of calling further meetings as required.

• The Audit and Finance Committee

The Audit and Finance Committee is currently composed of two members, including a Chairman, appointed by the Board of Directors.

The Committee members are Thibault Poutrel and Philippe Lazare, the Chairman.

The censeur appointed by the Board of Directors on March 15 attends Committee meetings as well.

The mandate of the Audit and Finance Committee is to assist the Board of Directors in continually monitoring the way in which the Company is run, pursuant to the law and the Articles of Association of the Company. The Committee is also responsible for alerting the Board to any irregularities or anomalies it may detect in the Company's financial statements and internal control procedures.

To fulfill this mandate, the Audit and Finance Committee examines the annual and half-year financial statements of the Group, such as they are presented by Management and before they are submitted to the Board of Directors. To this end, the Committee meets with the statutory auditors and reviews their analyses and conclusions.

Each year, the Audit and Finance Committee holds at least three meetings called by its Chairman, who also has the option of calling further meetings as required.

• The Compensation and Appointments Committee

The Compensation and Appointments Committee is currently composed of three non-executive Directors.

The committee members are Philippe Lazare, Guy Wyser-Pratte and Allan Green, the committee Chairman. David Znaty also attends committee meetings, with the exception of those that deal with issues that may concern him.

The Compensation and Appointments Committee makes recommendations to the Board of Directors on compensation of executive officers as well as on important appointments and employee shareholding policy.

The Committee periodically informs the Board of Directors of its work, research and recommendations. It is up to the Board to determine what use should be made of such information.

Each year, the Compensation and Appointments Committee holds at least two meetings called by its Chairman, who also has the option of calling further meetings as required.

• The Corporate Governance and Ethics Committee

The Corporate Governance and Ethics Committee was created on April 19, 2005.

It is currently composed of three non-executive directors.

The Committee members are Philippe Lazare, Guy Wyser-Pratte and Jacques Stern, the Chairman.

Its mandate is to examine all issues related to corporate governance and ethics inside the Group, and to convey its findings to the Board of Directors.

The Committee periodically informs the Board of Directors of its work, research and recommendations. It is up to the Board to determine what use should be made of such information.

Each year, the Corporate Governance and Ethics Committee holds at least three meetings called by its Chairman, who also has the option of calling further meetings as required.

1.9 Focus of the Board of Directors' work during the year ended December 31, 2005

At its meetings in the year ended December 31, 2005, the Board of Directors focused above all on the following:

• Financial statements and management decisions.

- The Board of Directors reviewed and approved the parent company and consolidated financial statements for the year ended December 31, 2005 and decided on a recommendation for how to appropriate net profit for the year.

- It reviewed and approved the quarterly financial statements.

- It also examined the budget estimates and resulting cash flow forecasts.

- It established the stock option plan for the benefit of Company employees and/or executive officers and directors.

- It created a plan for awarding free shares.

• A bond issue with a total principal amount of €80,000,012.40.

Pursuant to the powers delegated to it by the Fourth Resolution adopted at the Combined Ordinary and Extraordinary Meeting of Shareholders held on October 18, 2004, the Board of Directors resolved at its meetings on April 26, 2005 and April 27, 2005 to issue bonds convertible and/or exchangeable for new or existing shares, with a total principal amount of €80,000,012.40, represented by 5,194,806 bonds with a face value of €15.40.

• Preparations for the Combined Ordinary and Extraordinary Meeting of Shareholders.

The Board of Directors drafted the resolutions to be submitted to the Combined Ordinary and Extraordinary Meeting of Shareholders.

• The Regulated Agreements referred to in Article L225-38 of the French Commercial Code.

During the year ended December 31, 2005, several new Agreements were entered into with the prior approval of the Board of Directors.

These points are discussed in detail in the Statutory Auditors' Special Report.

• Decisions on guarantees and security interests.

During the year ended December 31, 2005, the Board of Directors empowered its Chairman to grant guarantees or guarantee extensions and to pledge assets as security interests (including financial instrument accounts and business goodwill) on behalf of the Company and in accordance with Article L.225-35 of the French Commercial Code.

These guarantees and security interests were provided for the sole purpose of honoring commitments made by the Company or Group subsidiaries to third parties to carry out their business activity.

These points are discussed in detail in the Statutory Auditors' Special Report.

• Examination of the Company's strategy, including the redeployment plan.

• Sound corporate governance; the Board adopted new rules of procedure for both the Board and its Committees, as well as a set of guidelines on the rights and obligations of Directors and censeurs.

The Board also asked the Chairman to commission an audit of Company information systems and a study of Company premises. Both studies were completed and presented to the Board of Directors.

II - INTERNAL CONTROL

2.1 Internal control objectives

Internal control is defined within the Group as the process conducted by Management to achieve the following objectives:

- To safeguard Group assets.
- To ensure that the values that make up the Group's common culture and the priorities set by Management (optimizing operational performance) are upheld.
- To guarantee the reliability of financial and accounting records.
- To ensure compliance with the laws and regulations in force.
- To prevent and detect errors and irregularities.

The purpose of internal control is to provide reasonable assurance that Company priorities are upheld and that published figures are free of material misstatement. The effectiveness of the internal control system depends on the behavior of the Company members in charge, although there is no absolute guarantee that all objectives will be met.

The internal control function is responsible, first of all, for ensuring that what is done to manage and carry out operations and the behavior of Company members are in compliance with the applicable legal and regulatory framework and consistent with the Company's own values, standards and rules. Furthermore, it must make sure that financial reporting is conducted in accordance with the standards currently in force.

2.2 Control environment and operational management

2.2.1 Operational structure

The Group is organized into two operational divisions and ten national or regional sales offices. The divisions are the Marketing and Development and Industrial Operations.

The ten countries and regions are France, Italy, Germany, Spain, Australia, Northern Europe; a region combining Central and Eastern Europe, the Middle East, Africa and India; North America, Latin America and Asia.

The business divisions are supported by three cross-divisional head-office functions: Finance, Human Resources and Mergers and Acquisitions.

This new organization structure was established in September 2005.

The Marketing and Business Development Division coordinates development of the Group's offer of payment terminals and solutions and is in charge of marketing and external relations.

This division includes the following:

- The departments in charge of developing payment terminals and telecommunications modules.
- The department in charge of the Group's software and hardware platform.
- The Marketing Department.
- The External Relations Department, which includes external communications and relations with the leading card issuers.
- The Environment Department, whose responsibility is to devise and implement projects for protecting the environment.

The Industrial Operations Division is in charge of information systems, production engineering and planning, manufacturing and managing the quality of all terminals and solutions marketed by the Group.

This division includes the following:

- The Engineering Department.
- The Manufacturing and Production Planning Department.
- The Terminals and Solutions Quality Department.
- The Information Systems Department.
- The Purchasing Department.

During the year 2005, two new divisions reporting directly to Group senior management were created to ensure more effective implementation of the Group's new strategy. At the same time, the Sales and Services Division was reorganized to a large extent.

Reengineering. Reporting directly to Group senior management, the Reengineering Department plays a key role in cutting costs, the Group's top priority objective. This department closely monitors purchasing, transport and terminal manufacturing costs. In 2005, its efforts were focused mainly on the i5100, the flagship product in the terminal range, since high-volume sales of the i5100 offered a good opportunity to achieve major cost savings in just a short time. The Reengineering Department also strives to improve the quality of product components and thus the overall quality of the Group's products.

The Science Department. This body is in charge of innovation in all the Group's business areas and is responsible for patents. In its efforts to foster innovation, it draws on the work of a Science Committee, a Patents Committee and an Innovation

Committee. A recent example of its achievements is an iPod-based payment solution.

Sales and Services. In 2005, this division was reorganized to achieve greater efficiency. The 5 Regional Directors and the 5 leading National Directors now report to the Executive Committee.

In addition, INGENICO decided to capitalize on the best practices in each key area of Group activity. As a result, the regional and country directors who demonstrated exceptional skill in specific areas now have worldwide responsibility for developing those areas. They report to the Sales and Services Division representative.

The vertical markets defined on this basis are services, network communication controllers (NCCs), lottery ticketing and unattended devices (i9xxx product range).

2.2.2 The cross-divisional functions

- Human Resources

The human resources function is highly decentralized, with responsibilities divided up on a regional basis.

Regional human resource managers report to Human Resources at Group level. The corporate-level human resources department is limited in scope. Its main tasks consist of ensuring that Group policy is implemented in the various regions and disseminating and launching the key organizational processes at Group subsidiaries. It is also in charge of reporting on labor relations to Group senior management, while playing an advisory role on issues related to how to manage people and organizations.

At the same time, the corporate human resources department is in charge of both coordinating human resource policy, via a human resources steering committee that holds monthly meetings, and of managing human resources in France and in Southern Europe.

- Finance

The Finance Function is organized into four departments with complementary skills:

- The management control department is chiefly responsible for preparing and analyzing provisional accounts and monthly management accounts.
- The consolidation/accounting department is responsible for preparing the audited parent company and consolidated annual and interim financial statements.
- The Cash and Financing Department is in charge of managing and forecasting Group financial resources. The department also plays a role in project funding, contributing technical know-how and a realistic sense of future payments to be made.
- The Financial Communications Department handles relations with all key players on the financial markets (e.g. analysts, investors).

The finance departments at Group subsidiaries have strong functional links with Group Finance.

- Information systems

The Information Systems function is organized into two complementary functions:

- The brief of the Infrastructure function is to provide basic services to users within the Group (e.g. systems, networks, communications, security). In 2005, the regional IT managers were put in charge of this function, whereas infrastructures supporting Group-wide applications (Magnitude, SAP) are the responsibility of the IT manager for France.
- The main task of the Applications function is software application development and maintenance. In 2005, the Applications Director was given responsibility for Group-wide applications (Financial Reporting, Consolidation) as well as for coordinating SAP development for Operations. The regional offices have retained considerable control over development and maintenance with regard to regionally-specific applications.

As of 2006, the new Chief Information Officer's mandate is to steer all INGENICO Infrastructure and Applications projects, ensuring that they are cost-effective and tailored to the Company's needs. The CIO's authority in this area covers the entire Group.

2.2.3 Human resources policy

Human resources policy has evolved to serve the Group's growth and focus strategy. Streamlining the organization and controlling labor costs were the primary objectives in 2005.

This policy is geared to talent and based on developing skills. A reflection of this emphasis is the sharp increase in training time at all of the Group's national units, with the average number of hours per employee rising from 37.5 in 2004 to over 50 in 2005.

In 2005, the Human Resources Function established scorecards for monitoring trends in headcount, payroll, hiring and training in all the countries in which the Group operates.

In 2006, human resources policy will be moving more in the direction of developing the Group's skill base, aligning pay scales and enhancing internal communication through the following programs:

- Skills will be listed and classified to improve the management of human potential and internal mobility; a policy for identifying key skills and areas of technical expertise is already under way, both at local and Group level.
- A Group-wide training policy will be leveraging best practices in each country to develop programs for the entire workforce.
- An internal communications program that stays "close to the people" will be started up in 2006 as a means of facilitating real-time communication on vital issues and prospects for the Group.

2.3 Risk assessment

Group senior management has been revamped .

Chaired by the Chief Executive Officer, Group senior management encompasses the following:

- **The Executive Committee,** which decides how INGENICO is to be organized, what strategies it should pursue and creates the conditions for implementing them. It convened on a weekly basis in 2005.

Executive Committee members:

- The Chief Executive Officer
- The Chief Economic and Financial Officer
- The Industrial Operations Director
- The Group Development Director
- The Marketing & Engineering Director.

- **The Management Committee,** which includes both the members of the Executive Committee and the Group's cross-functional directors. Its members are invited to Executive Committee meetings according to the issues on the agenda.

Management Committee members:

The members of the Executive Committee, plus

- The Group Human Resources Director
- The "Redesign to Cost" Director
- The Chief Scientist
- The Sales and Services Division representative, who is the Chief Executive Officer of INGENICO U.K.

- Last of all, **the Leadership Group,** which includes all members of the Executive Committee and the Management Committee as well as the directors of INGENICO units in the most important regions and countries in which the company operates. It reviews the Group's main programs and their current status on a quarterly basis.

Every month, the Management Committee is provided with a scorecard that includes detailed budget and performance data for each region and for the Group as a whole. For issues requiring greater analysis, the necessary documents are made available at least 2 days prior to the meeting.

2.4 Control measures

More specifically, control measures at Group level focus on meeting industrial priorities.

The procedures involved include the following:

- Monthly financial reporting to review the progress accomplished over the previous half year in terms of sales, operating profit and net debt.
- A scorecard to track human progress. Both of these strategic steering tools are crucial, because they greatly enhance the Group's ability to anticipate and manage risk at all levels of responsibility, ensuring maximum employee involvement.
- Reconciliation, at the audited closing stage, between consolidated financial statements and monthly financial reporting.
- Pre-closing procedures.
- Checking the reciprocity of inter-company entries.
- Valuation of Group assets.
- Monitoring shifts in the regulatory environment.

As of 2006, the Chairman has a formal meeting every month with the Chief Financial Officer, in addition to meetings with the Statutory Auditors.

2.5 The quality of accounting, financial and management data

Throughout 2005, the Group maintained its efforts at harmonizing and optimizing its reporting and internal control procedures, in compliance with the Financial Security Act.

This, for example, was the first year in which INGENICO prepared IFRS-compliant financial statements.

Given the Group's international scope, homogeneous accounting and financial data must be prepared, analyzed and made rapidly available across the organization.

To this end, all Group subsidiaries are now required to prepare monthly management accounts in a uniform reporting format.

Available by the middle of the following month, these monthly statements are reviewed in detail by at least the local financial director and Group financial management.

Their monthly meetings offer an opportunity to identify any significant changes and events in relation to budget data, so that appropriate corrective measures may be proposed if need be.

Income statement, cash flow and some balance sheet items may be covered in such reviews.

In 2006, the Group will be maintaining its drive to automate the reporting system in order to achieve further gains in productivity and security. (For example, monthly income statements will be automatically uploaded from local SAP systems.)

In addition, transnational task forces will be working to ensure that this is a process of ongoing improvement so that the entire Group can adjust to the inevitable changes in business model.

The financial statements of the Group are reviewed for certification on a half-year basis by the Statutory Auditors.

This allows INGENICO to test the relevance of its reporting system and thus the demonstrable quality of monthly management reporting.

A few words should be said about the IT control environment.

A security audit regarding access to programs and data was conducted in 2005. The resulting plan of action will continue throughout 2006.

To enhance the physical security of the computer hardware on which the financial applications (Magnitude) and accounting applications (SAP) run, the Group outsourced hosting and security to a specialized service provider in 2005. The backup procedures are defined by INGENICO. They include an off-site backup log and storage. Payroll management has also been fully outsourced to a specialized firm. A formal procedure for managing change and development requests has been established, with all change requests now subject to impact analysis. Those requests that are accepted follow a standard quality assurance procedure before they are carried out. In 2006, this procedure will be further refined so that planned changes may be distinguished from emergency changes.

During 2005, controls over applications were stiffened in the following areas:

- A Group-wide chart of accounts and an SAP interface with Magnitude were introduced to facilitate automatic retrieval of reporting data. By eliminating the manual input stage, this new system makes it easier to trace financial and accounting entries.
- A recording process with the Group's main subcontractors was built into SAP so that control over supplier invoices, previously a manual operation, is now carried out automatically, thereby making the control process more reliable.

All in all, 2005 was a year in which INGENICO initiated a large-scale integration process. This process now needs to be supported by a shared IT system based on a single ERP solution, with automated internal and external interfacing.

Two key objectives have thus been identified for 2006:

- Reporting will be refined to meet internal control and timely availability requirements.
- An internal audit team will be set up to monitor the process.

David Znaty
The Chairman

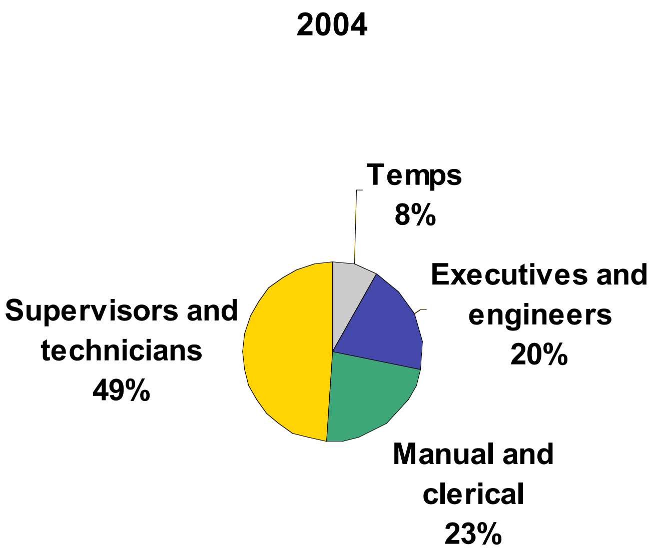
SECTION XVII. EMPLOYEES

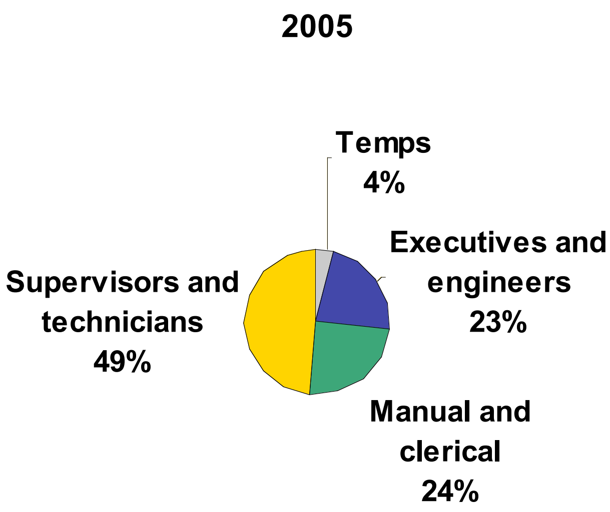
17.1 Workforce

AVERAGE NUMBER OF EMPLOYEES[1]		
Year	**2004**	**2005**
Executives and engineers	317	321
Supervisors and technicians	359	326
Clerical and manual staff	762	688
Temporary staff	132	58
TOTAL	**1,570**	**1,393**

The lower workforce figures for 2005 were due mainly to the impact of staff reduction programs in late 2003 and 2004.

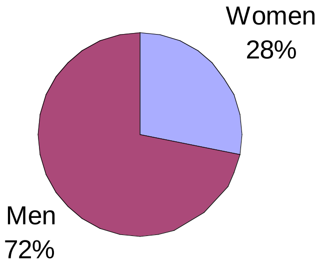
Breakdown by qualification





[1] Not including South Korea, Switzerland and China.

Breakdown by gender



17.2 Shareholdings and stock options of Company directors and executive officers

- Ownership interest of Company directors and executive officers in the issuer's capital at the time that this Document de Référence was registered:

Name	*Shares*	*% of share capital*	*Voting rights*	*% of voting rights*
*Jean-Jacques Poutrel **	*1,550,231*	*5.18%*	*3,100,462*	*9.16%*
*Guy Wyser Pratte ***	*1,654,091*	*5.52%*	*1,654,091*	*4.89%*
*Allan Green ****	*1,083,347*	*3.62%*	*1,083,347*	*3.20%*
Thibault Poutrel	*787,416*	*2.63%*	*1,574,832*	*4.65%*
Michel Malhouitre	*602,050*	*2.01%*	*1,204,100*	*3.56%*
Société de Tayninh (Dir. until March 15, 2006)	*49,007*	*0.16%*	*49,007*	*0.14%*
Amedeo d'Angelo	*3,025*	*0.01%*	*3,025*	*0.01%*
David Znaty	*2,527*	*0.01%*	*257*	*0.01%*
Jacques Stern	*1,010*	*0.01%*	*1,010*	*0.00%*
Philippe Lazare (Dir. as of March 15, 2006)	*1,500*	*0.01%*	*1,500*	*0.00%*

(*) 1,308,248 of the 1,550,231 shares indicated for Mr. Jean-Jacques Poutrel in the table above have been stripped, with the result that Mr. Poutrel is now the bare owner of these shares, owned jointly with Ms. Tessa Leblon-Poutrel, Mr. Maxime Poutrel and Ms. Nadège Poutrel. Only 241,983 shares are thus fully owned by Mr. Jean-Jacques Poutrel.

(**) Directly and indirectly.

(***) Held directly and indirectly (through Société de Tayninh, Financière de Tayninh and Candel & Partners)

- Record of stock subscription options granted

EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 4, 2000	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	**Tranche E**
Decision by Board or Chairman using power delegated to him	April 15, 2003	July 25, 2003	April 20, 2004	June 10, 2004	July 8, 2004
Total stock options granted	858,000	145,000	151,500	110,000	30,000
Total shares that may be subscribed for or					

purchased by: - **Directors and executive officers *(aggregate)*** - 10 leading employee beneficiaries *(aggregate)*	**100,000** 106,500	**120,000** 25,000	**0** 108,000	**100,000** 10,000	**0** 20,000
Total beneficiaries	150	4	56	3	2
Vesting date	April 15, 2006	July 25, 2006	April 20, 2007	June 10, 2007	July 8, 2007
Expiration date	April 15, 2011	July 25, 2011	April 20, 2012	June 10, 2012	July 8, 2012
Exercise price	€5.67	€8.46	€10.93	€11.04	€13.93
Shares subscribed for	74,500	135,000	0	0	0
Subscription options cancelled	99,000	0	24,000	0	30,000
Subscription options outstanding	684,500	10,000	127,500	110,000	-
EXTRAORDINARY SHAREHOLDERS' MEETING OF OCTOBER 18, 2004	**Tranche F**	**Tranche G**[2]	**Tranche H**		
Decision by Board or Chairman using power delegated to him	Dec. 14, 2004	-	Sept. 20, 2005		
Total stock options granted	209,500	-	425,000		
Total shares that may be subscribed for or purchased by: - **Directors and executive officers *(aggregate)*** - 10 largest employee beneficiaries *(aggregate)*	**0** 70,000	-	**250,000** 117,000		
Total beneficiaries	82	-	25		
Vesting date	Dec. 14, 2007	-	Sept. 20, 2008		
Expiration date	Dec. 14, 2012	-	Sept. 20, 2013		
Exercise price	€11.68	-	€11.62		
Shares subscribed for	0	-	0		
Subscription options cancelled	37,500	-	0		
Subscription options outstanding	172,000	-	425,000		

- Stock options held by current directors and executive officers:

Name	*Tranche H*
Amedeo d'Angelo	*150,000*
David Znaty	*100,000*

[2] Although planned, this first tranche was not ultimately granted by the Board of Directors.

- Stock subscription and purchase options granted to Company directors and executive officers in 2005:

	Date of grant	***Stock options granted***	***Exercise price***	***Expiration date***	***Tranche***
• Amedeo d’Angelo	Sept. 20, 2005	150,000	€11.62	Sept. 20, 2013	H
• David Znaty	Sept. 20, 2005	100,000	€11.62	Sept. 20, 2013	H

- Stock subscription and purchase options exercised by Company directors and executive officers in 2005:

	Date of grant	***Stock options granted***	***Exercise price***	***Exercise date***	***Tranche***
• -	-	-	-	-	-

17.3 Free shares granted to Company directors and executive officers

	Date of grant	***Shares granted***	***Acquisition period***	***Holding period***
• Amedeo d’Angelo	June 28, 2005	50,000	2 years	2 years
• David Znaty	June 28, 2005	10,000	2 years	2 years

17.4 Employee profit-sharing

17.4.1 Profit-sharing agreements

The employees of French companies in the Group are covered by profit-sharing agreements. The Group uses the statutory formula for calculating the share to which they are entitled.

17.4.2. Stock subscription and purchase options granted to non-executive employees and exercised by them

Stock subscription and purchase options granted and exercised in 2005:

STOCK SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE NON-EXECUTIVE EMPLOYEES GRANTED THE MOST STOCK OPTIONS; STOCK OPTIONS EXERCISED BY SAID EMPLOYEES

	Total stock options grants/ shares subscribed for or purchased	***Shares granted Tranche A***	***Shares granted Tranche B***	***Shares granted Tranche C***	***Shares granted Tranche D***	***Shares granted Tranche E***	***Shares granted Tranche F***	***Shares granted Tranche H***	***Weighted average price of Tranches***
• **Stock options granted** during the year, by the issuer and by any company included in the stock option program, **to the ten employees** of the issuer and of any company included in the stock option program who thereby received the highest number of stock options.	117,000			-	-	-	-		€11.62
• **Stock options** granted by the issuer and the above-mentioned companies and **exercised**, during the year, **by the ten employees** of the issuer and of said companies who	60,500	45,500	15,000		-	-	-		€6.36

purchased or subscribed for the highest number of shares.		

SECTION XVIII MAIN SHAREHOLDERS

18.1 Current breakdown of share ownership and voting rights

The table below shows the breakdown of share ownership and voting rights in the Company at the time that this Document de Référence was registered:

Shareholder	*Shares*	*% of share capital*	*Voting rights*	*% of voting rights*
Insight Inv. Management (HBOS)	2,734,432	9.13%	2,734,432	8.06%
Jupiter	1,889,915	6.31%	1,889,915	5.57%
FMR Corp / Fidelity International Limited	1,693,745	5.65%	1,693,745	4.99%
Wyser Pratte	1,654,091	5.52%	1,654,091	4.88%
Jean-Jacques Poutrel (****)	1,550,231	5.18%	3,100,462	9.14%
CNCE	1,361,248	4.54%	1,361,248	4.01%
Raiffesien Centrobank A.G. (**)	1,230,000	4.11%	1,230,000	3.63%
Thibault Poutrel	787,416	2.63%	1,574,832	4.64%
Malhouitre Family Group (***)	668,838	2.23%	1,337,676	3.94%
SGAM	554,875	1.85%	554,875	1.64%
Financière de Tayninh (*) (**)	494,144	1.65%	494,144	1.46%
Candel & Partners (*) (**)	464,059	1.55%	464,059	1.37%
Banque Transatlantique	232,764	0.78%	232,764	0.69%
Nadège Poutrel	135,635	0.45%	271,270	0.80%
Maxime Poutrel	134,634	0.45%	269,268	0.79%
Tessa Poutrel	117,573	0.39%	235,146	0.69%
Allan Green (**)	76,137	0.25%	76,137	0.22%
Société de Tayninh (**)	49,007	0.16%	49,007	0.14%
Sub-total	***15,828,744***	***52.85%***	***19,223,071***	**56.67%**
Treasury shares	345,310	1.15%	-	0.00%
Public	13,778,258	46.00%	14,698,896	43.33%
TOTAL	**29,952,312**	**100.00%**	**33,921,967**	**100.00%**

(*) Candel & Partners and Financière de Tayninh are members of the same group of companies and are therefore deemed to be engaged in "concerted action."

(**) In a letter dated October 4, 2004, Candel & Partners, Financière de Tayninh, Société de Tayninh, Allan Green and Raiffeisen Centrobank A.G. declared that they were engaged in "concerted action."

(***) The Malhouitre Family Group is made up of Michel Malhouitre (the founder) and his daughters, Marion and Marine Malhouitre.

(****)1,308,248 of the 1,550,231 shares indicated for Mr. Jean-Jacques Poutrel in the table above have been stripped, with the result that Mr. Poutrel is now the bare owner of these shares, owned jointly with Ms. Tessa Leblon-Poutrel, Mr. Maxime Poutrel and Ms. Nadège Poutrel. Only 241,983 shares are thus fully owned by Mr. Jean-Jacques Poutrel.

