# 2016 REGISTRATION DOCUMENT

including the Annual Financial Report

Edenred

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# 2016 REGISTRATION DOCUMENT
## including the Annual Financial Report

**Edenred, inventer of the *Ticket Restaurant*® meal voucher, is the world leader in prepaid corporate services**

| | | |
|---|---|---|
| More than **€20** billion in transaction volume managed by Edenred, of which 70% in digital formats | **1** billion meals paid for using Edenred solutions | **2.6** million Edenred fuel cards |
| **750,000** client companies | **43** million employees use our solutions | **1.4** million merchants accept our solutions |
| Operations in **42** countries | Nearly **8 000** employees (1) | **€1,073** million in operating revenue |

(1) Including the integration of UTA in January 2017 For more information, see page 10.

AMF

This Registration Document was filed with the Autorité des marchés financiers (AMF) on March 17, 2017 in accordance with article 212-13 of the AMF's General Regulations.

It may be included in the prospectus for a financial transaction provided that the prospectus also contains an information memorandum approved by the AMF. This document has been prepared by the issuer and is the responsibility of the persons whose signatures appear herein.

# **MESSAGE** FROM THE CHAIRMAN AND CEO

To the shareholders,

Since taking over the reins at Edenred at the end of October 2015, I have been continuously impressed by the strength of its portfolio of solutions, the commitment of its teams, its entrepreneurial spirit and, most importantly, its remarkable potential.

Rather than simply a means of transmitting information, we decided to use the 2016 Registration Document to help readers get a better understanding of our business and the underlying value-creation mechanisms. I therefore encourage you to take a close look, in particular, at section one, which includes a presentation of the Group based on an integrated reporting approach, as well as an overview of our Fast Forward strategic plan, unveiled in October 2016.

Edenred is at the center of a vast virtuous ecosystem that enables 750,000 companies to offer 43 million employees the benefits of one or more of our 250 programs. To ensure that our employee benefits solutions can be used easily and widely, we have built up a network of 1,400,000 affiliated merchants located across the 42 countries in which we operate. As a result, we manage two billion transactions per year – including the payment of one billion meals – thereby improving the purchasing power of individuals, enhancing the efficiency of organizations and boosting business for merchants.

Despite a sometimes weak economic environment, such as in Brazil, the financial performances achieved in 2016 are in keeping with our target of profitable and sustainable growth, one of the fundamental components of our strategic plan. Our growth is profitable because, from a like-for-like increase in revenue of nearly 8% in 2016, we boosted our EBIT by nearly 14% like-for-like to a record high of €370 million. Our growth is sustainable because it is well balanced across our various business lines and geographies, but also because our transaction volume of nearly €20 billion is 70% digital. That's a whole 5 points more than in 2015 and it strengthens our ability to further enhance our portfolio by developing new solutions with even more value-added, particularly in the area of mobility. In 2016, we generated a record €299 million in funds from operations before non-recurring items (FFO), representing a like-for-like increase of more than 15%.

2016 was also a big year for acquisitions in the area of corporate vehicle fleet management. Through the acquisition of Embratec in Brazil, we became the leader in this segment in Latin America. And in Europe, we have become the number two issuer of multi-brand Europe-wide solutions by increasing our stake in UTA. Managing 2.6 million fuel cards and toll solutions used to pay for more than 6 billion liters of fuel per year, we are now a global leader in expense management, which has become a powerful growth engine for the Group.

For all these reasons and more, we look to the future with confidence as 2017 gets under way. The entire management team and I are committed to pursuing Edenred's transformation in line with our ambitious and unifying Fast Forward strategic plan. We intend to develop new sources of growth, particularly in the area of corporate payments. Value creation remains at the heart of our strategy, and we pay particular attention to growth in our operating revenue and our operating EBIT. By generating significant cash flows, we will be able to continue to offer a high dividend to our shareholders, while also maintaining enough financial flexibility to invest in new areas and seize external growth opportunities.

Thank you for your confidence and your interest in Edenred.

Bertrand Dumazy

Chairman and Chief Executive Officer

# FINANCIAL AND OPERATIONAL GLOSSARY

## ACCEPTANCE NETWORK

Network of affiliated merchants that accepts the Group's vouchers as a payment instrument.

There are three types of acceptance networks for the Group's card-based products:

- **closed loop**: the card is issued by an affiliated merchant under its own brand (e.g. Carrefour, Walmart, Starbucks) and is only accepted in its outlets;
- **filtered loop**: the card is issued only under the issuer's brand and is redeemable in a certain number of sales outlets, selected by the issuer who designed the preloaded service (meal card, food card, fuel card, gift card, etc.); and
- **open loop**: solutions (e.g. gift cards, prepaid cards and payroll cards) that are cobranded by the acceptance network and the issuer. They are accepted anywhere.

## AFFILIATED MERCHANT COMMISSION

Commissions paid by Edenred affiliated merchants are based on the vouchers' face value. When the vouchers are presented for reimbursement, Edenred pays to the merchant the face value less the amount of its commission.

## AFFILIATED MERCHANTS

Businesses that accept the Group's vouchers as a payment instrument, as part of a contractual relationship.

## BENEFICIARIES

End users of the preloaded benefit or service, who receive the vouchers from their employer or a public institution.

## COMPANY AND PUBLIC INSTITUTION COMMISSION

Commission billed to Edenred's clients (companies, non-profits and public institutions), comprising a variable component calculated as a percentage of issue volume and activity.

## DIGITAL TRANSITION

The transition from paper to digital (cards, Internet, smartphone apps, etc.).

## EBIT

**EBIT** corresponds to total revenue (operating and financial) less operating expenses, depreciation, amortization and provisions, and includes:

- operating EBIT; and
- financial EBIT.

EBIT is presented in Note 4.5 to the consolidated financial statement on page 183.

**Operating EBIT** excludes financial revenue.

**Financial EBIT** corresponds to financial revenue.

## FACE VALUE

Amount marked on the payment voucher, or the credit on a digital solution.

## FLOAT

The float corresponds to the working capital requirement, or service vouchers in circulation less receivables from client companies.

## FREE CASH FLOW

Free cash flow is presented in Section 2.1.1.4 on page 44.