To the best of the Company's knowledge, there are no shareholders other than those listed above who directly or indirectly hold more than 2 percent of the Company's share capital.

18.2 Changes in the breakdown of share ownership and voting rights

18.2.1 Share ownership and voting rights at February 28, 2005

Shareholder	***Shares***	***% of share capital***	***Voting rights***	***% of voting rights***
Financière du Loch (****)	2,180,661	7.32%	2,180,661	6.46%
Jean-Jacques Poutrel (*****)	1,550,231	5.20%	3,100,462	9.18%
Wyser Pratte	1,490,061	5.00%	1,490,061	4.41%
Thibault Poutrel	787,416	2.64%	1,574,832	4.66%
Raiffeisen Centrobank A.G. (**)	755,000	2.53%	755,000	2.24%
Candel & Partners (*)(**)	738,000	2.48%	738,000	2.19%
Malhouitre Family Group (***)	668,838	2.24%	1,337,676	3.96%
Tessa Poutrel	139,138	0.47%	278,276	0.82%
Financière de Tayninh (***)	489,500	1.64%	489,500	1.45%
SGAM	314,000	1.05%	314,000	0.93%
Banque Transatlantique	232,764	0.78%	232,764	0.69%
Nadège Poutrel	156,200	0.52%	312,400	0.93%
Maxime Poutrel	156,200	0.52%	312,400	0.93%
Allan Green (**)	75,350	0.25%	75,350	0.22%
Société de Tayninh (*)(**)	48,500	0.16%	48,500	0.14%
Sub-total	***9,781,859***	***32.82%***	***13,239,882***	***39.21%***
Treasury shares	146,420	0.49%	-	0.00%
Public	19,874,838	66.69%	20,523,454	60.79%
TOTAL	**29,803,117**	**100%**	**33,763,336**	**100%**

(*) Candel & Partners and Financière de Tayninh are members of the same group of companies and are therefore deemed to be engaged in "concerted action." In a letter to the Company dated July 6, 2004, Candel & Partners et Financière de Tayninh declared that they had together exceeded the 2-percent ownership threshold on June 29, 2004. Together, they hold 885,499 shares, or 2.97 percent of total share capital, and 2.74 percent of total voting rights.

(**) In a letter to the Company dated October, 4, 2004, Candel & Partners, Financière Tayninh, Société de Tayninh, Mr. Allan Green and Raiffeisen Centrobank A.G. declared that they were engaged in "concerted action" and had together exceeded the 6-percent threshold of share ownership and voting rights in the Company.

(***) The Malhouitre Family Group is made up of Michel Malhouitre (the founder) and his daughters, Marion and Marine Malhouitre.

(****) Figures after the statutory threshold was crossed by Financière du Loch on March 9, 2004.

(*****) 1,308,248 of the 1,550,231 shares indicated for Mr. Jean-Jacques Poutrel in the table above have been stripped, with the result that Mr. Poutrel is now the bare owner of these shares, owned jointly with Ms. Tessa Leblon-Poutrel, Mr. Maxime Poutrel and Ms. Nadège Poutrel. Only 241,983 shares are thus fully owned by Mr. Jean-Jacques Poutrel.

18.2.2 Thresholds crossed during 2005

- AMF Notice 206C0558 of March 23, 2006

In a letter dated March 23, 2006 and received on the same day, FMR Corp. and Fidelity International Limited (FIL), acting on behalf of mutual funds managed by their subsidiaries, declared that, through share purchases, they exceeded on March 21, 2006 the threshold of 5 percent of total voting rights in the Company INGENICO and now hold 1,693,745 INGENICO shares and the same number of voting rights, or 5.66 percent of this company's share capital and 5.01 percent of the voting rights [1].

Moreover, FMR Corp. states that, pursuant to the agreements between the management companies and the fund managers or trustees, the management companies are empowered to make decisions on the purchase and sale of shares for said funds and sometimes decisions on the voting rights attached to the shares held by said funds.

Because each of the portfolios held by the funds has a different investment objective, investment decisions pertaining to them are made independently and in the interests of the specific funds.

[1] On the basis of share capital composed of 29,924,312 shares, to which 33,810,310 voting rights are attached.

- AMF Notice 206C0330 of February 20, 2006

In a letter dated February 20, 2006 and received on the same day, FMR Corp. and Fidelity International Limited (FIL), acting on behalf of mutual funds managed by their subsidiaries, declared that, through share purchases, they exceeded on February 15, 2006 the threshold of 5 percent of total voting rights in the Company INGENICO and now hold 1,498,943 INGENICO shares and the same number of voting rights, or 5.01 percent of this company's share capital and 4.43 percent of the voting rights [1].

Moreover, FMR Corp. states that, pursuant to the agreements between the management companies and the fund managers or trustees, the management companies are empowered to make decisions on the purchase and sale of shares for said funds and sometimes decisions on the voting rights attached to the shares held by said funds.
Because each of the portfolios held by the funds has a different investment objective, investment decisions pertaining to them are made independently and in the interests of the specific funds.

[1] On the basis of share capital composed of 29,924,312 shares, to which 33,810,310 voting rights are attached.

- AMF Notice 205C2109 of December 8, 2005

In a letter dated December 7, 2005 and received on the same day, Mr. Vincent Bolloré declared that on November 30, 2005, his indirect shareholding in the company INGENICO dropped below the threshold of 5 percent of the share capital, as a result of which he indirectly held 846,593 INGENICO shares and the same number of voting rights, or 2.83 percent of the company's share capital and 2.50 percent of the voting rights [1], divided up as follows:

	Shares	% of share capital	Voting rights	% of voting rights
Financière du Loch[2]	846,393	2.83	846,393	2.50
Financière de Sainte Marine[3]	200	NS	200	NS
Total	**846,593**	**2.83**	**846,593**	**2.50**

These thresholds were crossed as a result of the sale of INGENICO shares on the stock market by Financière du Loch (31/32, quai de Dion Bouton - 92800 Puteaux), whose own shareholding in the company INGENICO thus fell below the 5-percent threshold on November 30, 2005.

[1] On the basis of share capital composed of 29,924,312 shares, to which 33,810,310 voting rights are attached.
[2] Civil law partnership *(Société Civile)* indirectly controlled by Mr. Vincent Bolloré.
[3] Mutual fund with simplified investment rules indirectly controlled by Mr. Vincent Bolloré.

- AMF Notice 205C0286 of December 6, 2005

In a letter dated December 6, 2005 and received on the same day, Insight Investment Management (Global) Limited (33 Old Broad Street, London, EC2N, 1HZ, United Kingdom), a company controlled by HBOS Plc, declared that it exceeded on November 29, 2005 the threshold of 5 percent of the share capital and voting rights of the company INGENICO and that it indirectly held 1,987,275 INGENICO shares and the same number of voting rights, or 6.64 percent of this company's share capital and 5.88 of the voting rights [1], divided up as follows:

	Shares	% of share capital	Voting rights	% of voting rights
Funds held and managed by Insight Investment Management (Global) Limited	371,623	1.24	371,623	1.10
Funds managed by Insight Investment Management (Global) Limited	1,615,652	5.40	1,615,652	4.78
Total	**1,987,275**	**6.64**	**1,987,275**	**5.88**

These thresholds were exceeded as a result of purchases of INGENICO shares on the stock market.

[1] On the basis of share capital composed of 29,924,312 shares, to which 33,810,310 voting rights are attached.

- AMF Notice 205C1873 of November 4, 2005

In a letter dated November 2, 2005 and received on the same day, Mr. Vincent Bolloré declared that the voting rights held indirectly by him in the company INGENICO through Financière du Loch, a company controlled by him, dropped on October 26, 2005 below the 5-percent threshold, as a result of which he indirectly held 1,646,122 INGENICO shares and the same number of voting rights as of that date, or 5.50 percent of that company's share capital and 4.87 percent of the voting rights [1], divided up as follows:

	Shares	% of share capital	Voting rights	% of voting rights
Financière du Loch	1,645,922	5.50	1,645,922	4.87
Financière de Sainte Marine	200	NS	200	NS
Total	**1,646,122**	**5.50**	**1,646,122**	**4.87**

These thresholds were crossed as a result of the sale of INGENICO shares on the stock market by Financière du Loch.

Moreover, Financière du Loch (31/32, quai de Dion Bouton, 92800 Puteaux) declared that on October 26, 2005, the voting rights held directly by it in the company INGENICO fell below the 5-percent threshold.

[1] On the basis of share capital composed of 29,924,312 shares, to which 33,810,310 voting rights are attached.

18.2.3 Share ownership and voting rights at October 26, 2004

Shareholder	***Shares***	***% of share capital***	***Voting rights***	***% of voting rights***
Financière du Loch	3,579,807	12.02%	3,579,807	10.95%
SGAM	314,000	1.05%	314,000	0.96%
Thibault Poutrel (****)	787,416	2.64%	1,483,248	4.54%
Raiffeisen Centrobank A.G. (**)	750,000	2.52%	750,000	2.29%
Candel&Partners (*)(**)	738,000	2.48%	738,000	2.26%
Malhouitre Family Group (***)	669,838	2.25%	1,339,676	4.10%
Wyser Pratte	700,000	2.35%	700,000	2.14%
Tessa Poutrel (****)	620,919	2.08%	1,185,390	3.63%
Nadège Poutrel (****)	610,037	2.05%	1,164,616	3.56%
Maxime Poutrel (****)	545,892	1.83%	1,042,157	3.19%
Financière de Tayninh(***)	489,500	1.64%	489,500	1.50%
CDC	455,234	1.53%	455,234	1.39%
Jean-Jacques Poutrel (****)	392,989	1.32%	733,451	2.24%
Banque Transatlantique	232,764	0.78%	232,764	0.71%
Allan Green (**)	73,350	0.25%	73,350	0.22%
Société de Tayninh (*)(**)	38,500	0.13%	38,500	0.12%
Sub-total	*10,998,246*	*36.92%*	*14,319,693*	43.80%

Treasury shares	20,773	0.07%	-	0.00%
Public	18,769,098	63.01%	18,372,353	56.20%
TOTAL	**29,788,117**	**100.00%**	**32,692,046**	**100.00%**

(*) Candel & Partners and Financière de Tayninh are members of the same group of companies and are therefore deemed to be engaged in "concerted action." In a letter to the Company dated July 6, 2004, Candel & Partners and Financière de Tayninh declared that they had together exceeded the 2-percent ownership threshold on June 29, 2004. Together, they hold 885,499 shares, or 2.97 percent of total share capital, and 2.74 percent of total voting rights.

(**) In a letter to the Company dated October, 4, 2004, Candel & Partners, Financière Tayninh, Société de Tayninh, Mr. Allan Green and Raiffeisen Centrobank A.G. declared that they were engaged in "concerted action" and had together exceeded the 6-percent threshold of share ownership and voting rights in the Company. Together, they hold 2,091,350 shares, or 7.02 percent of the share capital and 6.40 percent of the voting rights.

(***) The Malhouitre Family Group is made up of Michel Malhouitre (the founder) and his daughters, Marion and Marine Malhouitre.

(****) Some of the shares owned by Mr. Jean-Jacques Poutrel have been divided into bare ownership of the financial stake and beneficial ownership, with the result that the rights attached to these shares to vote at ordinary meetings of shareholders have been transferred to their beneficial owners. Said beneficial owners (Mr. Thibault Poutrel, Ms. Tessa Leblon-Poutrel, Ms. Nadège Poutrel and Mr. Maxime Poutrel) thereby hold all the voting rights (ordinary and extraordinary meetings of shareholders), as indicated in the table above.

18.3 Control over the Company

The Company is not under the control of any person or legal entity, according to the definition of control in Article L.233-3 of the French Commercial Code. All steps required to prevent undue control over the Company have been taken.

18.4 Shareholders' agreements and concerted action

AMF Ruling No. 204C1198 of October 11, 2004:

> *In compliance with Article L 233-11 of the French Commercial Code, Candel & Partners SAS[1], Financière de Tayninh SCA[2], Société de Tayninh SA[3], Mr. Allan Green and Raiffeisen Centrobank AG[4], henceforth referred to as "RCB" (Tegetthoffstrasse 1, A-1010 Vienna, Austria), provided the* Autorité des Marchés Financiers *with a copy of the shareholders' agreement entered into by these INGENICO shareholders on October 4, 2004.*
>
> *It is stated that the parties to said agreement made a declaration stating that they jointly crossed ownership thresholds (cf. Ruling No. 204C1192 of October 7, 2004).*
>
> *The preamble to the agreement includes a mutual commitment by the parties to inform each other as of October 4, 2004 of any plan to purchase, subscribe for or sell securities prior to carrying out any transaction on the market or over the counter (excluding transactions involving a total of less than 20,000 securities) and to confer with each other prior to any Shareholders' Meeting in order to arrive at a joint position.*
> *The agreement contains the following clauses:*

Mutual right of first refusal[5]:

In the event that one of the parties to this agreement intends to transfer all or some of his shares, said party (the "Offeror") shall be required to provide a written notice of offer, either to RCB, if the Offeror is Société de Tayninh or any company controlled by Mr. Allan Green, or to Société de Tayninh, if the Offeror is RCB[6].

Either RCB, if the Offeror is Société de Tayninh or any company controlled by Mr. Allan Green, or Société de Tayninh, if the Offeror is RCB, shall have a period equal to 5 trading days, following receipt of a bona fide offer, to give notice of his acceptance of the terms and conditions of the offer. If the beneficiary of the mutual right of first refusal fails to do so within this time limit, he shall be deemed to have irrevocably waived this right. The Offeror may reject the exercise of this right if it involves a total number of shares that is lower than the number of shares in the initial notice of offer.

Notice of offer to the other parties to the shareholders' agreement shall be considered an irrevocable offer by the Offeror to sell the shares in the offer for the benefit of said parties. The price to be paid to the Offeror by the beneficiary for said securities shall be equal to the price indicated in the offer, which shall be equal, in the case of an identified transferee, either to the price proposed by the latter, if the offer takes the form of an outright sale, or to the price proposed in good faith by the Offeror, if the shares are offered for valuable consideration other than in the form of an outright sale, or if the shares are offered without valuable consideration.

If, on the last day of the allotted 5-day time limit, the beneficiary has not exercised his right of first refusal for a number of shares equal at least to the number of shares offered, the Offeror may, as of that date, transfer the shares on offer, provided that the transfer is accomplished within the 10 trading days following the above-mentioned expiration date and that it is carried out at exactly the same price as the one mentioned in the initial offer.

If the Offeror is unable to prove to the beneficiary that these conditions have been met, the transfer may not be completed, and with regard to the shares included in his offer, the Offeror will once again be bound by the shareholders' agreement in the event of any subsequent offer of shares.

In compliance with current stock market regulations, these provisions shall be applicable even in periods of public share offerings, it being understood that the beneficiary shall have a time limit that expires 5 trading days prior to the closing date for the public offering to furnish written notice of his acceptance of the offer to the Offeror. Subject to compliance with current stock market regulations, the transfer of the shares in the offer shall be completed no later than 2 trading days prior to the closing date for the public offering. The price per share shall be determined as follows:

In the case of a public tender offer or an alternative offer, the price shall be equal to the final offering price indicated in the offer clearance decision.

In the case of a public offer of exchange or a combined tender/exchange offer, the price shall be equal to the average opening share price in the first 10 trading days following the start of the public offer.
In the event of overbidding or rival offers, the price shall be equal to the highest bid.

Early termination of the shareholders' agreement

It has been agreed to by the parties to the shareholders' agreement that they may under no circumstances jointly hold more than 30 percent of the share capital and/or voting rights in the company INGENICO.

In the event that, following the acquisition by whatever means of additional shares by one of the parties to the shareholders' agreement, the aggregate shareholdings of the parties were to exceed 30 percent of the share capital and/or voting rights in the company, the shareholders' agreement would be terminated by right and without formalities.

Term of the shareholders' agreement

The shareholders' agreement shall continue to be binding on the parties, each of whom shall refrain from entering into any similar agreement with third parties for as long as the aggregate shareholdings of the parties represent at least 5 percent of the share capital or voting rights in the company INGENICO, and for a period not to exceed 24 months as of October 4, 2004. It should, however, be understood that in the event of any duly noted disagreement between the parties as to the joint position they should take at any meeting of this company's shareholders, each party may withdraw from the shareholders' agreement by giving the other parties 20 days prior notice in writing. It should, however, be specified that the provisions governing the right of first refusal shall remain in effect until the 24-month time limit starting October 4, 2004 has expired.

[1] Company controlled by Mr. Allan Green, 4 avenue Hoche, 75008 Paris.
[2] 50 percent owned by Candel & Partners, 4 avenue Hoche, 75008 Paris, and 50 percent by Commandor SARL, 4 avenue Hoche, 75008 Paris, a company controlled by Mr. Allan Green.
[3] 76.24 percent owned by Financière de Tayninh SCA, 4 avenue Hoche, 75008 Paris.
[4] Raiffeisen bank group.
[5] Any transfer between the Offeror and any company or other legal entity controlled by the Offeror, that controls the Offeror or is controlled by any company or other legal entity that controls the Offeror, within the meaning of "control" set forth in Article 233-3 of the French Commercial Code, may be freely undertaken and is therefore exempt from the right of first refusal, provided that the transferee has previously approved the terms and conditions herein as a party to the shareholders' agreement.
[6] Any transfer or waiver of subscription rights or rights to share allotments, as well as any change in control affecting a legal entity that is a party to the shareholders' agreement, shall be considered a transfer.

SECTION XIX. RELATED PARTY TRANSACTIONS

19.1. How intra-Group relations are organized

The Group is organized on a geographical basis that includes operational regions: Europe, Australia–Asia, North America, Latin America, Rest of the World.

INGENICO, a holding company incorporated under French law, directly or indirectly holds 100 percent of the share capital and voting rights in its main operational subsidiaries (consolidating all companies listed in Note 3 to the Consolidated Financial Statements).

The Company serves as pivot for the Group, both in marketing terms (by selling certain terminal product ranges to its subsidiaries) and in administrative terms.

INGENICO provides its subsidiaries with a number of administrative, legal, treasury, strategic, logistical and marketing services. It therefore bills them under service agreements for the expenses incurred in managing and organizing the Group.

All production work has been outsourced, and the Group possesses two research and development centers (Puteaux and Barcelona).

Group treasury is managed through treasury agreements under which the Company receives and makes interest payments on advances granted to or by its subsidiaries.

The operational companies are in charge of developing sales activity in their region and in all the Group's business areas. For sourcing, they turn either to local sub-contractors or to the parent company, depending on the product range.

19.2. Intra-group financial relations

19.2.1 Consolidated taxation agreements

Previous consolidated taxation agreements were maintained in fiscal year 2005.

19.2.2 Treasury management agreements

The treasury management agreements established in December 1993 were maintained in fiscal year 2005.

These agreements involve the following companies and entities: LEXEM, IDS-SOFRACIN, DSI INTERNATIONAL, SCI DU 5 PARC FLORAL, INGENICO UK LTD., ITS LTD., INGENICO GMBH, INGENICO ITALIA, INGENICO BARCELONA S.A., INGENICO IBERIA, INGENICO AB, INGENICO INTERNATIONAL PACIFIC, INGENICO SINGAPORE, INGENICO JV (FLORIDA), INGENICO MEXICO, INGENICO ARGENTINA, INGENICO DO BRAZIL LTDA, INGENICO CANADA, INGENICO CORP., INGENICO INC.

The interest rate on current account advances by the parent company to its subsidiaries has been set at the 3-month EURIBOR + 1.5 percent for the first half of 2005 and at the 3-month EURIBOR + 1.75 percent for the second half of 2005, with interest expense invoiced at the beginning of each quarter.

Interest paid by the parent company for fiscal year 2005 totaled €236,000. Interest paid by Group subsidiaries for 2005 totaled €2,012,000.

19.2.3 Contributions to Group expenses

INGENICO bills all its subsidiaries for management fees.

Covering payroll expenses, shared service expenses (support to subsidiaries, procurement, production), these management fees are rebilled to the subsidiaries in proportion to their respective revenues.

Management fees rebilled to Group subsidiaries for fiscal year 2005 totaled €8,485,000.

19.2.4 Rebilling of Barcelona R&D expenses

INGENICO has entrusted its subsidiary INGENICO BARCELONA with all research and development work on its banking product range.

This includes responsibility for relations with suppliers, implementation of the Group's marketing offer and R&D expenditures. To compensate the subsidiary for this work, the parent company pays the equivalent of the expenses incurred, plus 5-percent.

INGENICO BARCELONA rebilled the parent company a total of €9,423,000 for fiscal year 2005.

SECTION XX. INFORMATION ON THE NET ASSETS, FINANCIAL POSITION AND EARNINGS OF THE ISSUER

20.1 Historical financial information

The parent company and consolidated financial statements, prepared under French GAAP, for the years ended December 31, 2004, December 31, 2003 and December 31, 2002 are included in the Company's 2004 Document de Référence, which was registered on April 15, 2005 under visa number R.05-042, and in the Company's 2003 Document de Référence, which was registered on October 27, 2004 under visa number R. 04-194.

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

(in thousands of euros)	Notes	2005	2004 (*)
REVENUE	5	436,939	427,395
Cost of sales		(298,791)	(296,340)
GROSS PROFIT		**138 149**	**131 056**
Other operating income			262
Distribution costs		(34,832)	(30,078)
Research and development expenses		(40,909)	(32,415)
Administrative expenses		(54,157)	(51,915)
Other operating expenses		(2)	(1,240)
PROFIT FROM ORDINARY ACTIVITIES	5	**8,249**	**15,669**
Other income	7	4,840	1,801
Other expenses	7	(47,457)	(5,697)
PROFIT FROM OPERATIONS		**(34 368)**	**11 773**
Net finance costs	8	(4,211)	(2,862)
Other financial income and expenses	8	944	(2,420)
Share of profits of associates			(23)
PROFIT BEFORE INCOME TAXES		**(37,635)**	**6,469**
INCOME TAXES	9	(2,502)	(3,862)
NET PROFIT		**(40,137)**	**2,607**
Attributable to:			
• INGENICO S.A. shareholders		(40,131)	2,604
• Minority interests		(6)	3
EARNINGS PER SHARE (in euros)			
Net earnings:			
• basic		(1.35)	0.09
• fully diluted	19	(1.06)	0.08

(*) Published figures restated to reflect IFRS adjustments (cf. Note 31).

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of euros)	Notes	2005	2004
Translation adjustments	2	6,061	(256)
Cash flow hedges [1]	21	166	
Actuarial gains/(losses) on long-term employee benefit obligations [2]	22	(364)	(1,244)
NET INCOME RECOGNIZED DIRECTLY IN EQUITY		**5,863**	**(1,500)**
PROFIT FOR THE PERIOD		**(40,131)**	**2,604**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD		**(34,268)**	**1,104**
Attributable to:			
• INGENICO S.A. shareholders		(27,262)	1,070
• Minority interests		9	34

(1) In 2005, changes in the value of interest-rate swaps on bank borrowings are recognized in equity.

(2) As allowed by the revised version of IAS 19, actuarial gains or losses on long-term employee benefit obligations are recognized in equity.

CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

ASSETS

(in thousands of euros)	Notes	2005	2004 (*)
NON-CURRENT ASSETS			
Goodwill	10	65,413	69,989
Other intangible assets	10	19,913	18,641
Property, plant and equipment	11	17,087	19,907
Non-current financial assets	12	1,221	716
Deferred tax assets	9	18,083	18,252
Other non-current assets	13	8,274	2,298
TOTAL NON-CURRENT ASSETS		**129,990**	**129,804**
CURRENT ASSETS			
Inventories	14	40,128	55,314
Trade receivables and related accounts	15	138,505	118,997
Current tax receivables and other current assets	16	5,028	4,501
Derivative financial instruments	21	301	
Short-term investments	20	56,457	
Cash and cash equivalents	20	52,754	36,192
Assets held for sale	17	9,238	
TOTAL CURRENT ASSETS		**302,410**	**215,004**
TOTAL ASSETS		**432,401**	**344,808**

(*) Published figures restated to reflect IFRS adjustments (cf. Note 31).

SHAREHOLDERS' EQUITY AND LIABILITIES

(in thousands of euros)	Notes	2005	2004 (*)
EQUITY	18		
Share capital		29,924	29,803
Share premium account		85,924	84,841
Retained earnings and other reserves		(20,331)	15,826
Translation differences		5,805	(255)
EQUITY ATTRIBUTABLE TO INGENICO SA SHAREHOLDERS		**101,321**	**130,215**
MINORITY INTERESTS		**9**	**34**
TOTAL EQUITY		**101,330**	**130,249**
LIABILITIES			
Borrowings and long-term debt	20	134,045	18,448
Provisions for retirement benefit obligations	22	8,091	7,844
Other non-current provisions	23	5,415	2,754
Deferred tax liabilities	9	804	462
Other non-current liabilities		837	
TOTAL NON-CURRENT LIABILITIES		**149,191**	**29,509**
CURRENT LIABILITIES			
Short-term borrowings	20	40,963	59,226
Current provisions	23	7,287	3,103
Trade payables and related accounts	24	100,223	99,299
Income tax expense	25	1,322	2,605
Other liabilities	26	29,631	20,817
Liabilities held for sale	27	2,454	
TOTAL CURRENT LIABILITIES		**181,879**	**185,050**
TOTAL LIABILITIES		**331,070**	**214,559**
TOTAL EQUITY AND LIABILITIES		**432,401**	**344,808**

(*) Published figures restated to reflect IFRS adjustments (cf. Note 31).

CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

(in thousands of euros)	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss)	(40,137)	2,605
Adjustments for:		
• Share of profits of associates		23
• Income tax expense	2,502	4,584
• Depreciation, amortization and provisions	23,150	12,337
• Gains/(losses) on disposal of assets	(5,205)	475
• Net interest expense	5,047	2,742
• Share-based payment	2,825	2,199
• Interest paid	(7,376)	(3,050)
• Income tax paid	(5,112)	(4,661)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE WORKING CAPITAL REQUIREMENTS	**(24,306)**	**17,254**
Change in working capital requirements		
Inventory	17,318	(17,738)
Short-term receivables	(18,634)	(18,764)
Short-term payables	2,722	24,134
NET CASH FLOW FROM OPERATING ACTIVITIES	**(22,900)**	**4,886**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets	(14,574)	(18,149)
Gains on disposals of assets	9,055	397
Acquisition of subsidiaries, net of cash acquired	(2,559)	(5,961)
Changes in short-term investments	(56,457)	
Loans and advances granted	(934)	(342)
Loan repayments received	516	139
Interest received	1,579	474
Changes in short-term investments	(323)	(737)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(63,697)**	**(24,179)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	248	1,202
Purchase of own shares	(1,901)	(984)
Issuance of debt	122,115	3,774
Repayment of debt	(36,224)	(18,579)
Changes in other financial liabilities	28,000	12,000
Payment of cash dividends	(2,590)	(3,422)
NET CASH FLOW FROM FINANCING ACTIVITIES	**109,648**	**(6,009)**
Effect of changes in exchange rates	2,498	625
Cash equivalents reclassified as “Assets held for sale” (in 2005)	(2,056)	297
CHANGE IN CASH AND CASH EQUIVALENTS	**23,493**	**(24,380)**
Cash and cash equivalents at beginning of period	7,598	31,978
Cash and cash equivalents at end of period [1]	31,091	7,598

(1) Cash and cash equivalents		
• UCITS (only portion readily convertible into cash)	26,016	2,907
• Cash on hand	26,996	33,350
• Demand deposits	(21,920)	(28,659)
Total cash and cash equivalents	31,091	7,598
• UCITS (portion qualifying as short-term investments)	56,457	
Total cash, cash equivalents and short-term investments	87,548	7,598

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

	Share capital	Share premium	Translation differences	Effective portion of hedging instruments	Treasury shares	Retained earnings and other reserves	Total conso-lidated equity
BALANCE AT JANUARY 1, 2004	**29,654**	**93,883**				**7,484**	**131,021**
Dividends paid to shareholders [1]						(2,372)	(2,372)
Purchase of treasury shares [2]					(1,804)		(1 804)
Share-based payment [3]	149	1,031				2,193	3,373
Total gain/loss recognized for the period			(256)			1,360	1,104
Other [4]		(10,073)				8,967	(1,106)
BALANCE AT DECEMBER 31, 2004	**29,803**	**84,841**	**(256)**		**(1,804)**	**17,632**	**130,215**
Dividends paid to shareholders [1]	32	931				(3,553)	(2,590)
Purchase of treasury shares [2]					(2,072)		(2,072)
Share-based payments [3]	89	152				2,825	3,066
Equity component of OCEANE, net of tax [5]						6,964	6,964
Total gain/loss recognized for the period			6,061	166		(40,494)	(34,268)
Other						6	6
BALANCE AT DECEMBER 31, 2005	**29,924**	**85,924**	**5,805**	**166**	**(3,877)**	**(16,620)**	**101,321**

(1) Dividend payout:
- €2,372,000 in 2004 (annual meeting held on April 20, 2004). Payout on July 2, 2004.
- €3,553,000 in 2005 (annual meeting held on April 19, 2005). Payout on July 4, 2005.
- The increase in share capital (€32,000) and share premium (€931,000) reflects the issue of 88,695 new shares for the benefit of shareholders who exercised the option to receive dividends in shares offered by the shareholders at the Ordinary and Extraordinary Meeting of Shareholders held on April 19, 2005.

(2) The decrease in this account reflects the retirement of treasury shares held by the company. At December 31, 2005, the company owned 319,310 treasury shares acquired by virtue of the authorizations granted at each shareholders' meeting.

(3) Share-based payment:
- The increase in retained earnings reflects the fair value of options and free shares granted and recognized each year as "Administrative expenses" and "Other operating income and expenses."
- The increase in share capital and share premium reflects the exercise of share subscription options.

(4) In the figures for 2004, the translation adjustment (– €1,050,000) on dividends paid in 2004 was included in equity, due to the fact that on the first IFRS opening balance sheet, translation adjustments were reclassified to retained earnings and other reserves.

(5) Reflects the value, net of tax, of the equity component of "OCEANE" convertible bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1/ THE COMPANY

The preceding consolidated financial statements present the financial position of the company INGENICO and its subsidiaries (together referred to as "the Group"), as well as the Group's share of the profits of associated companies and joint ventures. INGENICO is a publicly listed company incorporated under French law, with its registered office in Neuilly.
The consolidated financial statements were approved by the Board of Directors on March 15, 2006.

2/ ACCOUNTING PRINCIPLES AND METHODS

In compliance with European Regulation No. 1606-2002 of July 19, 2002, the consolidated financial statements for fiscal year 2005 were drawn up in accordance with IFRS, as adopted by the European Union on December 31, 2005. The Company applied the revised version of IAS 19, which allows actuarial gains and losses to be recognized in equity.

Certain standards and interpretations adopted by the IASB or the IFRIC (International Financial Reporting Interpretations Committee) and by the European Union on December 31, 2005 were not applied in advance. The most important one was IFRIC 4, Determining Whether an Arrangement Contains a Lease, which came into effect on January 1, 2006. The likely impact of applying IFRIC 4 to Company accounts is currently being analyzed and estimated.

Those standards and interpretations adopted by the IASB or the IFRIC (International Financial Reporting Interpretations Committee) but not yet adopted by the European Union at December 31, 2005 were not applied in advance. Chief among them were IFRS 7, Financial Instruments, and the amendment to IAS 1 (Presentation of Financial Statements) on capital disclosures.

The financial statements for fiscal year 2005 are the first complete set of IFRS-compliant financial statements published by the Group. To facilitate comparison, they include the income statement for 2004 and the balance sheet at December 31, 2004, whereas the January 2004 opening balance sheet was drawn up in accordance with the provision in IFRS 1, First-time Adoption of IFRS.

Note 31, "Effect of IFRS adoption on the 2004 financial statements," describes in detail the principles used in drawing up the January 2004 opening balance sheet, providing extensive figures regarding the impact of the new standards on the various balance sheet items at January 1, 2004 and at December 31, 2004, as well as on the 2004 income statement.

The main accounting principles applied by the Group are as follows:

Preparation

The financial statements are presented in euros, rounded to the nearest thousand.

They were prepared on a historical cost basis, except for the following assets and liabilities, stated at fair value: derivative financial instruments and financial instruments held for trading. Non-current assets and assets held for sale are recognized at either their carrying amount or their fair value less costs to sell, whichever is lower.

In preparing these financial statements, Group management was led to make use of assumptions and estimates affecting both the assets and liabilities recorded on the balance sheet, and the income and expenses in the income statement. Actual results may differ materially from the estimates and assumptions. Such differences chiefly arise on asset impairment tests and estimated provisions.
The accounting methods set forth below were consistently applied to all the reporting periods presented in the consolidated financial statements and used in preparing the IFRS-compliant opening balance sheet at January 1, 2004 to facilitate the transition to IFRS.
These accounting methods were uniformly applied by all Group entities.

Principles of consolidation

Subsidiaries

A subsidiary is an entity controlled by the Company. Control may be defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights that are currently exercisable or convertible are taken into account in assessing control.
The financial statements of all subsidiaries are combined into the consolidated financial statements from the date at which the Company achieves control until the date at which this control ceases.

Associates

An associate is an entity over whose financial and operating policies the Company has significant influence, without having control over them. The consolidated financial statements include the Group's share of the total profit or loss of all associates, using the equity method, from the date at which the Company

gains significant influence until the date at which this influence ceases.
If the Group's share of the losses of an associate exceeds the carrying amount of its equity investment in the associate, the carrying amount is reduced to nil, and the Group ceases to recognize its share of any subsequent losses, unless the Group has a legal or implicit obligation to share of the associate's losses or make payments for the benefit of the associate.

Joint ventures

A joint venture is a contractual agreement whereby the Group and one or more other parties undertake an economic activity that is subject to joint control. The consolidated financial statements include the Group's share of the assets, liabilities, income and expenses, classified line by line with the similar items it its own financial statements, from the date at which it acquires joint control until the date at which this joint control ceases.

Transactions eliminated in the consolidated financial statements

Intragroup balances, transactions, income and expenses are eliminated in full in the consolidated financial statements.
Unrealized gains on transactions with associates are eliminated to the extent of the Group's investment in the associate. Unrealized losses are eliminated in the same fashion, except in the case of impairment losses.

Transactions in foreign currency

Revenues and expenses denominated in foreign currency are recorded at the euro equivalent on the date of transaction. Foreign currency monetary items are translated on the balance sheet at closing exchange rates. Any resulting unrealized exchange gains or losses are recognized in the income statement. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the value was determined.

Translation of financial statements expressed in foreign currency

The consolidated financial statements of the Group are denominated in euros.
Assets and liabilities of foreign subsidiaries, including purchased goodwill and fair value adjustments arising on consolidation in the case of acquisitions subsequent to January 1, 2004, are translated into euros at the closing exchange rate on the balance sheet date, except for shareholders' equity, which is stated at historical cost. Income and expenses for foreign subsidiaries are translated into euros at the average rates for the period. All resulting exchange differences are recognized as a separate component of equity known as "Translation differences."

Goodwill arising on consolidation of foreign companies acquired prior to January 1, 2004, the IFRS changeover date, has been translated into euros at the exchange rates current at the relevant acquisition dates and maintained at that value (cf. Note 31).

The conversion rates for the main currencies used by the Group in fiscal years 2004 and 2005 are as follows:

Closing rate	2004	2005
U.S. dollar	1.3621	1.1797
Canadian dollar	1.6416	1.3725
Australian dollar	1.7459	1.6109
British pound	0.7051	0.6853

Average rate	2004	2005
U.S. dollar	1.2433	1.2448
Canadian dollar	1.6170	1.5097
Australian dollar	1.6893	1.6326
British pound	0.6736	0.6839

Translation differences recorded on foreign operations prior to January 1, 2004, the IFRS changeover date, have been reclassified to "Retained earnings and other reserves" (cf. Note 31).

Hedging

Cash flow hedges

When a derivative financial instrument is designated as a hedging instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item or a highly probable forecast transaction, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in equity. The ineffective portion of any gain or loss is immediately recognized in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or if a forecast transaction involving a non-financial asset or a non-financial liability becomes a firm commitment to which fair value hedge accounting is applied, the associated cumulative gain or loss recognized in equity is removed and included in the initial cost or any other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss for the same period or periods during which the asset or liability affects profit or loss.

When the hedging instrument expires or is sold, terminated or exercised, or when the Group revokes the designation of the hedging relationship, but still expects the forecast transaction to occur, the cumulative gain or loss at that date remains in equity and is accounted for when the transaction occurs, using the method previously described. When the Group no longer expects the hedged transaction to occur, the unrealized cumulative gain or loss that was recognized in equity is immediately recognized in profit or loss.

Hedging monetary items

When a derivative financial instrument is used to hedge foreign currency risk on a recognized monetary asset or liability, hedge accounting is not applied and the gains or losses on the hedging instrument are recognized in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign exchange and interest rate exposure arising from its operating, financing and investing activities.
Derivative instruments that do not meet hedge accounting criteria are recognized as speculative instruments. As such, they are measured at fair value, and any gain or loss from remeasuring the instruments at fair value is immediately recognized in profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the counterparty to the swap. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, i.e. the present value of the quoted forward price.

Property, plant and equipment

Assets owned by the Group

Property, plant, and equipment, including investment property, is carried at cost, less any accumulated depreciation and impairment losses. The cost of a self-constructed asset includes the cost of raw materials and direct labor, along with an appropriate share of production overhead costs.
When components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The replacement cost of a component is immediately capitalized under property, plant and equipment if it is probable that the future economic benefits arising from the asset will flow to the Group and its cost can be reliably measured. All routine maintenance and repair costs are expensed as incurred.

Finance leases

Leases that transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. This requires a restatement so that the value of the leased property is recognized as an asset while the corresponding financial debt is recognized as a liability. The property, plant and equipment is depreciated over its useful life.

Depreciation

Depreciation is computed by using the straight-line method, depending on the estimated useful life of each type of item.

Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 years
Facilities	5 - 10 years
Equipment	3 - 4 years
Vehicles	5 years
Dies	4 years
Furniture, fixtures, office and computer equipment	3 - 10 years

Intangible assets

Goodwill

All business combinations are accounted for using the acquisition method.
Goodwill arises from the acquisition of subsidiaries, associates and joint ventures and represents the difference between the cost of acquisition and the fair value of the identifiable net assets acquired.
The classification and accounting treatment of business combinations that occurred prior to January 1, 2004, has not been modified in preparing the Group's opening IFRS balance sheet at January 1, 2004 (cf. Note 31).
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is

not amortized, but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.
Negative goodwill is recognized immediately in the income statement.

Research and development

Research costs are expensed as incurred.
The costs of development activities, i.e. costs related to the application of research findings to a plan or design for the production of new or substantially improved products or processes, is capitalized if the Group can demonstrate, in particular, that the product or process is technically and commercially feasible and the that sufficient resources are available to complete the development.
Such capitalized costs include the cost of materials and direct labor, plus an appropriate share of production overhead costs.
Other development costs are expensed as incurred.
Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

Other intangible assets

Licenses, software and user rights acquired with full ownership rights, as well as software developed for internal use, that have a positive, lasting and measurable impact on future results are capitalized and amortized over three to five years. Other intangible assets are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditure

Subsequent expenditure related to intangible assets is only capitalized when it increases the future economic benefits of the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization

The straight-line method is used to amortize intangible assets over their estimated useful lives, unless such lives are indefinite. Goodwill and intangible assets under development are systematically tested for impairment at each balance sheet date. Other intangible assets are amortized from the date they are available for use.

The estimated useful lives are as follows:

Capitalized development costs	3 à 5 years
Licenses	3 years
Other intangible assets	5 years

Trade receivables

Trade and related receivables are recognized initially at fair value and subsequently measured at amortized cost less any impairment losses.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs to sell.

The cost of inventories is determined using the weighted average cost method and includes the costs incurred to acquire the inventories and bring them to their existing location and condition.

Short-term investments

Financial instruments classified as short-term investments are measured at fair value. Any gain or loss arising from the investment is recognized in the income statement.
UCITS that do not meet the requirements set forth in IAS 7 are classified as short-term investments.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits. It also includes UCITS that meet the requirements set forth in IAS 7.
Bank overdrafts repayable on demand, which form an integral part of the Group's cash management strategy, are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Impairment of assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication that an asset may be impaired. If such indication exists, the asset's recoverable amount is estimated.
For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.
An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

An impairment loss recognized in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the unit's other assets on a pro-rata basis, based on the carrying amount of each asset in the unit.

Calculation of recoverable amount

The recoverable amount of the Group's held-to-maturity short-term investments and receivables measured at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate inherent in the asset. Short-term receivables are not discounted.
The recoverable amount of all other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to each asset. If an asset does not generate cash inflows that are largely independent, recoverable value is calculated for the cash-generating unit to which the asset belongs.

Impairment losses

A goodwill impairment loss cannot be reversed once it has been recognized.
An impairment loss recognized in respect of other assets can be reversed if there has been a change in the estimates used to determine the recoverable amount.
The increased carrying amount of an asset due to the reversal of an impairment loss must not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized.
Goodwill and intangible assets with indefinite useful lives were tested on January 1, 2004, the IFRS transition date, even in the absence of any indication that these assets may have been impaired.

Share capital

Treasury shares

Shares repurchased by INGENICO are classified as treasury shares, and their acquisition price is deducted from shareholders' equity.

Dividends

Dividends are recognized as a liability in the period in which they are approved.

Net debt

Net debt is calculated as short-term and long-term financial liabilities less cash and cash equivalents, short-term investments, as well as derivative instruments to the extent that they relate to underlying items included in net financial liabilities.

Compound financial instruments

Convertible bonds that can be converted into shares at the option of the holder, where the number of the shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. The value of the equity component of convertible bonds is calculated as the issue proceeds less the present value of the future interest and principal payments, discounted at the prevailing market rate for a similar liability that does not have an associated equity component. The interest expense recognized in the income statement is calculated using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less any attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost; any difference between cost and redemption value is recognized in the income statement over the term of the borrowings, using the effective interest method.

Employee benefits

Defined contribution plans

Payments to defined contribution plans are expensed as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is measured separately for each plan by estimating the amount of future benefits earned by employees in return for services rendered in the current and prior years; this amount is discounted to determine its present value, deducting the fair value of any plan assets. The discount rate applied is the yield at balance sheet date on government bonds that have maturity dates

approximating the terms of the Group's obligations. Calculations are performed by independent actuaries using the projected unit credit method.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees expensed using the straight-line method over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.
INGENICO applies the revised version of IAS 19. Consequently, all actuarial gains and losses are recognized in equity.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits other than retirement plans is the amount of future benefits earned by employees in return for services rendered in current and prior years. The amount of the obligation is determined using the projected unit credit method.
This amount is discounted to determine its present value, deducting the fair value of any plan assets. The discount rate applied is the yield at balance sheet date on government bonds that have maturity dates approximating the terms of the Group's obligations.

Share-based payment

The INGENICO stock option program makes it possible for Group employees to acquire Company shares. The fair value of the options and free shares granted is recognized in payroll costs, with a corresponding increase in equity. Fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions under which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of options vested.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Restructuring

A provision for restructuring is recognized when the Group has approved a formal and detailed restructuring plan and has:
- either commenced the restructuring;
- or has announced the plan publicly.

Future operating costs are not provided for.

Warranties

A provision for warranties is recognized when the underlying products or services are sold.
The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Onerous contracts

A provision for onerous contracts is recognized when the expected economic benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Trade and related payables

Trade and related payables are recognized initially at fair value and subsequently measured at amortized cost.

Revenue

Sale of goods and services

Revenues from the sale of goods are recognized in the income statement when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenues from services rendered are recognized in the income statement in proportion to the stage of completion of the service at the balance sheet date. The stage of completion is assessed based on work performed. No revenue is recognized if there is significant uncertainty regarding (I) the recoverability of the consideration due, (II) the costs associated with the service that have been incurred or are to be incurred, or (III) the possible return of goods in the event of cancellation of the purchase, or when the Group has continuing management involvement with the goods.

Construction contracts

When the outcome of a construction contract can be reliably estimated, contract revenue and costs are recognized in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed based on work performed. Expected losses are immediately recognized in the income statement.

Interest income

Interest income is recognized in the income statement on a time proportion basis that takes into account the effective yield.

Expenses

Operating lease payments

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Finance lease payments

Minimum finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other operating income and expenses

Other operating income and expenses include non-recurring income or expenses, such as goodwill impairment, gains or losses on disposal of consolidated subsidiaries or businesses, restructuring charges approved by management and publicly announced, non-recurring litigation expenses and asset impairment.

Net finance costs

Net finance costs include interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, and other dividend income.
Interest income is recognized in the income statement as it accrues, using the effective interest method.
Dividend income is recognized in the income statement on the date the Group's right to receive payment is established, or, for listed securities, the ex-dividend date.
The interest expense component of finance lease payments is recognized using the effective interest method.

Other financial income and expenses

Other financial income and expenses mainly consists of foreign exchange gains and losses.

Income tax

Income tax liabilities or assets include current tax liabilities or assets and deferred tax liabilities or assets.
Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is also recognized in equity.
Current tax is (I) the expected tax payable on taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and (II) any adjustment to the amount of current tax payable in respect of previous periods.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
No deferred tax is recognized for the following: (I) goodwill not deductible for tax purposes and (II) temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The measurement of deferred tax assets and liabilities depends on the manner in which the Group expects to recover or settle the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to the Group against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Segment reporting

A segment is a distinct component of the Group that is engaged in providing products or services within a particular economic environment (geographical segment) and is exposed to risks and rewards that are different from those of other segments.

During the fiscal years presented here, the Group operated principally in the business segment of payment terminal sales. As a result, only geographical entities can be considered profit centers offering detailed performance measurements that make segment reporting possible.

Costs incurred at Group level on behalf of geographical segments are allocated to the various segments. These costs, which relate to the operational activity of segments, are directly attributed to the relevant segment or allocated on a reasonable basis. They only unallocated items are head-office expenses. Inter-segment transfers are priced at competitive market prices.

Non-current assets held for sale and discontinued operations

Non-current assets and groups of assets held for sale are recognized at either their carrying amount or their fair value less costs to sell, whichever is lower.

Impairment losses arising from the classification of an asset as held for sale are recognized in the income statement, as are any gains and losses arising on subsequent measurement. The recognized gain may not exceed the accumulated recognized impairment losses.

A discontinued operation is a component of the Group's economic activity that represents a separate major line of business or geographical area or is a subsidiary acquired exclusively for resale.
Classification as a discontinued operation occurs at the time of disposal or at an earlier date if the operation meets the criteria for classification as held for sale. A disposal group may also meet the criteria for classification as a discontinued operation.

3/ BASIS OF CONSOLIDATION

Corporate name	Address	Country	% held INGENICO S.A.	Accounting method
PARENT COMPANY				
INGENICO S.A.	192, avenue Charles de Gaulle 92200 Neuilly sur Seine Cedex	France		
CONSOLIDATED SUBSIDIARIES				
IDS SOFRACIN S.A.	192, avenue Charles de Gaulle 92200 Neuilly sur Seine Cedex	France	99.94%	FC
DSI INTERNATIONAL S.A.	192, avenue Charles de Gaulle 92200 Neuilly sur Seine Cedex	France	98.69%	FC
SCI DU 5 PARC FLORAL	192, avenue Charles de Gaulle 92200 Neuilly sur Seine Cedex	France	100.00%	FC
LEXEM S.A.	192, avenue Charles de Gaulle 92200 Neuilly sur Seine Cedex	France	100.00%	FC
INGENICO GmbH	Barkhausenweg 11 - 22339 Hamburg *Along with its wholly owned subsidiary EPOS EFT/POS Service GmbH*	Germany	100.00%	FC
INGENICO INTERNATIONAL (PACIFIC) PTY Ltd	6 Prosperity Parade - Warriewood NSW 2102 *Along with its wholly owned subsidiaries Europa Ltd, INGENICO Singapore, INGENICO Japan, and INGENICO New Zealand*	Australia	99.75%	FC
INGENICO UK	Ridge Way - Donibristle Industrial Estate Dalgety Bay - Dunfermline - FIFE JY11 5JU - Écosse *Along with its wholly owned subsidiary INGENICO Ireland*	UK	100.00%	FC
INGENICO TRANSACTION SYSTEMS Ltd	Systems House, Station Approach Emsworth, Hampshire PO 10 7PW	UK	100.00%	FC
INGENICO IBERIA SL	C/ Doctor Zamenhof, 38 - 28027 Madrid *Along with its subsidiary INGENICO Barcelona S.A., 99.99% stake*	Spain	100.00%	FC
INGENICO CORP	1003 Mansell Road, Roswell, Georgia 30076 *Along with its American and Canadian subsidiaries, all wholly owned*	USA	100.00%	FC
INGENICO IVI INC	9155 South Date Land Blvd Suite 1408 Miami Florida 33156 *Along with its wholly owned subsidiary in Mexico*	USA	100,00%	FC
INGENICO DO BRASIL LTDA	Rua Tomé de Souza, 15-8 floor Sao Bernardo do Campo - Sao Paulo *Along with its wholly owned subsidiaries in Argentina and Chile*	Brazil	100.00%	FC
INGENICO ITALIA SpA	Via Stephenson 43/a - 20157 Milano *Along with its wholly owned subsidiary EPOS Italy SpA*	Italy	100.00%	FC
INGENICO AB	Fagelviksvagen 9 - 14584 Stockholm	Sweden	100.00%	FC
INGENICO BV	Bogert 31 - 5612 LX Eindoven	Netherlands	100.00%	FC
INGENICO ELECTRONIC EQUIPMENT CO Ltd	7 A Huajiadi, Chaoyang district 100015 Beijing	China	100.00%	FC
INGENICO KOREA	Dasha Building 508 - Yeseido-Dong 14-11 - 150-715 Yeoungdungpo-gu - Seoul	Korea	50.00%	PC
XA	Route du Crochet 7, CH-1762 Givisiez	Switzerland	51.00%	FC
INGENICO HUNGARY	Big U. 3-5, 1022 Budapest	Hungary	100.00%	FC
INGENICO EASTERN EUROPE I SARL	10 Bld Royal - 2449 Luxembourg *Along with its wholly owned subsidiary INGENICO Polska*	Luxembourg	100.00%	FC

4/ ACQUISITIONS AND DIVESTITURES

Acquisitions

XA

Goodwill of €1 million (cf. Note 10) was recorded on the acquisition of a stake in XA.
On February 17, 2005, INGENICO acquired a 51-percent interest in the company XA for €1,040,000.
INGENICO has made a commitment to purchase an additional 19-percent stake in 2008, for a variable amount based on EBIT in 2007. INGENICO's commitment in respect of this supplementary outlay is disclosed in Note 28, "Off-balance-sheet commitments."
XA's minority shareholders have a put option to sell 30 percent of XA shares. They may exercise the option in 2009-2010, at a price to be determined based on the company's performance the year prior to the exercise. INGENICO's commitment to purchase these shares if the option is exercised is indicated in "Off-balance-sheet commitments."

South Korea

In 2005, INGENICO entered into a joint venture agreement with GCP Holdings Ltd. to gain a foothold in the Korean market. INGENICO owns a 50-percent stake in the joint venture, which is proportionately consolidated.

INGENICO Electronic Equipment

In July 2005, INGENICO raised its stake in the share capital of INGENICO Electronic Equipment Co. Ltd. (Chine) from 25 to 100 percent.
Goodwill was increased to €4.2 million following this acquisition to reflect an additional €1.5 million payment based on revenues of the next three years.

EPOS ITALIA

In the fourth quarter of 2005, INGENICO Italia acquired all minority shareholdings in the subsidiary INGENICO EPOS ITALIA, which is now wholly owned.

Divestitures

No subsidiaries were disposed of in 2005.

5/ SEGMENT INFORMATION

The primary criterion – by geographical location of operations – reflects the Group's management structure.

At December 31, 2005, the Group monitored its activity according to the following six principal regions:

- Northern Europe (Germany, United Kingdom, etc.)
- Southern Europe (France, Spain, Italy, etc.)
- Asia-Pacific
- North America (United States, Canada, etc.)
- Latin America
- Central and Eastern Europe, Middle East, Africa and India.