## FUNDS FROM OPERATIONS BEFORE NON-RECURRING ITEMS (FFO)

Funds from operations before non-recurring items (FFO) corresponds to EBITDA less net financial expense, income tax paid, non-cash revenue and expenses included in EBITDA, provision movements included in net financial expense, income tax expense and non-recurring taxes. This management ratio is discussed in Section 2.1.1.5 on page 45.

## ISSUE VOLUME

Total face value of the preloaded employee benefit services issued by Edenred to its corporate and public sector clients.

## LIKE-FOR-LIKE

At constant exchange rates and scope of consolidation.

## PENETRATION RATE

The ratio between the number of beneficiaries of a service voucher and the eligible active population, which depends on the applicable regulations in the country concerned.

## RECURRING PROFIT AFTER TAX

Recurring profit after tax corresponds to net profit less non-recurring items (including tax), less minority interests.

## REVENUE

**Total Group revenue** includes:

- operating revenue generated directly by services with and without issue volume; and
- financial revenue, generated by investing the float.

**Operating revenue with issue volume** includes:

- commissions paid by clients;
- commissions paid by affiliated merchants when vouchers are presented for reimbursement; and
- profits on vouchers that are lost or expire without being reimbursed.

**Operating revenue without issue volume** corresponds to revenue generated by value added businesses such as incentive programs, human services, and event-related services. The corresponding revenue is the amount billed to the client, and is recognized on delivery of the solutions.

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

- the voucher's issue date and reimbursement date for prepaid vouchers; and
- the top-up date and the date the credit is used for prepaid cards.

## TAKE-UP RATE

Ratio of operating revenue to issue volume and total issue volume.

## WORKING CAPITAL REQUIREMENT

The net balance of operating uses of funds and operating sources of funds. It is presented in Note 4.6 of the consolidated financial statements on page 184. It is structurally negative for prepaid solutions, as Edenred receives funds from client companies before having to reimburse its affiliated merchants.

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# PRESENTATION OF THE GROUP AND 2016 INTEGRATED REPORT


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**Introduction**

The 2016 Reference Document includes Edenred's first Integrated Report in section 1. It reviews the topics dealt with in previous reports, such as strategy. This year's report also examines the creation of value added on a stakeholder-by-stakeholder basis (in 1.1.4), the materiality matrix (in 1.1.4.1), the six different types of capital that define the value of a company (in 1.1.3.3) and lastly a presentation of the specific risks associated with our business and the opportunities offered by these risks (in 1.12). The new format draws on the proposals of the International Integrated Reporting Council (IIRC).

# 1.1 CORPORATE PROFILE

## 1.1.1 UNIQUE EXPERTISE AND POSITIONING

**Edenred**, which invented the *Ticket Restaurant*® meal voucher and is the world leader in prepaid corporate services, designs and manages solutions that improve the efficiency of organizations and purchasing power of individuals.

By ensuring that allocated funds are used specifically as intended, these solutions enable companies to more effectively manage their:

- **Employee Benefits** (*Ticket Restaurant*®, *Ticket Alimentación*®, *Ticket CESU*, *Childcare Vouchers*®, etc.);
- **Expense Management** (*Ticket Car*®, *Ticket Clean Way*®, *Repom*®, etc.);
- **Incentive and Rewards programs** (*Ticket Compliments*®, *Ticket Kadéos*®, etc.).

The Group also supports public institutions in managing their **social programs**.

### Four types of solutions

| | EMPLOYEE BENEFITS | EXPENSE MANAGEMENT | INCENTIVE & REWARDS | PUBLIC SOCIAL PROGRAMS |
|---|---|---|---|---|
| As IV %(1) | 75% | 19% | 4% | 2% |
| Benefits | Make employees' lives easier through prepaid solutions benefitting from a tax exemption | Manage business expenses transparently and reduce costs | Boost motivation of teams, improve sales force performance and build customer loyalty | Deliver specifically allocated public funds to citizens |
| Solutions | Meal vouchers, food vouchers, childcare vouchers, etc. | Fuel & maintenance cards, travel & entertainment solutions, etc. | Incentive programs, gift cards, etc. | Social benefits solutions (human services, education, etc.) |
| |  |  |  |  |
| Brands | Ticket Restaurant, Ticket Alimentación, NutriSavings™, Ticket Cultura, Childcare Vouchers | Ticket Car, Ticket Cargo, Ticket Fleet, Ticket Clean Way, Spendeo | Ticket Compliments, Ticket Kadéos, Accentiv' | Ticket CESU, Ticket Service, Ticket Restaurant™ JUNAEB |

(1) Issue Volume

Edenred's solutions are aimed at a variety of stakeholders:

- **companies and public sector bodies** – the Group's clients who are concerned about being an attractive employer, motivating their teams and optimizing their performance;
- **employee users** – employees of the Group's client companies, who appreciate the simplicity and convenience of service cards and vouchers that make their lives easier;
- **affiliated merchants** – members of the acceptance network built up by the Group who wish to increase their revenue, boost customer loyalty and secure their transactions;
- **public authorities** – looking to improve the effectiveness of their social and economic policies, deliver benefits and ensure the traceability of funds allocated to benefit programs.

Listed on the Euronext Paris stock exchange since 2010 (1), Edenred operates in 42 countries, with close to 8,000 employees (2), 750,000 client companies, 1.4 million affiliated merchants and 43 million employee users. In 2016, total issue volume amounted to €19.8 billion.

## 1.1.2 A GLOBAL PLAYER OPERATING IN PROMISING MARKETS

### 1.1.2.1 Unique expertise and positioning

In more than 50 years, Edenred has built unique positioning aimed at offering its customers value-added solutions within transactional ecosystems. Edenred's expertise consists in proposing innovative solutions allowing corporate and public sector clients to control, filter and optimize financial flows between them and their stakeholders (including employees, merchant networks, suppliers, etc.). Initially operating in the Employee Benefits market, the Group has expanded its expertise, and now offers a range of solutions to meet the growing needs of its clients in managing dedicated financial flows within filtered acceptance networks. Compliance requirements of this nature cover several types of constraints, such as ensuring the effectiveness of tax exemption that comes with such Employee Benefit solutions, or helping companies to optimize their employees' expenses.