Breakdown of segment profit or loss

At December 31, 2005, segment profit or loss broke down as follows:

(in thousands of euros	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Unalloc. (*)	Elim.	Consol.
External revenue	110,396	147,726	24,974	90,118	62,069	1,656			436,939
Inter-segment revenue	1,200	117,808	951	3,136	2,305			(125,401)	
TOTAL REVENUE	**111,597**	**265,534**	**25,925**	**93,254**	**64,374**	**1,656**		**(125,401)**	**436,939**
Profit from ordinary activities	4,755	9,003	(6,368)	(3,173)	6,396	(1,028)	(1,335)		8,249
Profit from operations	(1,468)	(12,363)	(11,813)	(9,436)	6,396	(1,032)	(4,652)		(34,368)
Total finance costs									(3,267)
Share of profits or losses of associates accounted for using the equity method									
Income tax									(2,502)
CONSOLIDATED NET PROFIT/LOSS									**(40,137)**
ATTRIBUTABLE TO INGENICO SHAREHOLDERS									**(40,131)**
Revenue by location of customers is as follows:									
External revenue	110,683	106,820	25,043	90,159	62,321	41,913			436,939

At December 31, 2004, segment profits or losses are broken down as follows:

(in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Unalloc. (*)	Elim.	Consol.
External revenue	111,573	119,765	33,869	106,272	55,917				427,395
Inter-segment revenue	1,681	121,861	3,143	402	1,506			(128,593)	
TOTAL REVENUE	**113,254**	**241,626**	**37,012**	**106 674**	**57 422**			**(128,593)**	**427,395**
Profit from ordinary activities	6,592	(7,393)	(147)	10,102	7,482		(966)		15,669
Profit from operations	5,158	(5,729)	(917)	7,698	8,212		(2,649)		11,773
Total finance costs									(5,282)
Share of profits or losses of associates accounted for using the equity method									(23)
Income tax									(3,862)
CONSOLIDATED NET PROFIT/LOSS									**2,607**
ATTRIBUTABLE TO INGENICO SHAREHOLDERS									**2,604**
Revenue by location of customers is as follows:									
External revenue	115,069	89,976	35,227	106,567	56,276	24,280			427,395

Breakdown of depreciation and amortization expense and expenses with no impact on cash flow

Depreciation and amortization expense and expenses with no impact on cash flow are broken down as follows at December 31, 2005:

(in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Unalloc. (*)	Consol.
Depreciation and amortization expense	2,830	6,404	3,745	2,653	870	37		16,538
Additions to provisions net of reversals	3,935	6,062		(573)		13		9,437

Depreciation and amortization expense and expenses with no impact on cash flow are broken down as follows at December 31, 2004:

(in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Unalloc. (*)	Consol.
Depreciation and amortization expense	2,462	5,653	1,144	4,990	560			14,810
Additions to provisions net of reversals	87	541		(901)				(273)

Breakdown of segment assets and liabilities

Segment assets and liabilities are broken down as follows at December 31, 2005:

BREAKDOWN OF SEGMENT ASSETS AND LIABILITIES (in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Consol.
External segment assets	46,697	136,020	26,565	100,383	29,719	5,036	344,420
Deferred tax assets							18,083
Current tax assets							2,681
Financial receivables							57,678
Derivative instruments							301
Assets held for sale							9,238
TOTAL ASSETS	**46,697**	**136,020**	**26,565**	**100,383**	**29,719**	**5,036**	**432,401**
External segment liabilities	39,416	28,893	37,994	19,150	20,726	5,304	151,483
Consolidated equity							101,330
Deferred tax liabilities							804
Current tax liabilities							1,322
Financial liabilities							175,007
Liabilities held for sale							2,454
TOTAL LIABILITIES	**39,416**	**28,893**	**37,994**	**19,150**	**20,726**	**5,304**	**432,401**

Segment assets and liabilities are broken down as follows at December 31, 2004:

BREAKDOWN OF SEGMENT ASSETS AND LIABILITIES (in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Consol.
External segment assets	60,789	118,955	28,946	97,940	16,566		323,195
Deferred tax assets							18,252
Current tax assets							2,644
Financial receivables							717
Derivative instruments							
Assets held for sale							
TOTAL ASSETS	**60,789**	**118,955**	**28,946**	**97,940**	**16,566**		**344,808**
External segment liabilities	44,346	32,111	29,655	16,147	11,559		133,818
Consolidated equity							130,249
Deferred tax liabilities							462
Current tax liabilities							2,605
Financial liabilities							77,674
Liabilities held for sale							
TOTAL LIABILITIES	**44,346**	**32,111**	**29,655**	**16,147**	**11,559**		**344,808**

Breakdown of acquisition costs for property, plant and equipment and intangible assets

Acquisition costs for property, plant and equipment and intangible assets are broken down as follows:

(in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	Latin America	CEMEA	Unalloc. (*)	Consol.
Fiscal year 2005	1,991	7,629	329	1,943	1,098	1,584		14,574
Fiscal year 2004	2,111	10,095	440	4,675	828			18,149

(*) Unallocated items are head-office costs not assigned to geographical segments.

6/ COSTS BY FUNCTION AND OTHER EXPENSES IN 2005

Personnel costs are broken down as follows:

(in thousands of euros)	
Wages and salaries	69,065
Social security contributions	21,172
Retirement and other defined-benefit plan expenses	404
Provisions for termination benefits	(695)
Stock options	3,161
TOTAL	**93,107**

Depreciation and amortization expense is provided in Note 5.

7/ OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include:

(in thousands of euros)	2005	2004
Restructuring charges	(9,293)	(2,263)
Litigation expenses and costs related to quality issues	(24,190)	(86)
Impact of applying the new inventory depreciation method	(8,837)	
Gains/(losses) on disposal of assets	4,659	(317)
Goodwill impairment	(4,221)	(1,488)
Impairment of other plant, property and equipment or intangible assets	(918)	(57)
Other	183	315
TOTAL	**(42,617)**	**(3,896)**

The non-recurring net expense of €42.6 million for 2005 is mainly due to:

- A change in the method used to calculate provisions for inventories (– €8.8 million). The new method more accurately reflects the accelerated life cycle of products subject to ongoing innovation.
- An expense reflecting all the identified costs associated with an engineering problem that mainly related to one specific customer and the widespread deployment of a new product (– €14.7 million).
- €8.9 million in legal expenses corresponding to an exceptional lawsuit resolved in the United States, and to provisions for lawsuits in progress in France and in Portugal.
- Restructuring charges totaling €9.3 million related to the plan of action defined by the new senior managment team in June 2005.
- Impairment losses on goodwill totaling €4.2 million.
- Capital gains on the disposal of plant, property and equipment (+ €4.6 million) from the sale of buildings and land located in Barcelona, Spain, and Orléans, France.

8/ NET FINANCE COSTS

Net finance costs are broken down as follows:

(in thousands of euros)	2005	2004
Interest expense on convertible bonds	(2,532)	
Other interest expense	(2,950)	(2,916)
GROSS BORROWING COSTS	**(5,482)**	**(2,916)**
Income from cash and cash equivalents	1,270	54
NET FINANCING COSTS	**(4,211)**	**(2,862)**
Other financial income	5,084	3,025
Other financial expenses	(4,140)	(5,445)
TOTAL FINANCE COSTS	**(3,267)**	**(5,282)**

For 2005, net financing costs include:
- €2,532,000 related to contractual and notional interest on OCEANE-type bonds.
- €2,950,000, chiefly reflecting interest on medium-term borrowings in France.

Income from cash and cash equivalents consists of income from cash equivalents and short-term investments.

Other financial income and expenses mainly consists of a net foreign exchange gain of €1,234,000.

9/ INCOME TAX

Income tax expense on the earnings of consolidated companies

Income tax expense is broken down as follows:

(in thousands of euros)	2005	2004
Income tax expense for the period	(4,303)	(4,653)
Deferred tax	1,800	791
TOTAL	**(2,502)**	**(3,862)**

In 2005, income tax expense for the period mainly reflects tax payable in Latin America, Italy and the United Kingdom.

Group proof of tax

Corporate income tax is calculated by applying the effective tax rate at the balance sheet date to profit or loss before income taxes at December 31, 2005. In France, deferred income tax is calculated using the latest enacted tax rate, which is 34.43 percent for 2006 onward.
The following table shows a reconciliation of prima facie tax expense calculated at the applicable rate and the recognized income tax expense. The reconciling items reflect the effect of tax rate differentials and changes as well as that of non-taxable benefits or non-deductible expenses arising from permanent differences between local tax bases and the financial statements presented under IFRS.

Reconciliation between total tax expense and profit before income taxes

(in thousands of euros)	2005	2004
Net profit/(loss) for the period	(40,137)	2,608
Corporate income tax	(2,502)	(3,862)
Profit/(loss) before income taxes	(37,635)	6,470
Tax rate - France	34.43%	34.93%
Prima facie tx expense	12,958	(2,260)
Difference between the French tax rate and that of foreign subsidiaries	(820)	338
Unused loss carry-forwards for the period (*)	(14,287)	(2,822)
Use of non-capitalized loss carryforwards	1,069	2,182
Effect of permanent differences	(1,412)	(738)
Other	(10)	(562)
TOTAL TAX EXPENSE	**(2,502)**	**(3,862)**

(*) Chiefly reflects unrecognized tax losses in France and the Asia-Pacific region.

Deferred taxes recognized in the balance sheet

Breakdown by recovery or settlement date

(in thousands of euros)	2005	2004
DEFERRED TAX ASSETS		
Deferred tax assets recoverable in more than one year	18,083	18,252
Deferred tax assets recoverable in less than one year		
TOTAL DEFERRED TAX ASSETS AT DECEMBER 31ST	**18,083**	**18,252**
DEFERRED TAX LIABILITIES		
Deferred tax liabilities to be settled in more then one year	(804)	(462)
Deferred tax liabilities to be settled in less than one year		
TOTAL DEFERRED TAX LIABILITIES AT DECEMBER 31ST	**(804)**	**(462)**

Change in deferred taxes

(in thousands of euros)	Deferred tax assets from tax loss carryforwards	Deferred tax assets from temporary differences	Total deferred tax assets	Total deferred tax liabilities	Total deferred tax, net
AT JANUARY 1, 2004	**9,345**	**6,688**	**16,033**	**(48)**	**15,985**
Deferred tax recognized in the income statement	202	2,698	2,900	(2,109)	791
Deferred tax recognized in equity		558	558		558
Translation differences	(75)	(400)	(475)	25	(450)
Other changes	(548)	(216)	(764)	1,669	905
AT DECEMBER 31, 2004	**8,924**	**9,329**	**18,252**	**(462)**	**17,790**
Deferred tax recognized in the income statement	(3,526)	8,462	4,936	(3,136)	1,800
Deferred tax recognized in equity		(3,744)	(3,744)		(3,744)
Translation differences		1,266	1,266	160	1,426
Other changes		(2,627)	(2,627)	2,634	7
AT DECEMBER 31, 2005	**5,398**	**12,686**	**18,083**	**(804)**	**17,279**

Breakdown by type of temporary difference

(in thousands of euros)	2005	2004
DEFERRED TAX ASSETS BY TYPE OF TEMPORARY DIFFERENCE		
Property, plant and equipment	(1,960)	299
Intangible assets	1,840	(473)
Post-employment employee benefits	2,388	2,340
Inventories, receivables, payables and provisions	7,393	2,536
Unused tax losses and credits	11,274	13,376
Other (financial instruments)	(2,852)	174
TOTAL	**18,083**	**18,252**
DEFERRED TAX LIABILITIES BY TYPE OF TEMPORARY DIFFERENCE		
Property, plant and equipment		(64)
Intangible assets	(14)	(12)
Post-employment employee benefits		(70)
Inventories, receivables, payables and provisions	(762)	(296)
Unused tax losses and credits	(24)	(20)
Other (financial instruments)	(3)	
TOTAL	**(804)**	**(462)**
SHOWN AS FOLLOWS ON THE BALANCE SHEET		
Deferred tax assets	18,083	18,252
Deferred tax liabilities	(804)	(462)
TOTAL NET DEFERRED TAX	**17,279**	**17,790**

Breakdown of unrecognized deferred tax assets

(in thousands of euros)	2005	2004
Deferred tax from tax loss carry-forwards	32 696	17 340
Deferred tax from temporary differences		
TOTAL	**32 696**	**17 340**

10/ INTANGIBLE ASSETS

Goodwill

(in thousands of euros)	2005	2004
AT JANUARY 1ST	**69 989**	**67 536**
Investments	2 387	4 813
Disposals		
Impairment losses	(3 221)	(1 488)
Translation differences	307	(152)
Other	(4 049)	(720)
AT DECEMBER 31ST	**65 413**	**69 989**

Breakdown of goodwill

	2005			2004
(in thousands of euros)	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Net carrying amount
North America	57 477		57 477	57 477
ITS				4 049
Asia	4 228		4 228	3 228
INGENICO Italia	814	(96)	718	454
INGENICO Ireland Ltd	1 001	(131)	870	966
EUROPA Pty Ltd	4 594	(3 501)	1 093	3 815
XA	1 027		1 027	
TOTAL	**69 141**	**(3 728)**	**65 413**	**69 989**

The increase in goodwill is due to INGENICO's February 2005 acquisition of a stake in XA (Switzerland) for €1,027,000 and further investments in INGENICO Beijing (China) and EPOS (Italy) for €1,000,000 and €360,000, respectively.
Tests for impairment in the fourth quarter of 2005 led the Group to record goodwill impairment totaling €3,221,000, which is broken down as follows (in thousands of euros):

Europa	3,001
EPOS Italia SpA	96
INGENICO Ireland Ltd	124

In compliance with IFRS 5, goodwill from the company ITS was reclassified under "Assets held for sale," since the sale of this company was decided on and implemented by the Group in the second half of 2005 (cf. Note 17).

Goodwill impairment tests

INGENICO tested the net values of goodwill for impairment. This procedure, chiefly based on the after-tax discounted future cash flow method, consists of measuring the recoverable amount of each cash-generating unit. A cash-generating unit is a subsidiary or a geographical region in which the Group operates. Impairment tests are performed in the fourth quarter of each year using cash flow projections based on existing business forecasts, usually for a three-year period, including growth and profitability rates based on reasonable assumptions. A discount rate (based on the weighted average cost of capital) and a long-term growth rate for the period beyond three years are determined based on an analysis of the business segment in which the Group operates and used in all valuations of cash-generating units. Existing forecasts are based on both past experience and market growth outlook.

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

CASH-GENERATING UNITS	XA	North America	Asia	Europa	Ireland	Italy	Total
Carrying amount of goodwill (in thousands of euros)	1,027	57,477	4,228	1,093	870	718	65,413
Valuation method for the cash generating unit	Value-in-use						
Number of years over which cash flows are estimated	3 years						
Long-term growth rate	3%						
After-tax discount rate at December 31, 2005 (1)	10%						
After-tax discount rate at December 31, 2004 (1)	10%						

(1) The application of pre-tax discount rates to pre-tax cash flows results in identical valuations of cash-generating units.

Other intangible assets

(in thousands of euros)	Licenses	Development costs (incurred internally)	Other intangible assets	Advances and down payments	2005	2004
COST						
AT JANUARY 1ST	**13,530**	**33,163**	**3,878**	**24**	**50,594**	**44,212**
Investments	349	7,727	134		8,211	14,429
Disposals	(376)				(376)	(1,270)
Translation differences	1,276	2,330	(2)		3,604	(1,598)
Other	179	(3,325)	(426)	(24)	(3,596)	(5,179)
AT DECEMBER 31ST	**14,958**	**39,895**	**3,584**		**58,437**	**50,594**
AMORTIZATION AND IMPAIRMENT LOSSES						
AT JANUARY 1ST	**(8,454)**	**(20,353)**	**(3,146)**		**(31,953)**	**(31,112)**
Amortization	(1,538)	(4,432)	(869)		(6,838)	(8,011)
Impairment losses	257				257	795
Translation differences	(667)	(1,916)	4		(2,579)	1,071
Other	(17)	2,180	426		2,589	5,304
AT DECEMBER 31ST	**(10,419)**	**(24,521)**	**(3,584)**		**(38,524)**	**(31,953)**
CARRYING AMOUNT						
AT JANUARY 1ST	**5,076**	**12,810**	**732**	**24**	**18,641**	**13,100**
AT DECEMBER 31ST	**4,539**	**15,374**			**19,913**	**18,641**

11/ PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Land and buildings	Technical facilities and equipment	Other	Assets in progress	2005	2004
COST						
AT JANUARY 1ST	**8,303**	**34,992**	**12,257**	**432**	**55,983**	**56,184**
Investments	57	3,704	1,567	85	5,414	6,682
Disposals	(5,185)	(2,369)	(161)		(7,715)	(1,910)
Translation differences	147	2,532	1,790	35	4,504	(1,451)
Other	(1,895)	(765)	2,268	(520)	(912)	(3,522)
AT DECEMBER 31ST	**1,427**	**38,094**	**17,721**	**32**	**57,273**	**55,983**
DEPRECIATION AND IMPAIRMENT LOSSES						
AT JANUARY 1ST	**(3,682)**	**(23,863)**	**(8,532)**		**(36,077)**	**(35,317)**
Depreciation	(587)	(3,679)	(1,597)		(5,863)	(5,614)
Impairment losses	1,907	1,950	128		3,984	1,513
Translation differences	(103)	(1,999)	(1,159)		(3,261)	1,247
Other	1,313	623	(906)		1,030	2,095
AT DECEMBER 31ST	**(1,152)**	**(26,968)**	**(12,066)**		**(40,186)**	**(36,077)**
CARRYING AMOUNT						
AT JANUARY 1ST	**4,621**	**11,129**	**3,725**	**432**	**19,907**	**20,867**
AT DECEMBER 31ST	**275**	**11,126**	**5,655**	**32**	**17,087**	**19,906**

Testing of property, plant and equipment

At December 31, 2005, the carrying amount of property, plant and equipment was compared to their value-in-use for the Group. The only depreciation recognized for the fiscal year related to a portion of the plant, property and equipment from the Puteaux site, due to the transfer of the registered office to the new premises in Neuilly in January 2006.

12/ FINANCIAL ASSETS

At December 31, 2005 and 2004, financial assets included security deposits and guarantees paid, equity interests in non-consolidated companies and related receivables.

(in thousands of euros)	2005	2004
Other equity interests and related receivables	434	25
Security deposits and guarantees paid	787	691
TOTAL	**1,221**	**716**

13/ OTHER NON-CURRENT ASSETS

(in thousands of euros)	2005	2004
Other non-current assets	8,274	2,298
TOTAL	**8,274**	**2,298**

At December 31, 2005 and 2004, other non-current assets consisted of the following:

(in thousands of euros)	2005	2004
Receivables due in more than one year	5,274	
Tax receivables other than corporate income tax due in more than one year	577	
Tax loss carry-backs, more than one year	2,298	2,298
Accruals, more than one year	125	
TOTAL	**8,274**	**2,298**

14/ INVENTORIES

(in thousands of euros)	2005	2004
Raw materials and consumables	14,254	16,410
Work in progress	112	
Finished products	37,279	47,936
Depreciation	(11,517)	(9,031)
NET TOTAL	**40,128**	**55,315**

The €15,187,000 change in inventories is mainly the result of three factors:

- Improved management of gross finished product inventories by regions.
- Establishment of a consignment system with INGENICO's principal subcontracted suppliers for finished products.
- Use of a new method to measure the depreciation of inventories, better adapted to the accelerated life cycle of INGENICO's products. This led the company to set aside additional provisions on January 1, 2005 of €8.8 million, mainly for components.

15/ TRADE RECEIVABLES AND RELATED ACCOUNTS

Trade receivables and related accounts are broken down as follows:

(in thousands of euros)	2005	2004
Advances and down payments to suppliers	1,105	4,089
Trade receivables on the sale of goods and services	133,659	106,540
Employee-related receivables	232	128
Tax receivables other than corporate income tax	1,309	10,475
Current accounts, receivables	311	
Other receivables	4,410	3,199
Provisions for bad debt	(2,521)	(5,434)
TOTAL	**138,505**	**118,997**

16/ CURRENT TAX RECEIVABLES AND OTHER CURRENT ASSETS

(in thousands of euros)	2005	2004
Prepaid expenses	1,879	1,566
Accrued interest on receivables and loans	469	291
Income tax and other tax receivables	2,681	2,644
TOTAL	**5,028**	**4,501**

17/ ASSETS HELD FOR SALE

In connection with the restructuring plan begun in the second half of 2005, the Group decided to dispose of non-strategic assets. Negotiations were initiated with interested third parties, resulting in 2006 in the disposal of INGENICO Transaction System (United Kingdom), Debitek (United States) and INGENICO AB (Sweden). At December 31, 2005, the assets and liabilities of these companies were presented in accordance with IFRS 5 under "Assets held for sale" and "Liabilities held for sale."

The breakdown of the assets of these companies prior to reclassification as held for sale is as follows:

(in thousands of euros)	INGENICO Transaction System	INGENICO AB	Debitek	Total
Goodwill (*)	3,049			3,049
Intangible assets and property, plant and equipment	153	350	303	807
Inventories	3	397	933	1,333
Trade receivables and related accounts and other current assets	190	678	848	1,716
Cash and cash equivalents	1,750	212	371	2,333
TOTAL ASSETS HELD FOR SALE	**5,144**	**1,638**	**2,456**	**9,238**

(*) The fair value measurement of these non-current assets, after being classified as held for sale, led the Group to recognize goodwill impairment of €1,000,000 in the income statement in respect of ITS.

At December 31, 2005, assets held for sale did not meet the criteria for consideration as discontinued operations.

18/ CONSOLIDATED EQUITY

Number of outstanding shares

	2005	2004
Shares issued at January 1st	29,803,117	29,654,117
Shares issued in connection with options exercised and 2005 dividend distribution	121,195	149,000
Shares issued at December 31st	29,924,312	29,803,117
Treasury shares at December 31st	319,310	162,166
SHARES OUTSTANDING AT DECEMBER 31ST	**29,605,002**	**29,640,951**

INGENICO's shares have a par value of €1. Authorized share capital at December 31, 2005 totaled 29,924,312 shares.

Treasury shares

(in euros)	2004	Purchased	Sold	Other	2005
Number of shares	162,166	788,498	631,354		319,310
Unit value	11.07	12.14	11.87		12.14
TOTAL	**1,794,447**	**9,572,668**	**7,494,172**		**3,876,136**

In 2005, the Company directly purchased its own shares on the stock market, as part of the share repurchase program authorized by the shareholders during the Combined Ordinary and Extraordinary Meeting held on April 20, 2004.

As of April 19, 2005, the Company purchased its own shares on the stock market, using the authorization granted by the shareholders at the Combined Ordinary and Extraordinary Meeting of April 19, 2005, which replaced the authorization to the same effect granted at the April 20, 2004 meeting for a period of 18 months from the date of the meeting. The maximum and minimum purchase prices of €30 and €8, respectively, were unchanged.

Under this program, 152,900 shares were purchased in 2005 at an average price of €12.43.

The portfolio of shares purchased directly by the Company totaled 249,310 shares at December 31, 2005, with an average price of €11.90.

Under the terms of the liquidity contract established in 2004, 635,598 shares were purchased in 2005 at an average price of €12.07, while 631,354 shares were sold at an average price of €11.87.

The portfolio of shares purchased on the basis of the liquidity contract totaled 70,000 shares at December 31, 2005.

Stock subscription option plans and free share grants

Plans in force at December 31, 2005

On May 4, 2000 and October 18, 2004, the shareholders authorized the Board of Directors to grant a certain number of employees options to subscribe for shares during a five-year or a 24-month period.

The main features of the plans in force at December 31, 2005, are as follows:

a) Stock option subscription plans

Tranche A
In accordance with the delegation of power granted by the Board of Directors on March 18, 2003, the Chairman of the Board allocated a first tranche of options on April 15, 2003, called Tranche A. The Chairman listed the beneficiaries of Tranche A, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche A was set at €5.67, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the grant date (April 15, 2003).

Tranche B
On July 25, 2003, the Board of Directors allocated a second tranche of options, called Tranche B. The Board listed the beneficiaries of Tranche B, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche B was set at €8.46, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the grant date (July 25, 2003).

Tranche C
On April 20, 2004, the Board of Directors allocated a third tranche of options, called Tranche C. The Board listed the beneficiaries of Tranche C, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche C was set at €10.93, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the grant date (April 20, 2004).

Tranche D
On June 10, 2004, the Board of Directors allocated a fourth tranche of options, called Tranche D. The Board listed the beneficiaries of Tranche D, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche D was set at €11.04, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the grant date (June 10, 2004).

Tranche E
In accordance with the sub-delegation of power granted by the company's Board of Directors on July 8, 2004, the Chief Executive Officer allocated a fifth tranche of options, called Tranche E. The CEO listed the beneficiaries of Tranche E, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche E was set at €13.93, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the date of the Board of Directors meeting (July 8, 2004).

Tranche F
On December 14, 2004, the Board of Directors allocated a new tranche of options, called Tranche F. The Board listed the beneficiaries of Tranche F, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche F was set at €11.68, the equivalent of 95 percent of the share's average opening price over the twenty trading days preceding the grant date.

Tranche H
On September 20, 2005, the Board of Directors allocated a new tranche of options, called Tranche H. The Board listed the beneficiaries of Tranche H, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche H was set at €11.62, the equivalent of the share's average opening price over the twenty trading days preceding the grant date, with no discount.

The subscription eligibility requirement for each stock option plan was a minimum of three years' seniority in the company on the date of grant.

b) Free share grants

The Annual Shareholders' Meeting of April 19, 2005 authorized the Board of Directors to grant free existing or new shares to the Group's employees or executive officers, up to a maximum of two percent of the company's share capital (596,052 shares on the date of the meeting).

At December 31, 2005, 65,000 shares were granted, of which 10,000 to the Chairman, 50,000 to the Chief Executive Officer and 5,000 to Daniel Rodriguez, CEO of INGENICO Inc. since the beginning of October 2005.

The beneficiaries shall become unconditionally entitled to the shares after a two-year period, provided that on that date, said beneficiaries are still employed by the INGENICO Group.

Change in stock options and share prices in 2005

	2005						
	Options/shares outstanding at January 1st (1)	Options/shares granted during the year	Options/shares exercised during the year	Options/shares cancelled or expired	Existing options/shares at December 31st (2)	Weighted average life (in years)	Weighted average exercise price (in €)
Tranche A	780,500		45,500	50,500	684,500	8	5.67
Tranche B	25,000		15,000		10,000	8	8.46
Tranche C	147,500			20,000	127,500	8	10.93
Tranche D	110,000				110,000	8	11.04
Tranche E	30,000			30,000		8	13.93
Tranche F	209,500			37,500	172,000	8	11.68
Tranche H		425,000			425,000	8	11.62
Free shares		65,000			65,000		
TOTAL	**1,302,500**	**490,000**	**60,500**	**138,000**	**1,594,000**		

(1) Of which 0 can be exercised at January 1st.
(2) Of which 0 can be exercised at December 31st.

Fair value of options granted

INGENICO measured the fair value of the goods and services received during the year based on the fair value of the equity instruments granted.
The initial value of the share is the grant date value. The assumed volatility is the volatility calculated over a one-year period preceding the grant date, except for Tranches A and B, for which volatility was calculated based on a multicriteria analysis taking into account the implicit volatility of financial instruments on the calculation date.

The interest rate curve is calculated using Bloomberg currency rates and swap rates.

INGENICO decided not to rely wholly on past experience without assessing the extent to which past experience may be considered a reasonable indicator of future trends.

Assumptions made in measuring fair value

	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E	Tranche F	Tranche H
Underlying share price on grant date (€)	6.43	8.91	12.53	14.39	15.45	11.10	12.24
Exercise price (€)	5.67	8.46	10.93	11.04	13.93	11.68	11.62
Expected volatility (%)	61.83%	54.69%	41.32%	41.28%	40.28%	38.71%	38.55%
Option life (in years)	8	8	8	8	8	8	8
Expected dividend rate	1%	1%	1%	1%	1%	1%	1%
Risk-free interest rate	4.12%	3.87%	4.05%	4.30%	4.13%	3.46%	3.35%

Impact on the financial statements

On the basis of the parameters used to calculate fair value using the Black-Scholes model, administrative costs and other operating expenses (related to restructuring) recognized in connection with the grant of stock options and free shares totaled €2.15 million and €0.68 million, respectively.

19/ EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profits or losses attributable to Group shareholders by the average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Group and held as treasury shares. The average number of ordinary shares is a weighted annual average that reflects shares issued or repurchased during the year.

	2005	2004
Net profit or loss attributable to INGENICO S.A. shareholders (in thousands of euros)	(40,131)	2,604
Weighted average number of ordinary shares	29,629,628	29,769,296
BASIC EARNINGS PER SHARE (in euros)	**(1.35)**	**0.09**

Diluted earnings per share

To calculate diluted earnings per share, the weighted average number of ordinary shares is adjusted to take into account the impact of the potential conversion of all dilutive instruments.

At December 31, 2005, dilutive instruments include:
- Convertible bonds.
- Stock subscription options and free shares.

Potential ordinary shares are dilutive in 2005, since their conversion into ordinary shares would diminish the loss per share.

(in thousands of euros)	2005	2004
NET PROFIT OR LOSS ATTRIBUTABLE TO INGENICO S.A. SHAREHOLDERS	**(40,131)**	**2,604**
Interest expense on the OCEANE convertible bond (net of tax) on a full-year basis	1,660	
DILUTED NET PROFIT OR LOSS ATTRIBUTABLE TO INGENICO S.A. SHAREHOLDERS	**(38,471)**	**2,604**
WEIGHTED AVERAGE NUMBER OF EXISTING SHARES	**29,629,628**	**29,769,296**
Impact of dilutive instruments:		
• Exercise of stock subscription options and free shares	1,368,194	1,159,066
• Conversion of convertible bonds	5,194,806	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	**36,192,628**	**30,928,362**
DILUTED EARNINGS PER SHARE (in euros)	**(1.06)**	**0.08**

20/ NET DEBT

For the INGENICO Group, net financial liabilities consist of short-term and long-term financial liabilities, less short-term investments and cash and cash equivalents.

(in thousands of euros)	2005	2004
Cash and cash equivalents	55,087	36,192
Short-term investments	56,457	
Financial liabilities	(175,007)	(77,674)
NET DEBT	**(63,463)**	**(41,482)**

In 2005, the €55,087,000 of cash and cash equivalents included €2,333,000 of cash and cash equivalents relating to assets held for sale.

Short-term investments of €56,457,000 reflect current financial assets used for cash management purposes.

Breakdown of cash and cash equivalents and short-term investments

(in thousands of euros)	2005	2004
Banks	29,329	33,350
UCITS classified as cash	25,758	2,842
CASH AND CASH EQUIVALENTS	**55,087**	**36,192**
UCITS classified as short-term investments	56,457	
CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	**111,544**	**36,192**

The change in short-term investments (UCITS) classified as cash or short-term investments is broken down as follows:

(in thousands of euros)	2005	2004
BALANCE AT JANUARY 1ST	**2,842**	**3,234**
Increase	89,315	270
Decrease	(10,295)	(772)
Translation difference		
Other movements	353	110
BALANCE AT DECEMBER 31ST	**82,215**	**2,842**

UCITS are classified as cash when they meet the requirements set forth in IAS 7. Otherwise, they are classified as short-term investments.

Breakdown of financial liabilities

Financial liabilities are broken down into long-term and short-term liabilities. The latter include the portion of less than one year of long-term debt as well as financial liabilities with a term of less than one year.

(in thousands of euros)	2005	2004
Bonds convertible into or exchangeable for new or existing shares (OCEANE)	68,374	
Bank borrowings	20,451	15,611
Short-term notes	40,000	
Finance lease obligations	4,348	2,837
Other financial liabilities	872	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**134,045**	**18,448**
Short-term bank and related borrowings	16,931	18,026
Finance lease obligations (current portion)	2,111	541
Bank overdrafts	21,920	40,659
TOTAL CURRENT FINANCIAL LIABILITIES	**40,962**	**59,226**
TOTAL FINANCIAL LIABILITIES	**175,007**	**77,674**

On May 4, 2005, INGENICO issued OCEANE bonds totaling a gross amount of €80 million. The amount of the OCEANE bond, less issue costs, was recorded in the consolidated financial statements in two parts, a bond component, recognized as a liability, and an equity component.

On June 16, 2005, INGENICO restructured and refinanced its debt with a pool of four banks for a total of €72.5 million, broken down as follows:

- A new, medium-term loan of €32,500,000 (due April 2009 – variable-rate) to replace an existing loan of €20,625,000.
- Short-term lines of credit transformed into confirmed medium-term (3-year) lines of credit totaling €40,000,000.

1) OCEANE bond issue

INGENICO issued "OCEANE" bonds, i.e. convertible into and/or exchangeable for new or existing INGENICO shares earning dividends as of May 4, 2005, and maturing on January 1, 2012. The total principal amount of the issue was €80 million, or 5,194,806 bonds with a face value of €15.40. The bonds bear interest at the annual rate of 2.75 percent. The effective interest rate is 5.68 percent.

The terms and conditions of the bond issue are set forth in the Note d'Opération (information memorandum) that received visa number 05-042 from the Autorité des Marchés Financiers on April 15, 2005.

Conversion and/or exchange of bonds for shares
Bondholders may request that the bonds be converted into and/or exchanged for ordinary shares of the Company at any time as of the settlement date (May 4, 2005) and until the seventh business day preceding the maturity or early redemption date, at a ratio of one share per bond, subject to the adjustments set forth in the prospectus. The issuer may at its option deliver new shares or existing shares or a combination of the two.

Redemption at maturity
Bonds will be redeemed in full on January 1, 2012, at the par value of €15.40 per bond.

Early redemption by means of repurchase on the market or public tender offers
The Company reserves the right to proceed with the early redemption of all or a portion of the bonds, at any time and without any limit on price or quantity, by means of repurchases on the market or over-the-counter or by public tender offers to repurchase or exchange shares.

Early redemption is possible, at the option of the Company:

- For all or a portion of the bonds, at any time and without any limit on price or quantity, by means of repurchases on the market or by public tender offer.
- For all bonds outstanding, at any time from January 1, 2008, to the maturity date of the bonds, subject to a minimum notice period of 30 calendar days.
- By redemption at par, plus interest accrued from the last interest payment date preceding the early redemption date to the date set for redemption.
- If the product of (I) the applicable conversion/exchange ratio and (II) the average opening price for the Company's ordinary shares on the Eurolist index (Euronext Paris S.A.) for a period of 20 consecutive trading days, as selected by the Company from among the 40 trading days immediately preceding the date of publication of the notice relating to such early redemption, exceeds 130 percent of the early redemption price.

Upon early redemption, bondholders may elect to convert bonds into shares or redeem them for cash.

Early redemption at the option of the bondholder
At their option, bondholders may elect to redeem all or a portion of their bonds on January 1, 2009, or on January 1, 2010, at par plus interest accrued from the last interest payment date preceding the early redemption date to the date set for redemption.

Early repayment
The OCEANE prospectus also contains the usual provisions for early repayment at the option of a majority of bondholders, particularly in the event of failure to pay amounts due or to comply with other obligations set forth in the prospectus (beyond any existing "grace period"), cross-default (in excess of a minimum threshold), liquidation, dissolution or sale of all of the Company's assets, or the delisting of the Company's ordinary shares from Euronext's Eurolist index.

Any upgrade or downgrade in INGENICO's credit rating would not constitute grounds for early repayment of the bonds and would not have any impact on the applicable interest rate.

Maintenance of pari passu ranking
INGENICO has undertaken that the bonds will rank pari passu with all other negotiable bonds issued by the Company.

In accordance with the accounting principle described in "Compound financial instruments," the fair value of the corresponding financial liability, as well as that of the equity component, were calculated on May 4, 2005, the issue date of the OCEANE bond.

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

Since the bond was issued at a nominal interest rate of 2.75 percent, a rate below the market rate (the comparable financing rate for the period is 6.67%, based on a 3.17 percent benchmark swap rate for a maturity of 6 years and 8 months, plus a 3.5 percent spread for a 7-year maturity), the fair value of the liability component is €67,301,000 initially and €10,620,000 for the optional component after accounting for the cost of investor put options and issue costs (€2,079,000, allocated on a pro rata basis to liabilities and equity).

At December 31, 2005, the liability component recognized in the balance sheet was €68,374,000.
Based on an effective interest rate of 5.67%, interest expense for the year was €2,532,000, compared with a coupon of €1,458,000, based on the bond's nominal interest rate.

At December 31, 2005, no bondholder elected to convert bonds into shares.

2) Bank borrowings

Bank borrowings are broken down as follows:

(in thousands of euros)	2005		
	More than 1 year	Less than 1 year	Total
INGENICO Barcelona	743	2,121	2,864
INGENICO S.A.	19,708	8,357	28,065
INGENICO Inc.		5,822	5,822
Other		631	631
TOTAL	**20,451**	**16,931**	**37,382**

In France, bank borrowings mainly reflect the outstanding principal at December 31, 2005, of the medium-term loan taken out in June 2005 (€32.5 million) as part of INGENICO's debt restructuring.

3) Short-term notes and bank credit facilities

The rest of the overall debt refinancing performed in June 2005 consists of €40 million in secured 3-year credit facilities, duly classified as long-term debt. At December 31, 2005, this line of credit was fully drawn.

Also at year-end 2005, bank credit facilities totaled €21,920, mainly involving France, the United Kingdom and Italy.

4) Finance lease obligations

Finance lease obligations are broken down below. They mainly reflect finance leases in Brazil with the bank SAFRA, generally for terms of three to five years, as well as finance leases by INGENICO Iberia with the bank SABADELL, also for terms of three to five years.

(in thousands of euros)	2005	2004
	Lease amount	Lease amount
Less than 1 year	2,111	541
1-2 years	2,986	915
3-5 years	1,362	1,381
TOTAL	**6,459**	**2,837**

INGENICO's obligations in respect of the €72.5 million refinancing program

The Group's principal obligations under the €72.5 million refinancing agreement (€68.5 million at December 31, 2005) are as follows:

- All shares of the subsidiary INGENICO Corp. (United States) pledged as a senior security interest.
- INGENICO's obligations throughout the term of the agreement:

With respect to collateral and guarantees

INGENICO undertakes to refrain from pledging any new collateral or granting any new guarantees other than that already pledged or granted at the date the loan is drawn. The only exception to this requirement is for new collateral pledged and guarantees granted solely in the ordinary course of business.

With respect to interest rate hedging

INGENICO undertakes to hedge its interest rate exposure up to and including April 15, 2008, against any increase in the 3-month EURIBOR of more than 1.50 percent over the rate at the date the agreement was signed.

Hedging arrangements were immediately set up to cover 100 percent of the amount and the entire term of the loan at a rate of 2.423 percent.

With respect to debt limitations
INGENICO undertakes to refrain from incurring any additional medium- or long-term debt during the entire term of the facility exceeding the cumulative amount of €20 million over the term of the facility.

With respect to external growth operations
INGENICO undertakes to refrain from external growth operations during the entire term of the facility exceeding the cumulative amount for all Group companies combined, which is €10 million per year.

With respect to financial ratios
INGENICO undertakes to comply with the following requirements regarding financial ratios R2 and R4, which are calculated annually based on the consolidated financial statements at December 31st of each year and also at June 30th of each year on a 12-month basis.

Refinancing is subject to compliance with requirements under two ratios defined as follows:
- R2 = net debt/EBIT
- R4 = net debt/equity

The applicable requirements at December 31, 2005, were as follows:
- R2 less than 2.3
- R4 less than 0.5

At December 31, 2005, these requirements were not met. INGENICO is currently renegotiating them with banks.

- R2 = net debt/EBIT = 7.69
- R4 = net debt/equity = 0.62

Other obligations
In the event that the aggregate value of the trade receivables of Group companies falls below the €50 million mark, INGENICO Group undertakes to refrain from selling its trade receivables.

Principal features of borrowings and other financial liabilities

Interest rates

1) Average interest rates applicable to financial liabilities

The average interest rates applicable to borrowings from financial institutions are as follows:

(in millions of euros)	2005		2004	
	Amount	Rate	Amount	Rate
Germany			4.6	
Brazil	1.49	16.75%		
Spain (Madrid)	5.7		3	
Spain (Barcelona)	2.8		3.5	
France (short-term notes)	40	3-month EURIBOR + 0.95%		
France (OCEANE)	68	5.67%		
France (amortizing loans)	28.4	EURIBOR + 1.50%	21.4	EURIBOR + 1.50%
France (bank overdrafts)	7.2	EONIA + 0.40%	37.8	EONIA + 0.40%
United Kingdom	9.4	6.00%	4.5	
Italy	4.8			
United States	6.6			
Other	0.6		2.8	
TOTAL	**175**		**78**	

2) Fixed/variable rate (after hedging)

The following table shows the breakdown of debt into fixed– or variable–rate:

(in thousands of euros)	2005	2004
Fixed-rate debt	96,800 (1)	
Variable-rate debt	78,207	77,674
TOTAL	**175,007**	**77,674**

(1) €28.4 million of variable-rate debt is included in fixed-rate debt, since it is fully hedged.

For 2005, after taking into account the impact of interest rate hedging, sensitivity to interest rates is €780,000. In other words, a 1% increase in interest rates would raise the Group's finance costs by said amount.

3) Effective interest rates and maturities

The following table shows the Group's exposure to interest rate fluctuations by maturity:

	2005						2004					
(in millions of euros)	Rate	Amount					Rate	Amount				
			< 1 year	1-2 years	2-5 years	> 5 years			< 1 year	1-2 years	2-5 years	> 5 years
Germany							EONIA + 0.50%	4.6	4.6			
Brazil	16.75%	1.49	1.49									
Spain (Madrid)		5.7	2.1	2.2	1.4			3	0.5	1	1.5	
Spain (Barcelona)		2.8	2.1	0.7				3.5	2	1.5		
France (short-term notes)	3-month EURIBOR + 0.95%	40			40							
France (OCEANE)	5.67%	68				68						
France (amortizing loans)	EURIBOR + 1.50%	28.4	8.1	8.1	12.2		EURIBOR + 1.50%	21.4	7.6	13.8		
France (bank overdrafts)	EONIA + 0.40%	7.2	7.2				EONIA + 0.40%	37.8	37.8			
United Kingdom	6.00%	9.4	9	0.4			6.00%	4.5	4.2	0.3		
Italy		4.8	4.8									
United States		6.6	5.8	0.8								
Other		0.6	0.6					2.8	2.2	0.6		
TOTAL		**175**	**41**	**12**	**54**	**68**		**78**	**59**	**17**	**2**	

Breakdown by currency

The following table shows the breakdown of debt by currency:

AT DECEMBER 31ST (in thousands of euros)	2005	2004
Euro	157,293	70,580
U.S. dollar	6,606	
British pound	9,380	4,483
Other currencies	1,728	2,611
TOTAL DEBT	**175,007**	**77,674**

Change in debt

Change in debt is broken down as follows:

(in thousands of euros)	Financial debt
BALANCE AT JANUARY 1, 2004	**58,216**
New borrowings	3,236
Repayments	(18,697)
Net change in drawdowns on lines of credit	34,827
Translation differences	78
Other movements	14
Change in reporting entity	
BALANCE AT DECEMBER 31, 2004	**77,674**
New borrowings	122,669
Repayments	(37,506)
Net change in drawdowns on lines of credit	21,116
Translation differences	765
Other movements	(9,917)
Change in reporting entity	206
BALANCE AT DECEMBER 31, 2005	**175,007**

21/ DERIVATIVE FINANCIAL INSTRUMENTS

	Interest rate hedging		Foreign exchange hedging	
(in thousands of euros)	At December 31, 2004	At December 31, 2005	At December 31, 2004	At December 31, 2005
Current assets		253		48
Current liabilities				
TOTAL		**253**		**48**

Interest rate hedging

At December 31, 2005, one interest-rate swap was outstanding, covering a total notional amount of €28.4 million (the swap initially covered €32.5 million), over a remaining period of three years, to hedge a loan contracted by the Company on June 30, 2005. At the term of the interest-rate swap, INGENICO will pay the fixed rate of 2.423 percent and receive the 3-month EURIBOR variable rate.

Foreign exchange hedging

At December 31, 2005, foreign exchange hedges totaled US$2.2 million (€1.9 million), maturing at the end of March 2006. The instruments used were accumulating knock-in forwards. Based on the market value of these hedges at December 31, 2005, the Group recognized a gain of €48,000.

22/ PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS

The change in provisions for retirement benefit obligations is broken down as follows:

(in thousands of euros)	Balance at 12/31/2004	Translation differences	Additions	Reversals	Change in reporting entity	Other	Balance at 12/31/2005
Provisions for funded defined-benefit plans: • United Kingdom	6,131	175	404			363	7,073
Provisions for unfunded defined-benefit plans:							
• Provision for termination benefits (France, Italy)	1,713			(695)			1,018
• Provisions for retirement plans (country)							
TOTAL	**7,844**	**175**	**404**	**(695)**	**0**	**363**	**8,091**

There are two main types of retirement plans:

1) Defined-contribution plans

Defined-contribution plans exist in most European countries (France, Belgium, the Netherlands, Luxembourg, Germany, Italy and Spain) as well as in the United States and the Asia-Pacific region. Under these plans, contributions are paid to organizations authorized to manage the funds and are expensed for the period.

2) Defined-benefit plans

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

- Funded defined-benefit plans (in the United Kingdom, for example).
- Unfunded defined-benefit plans. Under these plans, provisions for termination benefits are recognized as a liability in the balance sheet under "Provisions for retirement benefit obligations." The main countries involved are France and Italy.

Provisions for funded defined-benefit retirement plans

Breakdown of obligations:

(in thousands of euros)	2005	2004
ASSETS AND LIABILITIES RECOGNIZED IN THE BALANCE SHEET		
Actuarial obligations	16,685	12,769
Fair value of plan assets	9,612	6,638
NET OBLIGATIONS	**7,073**	**6,131**
Recorded in the balance sheet as follows:		
• Assets		
• Liabilities	7,073	6,131
NET OBLIGATIONS	**7,073**	**6,131**

(in thousands of euros)	Present value of obligation	Fair value of plan assets	Net obligation recorded in the balance sheet
AT DECEMBER 31, 2004	12,769	6,638	6,131
Service cost	1,105		1,105
Interest cost	733		733
Estimated return on assets		547	(547)
Benefits paid to employees		888	(888)
Contributions paid	263	263	
Payments	(170)	(170)	
Net actuarial gains or losses recognized as equity in the year	1,453	1,091	363
Translation differences	361	186	175
Autres variations			
AT DECEMBER 31, 2005	**16,515**	**9,442**	**7,073**

The Group applies the revised version of IAS 19, and accordingly, records all actuarial gains or losses in full in equity.

A total of 222 current employees were covered in the United Kingdom at December 31, 2005, compared with 247 at December 31, 2004.

The actuarial assumptions used are as follows:

- 3.25 percent discount rate for obligations in 2005 (3.25 percent in 2004).
- 3.00 percent wage increase in 2005 (2.90 percent in 2004).
- 4.70 percent estimated return on assets in 2005 (5.30 percent in 2004).

Provisions for unfunded defined-benefit retirement plans

At December 31, 2005, actuarial obligations amounted to €1,018,000 (€1,713,000 at December 31, 2004).

The cost of unfunded defined-benefit retirement plans is broken down as follows:

(in thousands of euros)	2005	2004
Service cost	(695)	39
Benefits paid to employees	9	
COST OF UNFUNDED RETIREMENT PLANS	**(686)**	**39**

The decline in provision for retirement benefits, particularly in France, chiefly reflects the departure of a certain number of employees in connection with the restructuring plan implemented in the second half of 2005.

A total of 284 current employees are covered, most of them based in France.

(employees excluding temporary staff)	2005	2004
France	259	249
Italy	25	25
TOTAL	**284**	**274**

23/ OTHER PROVISIONS

(in thousands of euros)	Balance at 1/1/2005	Translation difference	Additions	Deductions of amounts used	Deductions of unused amounts	Other	Balance at 12/31/2005
Provisions for warranties	3,103	118	4,243	(155)		(22)	7,287
Provisions for litigation and claims	1,965		7,824	(1,379)		(3,468)	4,942
Provisions for restructuring			964	(35)		(864)	65
Other provisions	790	75	140	(585)		(12)	408
TOTAL	**5,858**	**193**	**13,171**	**(2,154)**		**(4,366)**	**12,702**

Warranties

The provision for warranties reflects the estimated foreseeable costs related to a one-year product warranty given at the time of sale. A special provision of €3,778,000 was also recorded to cover risks related to a specific engineering problem encountered in large-scale deployment of a new product.

Litigation and claims

INGENICO is engaged in a number of claims and arbitration proceedings arising in connection with the Company's ordinary business. INGENICO believes that adequate provisions have been recorded to cover all outstanding disputes.

INGENICO records provisions for litigation and claims when the Group has a present legal or constructive obligation related to lawsuits, government inquiries, legal disputes and other claims 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, and provided that the amount of the outflow can be reliably estimated.

Restructuring

The provision for restructuring carried out in the second half of 2005 has been transferred in the main to the line item "Accrued liabilities," since the related expense was considered certain at December 31.

24/ TRADE PAYABLES AND RELATED ACCOUNTS

(in thousands of euros)	2005	2004
Trade payables	81,066	80,389
Other operating liabilities:	19,156	18,910
• Customer advances	558	2,717
• Tax liabilities	6,338	3,142
• Employee-related liabilities	9,463	8,743
• Other	2,797	4 308
TOTAL	**100,223**	**99,299**

25/ INCOME TAX EXPENSE

Income tax expense is composed chiefly of income taxes payable on taxable profit at Group subsidiaries.

26/ OTHER LIABILITIES

Other liabilities are broken down as follows:

(in thousands of euros)	2005	2004
Accrued interest on borrowings	15	
Other liabilities	14,422	7,461
Deferred income	15,194	13,356
TOTAL	**29,631**	**20,817**

27/ LIABILITIES HELD FOR SALE

The liabilities related to the assets held for sale (cf. Note 17) in connection with the planned disposal of ITS, INGENICO AB and Debitek are broken down as follows:

(in thousands of euros)	INGENICO Transaction System	INGENICO AB	Debitek	Total
Short-term borrowings	10			10
Current provisions			23	23
Trade payables and related accounts	343	201	1,090	1,634
Income tax expense	134			134
Other liabilities	430	223		653
TOTAL LIABILITIES HELD FOR SALE	**918**	**423**	**1,113**	**2,454**

28/ OFF-BALANCE SHEET COMMITMENTS

(in thousands of euros)		At December 31, 2005	At December 31, 2004
COMMITMENTS RECEIVED			
Promise by minority shareholders of XA to sell their shares (between January 1, 2011 and December 31, 2014)	Price depends on profit and revenue in the period preceding call		
COMMITMENTS GIVEN			
Purchase of an additional 19% of XA shares in Q1 2008	Price depends on profit and revenue in the period preceding call		
Promise to purchase shares from XA minority shareholders reciprocal to their promise to sell (between January 1, 2009 and December 31, 2010)	Price depends on profit and revenue in the period preceding call		
Promise to purchase shares from minority shareholder in INGENICO Korea (exercisable as of March 2010)	Price depends on profit and revenue in the period preceding call		
SAGEM guarantee			3,000
Other guarantees		258	870
Non-competition clause		117	317
Shares of U.S. subsidiary INGENICO Corp. pledged as security for new refinancing loan		68,438	68,438

The following table shows future minimum lease payments due at year-end under non-cancelable operating leases:

(in thousands of euros))	2005
Operating lease commitments given	16,089
TOTAL	**16,089**

At December 31, 2005, the breakdown by term and by region of commitments given by the Group under non-cancelable operating leases was as follows:

(in thousands of euros)	Northern Europe	Southern Europe	Asia-Pacific	North America	TOTAL
N+1	264	1,509	751	891	3,415
N+2	157	1,224	405	902	2,689
N+3	93	1,222	61	373	1,749
N+4	88	1,184	0	211	1,483
N+5 and beyond	85	5,895	0	774	6,754
TOTAL	**687**	**11,034**	**1,217**	**3,151**	**16,089**

29/ RELATED PARTY TRANSACTIONS

In 2005, the Group carried out the following transactions:

(in thousands of euros)	Purchases	Sales
Joint venture (stake not eliminated): INGENICO Korea		
Terminal sales		890
Companies in which executives of the Group or its subsidiaries have interests (*)	610	139

(*) The above-mentioned purchases mainly involve services (maintenance, development, etc.) provided by Group subsidiaries in the Asia-Pacific region to Affinity (Hong Kong, Philippines, Singapore), Sumbox and Nomos (Australia), whose chief executive is a director of INGENICO Pacific (Australia).

Total compensation paid to the Chairman of the Board of Directors and members of the Executive Committee created in June 2005 breaks down as follows:

(in thousands of euros)	2005
Fixed compensation	777
Variable compensation	239
Stock options and free share grants (service cost recognized)	412
TOTAL	**1,428**

30/ SUBSEQUENT EVENTS

During the first quarter of 2006, the Group finalized the disposal of ITS, INGENICO AB and Debitek (cf. Notes 17 and 27).

31/ NOTE ON FIRST-TIME ADOPTION OF IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

Background

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, all companies whose securities are listed on a regulated stock market in any of the European Union member countries are required to prepare their consolidated financial statements for reporting periods from January 1, 2005 in accordance with the IFRS (International Financial Reporting Standards) drawn up by the IASB (International Accounting Standards Board).

Both the consolidated financial statements for 2005 and the comparative, pro forma figures for 2004 included in this Note were prepared in accordance with the accounting standards applicable at December 31, 2005. An explanation of the changes that have occurred since the comparative figures presented along with the financial statements for the first half of 2005 were published can be found below the reconciliation statement of changes in shareholders' equity under French GAAP and IFRS for 2004.

Accounting principles and options adopted by the group

Standards applied

The Group has elected to apply the accounting treatment for financial instruments prescribed in IAS 32, *Financial Instruments: Disclosure and Presentation,* and IAS 39, *Financial Instruments: Recognition and Measurement*, as of January 1, 2004.

The Group has also decided to apply in advance the revised version of IAS 19 published by the IASB and scheduled to come into force on January 1, 2006.

Description of accounting options related to first-time adoption of IFRS

In accordance with the provisions in IFRS 1, *First-time Adoption of International Financial and Reporting Standards*, the INGENICO Group has taken the following options:

- The Group has decided against retrospectively applying IFRS 3 to business combinations that occurred prior to January 1, 2004.
- A total of €8,856,000 in accumulated goodwill arising on translation of the financial statements of subsidiaries denominated in a functional currency other than the euro has been reclassified as of January 1, 2004 under "Retained earnings and other reserves." The impact of this restatement on total shareholders' equity at January 1, 2004 was immaterial. Cumulative translation adjustments were deemed to be zero at January 1, 2004. If these subsidiaries should be disposed of in the future, the gains or losses on disposal would therefore only incorporate those translation adjustments recognized prior to January 1, 2004.
- IFRS 2, *Share-based Payment*, has been applied to stock option plans awarded after November 7, 2002 but still vesting at January 1, 2004. This adjustment had no impact on opening shareholders' equity. The related expense recognized in fiscal year 2004 was €2,193,000.
- Actuarial gains and losses on post-employment obligations that were not yet recognized at January 1, 2004 have been recorded in shareholders' equity.

With the exception of first-time adoption options, the entry value of assets and liabilities at January 1, 2004 has been retroactively restated as if the new standards had always been applied.

Reconciliation between changes in consolidated shareholders' equity under French GAAP and IFRS in fiscal year 2004

(in thousands of euros)	1/1/2004	Share capital and reserves	Dividends	Profit or loss for the period	Translation difference	12/31/2004
EQUITY UNDER FRENCH GAAP	131,643	85	(2,372)	(4,405)	(111)	124,840
Development costs (1-a)	6,164			2,063	(218)	8,009
Goodwill (1-b)		(11)		8,166		8,155
Pensions and other post-employment benefits (2)	(5,505)	(1,776)		(289)	8	(7,561)
Share-based payment (3) (*)		2,193		(2,193)		
After-sales services (4-a)	(1,356)			47	3	(1,307)
PPE and intangible assets (1-c) (*)	(1,817)	(5)		(341)	47	(2,117)
Treasury shares (5)		(737)				(737)
Translation adjustment on dividends (6-a)		(1,050)		1,050		
Adjustment to INGENICO Corp. goodwill: deficit used (6-b)		(11)		(720)	11	(720)
Construction contracts, leases and inventories (4)	548			94	10	651
Deferred taxes (7)	1,374	533		(866)	(6)	1,036
EQUITY UNDER IFRS	**131,050**	**(779)**	**(2,372)**	**2,607**	**(256)**	**130,250**
Attributable to Group shareholders	131,020	(780)	(2,372)	2,604	(256)	130,216
Attributable to minority interests	30	1		3		34
TOTAL IFRS IMPACT	**(593)**	**(864)**		**7,012**	**(145)**	**5,410**

(*) **Remarque**

Since the first IFRS-compliant financial statements were published in H1 2005, the Group has revised its approach to measuring and recognizing two items:

- Share-based payment. An additional expense of €417,000 was recognized so that all service costs for persons who left the company and exercised their stock options during 2004 were debited to the accounts for 2004.
- €1.1 million in business goodwill acquired in 2001 was reclassified to amortizable "Intangible assets." The effect of this change was to reduce opening equity by €933,000 and to reduce net profit for the year by €210,000.