Edenred boasts unique positioning at the intersection of four complementary skills:

- Expertise in digital payment technologies (Fin Tech);
- Ability to offer solutions to filter and control financial flows (Reg Tech);
- Ability to affiliate networks and carry out the necessary financial intermediation (Financial intermediation);
- Use of transaction data to develop new services (Data intermediation).

Edenred is part of the payment industry's particularly broad and promising ecosystem, but has the advantage of unique positioning in high-growth niche markets.

In 2016, total issue volume amounted to €19.8 billion, spanning two types of offers:

- Employee Benefits (75% of issue volume);
- Expense Management (19% of issue volume).

The main international competitors in these markets are:

- Sodexo and Up Group in the employee benefits segment; and
- FleetCor and WEX in expense management.

In each host market, Edenred also faces competition from local players, such as Alelo in Brazil and Qui Group in Italy.

As well as its direct competitors, Edenred may face indirect competition from a diverse range of companies in each of its operating segments. For example, international and local banks, financial service providers, service station operators, travel agencies, software solution providers, marketing firms and gift package providers may compete with prepaid services companies.

In addition to these two segments, Edenred offers **Incentive and Rewards programs** (4% of issue volume). These solutions give companies access to incentive programs for their sales force. The Group has also developed **Business-to-Government (B2G) solutions** (2% of issue volume) to manage public social programs. This market is served by local and multinational companies that offer prepaid solutions for the implementation of public policies in the areas of social protection, culture, education, sport and professional training.

Furthermore, Edenred has established a partnership with venture capital firm Partech International and can call on the expertise of Edenred Capital Partners, whose purpose is to support companies offering value-added services to different types of stakeholders through the acquisition of minority stakes. This system enables Edenred to actively and strategically monitor markets adjacent to those in which it operates.

Lastly, Edenred has occasion to interact with players in the **payment** value chain, such as banks, merchant acquirers (3), payment system networks, payroll management companies, payment terminal and card manufacturers, payment processors and loyalty program managers.

*(1) Listed on: the Euronext Paris stock exchange in Compartment A; ticker: FR0010908533.*
*(2) Including the integration of UTA in January 2017. For more information,* *see page 10.*
*(3) Companies specialized in installing payment terminals at merchants.*

The Group's **international position** is also a core asset that supports the:

- drive to become the preferred partner of public authorities in the areas of employee benefits and public social programs;
- roll-out of Edenred's expertise and solutions in new countries;
- delivery of economies of scale;
- pooled processing of its digital transactions on its internal licensing platforms in Europe and Latin America.

### 1.1.2.2 A range of solutions that improves the efficiency of organizations and the purchasing power of individuals

Edenred responds to employers' concerns by offering a comprehensive range of solutions:

- Employee Benefits;
- Expense Management;
- Incentive & Rewards programs;
- Public Social programs.

#### Employee Benefits

**EMPLOYEE BENEFITS**

IV of **€14,731** million

**75%** of total IV

**+8.5%** growth in IV

*IV: Issue volume*

Edenred offers various types of Employee Benefit solutions:

- **food-related employee benefits**: the Group offers two types of solutions – meal vouchers and food vouchers:
  - invented by the Group in France in 1962, ***Ticket Restaurant®*** allows employees to buy lunch outside their workplace, in an affiliated outlet of their choice. It is a simple alternative to corporate catering structures, particularly for small and medium-sized businesses, that helps employers to foster employee loyalty. The employer's contribution to the cost of the meal, corresponding to all or part of the voucher's face value, is generally deductible from its taxable profit. It is also generally exempt from the employee's personal income tax. In addition, all or part of the vouchers' face value is exempt from employer and employee payroll taxes,
  - ***Ticket Alimentación®***, which is more widespread in emerging countries, increases beneficiaries' purchasing power and improves their diet by allowing them to pay for groceries in neighborhood stores and supermarkets not only for themselves but for their entire family. Launched by Edenred in 1983 in Mexico under the name *Vale Despensas®*, the solution has since been rolled out to other Latin American countries, including Brazil in 1990, and more recently to certain countries in Central Europe,
  - in 2013, another unique Employee Benefits offer was launched in the United States. The new solution, known as ***NutriSavings®***, helps employees to adopt a healthier diet by providing them with more information about the nutritional quality of their grocery purchases while also giving them additional purchasing power. Employees who join the *NutriSavings®* program set objectives with their companies to improve the nutritional quality of their shopping baskets as measured by a score that can be consulted online *via* computer or smartphone. In addition to "incentives" from employers for meeting these objectives, program participants receive eCoupon savings on nutritionally balanced products. In addition to helping to improve employees' health, this solution also helps companies to reduce their healthcare-related expenses.
- **employee benefits to improve quality of life**: building on the outstanding success of *Ticket Restaurant®* and *Ticket Alimentación®* the Group has developed a range of solutions that allow employers to help finance the cost of essential services that make employees' lives easier. Examples include:
  - childcare solutions with ***Childcare Vouchers®***, one of Edenred's flagship programs in the United Kingdom, and ***Ticket Guardería®*** in Spain. These solutions enable employers that

don't have workplace daycare facilities to help employees pay to have their children looked after,

- human services solutions with the ***Ticket CESU*** in France, which is used by companies to help their employees pay for services in the home,
- commuting cost solutions such as ***Commuter Check***® in the United States and ***Ticket Transporte***® in Brazil, which allow employers to reduce the cost of their employees' daily commute,
- solutions that encourage purchases of environmentally friendly products, such as the ***Ticket EcoCheque***® offered in Belgium,
- solutions for purchases of staple goods, such as the ***Ticket Plus***® ***Card*** launched in Germany in 2013, which enables companies to offer their employees purchasing power of up to €44 per month for food and fuel purchases,
- solutions for cultural purchases, such as ***Ticket Kadeos***® ***Culture*** in France and ***Ticket Cultura***® in Brazil.

In some countries, companies can also award tax-exempt gift vouchers to employees in connection with certain personal events (wedding, birth of a child, Christmas, etc.).