Comparative balance sheets and income statements for fiscal year 2004

2004 income statement: French GAAP-IFRS reconciliation

(in thousands of euros)	Note	FY 2004 French GAAP	IFRS impact	FY 2004 IFRS
Revenue	4	427,091	305	427,395
Cost of sales	4-a	(296,071)	(269)	(296,340)
GROSS PROFIT		**131,020**	**35**	**131,055**
Other operating income		80	182	262
Distribution costs		(29,266)	(812)	(30,078)
Research and development costs	1-a	(34,242)	1,827	(32,415)
Administrative expenses	2 and 3	(50,299)	(1,616)	(51,915)
Other operating expenses		(37)	(1,203)	(1,240)
PROFIT FROM ORDINARY ACTIVITIES		**17,255**	**(1,586)**	**15,668**
Other operating income and expenses	1-b	(12,988)	9,092	(3,896)
PROFIT FROM OPERATIONS		**4,268**	**7,505**	**11,772**
Finance costs	6	(6,326)	1,044	(5,282)
Share of profits or losses of associates accounted for using the equity method		(23)		(23)
PROFIT/(LOSS) BEFORE INCOME TAXES		**(2,081)**	**8,550**	**6,468**
Income tax expense	7	(2,324)	(1,537)	(3,862)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**(4,405)**	**7,012**	**2,606**
Minority interests		(7)	4	(3)
NET PROFIT/(LOSS) ATTRIBUTABLE TO GROUP SHAREHOLDERS		**(4,412)**	**7,016**	**2,603**

Consolidated balance sheet at 12/31/2004: French GAAP-IFRS reconciliation

(in thousands of euros)	Note	FY 2004 French GAAP	IFRS impact	FY 2004 IFRS
NON-CURRENT ASSETS				
Goodwill	1-b	62,524	7,465	69,989
Other intangible assets	1-a	12,583	6,059	18,641
Property, plant & equipment	1-c	19,755	152	19,907
Non-current financial assets		716		716
Deferred tax assets	7/8	17,409	3,042	20,452
Other non-current assets	8		2,298	2,298
TOTAL NON-CURRENT ASSETS		**112,987**	**19,016**	**132,003**
CURRENT ASSETS				
Inventories	4	57,697	(2,383)	55,314
Trade receivables and related accounts	4	121,270	(2,273)	118,997
Short-term investments				
Current tax receivables	8	2,333	311	2,644
Other current assets		1,857		1,857
Cash and cash equivalents	5	36,929	(737)	36,192
TOTAL CURRENT ASSETS		**220,086**	**(5,083)**	**215,004**
TOTAL ASSETS		**333,074**	**13,933**	**347,007**
EQUITY				
Share capital		29,803		29,803
Share premium account		84,841		84,841
Retained earnings and other reserves	3	19,122	(3,294)	15,827
Translation differences		(8,966)	8,711	(256)
EQUITY ATTRIBUTABLE TO INGENICO S.A. SHAREHOLDERS		**124,799**	**5,417**	**130,216**
MINORITY INTERESTS		**41**	**(7)**	**34**
TOTAL EQUITY		**124,840**	**5,410**	**130,250**
NON-CURRENT LIABILITIES				
Borrowings and long-term debt	8	36,304	(17,856)	18,448
Provisions for retirement benefit obligations	2		7,844	7,844
Other non-current provisions		2,105	649	2,754
Deferred tax liabilities	7/8	659	2,001	2,660
Other non-current liabilities				
TOTAL NON-CURRENT LIABILITIES		**39,068**	**(7,361)**	**31,707**
CURRENT LIABILITIES				
Short-term borrowings	8	41,135	18,091	59,226
Short-term provisions	4-a	4,216	(1,114)	3,103
Trade payables and related accounts		101,148	(1,849)	99,299
Income tax expense	8	2,725	(120)	2,605
Other current liabilities		19,941	876	20,817
TOTAL CURRENT LIABILITIES		**169,166**	**15,884**	**185,050**
TOTAL LIABILITIES		**208,234**	**8,523**	**216,757**
TOTAL EQUITY AND LIABILITIES		**333,074**	**13,933**	**347,007**

Statement of changes in shareholders' equity in 2004: IFRS accounting

IFRS ACCOUNTING (in thousands of euros)	Share capital	Share premium	Retained earnings and other reserves	Profit/(loss) for the period	Translation differences	INGENICO S.A. share of equity	Minority interests
BALANCE AT JANUARY 1, 2004	**29,654**	**93,883**	**29,335**	**(21,852)**		**131,021**	**30**
Appropriation of net profit		(10,073)	(11,779)	21,852			
Dividends paid to shareholders			(2,372)			(2,372)	
IFRS net profit for FY 2004				2,603		2,603	3
Translation adjustment			(1,050)		(256)	(1,306)	
Purchase of treasury shares			(1,804)			(1,804)	
Share-based payment: stocks options	149	1,031	2,193			3,373	
Pension plan actuarial losses (net of tax)			(1,243)			(1,243)	
Other movements			(56)			(56)	1
BALANCE AT DECEMBER 31, 2004	**29,803**	**84,841**	**13,225**	**2,603**	**(256)**	**130,216**	**34**

Description of IFRS restatements

1/ Intangible assets and property, plant and equipment

a) Development costs

Under the French accounting principles applied by INGENICO up until 2004, the only development costs capitalized were those related to software created by the company and offering virtual certainty as to their future recovery.

In accordance with IAS 38, research costs are expensed, whereas development costs must be capitalized whenever the company can demonstrate the following:

- It is willing and technically and commercially able to complete development of the asset.
- It is likely to derive future economic benefits from the asset.
- The cost of the intangible asset can be reliably evaluated.

On the basis of IFRS criteria, INGENICO now capitalizes all development costs incurred from the prototype stage to the pre-production stage. As of this latter date, development costs are subsequently amortized over a 3-to-5 year period, depending on the estimated useful lives of the assets.

At January 1, 2004, development costs for all projects with a residual value at that date were capitalized, in accordance with IFRS 1 recommendations on first-time adoption. This retrospective treatment was based on the available historical data.

The effect of this capitalization of development costs on the January 2004 opening balance sheet was to raise shareholders' equity by €6,164,000 (gross) or by €4,068,000 (net of deferred tax).

Its effect on the 2004 income statement was to add €2,063,000 (gross) or €1,343,000 (net of deferred tax).

Its effect on the December 2004 closing balance sheet was to raise shareholders' equity by €8,009,000 (gross) or by €5,285,000 (net of deferred tax).

b) Goodwill

The Group decided against retrospectively applying IFRS 3 to business combinations that occurred prior to January 1, 2004.

Under French GAAP, INGENICO previously amortized goodwill using the straight-line method over periods determined on an ad hoc basis, but never exceeding 10 years. Whenever signs of a loss of value were observed, an exceptional amortization charge was recognized.

The elimination of goodwill amortization (dictated by IFRS 3) had a positive impact on the financial statements for 2004: + €8,166,000.

The revised version of IAS 36 introduces the obligation to conduct regular impairment tests. INGENICO systematically uses the discounted cash flow method to monitor changes in goodwill. This testing led the company to recognize a €1,442,000 impairment charge in 2004.

Overall, the application of IFRS 3 and IAS 36 has had the following impact:
- No effect on the January 2004 opening balance sheet.
- A favorable impact on income in 2004 and shareholders' equity at December 31, 2004: + €8,155,000.

c) Miscellaneous

Property, plant and equipment are stated at cost less accumulated depreciated in the opening balance sheet.

2/ Pensions and other post-employment benefits

As part of the changeover to IFRS, the INGENICO Group conducted a thorough survey of its post-employment benefit obligations discussed in the revised version of IAS 19.
These future obligations chiefly consist of termination benefits and defined benefit supplementary retirement schemes, through which the employer guarantees employees a specific future level of benefits.

The INGENICO Group elected to proceed with early adoption of the revised version of IAS 19, which offers the option of recording actuarial gains or losses in shareholders' equity.

The post-employment obligations classified under French GAAP as off-balance sheet commitments have been charged to the liability side of the January 2004 opening balance sheet, with a corresponding entry in shareholders' equity, totaling €5,505,000 (gross) or €3,784,000 (net of deferred tax).

The effect of applying the revised version of IAS 19 in fiscal year 2004 is as follows:
- An operating expense of €289,000 (gross) or €201,000 (net of deferred tax) has been recorded.
- The actuarial loss in fiscal year 2004 (€1,776,000 gross, or €1,243,000 net of deferred tax) has been deducted from equity, given the option chosen by the Group.

3/ Share-base and similar payment

Under French GAAP, stock purchase or subscription options granted to INGENICO Group employees were not charged against income. IFRS 2 makes it mandatory to record a personnel expense equal to the fair value of the services rendered in exchange for the equity instruments received.
The fair value of stock options is determined by applying the Black & Scholes method at the date of grant. The expense calculated in this way is then allocated on a straight-line basis over the vesting period, i.e. from the grant date to the date on which the options may be exercised.

These employee benefits are charged against income, with a corresponding increase in consolidated equity.

The effect of this approach is to reduce profit from operations in 2004 by €2,193,000, including €417 million classified as "Other current liabilities" to reflect the exercise of stock options by employees who have since left the Company.

This expense does not give rise to deferred taxes.

4/ Income from ordinary and other activities

a) After-sales service

In applying IFRS, the Group has conducted a thorough survey of the sales contracts signed by all its subsidiaries and associates. In some cases, this survey has led the Group to change the way it accounts for services related to sales and to be rendered subsequently. The value of these services was recorded under "Other provisions" on the liability side of the January 2004 opening balance sheet, with a corresponding decrease in shareholders' equity of €1,356,000 (gross) or €922,000 (net of deferred tax).

b) Construction contracts

Under IFRS (IAS 11), construction contracts are accounted for on a percentage of completion basis. Because the Group previously accounted for such contracts using the completed contract method, the adoption of IFRS in these financial statements required an accounting restatement. The result is to raise the opening balance of shareholders' equity by €582,000 (gross) or €413,000 (net of deferred tax).

5/ Financial instruments

a) Treasury shares

Treasury shares held by INGENICO for the purpose of stabilizing the company's share price, which were accounted for under French GAAP as marketable securities, have been reclassified as equity. In accordance with IAS 32, treasury shares must be deducted from shareholders' equity as soon as they are acquired. This accounting change had no impact on the January 2004 opening balance of shareholders' equity, since the Group held no treasury shares at that time. It did, however, decrease equity at December 31, 2004 by €737,000.

6/ Other adjustments

a) The translation adjustment on dividends distributed in 2004 was reversed in shareholders' equity, after translation adjustments arising on consolidation were reclassified to "Retained earnings and other reserves" on the opening balance.
b) In accordance with IFRS 3, the tax losses on the books of the Group's U.S. subsidiary at the acquisition date, but not recognized as deferred tax assets, were charged against goodwill when offset against taxable profit.

7/ Deferred tax

This item covers the tax effects of the various above-mentioned IFRS restatements (gross) where relevant. Depending on their nature, they are recognized under either profit and loss or retained earnings, with corresponding line items for deferred tax assets and deferred tax liabilities.

8/ Presentation of financial statements

Consolidated balance sheet

The current/non-current distinction
The distinction made by IAS 1 between current and non-current balance sheet items differs from the French GAAP accounting treatment of assets and liabilities, which depends on their nature or degree of liquidity. The Group has accordingly adapted the way in which its balance sheet is presented. Assets and liabilities related to operating activities and that fall due in 12 months or less as of the closing date are classified as current items, while all others are classified as non-current.
Under IFRS, deferred tax assets and liabilities (both long-term and short-term) are recognized in separate line items under non-current assets and liabilities. Current tax payable similarly appears as a separate line item of current assets and liabilities. Loss carry-backs usable in over 1 year are presented under non-current assets in the line item "Other non-current assets." Borrowings and financial liabilities are split up on the balance sheet between current liabilities (medium-term loans due in less than one year, short-term borrowings, bank overdrafts) and non-current liabilities.

Miscellaneous
Minority interests are now included in equity, although they are still presented as a separate balance sheet entry.

Consolidated income statement

Profit from operations includes extraordinary, non-recurring items such as restructuring costs, gains and losses on disposal of assets and, in certain cases, exceptional impairment of property, plant and equipment or intangible assets. These items are recorded in the line item "Other income/(expenses)" in operating income.

The Group's operating performance is measured by the aggregate "Profit from ordinary activities."

Profit from operations includes other operating income and expenses, which encompass non-recurring income and expenses such as goodwill impairment, gains and losses on disposal of consolidated subsidiaries or businesses, restructuring charges approved by management and publicly announced, non-recurring litigation expenses and asset impairment deemed to be of a non-recurring nature.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we have audited the accompanying consolidated financial statements of INGENICO S.A. for the year ended December 31, 2005.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

As part of the conversion to International Financial Reporting Standards (IFRS) as endorsed by the European Union for the preparation of 2005 consolidated financial statements, the consolidated financial statements have been prepared for the first time in accordance with said standards. They include comparative data for full year 2004 restated according to the same rules.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of entities in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- In the context of our assessment of the accounting principles adopted by your company, we have verified the terms and conditions for the capitalization of the development costs, as well as those pertaining to their amortization, and to the assessment of their realizable value and we have ensured that Notes 2 ("Research and development") and 10 to the consolidated financial statements provide an appropriate information.
- As described in Note 2 ("Intangible assets") to the consolidated financial statements, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. In addition, goodwill are tested for impairment at the end of each financial year irrespective of whether there is any indication of impairment. We examined the approach used by the company and ensured that these accounting principles have been correctly applied. In addition, we ensured that Note 10 provide an appropriate information.
- Note 2 ("income taxes") to the consolidated financial statements details the accounting principles and methods relating to the recording of deferred taxes assets, which amounted to 17.3 million euros at year-end. We examined the approach used by the group and ensured that these accounting principles have been correctly applied.

The above assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris La Défense, March 30, 2006 — Paris, March 30, 2006

The Statutory Auditors,

KPMG Audit Department of KPMG S.A.	S.A. CGEC
Frédéric Quelin Partner	Jacques Moreau Partner

20.4 Dividend distribution policy

Date	*Gross dividend per share*	*Par value*	*Number of shares*	*Profit/(loss)*
12/31/2002	€0.15	€1	29,654,117	(€14,429,497)
12/31/2003	€0.08	€1	29,654,117	(€16,358,198)
12/31/2004	€0.12	€1	29,803,117	€7,269,078.96
12/31/2005	-	€1	29,924,312	(€42,198,405)

In previous years, there was no particular dividend distribution policy based on pre-determined criteria, nor is there one for the future. How much the Company distributes in dividends depends mainly on its earnings, its financial position, its investment policy and the extent to which its debt level has decreased.

After five years, all unclaimed dividends will be forfeited and paid to the French Treasury.

20.5 Legal and arbitration proceedings

To the best of the Company's knowledge, with the exception of the Data Trésorerie dispute settled on November 8, 2005 and the Bull dispute settled in April 2006, there have been no governmental, legal or arbitration proceedings during the past twelve months that could have, or have recently had, a significant impact on the Company's and/or the Group's financial position and earnings.

20.6 Significant changes in financial or business position

Since the end of last year, there have been no significant changes in the Group's financial or business position.

SECTION XXI. SUPPLEMENTARY DISCLOSURES

21.1 Share capital

As of the date on which this Document de Référence was registered, the Company had total share capital of €29,952,312, divided into 29,952,312 1-euro par value shares, all fully paid up non-assessable, and all of the same class.

21.1.1 Authorized unissued capital

The following authorizations approved by the Shareholders' Meeting of May 5, 2006 are currently in force:

Type of authorization	*Maximum capital increase that may result from the issue*	*Cumulative ceiling*	*Pre-emptive subscription rights*	*Term*
Capital increase through capitalization of share premiums, reserves, earnings or other sums	€5,000,000	-	yes	26 months
Capital increase through issuing stock and/or other securities conferring immediate or future entitlement to company shares (with pre-emptive subscription rights)	€20,000,000 + 15%	€20,000,000	yes	26 months
Capital increase through issuing stock and/or other securities conferring immediate or future entitlement to company shares (without pre-emptive subscription rights) including contributions in kind	€20,000,000 + 15%		no	26 months
Capital increase reserved for employees participating in a PEE (Company Savings Plan) or a PEG (Group Savings Plan)	2% of share capital		no	26 months
Issue of stock options for new or existing shares	2% of share capital		no	26 months
Allotment of free shares	3% of share capital		no	26 months

EXTRAORDINARY BUSINESS:

Eleventh Resolution – Authorization to carry out capital increases by issuing shares and/or share equivalents – with pre-emptive subscription rights – that confer entitlement to a portion of the Company's share capital and/or securities conferring entitlement to the allotment of debt securities

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, in accordance with Articles L. 225-129 et seq. of the French Commercial Code, particularly Article L. 225-129-2 and Article L.228-92 of the French Commercial Code, hereby resolve the following:

1°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to increase the share capital on one or more occasions, on the French and/or foreign and/or international stock market, in amounts and on dates to be determined at the Board's discretion, denominated either in euros or in any other currency or in any monetary unit established with reference to a basket of currencies, by issuing shares (excluding preferred shares) or share equivalents that confer entitlement to a portion of the Company's share capital, or securities conferring entitlement to the allotment of debt securities, allotted free of charge or for cash consideration under Articles L. 228-91 et seq. of the French Commercial Code, it being understood that shares and share equivalents may be subscribed for either in cash or in exchange for cancellation of outstanding claims.

2°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to issue securities that confer entitlement to a portion of the share capital of any companies in which the Company has majority ownership, whether directly or indirectly.

3°) In the event that the Board of Directors makes use of the present authorization, the size of the authorized issues shall be limited as follows:

- The aggregate par value of the capital increases liable to be carried out pursuant to this authorization, whether immediately or in the future, may not exceed €20,000,000, it being understood that the aggregate par value of the capital increases liable to be carried out pursuant to this authorization and to the Twelfth, Thirteenth, Fifteenth, Sixteenth, Seventeenth and Eighteenth Resolutions of this Meeting may therefore not exceed €20,000,000.
- To this ceiling may be added the aggregate par value of any additional shares issued, in the event of new financial

transactions, to protect the rights of holders of securities conferring entitlement to shares in the Company.

4°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting.

5°) In the event that the Board of Directors makes use of the present authorization:
- The issue or issues shall be offered on a pre-emptive basis to those shareholders entitled as of right to subscribe pro rata to their existing shareholdings.
- In accordance with Article L. 225-134 of the French Commercial Code, if the entire issue is not taken up through subscriptions as of right and, if applicable, for excess shares, the Board of Directors is empowered to make use of the various options provided for by law in whatever order it deems appropriate, including a public offering of all or some of the shares or, in the case securities conferring entitlement to Company shares, a public offering on the French and/or foreign and/or international stock market of those securities that were not subscribed for.
- In the case of free equity warrants issued on a stand-alone basis to holders of existing shares, the Board of Directors shall be empowered to decide that rights to fractions of shares are not marketable and that the shares corresponding thereto shall be sold.

6°) The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization, to set the terms and conditions of issuance and subscription, place on record the resulting capital increases and amend the Articles of Association accordingly, and to accomplish the following in particular:
- Determine, where applicable, the terms and conditions for exercising the rights attached to the shares and share equivalents to be issued or to the securities conferring entitlement to the allotment of debt securities to be issued, determine, where applicable, the terms and conditions for exercising the right to conversion, exchange or redemption, including through transfer of Company assets such as previously issued Company shares and share equivalents.
- Resolve, at its sole discretion and if appropriate, to charge the share issuance costs against the related share premiums and deduct from these premiums the amount necessary to raise the legal reserve to one tenth of the new share capital after each capital increase.
- Make all the necessary adjustments in compliance with current laws and regulations in order to reflect the impact of any financial transactions on the share capital of the Company, particularly in the event of changes in the par value of shares, of capital increases carried out through capitalization of reserves, of free share grants, of stock splits or reverse splits, of distribution of earnings or other assets, of depreciation of the share capital or of any other transaction affecting the share capital. Determine the methods to be used to protect the rights of holders of securities conferring entitlement to shares in the Company.

7°) This authorization cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to increase the share capital by issuing shares and share equivalents – with pre-emptive subscription rights – that confer entitlement to a portion of the Company's share capital and/or securities conferring entitlement to allotment of debt securities.

Twelfth Resolution – Authorization to carry out capital increases by issuing shares and/or share equivalents – without pre-emptive subscription rights – that confer entitlement to a portion of the Company's share capital and/or securities conferring entitlement to the allotment of debt securities

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, in accordance with articles L. 225-129 et seq. of the French Commercial Code, in particular Articles L. 225-129-2 and L. 25-135, as well as Articles L. 225-147, Paragraph 6, and L. 225-148, hereby resolve the following:

1°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to increase the share capital on one or more occasions, subject to the provisions of Article L. 225-129-3 of the French Commercial Code, on the French and/or foreign and/or international stock market, in amounts and on dates to be determined at the Board's discretion, by making either a public offering or contributions in kind, in accordance with Article L. 225-147, Paragraph 6, of the French Commercial Code, denominated either in euros or in any other currency or in any monetary unit established with reference to a basket of currencies, by issuing shares (excluding preferred shares) or share equivalents that confer entitlement to a portion of the Company's share capital, or securities conferring entitlement to the allotment of debt securities, allotted for cash consideration or free of charge under Articles L. 225-149 et seq. and Articles L. 228-91 et seq. of the French Commercial Code, it being understood that shares and share equivalents may be subscribed for either in cash or in exchange for cancellation of outstanding claims. Said securities may in particular be issued as payment for shares contributed to the Company in connection with public exchange offers carried out in France or abroad, subject to compliance with the relevant country's legislation on the securities that answer to the definitions set forth in Article

L. 225-148 of the French Commercial Code.

2°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to issue share or share equivalents that confer entitlement to shares in the Company subsequent to the issuance of securities conferring entitlement to shares in the Company by any companies in which the Company has majority ownership, whether directly or indirectly.

3°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to issue securities that confer entitlement to shares in companies in which the Company has majority ownership, whether directly or indirectly.

4°) In the event that the Board of Directors makes use of the present authorization, the size of the authorized issues shall be limited as follows:
- The aggregate par value of the capital increases liable to be carried out pursuant to this authorization, whether immediately or in the future, may not exceed €20,000,000, it being understood that the par value of such capital increases shall be charged against the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.
- Where applicable, the aggregate par value of any additional shares issued, in the event of new financial transactions, to protect the rights of holders of securities conferring entitlement to shares in the Company shall be charged against these ceilings.

5°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting.

6°) The pre-emptive subscription rights of shareholders to any securities issued pursuant to the present Resolution shall be cancelled; however, in accordance with Article L. 225-135, Paragraph 2, of the French Commercial Code, the Board of Directors shall have the option of offering the shareholders pre-emptive subscription rights to all or part of the issue, subject to a time limit and under conditions to be determined in compliance with current laws and regulations; said rights are not marketable and must be exercised pro rata to each shareholder's existing shareholdings, although subscriptions for extra shares may also be authorized, it being understood that any shares that are not taken up shall be sold through public offering on the French and/or foreign and/or international stock market.

7°) For the benefit of the above-mentioned beneficiaries, the pre-emptive subscription rights of shareholders for any shares issued pursuant to the present authorization shall be cancelled, and all rights to any shares issued pursuant to the present Resolution shall be waived.

8°) In compliance with current laws and regulations, the issue price of the securities issued pursuant to the present authorization shall be at least equal to the weighted average of the Company's share price on the three trading days immediately preceding the day on which the price is set, possibly at a discount that may not exceed 5 percent, in accordance with Article 155-5 of Decree No. 67-236 of March 23, 1967.

9°) The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization, to set the terms and conditions of issuance and subscription, place on record the resulting capital increases and amend the Articles of Association accordingly, and to accomplish the following in particular:
- Determine, where applicable, the terms and conditions for exercising the rights attached to the shares and share equivalents to be issued or to the debt securities to be issued, determine, where applicable, the terms and conditions for exercising the right to conversion, exchange or redemption, including through transfer of Company assets such as previously issued Company shares and share equivalents.
- In the case of securities issued as payment for shares contributed to the Company in connection with public exchange offers, draw up the list of all securities contributed to the transaction, set the terms and conditions of the issue, the exchange parity as well as what amount of the total, if any, is to be paid in cash, and determine how and whether the issue is to be made in connection with a public exchange offer; with a choice between a public tender offer and a public exchange offer; with a single offer providing for either the purchase or exchange of the securities involved against payment in cash or in kind; with a principal public tender or exchange offer combined with a subsidiary, public exchange or tender offer; or with any other kind of public offer, subject to compliance with the relevant laws and regulations.
- In the case of securities issued in accordance with Article L. 225-147, Paragraph 6, as payment for shares or share equivalents contributed to the Company, where Article L. 225-148 is not applicable, draw up the list of all securities contributed to the transaction, set the terms and conditions of the issue, the exchange parity as well as what amount of the total, if any, is to be paid in cash and determine the method of issue.
- Resolve, at its sole discretion and if appropriate, to charge the share issuance costs against the related share premiums and deduct from these premiums the amount necessary to raise the legal reserve to one tenth of the new share capital after each capital increase.
- Make all the necessary adjustments in compliance with current laws and regulations in order to reflect the impact of any

financial transactions on the share capital of the Company, particularly in the event of changes in the par value of shares, of capital increases carried out through capitalization of reserves, of free share grants, of stock splits or reverse splits, of distribution of earnings or other assets, of depreciation of the share capital or of any other transaction affecting the share capital. Determine the methods to be used to protect the rights of holders of securities conferring entitlement to shares in the Company.

10°) This authorization cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to increase the share capital by issuing shares and share equivalents – without pre-emptive subscription rights – that confer entitlement to a portion of the Company's share capital and/or securities conferring entitlement to allotment of debt securities.

Thirteenth Resolution – Authorization, in the event of issuance of securities entailing the waiver of the shareholders' pre-emptive subscription rights under the Twelfth Resolution, to determine the issue price up to a ceiling of 10 percent of the share capital, pursuant to the conditions set by the shareholders at their Meeting

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, in accordance with Article L. 225-136 of the French Commercial Code, hereby resolve the following:

1°) The Board of Directors shall be authorized, subject to approval by a two thirds majority of all Directors, to set the issue price for each issue of shares or share equivalents carried out pursuant to the Twelfth Resolution under the following conditions:

At the Board's discretion, the issue price may not be lower than either of the following:

a) The average share price weighted by volume on the trading day immediately preceding the day on which the price is set, possibly at a discount that may not exceed 5 percent; or
b) The average share price observed over a period that may not exceed six months immediately preceding the opening of the subscription period.

2°) The aggregate par value of the capital increases liable to be carried out pursuant to this Resolution may under no circumstances exceed 10 percent of the share capital per 12-month period or the ceiling against which it will be charged, as set by the Twelfth Resolution.