- Edenred regularly enhances its employee benefits programs by adding **new services**:
  - In France in 2015, Edenred reinforced its presence on the works committee market by increasing its stake in **ProwebCE**, the French leader in solutions for works councils, from 10% to 62%,
  - In some countries, the Group also offers new **analytics services** for clients, such as surveys of compensation practices in the client's industry and of benefit use to assess the effectiveness of Employee Benefit programs.

Edenred's Employee Benefits solutions offer added value to an ecosystem composed of the following stakeholders:

- **public institutions**: Edenred's employee benefits solutions represent a method of enhancing the effectiveness of governments' social or economic policies, delivering benefits and ensuring the traceability of funds, which is why they qualify for exemption from income tax and payroll taxes. For governments, the lost tax revenue is more than offset by the positive effects, both direct and indirect, of employee benefit solutions, which help to boost the revenues of affiliated merchants. This in turn helps to create jobs and thus increase tax revenues, particularly corporate income tax and value-added tax. These solutions are an efficient tool for combating the development of the informal economy (particularly in the food and human services sectors). From a public health perspective, a key advantage of employee benefits solutions (particularly meal and food vouchers) is that they can improve the health of beneficiaries and their families. They also benefit the economy by boosting workers' motivation, raising productivity levels and sreducing absenteeism, workplace accidents and cases of food poisoning. In addition, they represent a simple alternative to corporate catering structures for small and medium-sized enterprises. In 2014, the meal voucher system generated a net benefit of €250 million for the French economy [(1)];
- **companies and public sector clients**: given that all or part of the employer's contribution to financing the benefits is tax-exempt, employee benefits are a cost-effective way for employers to boost employee compensation and thereby enhance their attractiveness as part of a broader Human Resources strategy. For example, in France the portion of the meal vouchers' face value paid by the employer is exempt from social security contributions and payroll tax, within the limits prescribed by law (€5.37 per voucher in 2016). With 750,000 client companies worldwide at December 31, 2016, Edenred has a diversified client portfolio;
- **employee users**: employee benefits solutions increase purchasing power, as the employer's contribution to financing these solutions is fully or partially exempt from personal income tax. In France, 87% of employees [(2)] who have access to meal vouchers are satisfied with them. The meal voucher is the French people's favorite social benefit, before health insurance and corporate cars [(3)];
- **affiliated merchants**: employee benefit solutions are an effective method of boosting revenue for affiliated merchants (particularly for restaurants and food stores), because they help attract and retain a new category of "employee-consumer" customers who represent a totally secure source of revenue. In France, nearly 10% of revenue in the foodservices industry is generated by meal vouchers. In 2014, the use of meal vouchers in France generated 110,000 direct jobs, of which 74,000 in the food service industry [(4)]. At year-end 2016, Edenred's worldwide affiliated merchant network comprised 1.4 million affiliated merchants operating in a wide range of businesses, including restaurants, supermarkets, retailers, grocery stores and service stations.

(1) *Alternatives économiques 2015.*
(2) *IPSOS survey carried out in 2015.*
(3) *Robert Half study carried out in 2014.*
(4) *Alternatives économiques 2015.*

## Expense Management

**EXPENSE MANAGEMENT**

IV of **€3,842** million

**19%** of total IV

**+15.1%** growth in IV

*IV: Issue volume*

Efficient and transparent business expense management is an important source of leverage for companies looking to improve their performance and reduce costs. Having recognized this, Edenred offers its client companies solutions to help them control their employee users' business expenses with optimized expense reporting processes. These solutions also facilitate business travel.

The Group operates mainly in the **fleet expense management** market segment (fuel, toll and/or maintenance expenditure for cars or trucks). Already market leader in Latin America, Edenred is pursuing its growth strategy in the corporate vehicle fleet management market, becoming the number two issuer of multi-brand Europe-wide solutions through the takeover of UTA in January 2017.

Edenred offers the following key solutions:

- ***Ticket Log*® in Brazil and *Ticket Car*® in Hispanic Latin America**: these solutions simplify fleet expense management and enable companies to reduce costs. They are seen as valuable tools for managing fuel and maintenance costs, not only for company cars but also for heavy vehicle fleets. Incorporating a payment card for drivers and a management platform for fleet managers, these solutions allow companies to track and better manage this type of expense, thanks to pre-configured user profiles covering, for example, mileage, telemetry parameters, type of fuel, authorized service stations and service outlays. In addition to Brazil and Mexico, *Ticket Car*® is also available in Argentina.
- **UTA solutions in Europe**: in early 2015, Edenred acquired 34% of Union Tank Eckstein (UTA), the second-largest pan-European player specialized in multi-brand fuel cards, as well as toll payment and maintenance solutions. The Group gained control in January 2017, having increased its stake to 51%. The fuel card offered by UTA is accepted at 39,000 affiliated service stations in 38 countries across Europe, while its toll solutions cover the entire European network. UTA has around 70,000 active clients, primarily in the transportation/logistics segment (heavy vehicle fleets), representing close to one million users. The MercedesServiceCard is one of UTA's flagship solutions. Developed 15 years ago in partnership with Daimler, which owns a 15% stake in UTA, this co-branded card is distributed by UTA to Mercedes-Benz customers and provides access both to UTA services and Mercedes-Benz workshops.

## Incentive and rewards programs

**INCENTIVE AND REWARDS PROGRAMS**

IV of **€825** million

**4%** of total IV

**+15.4%** growth in IV

*IV: Issue volume*

To drive enhanced corporate performance, Edenred offers a wide range of incentive and rewards solutions designed to be used by companies to motivate their sales force, provide incentives for distribution networks, and retain consumers. Although based on the same model as employee benefits, these solutions do not qualify for any exemption from income tax or payroll taxes. They can be accepted in open or closed loop networks.

- The Group's two main brands in this segment are ***Ticket Compliments*®** and ***Ticket Kadéos*®**, a range of single- and multi-brand gift vouchers and cards.
- In the Asia-Pacific region, Europe and Brazil, Edenred partners companies in implementing motivation, incentivization and loyalty-building strategies thanks to an end-to-end service offer that encompasses the essential first step of developing a business marketing strategy (targeting distribution networks, resellers and employees), analyzing relationship data and creating customizable online platforms and, last but not least, distributing the rewards (gift vouchers, gift cards, gift packs, incentive travel, etc.).

### Public social programs

**PUBLIC SOCIAL PROGRAMS**

IV of **€416** million

**2%** of total IV

*IV: Issue volume*

Public authorities and institutions also use Edenred's services for the management and distribution of social benefits, in order to enhance the effectiveness of their policies in this area, in particular by improving the traceability of the funds allocated to the programs. The Group's public social program solutions help public authorities and institutions to keep better track of funds earmarked to improve the purchasing power of certain categories of the population.

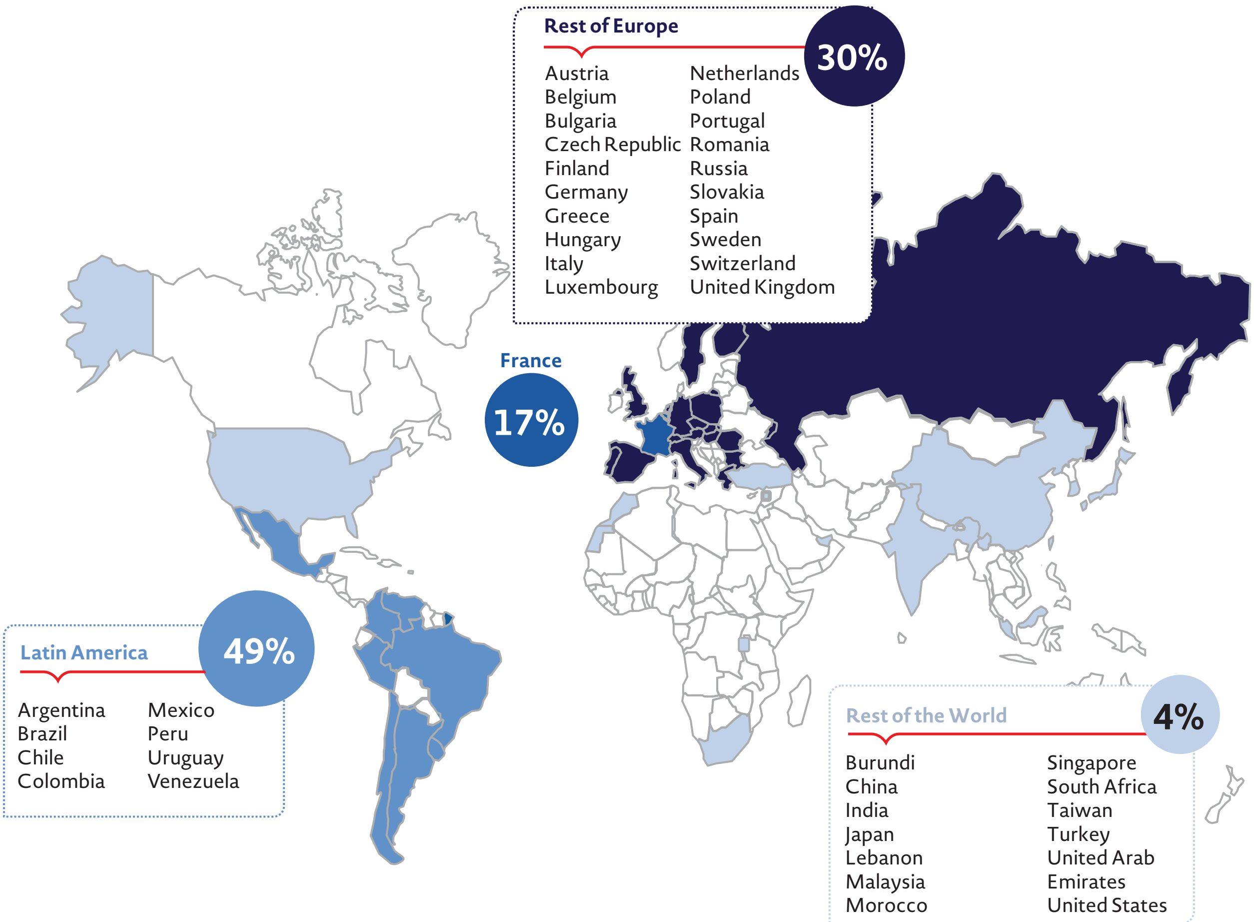
For example, the ***Ticket Service***® solution distributed in France (*Ticket CESU*), Belgium (*Ticket S*), Italy, the Czech Republic, Turkey, Chile and South Africa, allows financial assistance to be distributed in accordance with local or regional social policies, to meet specific needs. Most of the programs are designed to help people buy food, clothing or other basic products, or provide access to cultural or sporting facilities or transport.

For public authorities and institutions, Edenred's solutions represent an alternative to providing assistance in the form of cash payments, allowing them to target a specific need and track how they are used by beneficiaries for their intended purpose. They also have the added benefit of avoiding problems of embezzlement and corruption. For example, Chile, Sweden and Italy have introduced cards designed to assist students with food expenses and tuition while at university.

## 1.1.2.3 Operations in 42 countries, balanced between developed and emerging markets

Since its formation, Edenred has steadily expanded its geographic presence. As of end-2016, it had operations in 42 countries worldwide. In most of these countries, the Group created the market by initiating the passage of legislation enabling the introduction of employee benefits solutions.

The map below shows Edenred's global presence and each region's contribution to issue volume.



### Breakdown of issue volume between developed and emerging markets

Edenred has a balanced presence in developed markets, which accounted for 42% of issue volume in 2016, and in emerging markets, which represented 58% of the total. The Group's presence in emerging markets gives it access to important future growth drivers.

### Main countries where the Group is established

In Brazil, the Group's largest market, Edenred offers a large, diversified range of solutions:

- Employee Benefits (65% of 2016 issue volume in Brazil): *Ticket Restaurante®*, *Ticket Alimentaçao®*, *Ticket Transporte®*, *Ticket Cultura®*;
- Expense Management (34% of 2016 issue volume in Brazil): *Ticket Log®*, *Repom®*;
- Incentive and Rewards (1% of 2016 issue volume in Brazil): *Accentiv'Mimetica®*.