3°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting.

4°) The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization in accordance with the conditions set forth in the Twelfth Resolution.

Fourteenth Resolution – Authorization to carry out capital increases through capitalization of share premiums, reserves, earnings and other equity accounts

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report, in accordance with Article L. 225-130 of the French Commercial Code, hereby resolve the following:

1°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to increase the share capital on one or several occasions, in amounts and on dates to be determined at the Board's discretion, through capitalization of share premiums, reserves, earnings or any other equity accounts for which capitalization is permitted, whether by issuing and granting free shares or by raising the par value of existing shares, or through a combination of the two procedures. The aggregate par value of the capital increases liable to be carried out pursuant to this authorization may not exceed €5,000,000, it being understood that this amount shall be counted in addition to the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.

2°) In the event that the Board of Directors makes use of the present authorization, the Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization, to set the terms and conditions of issuance and subscription, place on record the resulting capital increases and amend the Articles of Association accordingly, and to accomplish the following in particular:
- Determine the amount and the nature of the sums to be incorporated into the share capital, set the size of the issue and/or the amount by which the par value of the existing shares will be increased, set the date, if need be retroactively, from which the new shares carry dividend rights or the date on which the increase in the par value of the existing shares will take effect.
- In the event of free share grants, (i) decide that rights to fractions of shares are not marketable and that the shares corresponding thereto shall be sold; the proceeds from the sale of such shares shall be allocated to the holders of the rights

as provided for by current laws and regulations, (II) decide that any shares granted on a pro rata basis to the holders of existing shares with double voting rights shall benefit from these rights as soon as they are allotted; (III) make all the necessary adjustments to reflect any transactions affecting the Company's share capital such as changes in the par value of shares, capital increases carried out through capitalization of reserves, free share grants, stock splits or reverse splits, distribution of earnings or other assets, depreciation of the share capital or any other transaction affecting the share capital; and determine the methods to be used to protect the rights of holders of securities conferring entitlement to shares in the Company.

3°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting. It cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to increase the share capital through capitalization of share premiums, reserves, earnings and other equity accounts.

Fifteenth Resolution – Authorization to increase the number of shares to be issued in connection with a capital increase, with or without pre-emptive subscription rights

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report, in accordance with Article L. 225-135-1 of the French Commercial Code, hereby resolve the following:

1°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to increase the number of shares to be issued in connection with a capital increase, with or without pre-emptive subscription rights, at the same price as the initial issue price and within a time limit and under the conditions prescribed by the regulations in force at the issue date (currently within 30 days of the subscription period closing date and up to a maximum of 15 percent of the initial issue).

2°) The aggregate par value of the capital increases liable to be carried out pursuant to this authorization shall be charged against the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.

This authorization shall be valid for a period of twenty-six months from the date of this Meeting.

Sixteenth Resolution – Authorization to carry out capital increases by issuing shares to employees entailing the waiver of pre-emptive subscription rights for the benefit of the latter

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, in accordance with Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code, as well as with Articles L. 443-1 et seq. of the French Labor Code, hereby resolve the following:

1°) The Board of Directors shall be delegated the necessary powers, subject to approval by a two thirds majority of all Directors, to increase the share capital on one or more occasions by issuing shares or share equivalents conferring entitlement to a portion of the Company's share capital to employees who are members of one or more company savings plans (or of any other such plan authorized by Article L. 443-5 of the French Labor Code to reserve capital increases for plan members under equivalent conditions) that may be set up by the Group composed of the Company and any French and foreign companies included in the Company's consolidated or otherwise combined financial statements in accordance with Article L. 444-3 of the French Labor Code. The aggregate par value of the capital increases liable to be carried out pursuant to this authorization, whether immediately or in the future, may under no circumstances increase the share capital by more than 2 percent at the date of the Board's decision, it being understood that this amount shall be charged against the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.

2°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting.

3°) The issue price of said shares or share equivalents shall be determined in accordance with Article L. 443-5 of the French Labor Code.

4°) In addition to the shares or share equivalents offered to the above-mentioned beneficiaries for cash consideration, the Board of Directors is authorized to grant them free new or existing shares or share equivalents conferring entitlement to a portion of the Company's share capital, to substitute either in whole or in part for a discount in relation to the share subscription price, it being understood that the advantage resulting from this grant may not exceed the legal and regulatory limits set by Articles L. 443-5 and L. 443-7 of the French Labor Code.

5°) For the benefit of the above-mentioned beneficiaries, the pre-emptive subscription rights of shareholders for any shares or share equivalents issued pursuant to the present authorization shall be cancelled, and all rights to any free shares or share equivalents issued pursuant to the present Resolution shall be waived.

6°) The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization, to set the terms and conditions of issuance and subscription, place on record the resulting capital increases and amend the Articles of Association accordingly, and to accomplish the following in particular:
- Draw up, in compliance with legal requirements, the list of the companies whose employees, former employees in early retirement and retirees are entitled to subscribe for the shares or share equivalents issued and to benefit, where applicable, from a grant of free shares or share equivalents.
- Decide whether said issues are to be subscribed for directly or through a company mutual fund or any other such vehicle authorized by current laws and regulations.
- Determine the eligibility requirements to be met by the beneficiaries of the capital increases, particularly regarding period of service.
- Charge, if applicable, the share issuance costs against the related share premiums and deduct from these premiums the amount necessary to raise the legal reserve to one tenth of the new share capital after each capital increase.

7°) This authorization cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to increase the share capital by issuing shares and share equivalents reserved for members of a Company or Group savings plan.

Seventeenth Resolution – Authorization to grant stock options

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, hereby resolve the following:

1°) The shareholders authorize the Board of Directors, subject to approval by a two thirds majority of all Directors, in accordance with Articles L. 225-177 to L. 225-185 and L. 225-129-2 of the French Commercial Code, to grant stock subscription and purchase options, on one or more occasions, to those persons it selects from among the employees and possibly executive officers of the Company and the companies that are directly or indirectly affiliated to the Company, as defined in Article L. 225-180 of the Commercial Code. Said stock options entitle their holders to subscribe for shares issued by the Company in connection with a capital increase and to purchase Company shares held by the Company, subject to compliance with the provisions of the law.

2°) The aggregate number of shares to which the stock options granted pursuant to this authorization confer entitlement may under no circumstances exceed 2 percent of the share capital at the date of the Board's decision. The aggregate par value of the capital increases liable to result from the exercise of the options granted under this authorization shall be charged against the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.

3°) The exercise price of the stock subscription or purchase options shall be set on the date of grant by the Board of Directors. The price may not be lower than the average of the opening prices quoted for the Company's shares on the Euronext Paris stock market (Eurolist) over the 20 trading days preceding the date of grant. If the Company carries out one of the financial transactions dealt with in Article L. 225-181 of the French Commercial Code, the Board of Directors shall take all necessary steps, as provided for by current regulations, to protect the interests of the holders of these options, including adjustments in the number of shares that the latter may acquire in exercising their options, in order to reflect the effect of the transaction.

4°) For the benefit of the holders of the stock subscription options, the shareholders automatically waive their pre-emptive subscription rights to any Company shares issued by virtue of this authorization as the options are exercised. The capital increase resulting from the exercise of said stock subscription options shall be considered effective as soon as the option holders have formally submitted their exercise claims, along with the corresponding subscription forms, and fully paid up the shares to which they are entitled, either in cash or in exchange for cancellation of outstanding claims.

5°) The Board of Directors shall therefore be fully empowered to implement the present authorization in order to accomplish the following:
- Draw up the list of all the stock option holders and the number of options granted to each of them.
- Determine the terms and conditions of the stock option grant particularly (I) the expiration date, it being understood that the stock options must be exercised within a period of five years from the date of grant; (II) the date or dates or periods in which the options may be exercised, it being understood that the Board of Directors may (a) advance the exercise date, dates or periods, (b) prolong the exercisability of the options or (c) modify the dates or periods in which the shares acquired upon exercise may not be sold or otherwise disposed of; (III) any possible clauses prohibiting immediate resale of all or some of the shares acquired, provided that the resale res-

triction period does not exceed three years as from the exercise date.
- Limit, suspend, restrict or prohibit, as need be, the exercise of the stock options or the resale or disposal of the shares acquired in exercising the options, whether during certain periods or subsequently to particular events; the Board's decision may involve all or some of the stock options or shares, and may involve all or some of the option holders.
- Set the date, if need be retroactively, from which the shares acquired upon exercise of stock subscription options will carry dividends.

6°) The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to place on record the capital increases corresponding to the number of shares actually subscribed for through the exercise of the stock options; to amend the Articles of Association accordingly; at its sole discretion and if appropriate, to charge the share issuance costs against the related share premiums and deduct from these premiums the amount necessary to raise the legal reserve to one tenth of the new capital after each capital increase; and to perform all necessary formalities in connection with the listing of the shares issued for this purpose, to make all necessary legal announcements and filings and generally to do whatever is necessary.

7°) The present authorization shall be valid for a period of twenty-six months from the date of this Meeting. It cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to grant stock subscription or purchase options.

Eighteenth Resolution – Authorization to grant free existing or new shares to all or some Group employees

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report and the Statutory Auditors' Special Report, in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code, hereby authorize the Board of Directors, subject to approval by a two thirds majority of all Directors, to grant, on one or more occasions, either existing Company shares repurchased by the Company or new shares (excluding preferred shares) free of charge for the benefit of the following:

• Employees and executive officers of the Company.

• Employees and executive officers of those companies and groups of companies in which the Company holds at least 10 percent of the shares and the voting rights, either directly or indirectly.

The Board of Directors shall determine which employees and executive officers may benefit from said free share grants as well as the eligibility requirements, if any, to be met the beneficiaries.
The aggregate number of free shares granted, whether existing or new shares, may under no circumstances exceed 3 percent of the Company's share capital at the date of the Board's decision, it being understood that the par value of such capital increases shall be charged against the aggregate ceiling stipulated in Paragraph 3 of the Eleventh Resolution submitted to this Meeting.
The rights of the beneficiaries to these shares shall not be effective until the end of an acquisition period of no less than two years. The beneficiaries must further hold their shares for a period of no less than two years following the end of the acquisition period, and the Board of Directors shall have the option of prolonging both the acquisition period and the minimum holding period.

In the case of new shares granted free of charge, at the expiration of the acquisition period, the present decision shall entail a capital increase through capitalization of reserves, earnings or share premiums for the benefit of the beneficiaries of said shares and the corresponding waiver by the shareholders of all rights to the portion of reserves, earnings or share premiums capitalized for the benefit of the free share grant beneficiaries.

The Board of Directors shall be fully empowered, with the option of sub-delegation as provided for by law, to implement the present authorization and to take all necessary steps to protect the rights of the beneficiaries, including adjustments in the number of free shares that the latter may be granted on the basis of possible transactions affecting the Company's share capital, determine the amount and the nature of the equity components, whether reserves, earnings or share premiums, to be capitalized in the case of new shares granted free of charge, place on record the capital increase or increases carried out under the present authorization, amend the Articles of Association accordingly and generally do whatever is necessary.
In the event that the Board of Directors makes use of the present authorization, it shall inform the shareholders at each Annual Meeting of Shareholders of any transactions carried out pursuant to Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code, under the conditions set forth in Article L. 225-197-4 of said code.
The present authorization shall be valid for a period of twenty-six months from the date of this Meeting. It cancels and replaces with immediate effect any remaining unused balance under any authorization previously given to the Board of Directors to grant existing or new free shares to all or some of the executive officers and employees of the Group.

Nineteenth Resolution – Authorization to reduce the share capital by canceling treasury shares

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, having duly noted the Management Report and the Statutory Auditors' Special Report and provided that the Ninth Resolution submitted to this Meeting, authorizing the Board of Directors to repurchase Company shares in compliance with legal requirements, is adopted, hereby empower the Board of Directors, with the option of sub-delegation, to accomplish the following:

- Proceed at any time, with no particular formalities and on one or more occasions, to cancel Company shares repurchased under Article L. 225-209 of the French Commercial Code, up to a ceiling of 10 percent of the share capital, it being understood that this ceiling applies to an aggregate amount whose size may be adjusted to reflect transactions subsequent to this Meeting that affect the share capital.

- Reduce correspondingly the share capital by charging the difference between the par value of the cancelled shares and their carrying value against all available share premiums and retained earnings.

- Amend the Articles of Association accordingly and perform all formalities stipulated by law.

The present authorization shall be valid for a period of twenty-four months from the date of this Meeting, i.e. until May 5, 2008. It cancels and replaces the authorization given by the Shareholders' Meeting of April 19, 2005.

21.1.2 Securities other than equity securities

As of the date on which this Document de Référence was registered, there were no Company securities other than equity securities.

21.1.3 Repurchase by the Company of its own shares

In the Tenth Resolution approved by the Combined Ordinary and Extraordinary Meeting of Shareholders held on April 19, 2005, the Company's shareholders authorized the Company to launch a share repurchase program, for which a *Note d'Opération* was approved by the AMF on March 22, 2005 under visa number 05-167.

The program's main features are as follows:

Share repurchase ceiling:	10% of share capital
Maximum unit purchase price:	€30
Minimum unit purchase price:	€8

Objectives, in order of importance:

- Enable the Company to hold and use Company shares as a means of exchange or consideration in external growth transactions.
- Enable the Company to use Company shares in connection with the exercise of rights attached to securities that confer entitlement to shares in the Company through conversion, exercise, redemption or exchange.
- Enable the Company to reduce total share capital by canceling Company shares.
- Enable the Company to allot shares to employees of the Company or of affiliated companies by granting stock options or by granting free shares, whether as part of their compensation, as a means to allow them to benefit from the growth of the Company, in the context of options exercised or in the context of employee shareholding and corporate savings plans.
- Enable the Company to maintain a liquid market for its shares via a liquidity contract with an independent investment service provider that complies with the code of business ethics approved by the *Autorité des Marchés Financiers.*

Period of validity: 18 months as of the Shareholders' Meeting of April 19, 2005. This program canceled and replaced the program authorized to the same effect in the Fourth Resolution of the Combined Ordinary and Extraordinary Meeting of Shareholders held on April 20, 2004 (visa No. 04-186 dated March 23, 2004).

Program assessment:

Under the share repurchase program, 152,900 shares were directly repurchased by the Company in 2005 at an average price of €12.43, to be granted to employees of the Company or of affiliated companies.

Furthermore, under the liquidity contract implemented in fiscal year 2005, 635,598 shares were repurchased at an average price of €12.07, and 631,354 shares were sold at an average price of €11.87.

At December 31, 2005, the portfolio of shares purchased directly by the Company totaled 249,310 shares at an average price of €11.90.

The portfolio of shares purchased under the liquidity contract comprised 70,000 shares at December 31, 2005 (average price of €12.98).

At December 31, 2005, the Company thus held a total of 319,310 treasury shares with an average purchase price of €12.14, representing 1.07 percent of total share capital (which was 29,924,312 shares).

21.1.4 Securities conferring entitlement to shares in the Company

- ***OCEANE issue (bonds convertible into and/or exchangeable for new or existing Company shares)***

In accordance with the power granted to it by the shareholders in the Fourth Resolution approved at their Combined Ordinary and Extraordinary Meeting of October 18, 2004, the Board of Directors resolved, at its meetings held on April 26 and April 27, 2005, to issue "OCEANE" bonds, i.e. convertible into and/or exchangeable for new or existing Company shares. The total principal amount was €80,000,012.40; the pre-emptive subscription rights of existing shareholders were cancelled.

The prospectus accompanying this issue of 5,194,806 bonds with a face value of €15.40, maturing on January 1, 2012, was approved by the *Autorité des Marchés Financiers* on April 27, 2005 under visa number 05-313. It lists the main features of the securities being offered.

Bondholders may request early redemption in cash of all or some of the bonds they hold on January 1, 2009 or January 1, 2010.

The "OCEANE" bonds have been trading on the Eurolist index (Euronext Paris) since May 4, 2005 under ISIN number FR0010193292.

- ***Stock options***

(i) Making use of the 5-year authorization granted by the shareholders at their Meeting of May 4, 2000 (Eighth Resolution), the Board of Directors set guidelines for creating a stock subscription option plan for employees, directors and executive officers of the Company and its subsidiaries on March 18, 2003. The Board of Directors subsequently granted the following tranches of stock subscription options to certain plan beneficiaries:

<u>Tranche A</u>

In accordance with the delegation of power granted by the Board of Directors on March 18, 2003, the Chairman of the Board allocated a first tranche of options on April 15, 2003, called Tranche A. The Chairman listed the beneficiaries of Tranche A, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche A was set at €5.67, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the grant date (April 15, 2003).

Tranche B

On July 25, 2003, the Board of Directors allocated a second tranche of options, called Tranche B. The Board listed the beneficiaries of Tranche B, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche B was set at €8.46, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the grant date (July 25, 2003).

Tranche C

On April 20, 2004, the Board of Directors allocated a third tranche of options, called Tranche C. The Board listed the beneficiaries of Tranche C, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche C was set at €10.93, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the grant date (April 20, 2004).

Tranche D

On June 10, 2004, the Board of Directors allocated a fourth tranche of options, called Tranche D. The Board listed the beneficiaries of Tranche D, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche D was set at €11.04, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the grant date (June 10, 2004).

Tranche E

In accordance with the sub-delegation of power granted by the company's Board of Directors on July 8, 2004, the Chief Executive Officer allocated a fifth tranche of options, called Tranche E. The CEO listed the beneficiaries of Tranche E, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche E was set at €13.93, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the date of the Board of Directors meeting (July 8, 2004).

(ii) At their Extraordinary Meeting of October 18, 2004 (Eighth Resolution), the shareholders authorized the Board of Directors to grant employees, directors and executive officers of the Company and of affiliated companies options to subscribe for or purchase shares in the Company in accordance with Article L. 225-180 of the French Commercial Code. The total number of shares to which the options granted under this authorization entitle their beneficiaries may not exceed 2 percent of the Company's share capital. This authorization, granted for a period of twenty-four months, cancelled and replaced the previous authorization granted to the Board of Directors on May 4, 2000, owing to the unused portion of the stock option plan. Under the new authorization, the Board of Directors granted new stock options:

Tranche F

On December 14, 2004, the Board of Directors allocated a new tranche of options, called Tranche F. The Board listed the beneficiaries of Tranche F, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche F was set at €11.68, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding the grant date.

Tranche G

Although planned, this tranche was not ultimately granted by the Board of Directors.

Tranche H

On September 20, 2005, the Board of Directors allocated a new tranche of options, called Tranche H. The Board listed the beneficiaries of Tranche H, the number of options to be allocated to each beneficiary and the subscription price. The subscription price for Tranche H was set at €11.62, the equivalent of 95 percent of the average opening share price over the twenty trading days preceding October 19, 2005.

Record of stock subscription options granted

EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 4, 2000	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Decision by Board or Chairman using power delegated to him	April 15, 2003	July 25, 2003	April 20, 2004	June 10, 2004	July 8, 2004
Total stock options granted	858,000	145,000	151,500	110,000	30,000
Total shares that may be subscribed for or purchased by:					
- Directors and executive officers *(aggregate)*	100,000	120,000	0	100,000	0
- 10 largest employee beneficiaries *(aggregate)*	106,500	25,000	108,000	10,000	20,000
Total beneficiaries	150	4	56	3	2
Vesting date	April 15, 2006	July 25, 2006	April 20, 2007	June 10, 2007	July 8, 2007
Expiration date	April 15, 2011	July 25, 2011	April 20, 2012	June 10, 2012	July 8, 2012
Exercise price	€5.67	€8.46	€10.93	€11.04	€13.93
Shares subscribed for	74,500	135,000	0	0	0
Subscription options cancelled	99,000	0	24,000	0	30,000
Subscription options outstanding	684,500	10,000	127,500	110,000	-
EXTRAORDINARY SHAREHOLDERS' MEETING OF OCTOBER 18, 2004	**Tranche F**	**Tranche G[1]**	**Tranche H**		
Decision by Board or Chairman using power delegated to him	Dec. 14, 2004	-	Sept. 20, 2005		
Total stock options granted	209,500	-	425,000		
Total shares that may be subscribed for or purchased by:		-			
- Directors and executive officers *(aggregate)*	0		250,000		
- 10 largest employee beneficiaries *(aggregate)*	70,000		117,000		
Total beneficiaries	82	-	25		
Vesting date	Dec. 14, 2007	-	Sept. 20, 2008		
Expiration date	Dec. 14, 2012	-	Sept. 20, 2013		
Exercise price	€11.68	-	€11.62		

[1] Although planned, this first tranche was not ultimately granted by the Board of Directors.

Shares subscribed for	0	-	0		
Subscription options cancelled	37,500	-	0		
Subscription options outstanding	172,000	-	425,000		

Dilution caused by exercise of stock options (in percentage terms)

Tranche	*Stock options*	*% dilution(1)*
A	684,500	2.24%
B	10,000	0.03%
C	127,500	0.42%
D	110,000	0.37%
E	-	-
F	172,000	0.57%
H	425,000	1.40%
TOTAL	***1,529,000***	4.86%

(1) Percentage dilution affecting the portion of total share capital held by a shareholder after all valid stock subscription options have been exercised under each individual tranche, and ultimately under all seven tranches combined.

- ***Free share grants***

During the year ended December 31, 2005, the Company granted free shares to three persons:

In accordance with the authorization granted to it under the Fourteenth Resolution of the Extraordinary Shareholders' Meeting of April 19, 2005, the Board of Directors carried out the following free share allotments on June 28, 2005:

- 10,000 free shares granted to Mr. David Znaty, Chairman of the Board of Directors.
- 50,000 free shares granted to Mr. Amedeo d'Angelo, Chief Executive Officer of the Company.

On September 20, 2005, the Board of Directors carried out a further allotment:

- 5,000 free shares granted to Mr. Daniel Rodriguez, head of Industrial Operations.

These free share grants are subject to the following conditions:

- Acquisition period: the beneficiaries shall become unconditionally entitled to the shares after a two-year period, provided that on that date, said beneficiaries are still employed by the INGENICO Group (except in case of death of a beneficiary, leading to early acquisition by the heirs).

- The free shares granted under this authorization shall be held by the Company or by any other entity designated by the Company until the acquisition period expires. At this date, referred to as the "date of acquisition," if the beneficiary is still employed by the INGENICO Group, the shares shall be transferred to his or her registered share account.

- Holding period: For two years following the date of acquisition, the free shares must be held in registered form and are not transferable.

21.1.5 *Option or conditional or unconditional agreement to issue options to purchase part of the Company's shares*

To the best of the Company's knowledge, there are no options to purchase or sell Company shares nor any other commitments made to or by the Company's shareholders with respect to Company shares.

Likewise, there are no options granted by the Company to purchase or sell the shares of its subsidiaries.

21.1.6 *Changes in the Company's share capital*

DATE	TRANSACTION	SHARES ISSUED	PAR VALUE	TOTAL SHARES	SHARE CAPITAL
July 12, 2002	Capital increase through capitalization of reserves and allotment of free shares on the basis of 1 new share for 10 existing shares.	2,688,842	€1	29,577,262	€29,577,262
July 15, 2002	Reserved capital increase through issuance of 76,855 shares for €18.85 each, representing a €17.85 premium per share.	76,855	€1	29,654,117	€29,654,117
Feb. 10, 2005	Capital increase in cash resulting from exercise in 2004 of stock subscription options reserved for Company personnel; placed on record by Board of Directors on Feb. 10, 2005.[2]	149,000	1€	29,803,117	€29,803,117
Dec. 14, 2005	88,695 shares issued as 2004 stock dividends with a total value of €88,695; placed on record by Board of Directors on Dec. 14, 2005.	88,695	€1	29,891,812	€29,891,812
Dec. 14, 2005	32,500 shares with a total value €32,500 issued as a result of stock options exercised; placed on record by Board of Directors on Dec. 14, 2005.	32,500	€1	29,924,312	€29,924,312
Feb. 9, 2006	Capital increase in cash resulting from exercise in 2005 of stock subscription options reserved for Company personnel; placed on record by Board of Directors on Feb. 9, 2006.	28,000	€1	29,952,312	€29,952,312

21.2 Articles of Association

21.2.1 *Corporate purpose (Article 2)*

The purpose of the Company in France and in all other countries is as follows:

- Engage in research, study, development and production of all equipment, systems and devices incorporating new technology.
- Design and/or market all hardware and software related to electronic payment and fund transfers, urban parking management systems and public and private telephony.

[2] The stock option plans allow for early exercise in certain cases, such as when an employee ceases to work for the Company (e.g. through layoff, death, disability, retirement).

- Develop and/or market, including on a rental basis, equipment for transmitting and receiving radio signals of any frequency and of any nature.

- Operate, through all means and in all forms, land-based, marine and satellite telecommunications networks from fixed-line or wireless base stations, for its own use or for third parties.

- Design software for its own use or for third parties.

- Provide consulting and organizational services.

- Provide technical support and maintenance for all devices and all installations produced or marketed to further the corporate purpose.

- Represent all French or non-French companies whose manufacturing is directly or indirectly related to the objects set forth above, including import and export activity.

To fulfill this purpose, the Company may create, purchase, exchange, sell or lease, with or without option to purchase, manage and directly or indirectly operate any industrial and commercial establishments, factories, worksites, movables or immovables, obtain or purchase any patents, licenses, processes and trademarks, use, transfer or contribute them, grant any manufacturing or operating licenses and in general engage in any commercial, industrial, financial transactions as well as any transactions in movable or immovable property that may be directly or indirectly related to or beneficial to the corporate purpose. It may act directly or indirectly, on its own behalf or on behalf of third parties, either alone or jointly with any other companies and persons, and carry out all transactions of any kind that further its purpose, in France and in other countries. It may acquire interests or holdings in any French or non-French companies with similar purposes or likely to further the Company's own business.

21.2.2 Functioning of management and oversight bodies (Articles 12 and 13 of the Articles of Association)

Appointment of Directors: The Company is directed by a Board of Directors consisting of three to twelve members chosen from among the shareholders.

Directors shall be elected to office and revoked by the Annual Meeting of Shareholders. The term of office of a Director is six years.

Plurality of mandates as director and executive officer in several corporations *(sociétés anonymes)* is only permitted within the legally prescribed limits.

A Company employee may be appointed to the Board of Directors, but only if his or her employment contract predates this appointment and corresponds to a position actually held. The employee-Director does not lose the benefit of his or her employment contract. The number of Directors bound to the Company by employment contracts may not exceed one third of all Directors in office. Any appointment made in violation of the above provision shall be declared null and void. However, this does not render null and void the proceedings in which the improperly appointed Director has taken part.

In case of death or resignation of a Director, the Board of Directors may make a provisional appointment between two shareholders' meetings. Any such provisional appointment must be ratified by the next meeting of shareholders. Even if the meeting does not ratify the appointment, the prior proceedings and acts of the Board of Directors shall be considered valid.

When the number of Directors in office drops below three, the remaining Directors must immediately convene a meeting of shareholders in order to bring Board membership up to the required minimum.

Age limit: The number of Directors (individuals or representatives of legal entities) more than 75 years of age may not exceed one third, rounded to the next higher number, of Directors in office on the date of the Annual Meeting called to approve the annual financial statements.

When this recommended number has been exceeded, the oldest Director, except for the Chairman, shall be considered to have resigned.