In 2016, Brazilian issue volume and operating revenue reached €6.1 billion and €330 million, respectively.

In France, the Group's second largest market, solutions are also offered in several categories:

- Employee Benefits (79% of 2016 issue volume in France): *Ticket Restaurant®*, *Ticket Kadéos®*, *Ticket CESU*;
- Expense Management (4% of 2016 issue volume in France): *Ticket Clean Way®*, *Ticket Travel Pro®*, *Ticket Fleet Pro®*;
- Incentive and Rewards (9% of 2016 issue volume in France): *Ticket Kadéos®*;
- Public social programs (8% of 2016 issue volume in France): *Ticket CESU*, *Ticket Service®*.

In 2016, issue volume and operating revenue in France reached €3.3 billion and €195 million, respectively.

## 1.1.3 BUSINESS MODEL AND VALUE CREATION

### 1.1.3.1 Business model

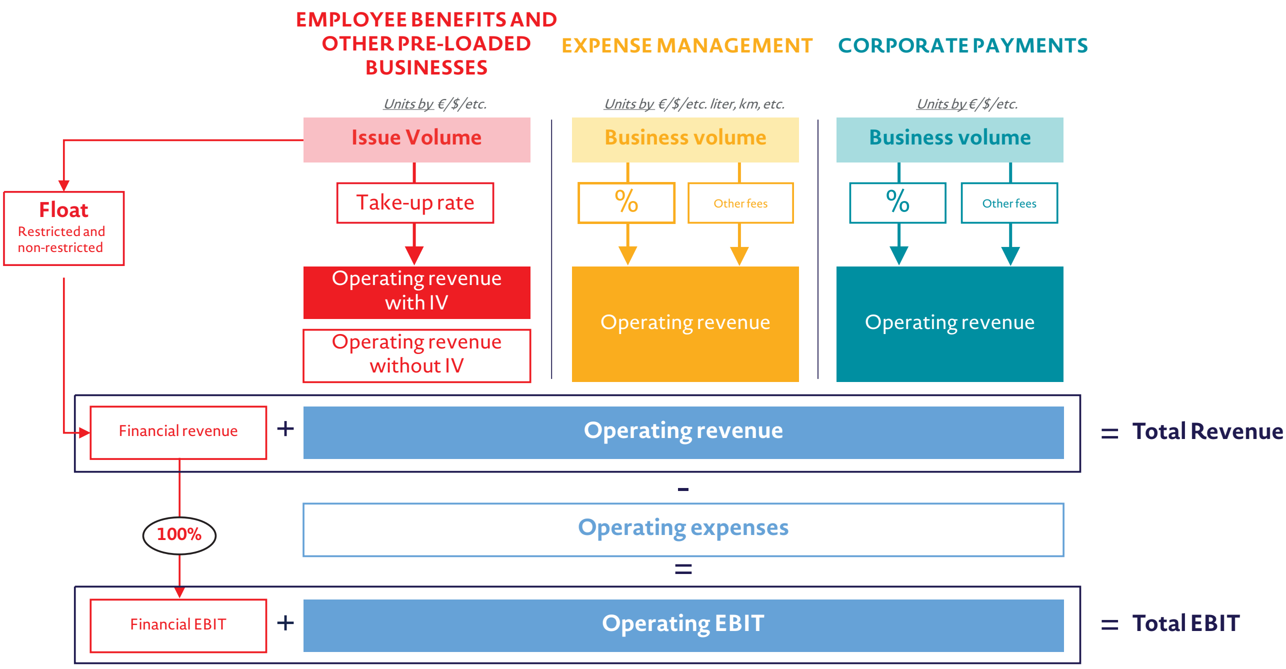
**Fast Forward**, Edenred's new strategic plan unveiled at the Investor Day held on October 19, 2016, is designed to accelerate the Group's transformation over the next three years while laying the foundations for new sources of profitable, sustainable growth. Thus, the Group's business model will change gradually from **2017** onwards. The **2016** financial performance will nevertheless be analyzed in the light of the traditional business model in order to facilitate comparison with targets.

Through this ambitious strategic plan, the Group will continue to grow its **Employee Benefits** business line, increase operations in **Expense Management** and expand in the **Corporate Payments** market.

**Employee Benefits** is the Group's traditional business. That is why the **key financial indicator** has long been **issue volume**, which is the total face value of preloaded services provided to client companies and public institutions. By contrast, **Expense Management** and **Corporate Payments** are not preloaded businesses. They therefore have a different business model characterized by a **business volume** that differs from issue volume.

In line with Edenred's transformation, and starting in 2017, the most relevant indicator for measuring the Group's business volume will be **operating revenue,** the first common performance indicator for its various businesses.

The Group's new business model is set out in the diagram below:




IV : Issue Volume

## Employee benefits and other preloaded activities

The Group's traditional **Employee Benefits** business line, which includes Meal Vouchers, is a **preloaded business** and therefore generates **issue volume.** Issue volume is the total amount of money preloaded and given to employee users on behalf of clients (companies and public institutions).

Many countries have established a favorable legislative framework for employee benefits because such schemes provide an effective means for public authorities to implement social policies, bolster economic attractiveness and combat the informal economy. In contrast to the Group's other solutions, they are **exempted from income tax and/or payroll taxes.**