Legal entities that are Directors: If a company is on the Board of Directors, as soon as it is appointed, it must designate a permanent representative who shall be subject to the same conditions and obligations and have the same duties as any individually appointed Director, without prejudice to the several liability of the legal entity represented. When a legal entity dismisses its permanent representative, it must at the same time provide for a replacement. The same applies in case of death or resignation of the permanent representative.

Share ownership by Directors: Each Director must own at least ten (10) Company shares. These shares must be held in registered form and fully paid up non-assessable. This requirement does not apply to employee shareholders who have been appointed to the Board of Directors under Article L.225-22 of the French Commercial Code.

Directors appointed during the life of the Company who were not shareholders at the time of the appointment must acquire the minimum number of shares required within three months of their appointment. Should this requirement not be fulfilled, said Directors shall be shall be considered to have resigned.

Proceedings of the Board of Directors: The Board of Directors shall elect one of its members Chairman for a term of office set at the Board's discretion, but which may not exceed said member's term as Director. The Chairman may not be a legal entity, and may be re-elected for an indefinite number of consecutive terms.
The Board may also appoint a Secretary, who need not be a Board member.

The Board of Directors meets as often as the interests of the Company dictate. Meetings may be called by the Chairman, or alternatively at the request of half of the members of the Board, and held at the place indicated in the call to meeting. They may be called using any means determined by the Board.

When the Board of Directors has not met for over two months, its members may request that the Chairman call a meeting with a specific agenda, provided that at least one third of all members sign the request.

The Chief Executive Officer may also request that the Chairman call a meeting with a specific agenda.

An attendance register is to be signed by all Directors attending the meeting.

The proceedings of Board meetings shall not be considered valid unless at least half of all Board members in office, and no less than two Board members, are present. Decisions require a simple majority of those Board members present or represented at the meeting, with the Chairman holding the casting vote in the event of a tie. If only two Board members are present, any decisions require consensus.

The Board of Directors may include in its rules of procedure the provision that Directors shall be considered present, for calculating quorum and majority, if they take part in Board meetings via videoconferencing systems allowing them to be identified and enabling them to participate effectively, the characteristics of which are set forth by a decree of the French *Conseil d'Etat,* excepting meetings at which the Chairman of the Board and the Chief Executive Officer are elected or removed from office, as well as at meetings related to the matters referred to in Articles L.232-1 and L.233-16 of the French Commercial Code.

The minutes of the proceedings at every Board meeting are recorded in a special register, signed by the Chairman and at least one other Board member.

The extracts or copies of these minutes shall be certified valid by the Chairman of the Board, the Chief Executive Officer, the Executive Vice Presidents or the Board member serving as acting Chairman. In case of liquidation, these extracts or copies shall be certified valid by the liquidator.

Mandate of the Board: The Board of Directors is responsible for determining the Company's strategic policies and ensuring that they are implemented. Subject to the powers expressly assigned by law to the shareholders and within the scope of the corporate purpose, the Board of Directors concerns itself with all issues related to the proper functioning of the Company and settles them through its deliberations.

In its relations with third parties, the Company is bound by all acts of the Board of Directors that do not come within the scope of the corporate purpose, unless the Company can prove that the third party knew, or must have known in the circumstances, that the act in question fell outside the scope of the corporate purpose. The disclosure of the Articles of Association is not, in and of itself, sufficient proof thereof.

The Board of Directors carries out any controls and verifications it may deem appropriate. The Chairman or the Chief Executive Officer of the Company is required to provide every Board member with all the documents and information he or she needs to fulfill his or her mandate.

The Chief Executive Officer keeps the Board of Directors informed of any decision planned or already implemented by him- or herself in managing the Company.

Commitments by the Company to provide guarantees and pledge assets as security interests require the approval of the Board of Directors.

Chairman of the Board of Directors:
The Board of Directors elects one of its members Chairman. This position must be occupied by an individual (rather than a legal entity), or the appointment shall be declared null and void.

The Chairman of the Board of Directors organizes and directs the Board of Directors, and represents it at the Annual Meeting of Shareholders. He also makes sure the Company's various bodies are functioning properly, particularly that the Board members are able to fulfill their mandate.

The Chairman's term of office expires by right at the first Annual Meeting of Shareholders held during the year of his seventy-fifth birthday.

Deputy Chairman: Should the Chairman be temporarily unavailable or die, the Board of Directors may appoint one of its members Deputy Chairman of the Board. In case of unavailability, this appointment is renewable. In case of death, it shall be valid until a new Chairman is elected.

Chief Executive Officer: Day-to-day management of the Company shall be the responsibility of either the Chairman of the Board of Directors or of any other individual appointed by the Board and designated as the Chief Executive Officer.

The Board of Directors chooses between these alternative arrangements for managing the Company in accordance with the quorum and majority requirements set forth in Article 12 above. The shareholders and third parties are informed of this choice as provided for by a decree of the French *Conseil d'Etat.*

If management of the Company is entrusted to the Chairman of the Board of Directors, the provisions below regarding the Chief Executive Officer shall apply to him.

The Chief Executive Officer may be dismissed at any time by the Board of Directors.
If dismissed without due cause, the Chief Executive Officer may claim damages, provided that the he or she does not simultaneously hold the office of Chairman of the Board of Directors.

When the Chief Executive Officer ceases to hold office or is unable to fulfill his or her mandate, the Executive Vice Presidents preserve their functions and attributions, unless otherwise decided by the Board of Directors, until a new Chief Executive Officer is appointed.

An individual may not simultaneously hold more than one mandate as chief executive officer of corporations *(sociétés anonymes)* with their registered offices in France, except when the second mandate is held in a corporation controlled, within the meaning of "control" set forth in Article 233-3 of the French Commercial Code, by the corporation in which the first mandate is held.

The Chief Executive Officer may not be more than seventy-five years of age.

The Chief Executive Officer has the broadest possible powers to act in all circumstances on behalf of the Company. He shall exercise these powers within the scope of the corporate purpose and subject to the powers expressly assigned by law to the shareholders and to powers specific to the Board of Directors.

The Chief Executive Officer represents the Company in its relations with third parties. The Company is bound by all acts of the Chief Executive Officer that do not come within the scope of the corporate purpose, unless the Company can prove that the third party knew, or must have known in the circumstances, that the act in question fell outside the scope of the corporate purpose. The disclosure of the Articles of Association is not, in and of itself, sufficient proof thereof.

Neither the provisions of the Articles of Association nor any decisions by the Board of Directors to limit the powers of the Chief Executive Officer are opposable to third parties.

Executive Vice Presidents: On the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more persons to act as Executive Vice President. The maximum number of Executive Vice Presidents is set at five.

Executive Vice Presidents may be dismissed by the Board of Directors on the recommendation of the Chief Executive Officer. If dismissed without due cause, an Executive Vice President may claim damages.

An Executive Vice President may not be more than seventy-five years of age.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and the duration of the powers delegated to the Executive Vice Presidents. The latter have the same powers as the Chief Executive Officer with respect to third parties.

21.2.3 Rights and obligations attached to Company shares – Classes of shares

The Company has only one class of shares, conferring identical rights to their holders.

Form of the shares (Article 11 of the Articles of Association) – Company shares may be registered or bearer shares. Registered shares are entered in individual securities accounts under the conditions and in accordance with the procedures laid down by current laws and regulations.

The Company is also authorized to issue bearer shares, which must be deposited with a bank or any other accredited intermediary.

The Company is entitled, at any time and in accordance with Article L. 228-2 of the French Commercial Code, to obtain information from the intermediary holding the shareholders' securities on the identity of the latter and the number of securities held by them that confer an immediate or future right to vote in Company shareholders' meetings.

Rights and obligations attached to the shares (Article 11 of the Articles of Association) – Each share carries a right of ownership of the assets and profits of the Company and any proceeds available on liquidation that is proportional to the fraction of the authorized share capital which it represents. All shares shall have the same rank with respect to any tax exemptions and taxes liable to be paid by the Company, so that each share of the same category entitles its holder to the payment of the same net amount in the event of any distribution or reimbursement made during the life of the Company or on liquidation.

An extra dividend of up to 10 percent of the ordinary dividend may be allotted to any shareholder who can prove at the end of the fiscal year that he or she has been a shareholder of record for at least two years and still was or would be on the dividend distribution date. Its rate is set by the shareholders at their Extraordinary Meeting. Once the Company's shares are authorized for trading on a regulated market, the number of shares eligible for the extra dividend may not exceed 0.5 percent of the Company's share capital for any single shareholder. The same rate may be applied under the same terms and conditions in the case of free share grants. This extra payment may not be granted until the end of the second fiscal year following the change to the Articles of Association.

The shareholders are liable only to pay the amounts for the shares subscribed.

Ownership of one Company share implies acceptance of these Articles of Association and of any decisions made by Shareholders' Meetings.

The above-mentioned rights and obligations are independent of any changes in ownership. All successive shareholders, transferees and subscribers are jointly liable to pay the amount of the shares subscribed. However, any subscriber or shareholder whose title to the shares has been transferred ceases to be liable for any uncalled payments on the shares two years after the date on which said transfer was requested.

Double voting rights (Article 19 of the Articles of Association) – Voting rights that are double the voting rights attached to other shares based on the fraction of the share capital they represent are attached to all fully paid-up shares for which it can be proven that they have been registered in the name of the same shareholder for at least two years. Furthermore, in the event of a capital increase through capitalization of reserves, earnings or share premiums, these double voting rights are attached as of issuance to any new registered shares granted free of charge to a holder of existing shares that entitle him or her to this grant.

Determination, appropriation and distribution of net profit or loss (Article 22 of the Articles of Association) – The net profit or loss for each fiscal year, reduced as the case may be by prior-year losses, is subject to an initial FIVE PERCENT appropriation to the legal reserve. This charge ceases to be mandatory once the legal reserve reaches one tenth of the Company's share capital. It shall be resumed if the legal reserve falls below this fraction for any reason whatsoever, particularly in the event of a capital increase.

Net profit available for distribution is equal to the balance, plus any retained earnings brought forward.

The following sums are deducted from this profit:

- Any sums the Ordinary Meeting of Shareholders sees fit to allocate to reserves, including the asset revaluation surplus, or to retained earnings.
- An initial dividend to be paid on Company shares, representing 5 percent interest on the capital on which said shares have been fully paid up, with no carry-forwards in the event of insufficient profits to cover this payment.
- The balance, distributed to the shareholders in the form of an extra dividend.

In addition, the Ordinary Meeting of Shareholders may decide to distribute amounts taken from discretionary reserves, either to create or supplement a dividend or as an extraordinary distribution. In this case, the decision must specify the reserves from which the payments are made.

Once the shareholders have approved the financial statements for the year, any losses shall be recognized in a special account on the liabilities side of the balance sheet and charged against future profits or debited to retained earnings.

21.2.4 Ordinary, extraordinary and special meetings of shareholders (Article 19 of the Articles of Association)

All collective decisions by the Company's shareholders are made at meetings whose deliberations are binding on all shareholders, including those that are absent, dissenting or incapacitated.

Depending on the nature of the proposed resolutions, meetings of shareholders may be extraordinary, ordinary or special meetings.

Common rules:

Shareholders' meetings shall be convened by the Board of Directors. They may also be convened by the Statutory Auditors, by a representative appointed in emergency cases by a court of law at the request of any interested party, by one or more shareholders holding at least 5 percent of the Company's share capital or by a group of shareholders as defined in Article L.225-120 of the French Commercial Code. They may, finally, be convened by the liquidator in the event of early dissolution of the Company.

Shareholders' meetings are held at the address indicated on the notice of meeting, which may be the registered office of the Company or any other location within a radius of 50 kilometers from the registered office.

Notice of shareholders' meetings shall be published in an official journal of legal notices in the *département* in which the registered office is located, at least fifteen clear days prior to the date of the meeting.

If all Company shares are registered shares, however, the call to meeting must be sent to each individual shareholder by registered mail at his or her most recent known address.

If the meeting of shareholders does not meet the requirements as to quorum and is therefore unable to deliberate, a second meeting is convened at least six clear days in advance according to the same procedure used for the first meeting. The notice or letters convening this second meeting restate the date and agenda of the first meeting.

The agenda and the resolutions to be submitted to the shareholders' meeting shall be drawn up by the author of the notice of meeting. The Board must add to this agenda all draft resolutions submitted to it by registered mail and bearing the signature of one or more shareholders holding at least 5 percent of the Company's share capital, by a group of shareholders as defined in Article L.225-120 of the French Commercial Code, or by the Works Council.

Holders of registered shares for at least five days prior to the shareholders' meeting may attend in person or be represented by proxy and take part in the deliberations. Holders of bearer shares must deposit their shares with an authorized intermediary and submit the certificate issued by the intermediary to the Company's registered office at least five days prior to the date of the meeting.

A shareholder may elect to be represented by another shareholder or by his or her spouse. In such a case, the shareholder must give power of attorney to the proxy indicating the latter's full name and address. The proxy may not replace anyone else. The power of attorney thus granted shall be valid only for a single shareholders' meeting or only for a series of meetings convened with the same agenda.

Any shareholder may also take part in and vote at shareholders' meetings, if the Board of Directors so decides when the meeting is convened, via videoconferencing and other telecommunication systems allowing them to be identified and enabling them to participate effectively, in accordance with the conditions and procedures provided for by law.

Shareholders' meetings shall be chaired by the Chairman of the Board of Directors, or alternatively by another Director appointed by the Board. If the meeting has been convened by the Statutory Auditors, one of them shall chair the meeting. Likewise, the liquidator, or one of the liquidators if there are several of them, shall chair any meeting convened by them. In case of default by the person empowered or appointed to chair the meeting, the shareholders shall elect a chairperson at the meeting. The role of observer shall by fulfilled by the two participants in the meeting who hold or represent the largest number of shares, either in their own name or by proxy, provided that they are both present and willing. The secretary of the meeting need not be chosen from among the shareholders.

At every shareholders' meeting, there must be an attendance sheet indicating the following:

- The full name and place of residence of each shareholder, the number of shares he or she holds and the number of voting rights attached to these shares.

- The full name and place of residence of each proxy, the number of shares he or she represents and the number of voting rights attached to these shares.

- The full name and place of residence of each shareholder represented by proxy, the number of shares he or she holds and the number of voting rights attached to these shares.

The attendance sheet must be signed by all attending shareholders and proxies. It shall be certified by the officers of the meeting. The powers in question shall be appended to the attendance sheet, which shall be held at the registered office and made available to anyone who so requests.

A duly convened shareholders' meeting represents all of the Company's shareholders. All decisions made at such a meeting are binding on all shareholders, including those who are absent, dissident or incapacitated. Quorum is calculated based on all shares that make up the Company's share capital in the case of ordinary and extraordinary meetings, and based on all shares that make up the relevant class of shares in the case of special meetings, after subtracting those shares that have been stripped of voting rights under legal or regulatory requirements.

The deliberations of shareholders' meetings shall be recorded in the minutes, signed by the officers of the meeting. The minutes shall be recorded or inserted in a special register, given a reference number and signed as required by law.

<u>Ordinary meetings of shareholders</u>

Ordinary meetings of shareholders are those meetings convened to make any and all decisions that do not amend the Articles of Association.

An ordinary meeting shall be convened at least once a year within six months of the end of each fiscal year in order to approve the annual and, if need be, the consolidated financial statements for the year.

It may grant the Board of Directors the authorizations it needs to carry out management acts that exceed the scope of its powers.

An ordinary shareholders' meeting has the following powers in particular: to appoint or dismiss Directors and Statutory Auditors; to approve or reject temporary appointments of Directors made by the Board of Directors; grant or refuse to grant the Directors in office full and unconditional discharge of liability in the performance of their duties; vote on the Statutory Auditors' special report on any regulated agreements between the Company and its executive officers or shareholders; set the amount of directors' fees to be awarded to the Directors.

An ordinary meeting is also empowered to deliberate on any and all questions pertaining to the financial statements for the preceding year and to appropriate net profit or loss.

It is empowered to authorize the Board of Directors to issue debt securities and accompany them with specific guarantees.

Quorum and majority

All shareholders may take part in the deliberations and vote on the resolutions submitted to ordinary meetings, provided that the shares they hold are fully paid up and non-assessable.

An Ordinary Shareholders' Meeting can only hold valid deliberations if it is attended on first notice of meeting by shareholders representing at least one fifth of the share capital. If this condition is not fulfilled, a Shareholders' Meeting convened on second notice of meeting can hold valid deliberations with no quorum requirements, but solely on those points already on the agenda of the previous Shareholders' Meeting.

To be valid, decisions at Ordinary Shareholders' Meetings require a simple majority vote of all shareholders attending or represented. Each person attending the meeting has voting rights equal to the number of shares he or she holds or represents, without limitation except at meetings called to incorporate the Company, at which each shareholder shall have the number of votes of the party represented, subject to the same conditions and limits.

However, voting rights that are double the voting rights attached to other shares based on the fraction of the share capital they represent are attached to all fully paid-up shares for which it can be proven that they have been registered in the name of the same shareholder for at least two years.

Furthermore, in the event of a capital increase through capitalization of reserves, earnings or share premiums, these double voting rights are attached as of issuance to any new registered shares granted free of charge to a holder of existing shares that entitle him or her to this grant.

Extraordinary meetings of shareholders

Extraordinary meetings of shareholders are those meetings convened to make any and all decisions that pertain to or amend the Articles of Association.

All shareholders may take part in extraordinary meetings, independently of the number of shares they own, provided that the shares they hold are fully paid up and non-assessable.

To be valid, decisions at Ordinary Shareholders' Meetings require a two thirds majority vote of all shareholders attending or represented. Each person attending the meeting has voting rights equal to the number of shares he or she holds or represents, without limitation except at meetings called to incorporate the Company, at which each shareholder shall have the number of votes of the party represented, subject to the same conditions and limits. However, voting rights that are double the voting rights attached to other shares based on the fraction of the share capital they represent are attached to all fully paid-up shares for which it can be proven that they have been registered in the name of the same shareholder for at least two years.

Furthermore, in the event of a capital increase through capitalization of reserves, earnings or share premiums, these double voting rights are attached as of issuance to any new registered shares granted free of charge to a holder of existing shares that entitle him or her to this grant.

An Extraordinary Shareholders' Meeting shall be considered duly convened and can hold valid deliberations only if it is attended on first notice by shareholders representing at least one third of the share capital. If this condition is not fulfilled, another Shareholders' Meeting must be convened in due form with the notice of meeting indicating the agenda, the date and the outcome of the preceding Meeting. This Meeting convened on second notice can hold valid deliberations only if it is attended by shareholders representing at least one fourth of the share capital. If the latter quorum is not reached, this second Meeting may be adjourned under the same conditions to a date no later than two months after the date for which it was called.

Notwithstanding the preceding paragraph and as authorized by law, an Extraordinary Shareholders' Meeting convened to vote on a capital increase through capitalization of reserves, earnings or share premiums can hold valid deliberations if it fulfills the requirements as to quorum and majority that apply to ordinary shareholders' meetings.

Special meetings of shareholders

In the event that the Company issues more than one class of shares, certain shareholders' meetings may be restricted to holders of a specific class of shares.

To be considered valid, a decision by an extraordinary shareholders' meeting to modify the particular rights attached a given class of shares must be approved by a special meeting of those shareholders who hold that class of shares.

Special shareholders' meetings shall be convened and shall deliberate as provided for by law.

21.2.5 Provisions likely to have an effect on control over the Company

Subject to the double voting rights granted to any shareholder who has held fully paid up registered shares for at least two years, there is no clause in the Articles of Association or rules and procedures of the issuer likely to delay, postpone or prevent changes in control over the Company.

21.2.6 Ownership thresholds (Article 8 of the Articles of Association)

Any individual or legal entity who acquires a number of shares representing more than 2 percent of the Company's share capital or any multiple of this percentage must report the total number of shares that such person or entity holds, as set forth in Article L. 233-7 of the French Commercial Code, to the Company and the *Autorité des Marchés Financiers* by registered mail with acknowledgement of receipt within five trading days after registration of the shares which enabled the holder to reach or cross the threshold. In the event of failure to comply with this requirement, the holder shall be deprived of the voting rights attached to those shares in excess of the threshold, subject to legal provisions and limits, if said failure to comply is noted at a shareholders' meeting and if one or more shareholders whose combined holdings represent at least 5 percent of the share capital so requests at the meeting. Any individual or legal entity whose direct or indirect holding in the Company falls below the abovementioned threshold is also required to report this change to the Company and the *Autorité des Marchés Financiers* in accordance with the conditions and time limits indicated above.

21.2.7 Changes in share capital and voting rights attached to shares

Any change in the share capital or voting rights attached to the shares that make up the share capital shall be governed by current legal provisions; the Articles of Association contain no specific provisions.

21.2.8 Amendments to the Articles of Association approved at the Shareholders' Meeting of May 5, 2006

The following resolutions were approved by the shareholders at their Meeting of May 5, 2006:

> ***Twentieth Resolution – Alteration of Article 12 of the Articles of Association***
>
> *The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report, hereby resolve to alter Paragraph 17 of Article 12 of the Company's Articles of Association, entitled "Board of Directors," in order to comply with Act No. 2005-842 of July 26, 2005, the Economic Confidence and Modernization Act.*
>
> *Consequently, Paragraph 17 of Article 12 of the Company's Articles of Association, entitled "Board of Directors," shall henceforth read as follows:*
>
> *"The Board of Directors may include in its rules of procedure the provision that, excepting meetings related to the transactions referred to in Articles L. 232-1 and L. 233-16 of the French Commercial Code, directors shall be considered present, for calculating quorum and majority, if they take part in Board meetings via videoconferencing and other telecommunication systems allowing them to be identified and enabling them to participate effectively, the characteristics of which are set forth by a decree of the French Conseil d'Etat."*

Twenty-First Resolution – Alteration of Article 19 of the Articles of Associations

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report, hereby resolve to alter Paragraph 27 of Article 19 of the Company's Articles of Association, entitled "Shareholders' Meetings," in order to comply with Act No. 2005-842 of July 26, 2005, the Economic Confidence and Modernization Act.

Consequently, Paragraph 27 of Article 19 of the Company's Articles of Association, entitled "Shareholders' Meetings," shall henceforth read as follows:

"A Shareholders' Meeting can only hold valid deliberations if it is attended on first notice of meeting by shareholders representing at least one fifth of the share capital. If this condition is not fulfilled, a Shareholders' Meeting convened on second notice of meeting can hold valid deliberations with no quorum requirements, but solely on those points already on the agenda of the previous Shareholders' Meeting."

The Shareholders further resolve to alter Paragraph 35 of Article 19 of the Company's Articles of Association, entitled "Shareholders' Meetings," in order to meet the requirements set forth in Act No. 2005-842 of July 26, 2005, the Economic Confidence and Modernization Act.

Consequently, Paragraph 35 of Article 19 of the Company's Articles of Association, entitled "Shareholders' Meetings," shall henceforth read as follows:

"An Extraordinary Meeting of Shareholders is considered validly convened and can hold valid deliberations only if it is attended by shareholders representing at least one fourth of the share capital. If this condition is not fulfilled, another Meeting must be called in accordance with legal requirements, including mention of the agenda, the date and the outcome of the previous Meeting. This Meeting on second notice can only hold valid deliberations if it is attended by shareholders representing at least one fifth of the share capital. If this quorum is not reached, this second Meeting may be postponed, under the same conditions as to notice and meeting, up to a date two months later than the date indicated on the notice of meeting."

Twenty-Second Resolution – Deletion of Paragraph 25 of Article 19 of the Articles of Association

The shareholders, having met the conditions required for extraordinary meetings as to quorum and majority, and having duly noted the Management Report, hereby resolve to delete Paragraph 25 of Article 19 of the Company's Articles of Association, entitled "Shareholders' Meetings," which provides that "It [the Meeting] authorizes the issuance of bonds and the establishment of particular forms of security," in order to comply with Ordonnance No. 2004-604 of June 24, 2004.

SECTION XXII. IMPORTANT AGREEMENTS

On June 15, 2005, the Company signed a loan and revolving credit agreement with BNP Paribas and a consortium of banks to establish a credit facility with a ceiling of €72,500,000 that is broken down as follows:

- A €32,500,000 loan (the **"Loan")** to refinance the outstanding amount on a loan dated August 2, 2001, to refinance the acquisition of a subsidiary by the Company and to finance a current account advance to a subsidiary.

- A revolving credit facility **("Revolving Credit")** with an authorized ceiling of €40,000,000 to finance part of the Group's consolidated working capital requirements.

The Revolving Credit is repayable in full on April 15, 2008, and the Loan is repayable in eight consecutive, regular installments, the last of which is due on April 15, 2009.

The rate of interest on the Loan and the Revolving Credit rate of interest are derived from the sum of (i) the 3-month EURIBOR rate, in the case of the Loan, and the 3-month EURIBOR rate (for 3-month drawdowns) or 1-month EURIBOR rate (for 1-month drawdowns) in the case of the Revolving Credit facility; and (ii) a benchmark margin of between 0.20 percent and 0.40 percent in the case of the Loan and 0.70 percent in the case of the Revolving Credit facility.

The Company has pledged the entire share capital of its subsidiary Ingenico Corp. as security for the Loan and Revolving Credit facility.

The Company has also undertaken to comply with requirements under two ratios:

R2 = Net debt/EBIT
R4 = Net debt/equity

12-month period ending:	*R2 less than:*	*R4 less than:*
Dec. 31, 2005	2.3	0.5
June 30, 2006	2.1	0.5
Dec. 31, 2006	1.5	0.5
June 30, 2007	1.25	0.5
Dec. 31, 2007	1	0.5
June 30, 2008	1	0.5
Dec. 31, 2008	1	0.5
June 30, 2009	1	0.5
Dec. 31, 2009	1	0.5

In a letter dated April 13, 2006, the Loan and Revolving Credit Agent confirmed that banks unanimously agreed:

(i) Not to act on the event of default constituted by the Company's non-compliance with the R2 and R4 ratio requirements in the year ended December 31, 2005.

(ii) Adjust the ratio levels in accordance with International Financial Reporting Standards (IFRS).

(iii) Revise the ratio scale as shown below:

12-month period ending	*R2 less than:*	*R4 less than:*
June 30, 2006	4.8	0.7
June 30, 2006	2.5	0.7
June 30, 2007	2	0.7
June 30, 2007	2	0.7
June 30, 2008	2	0.7
June 30, 2008	1	0.7

(*R2: net debt/EBIT); R4: net debt/equity*)

In return for these adjustments, the following points were agreed to:

(i) The Loan repayment schedule would be modified as follows:

Due date	*Amount*
April 15, 2006	€4,062,500
October 15, 2006	€8,125,000
April 15, 2007	€4,062,500
October 15, 2007	€4.062.500
April 15, 2008	€4,062,500
October 15, 2008	€4,062,500

(ii) The Company undertakes not to carry out, and to ensure that its subsidiaries do not carry out, any external growth transactions during the entire term of the Facility without the prior written agreement of the Agent acting on behalf of all the Banks in the consortium.

For further information, see Section IV – *Risk factors*.

SECTION XXIII. INFORMATION FROM THIRD PARTIES, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

This document contains no information from third parties.

SECTION XXIV. DOCUMENTS AVAILABLE TO THE PUBLIC

The Articles of Association of the Company and the parent company and consolidated financial statements for the last three fiscal years may be consulted by appointment at the registered office.

SECTION XXV. INFORMATION ON EQUITY INTERESTS

The Company has no equity interests other than its interests in the companies included in the organization chart in Section VII.