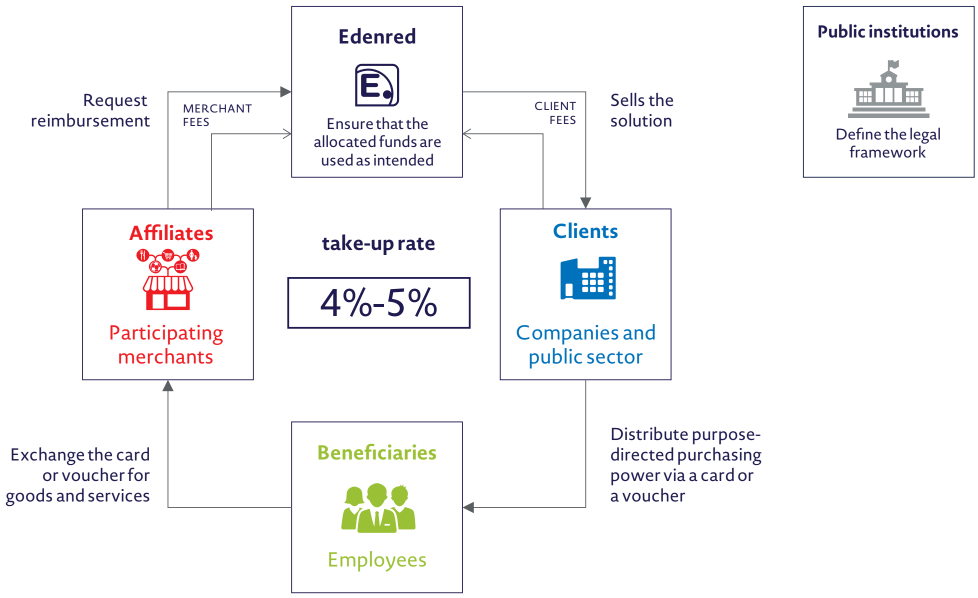
Employees Benefits generate **operating revenue**, mainly through commissions as a percentage of issue volume, paid by both client companies and affiliated merchants. There are two main sources of revenue:

- commissions received from **client companies and merchants** on the sale of vouchers and cards, as well as all related amounts billed to clients on sales, such as delivery costs and voucher customization costs;
- commissions received from Edenred's **affiliated merchants**, such as restaurants and supermarkets. In most solutions, once recipients have used their preloaded vouchers with affiliated merchants, these businesses turn to Edenred for the refund of the face value of preloaded services used. Affiliated merchants generally join the acceptance network by signing an individually drawn-up contract that specifies a commission rate and reimbursement conditions. The commission rate generally depends on the type and size of the acceptance network and the reimbursement period selected by the merchant when a choice is offered.

These two sources are supplemented by a third more marginal source of revenue, namely gains on lost or expired vouchers [(1)], corresponding to the amount of the face value of vouchers not presented before their expiration date.

The time between the payment of the services preloaded by the client companies and their reimbursement to the affiliated merchants generates a **negative working capital requirement** that, less receivables from client companies, constitutes the **float**. Interest earned from investing the float generates **financial revenue**.

Edenred manages other operations besides preloaded Employee Benefits, such as **Incentive and Rewards** solutions, where the business model is similar to that of meal vouchers.



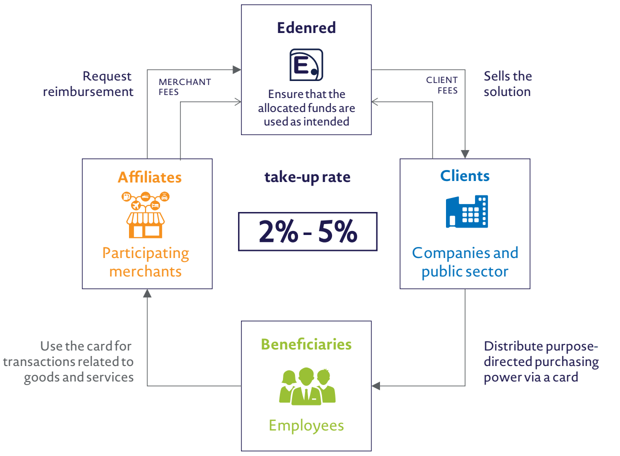

## Expense Management

**Expense Management,** particularly relating to corporate vehicle fleets (such as fuel, maintenance and toll payment card solutions), is Edenred's second growth engine.

**Operating revenue** generated by these solutions consists of different types of commissions received from client companies and affiliated merchants: commissions related to the use of fuel card either as a percentage of the transaction amount or in cents per liter, as well as other types of commissions not related to fuel costs (maintenance, tolls, parking, etc.).

*(1) Paper-based or digital format.*

As this business line does not involve preloading, it does not generate a float, and as such **no financial revenue**. However, the difference between the time of payment by the client and the repayment of affiliates can sometimes generate a negative working capital requirement, providing an additional source of funds for Edenred.




## Corporate Payments

At the 2016 Investor Day held on October 19, Edenred set out its new goal to develop in **Corporate Payments**, destined to become the Group's third growth engine in the coming years. For more information, see page 23 section 1.2.2.3.

## The Group's business model

**The most relevant indicator for measuring the Group's business volumes is operating revenue.**

The Group's **total revenue,** €1.14 billion in 2016, is made up of operating revenue and financial revenue.

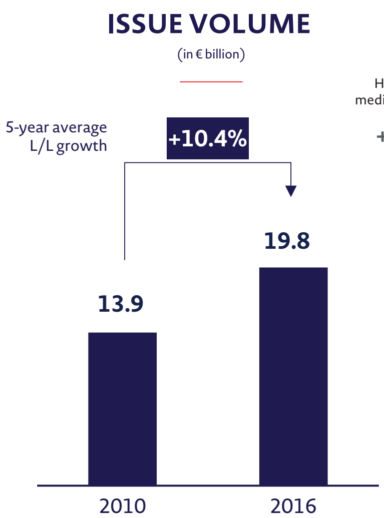
**Total EBIT** corresponds to **operating EBIT**, which is equal to operating revenue less operating expenses, depreciation, amortization and provisions, plus **financial EBIT**, which is equal to financial revenue. It was €370 million in 2016.

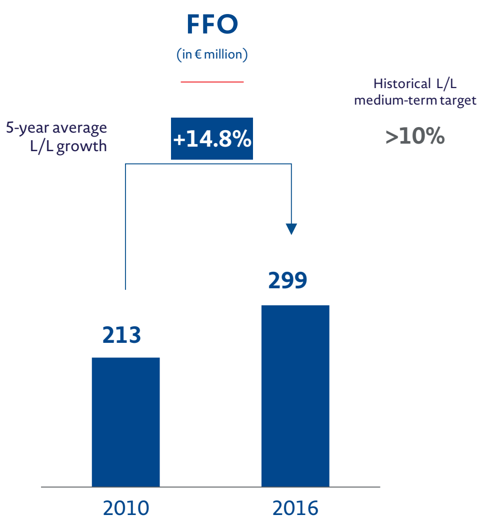
### 1.1.3.2 Solid financial performance between 2010 and 2016

Between 2010 and 2016, the Group recorded a solid financial performance in line with its objectives in its two main financial indicators, namely issue volume and funds from operations before non-recurring items (FFO).

The key traditional indicator, related to its preloaded business, issue volume has grown by an average of 10.4% per year on a like-for-like basis, which is in line with the medium-term annual historical objective of 8-14% growth.

Moreover, the Group's operations generate substantial cash flows. Since 2010, like-for-like growth in funds from operations before non-recurring items (FFO) has averaged 14.8% per year. This performance is in line with the historical goal of medium-term annual growth of more than 10% on a like-for-like basis.



### 1.1.3.3 The Group's six capitals

Six different types of capital are used to define the value of the business: financial, manufactured, natural, societal, human and intellectual. The various topics mentioned in the table below are described in greater detail in sections 1 and 4.

**FINANCIAL CAPITAL**

- Capital provided by shareholders;
- Capital provided by banks;
- Profit generated by the Company;
- Float;
- Preloaded solutions.

**HIGHLIGHTS IN 2016**

- €250 million Schuldschein loan issued in order to optimize and diversify the Group's sources of financing;
- The Annual Shareholders' Meeting recommends a dividend each year. For further information, see part 1.2.3 page 24.

**KEY FIGURES FOR 2016**

- Market capitalization: €4.4 billion;
- Total revenue: €1,139 million, of which:
  - €1,073 million in operating revenue,
  - €66 million in financial revenue.
- EBIT: €370 million;
- Net profit, Group share: €180 million;
- Negative WCR: €2.8 billion;
- Funds from operations: €299 million.

**MANUFACTURED CAPITAL**

- Development of the brand portfolio;
- Creation of a joint venture with Brazilian company Embratec to launch a new brand, *Ticket Log*®;
- Transaction authorization platforms;
- Technology assets;
- Paper voucher printing department.

**HIGHLIGHTS IN 2016**

- Apple Pay, an easy, secure and private way to pay for *Ticket Restaurant*® card beneficiaries in France and Spain;
- Corporate Payment solutions set to become a future growth engine;
- Edenred France wins 2017 Customer Service of the Year award.

**KEY FIGURES FOR 2016**

- 750,000 client companies;
- 43 million employees use our solutions;
- 1.4 million merchants accept our solutions;
- 1 billion meals paid for using Edenred solutions;
- Nearly 6 billion liters of fuel managed by Edenred;
- 2.6 billion Edenred fuel cards.

**NATURAL CAPITAL**

- Low use of natural resources (service business);
- Printing paper vouchers (wood resources): eco-design policy using environmentally friendly paper;
- Producing card-based vouchers (plastic): recycling policy for expired cards (100% recovery);
- Energy & water use and waste production at Edenred facilities (Headquarters and production facilities, if any).

**HIGHLIGHTS IN 2016**

- Comparative life cycle assessment carried out for paper and card solutions;
- Collection and recycling pilot program set up for expired cards;
- Edenred wins 1st prize in the "CSR Innovation and Services" category for developing its own card recycling system.

**KEY FIGURES FOR 2016**

- 17,330,000 kWh of energy used;
- 55,000 liters of water;
- 1,445 metric tons of paper;
- 1,069 metric tons of waste;
- 72 metric tons of plastic;
- 81% of countries (in issue volume) use environmentally friendly paper to produce vouchers;
- 5 subsidiaries have an environmental management system that has been certified by a third party.

**INTELLECTUAL CAPITAL**

- A portfolio of flagship brands, including *Ticket Restaurant®*, *Ticket Car®* and *Ticket Kadéos®*;
- Expertise in setting up private networks and managing dedicated, filtered payments;
- Excellent knowledge of country-specific regulations related to Employee Benefits solutions;
- Contribution to Edenred's reputation through various external accolades: Annual General Meeting award, Transparency Grands Prix, Shareholders' Club award, Investor Relations award, and 2016 Trophée des CoDir award for the Executive Committee.

**HIGHLIGHTS IN 2016**

- Fast Forward, a strategic plan that lays the foundations for new sources of profitable and sustainable growth;
- New value-added solutions for affiliated restaurants in Italy and Sweden;
- Launch of mobile payment in Italy and online payment in Belgium;
- Spendeo Expense Management offer launched in Germany and Romania.

**KEY FIGURES FOR 2016**

- 166 Employee Benefits solutions;
- Issue volume 70% digital.

**HUMAN CAPITAL**

- 7,232 employees in 42 countries;
- Diversity and equal opportunity;
- Agility and versatility fostered in a changing international environment.

**HIGHLIGHTS IN 2016**

- Posting of international job openings to encourage cross-border employee mobility;
- Collegial approach to recruitment for positions of strategic importance to the Group;
- Sustained progress toward the Best Place To Work objective;

**KEY FIGURES FOR 2016**

- 7,232 employees, of which 50.1% women;
- 52.3% of all employees under 35;
- Nearly 90% of employees work in a country committed to improving well-being at work;
- 5,563 employees, or 76.9% of the workforce, participated in at least one training course in 2016.

**SOCIAL AND RELATIONSHIP CAPITAL**

- Educating stakeholders about healthy eating (clients, merchants and Edenred employees);
- Involvement by the Group and employees in local communities (e.g. associations, community projects, etc.);
- Group Charter of Ethics outlining standards of business conduct.

**HIGHLIGHTS IN 2016**

- Publication of Ideal Meal surveys on 2,500 employees' eating habits;
- Five years of the FOOD program, set up in nine countries in Europe to promote a balanced diet through Offer and Demand;
- 5th annual Group Solidarity Day;
- Group Charter of Ethics updated to broaden its scope to cover suppliers and sub-contractors.

**KEY FIGURES FOR 2016**

- 171 non-profits supported;
- €1,033,069 donated;
- 327 days devoted by employees to volunteering activities;
- 3.5 million client employees and 217,000 merchants reached by the various programs to raise awareness about healthy eating.

## 1.1.4 CREATING VALUE FOR STAKEHOLDERS

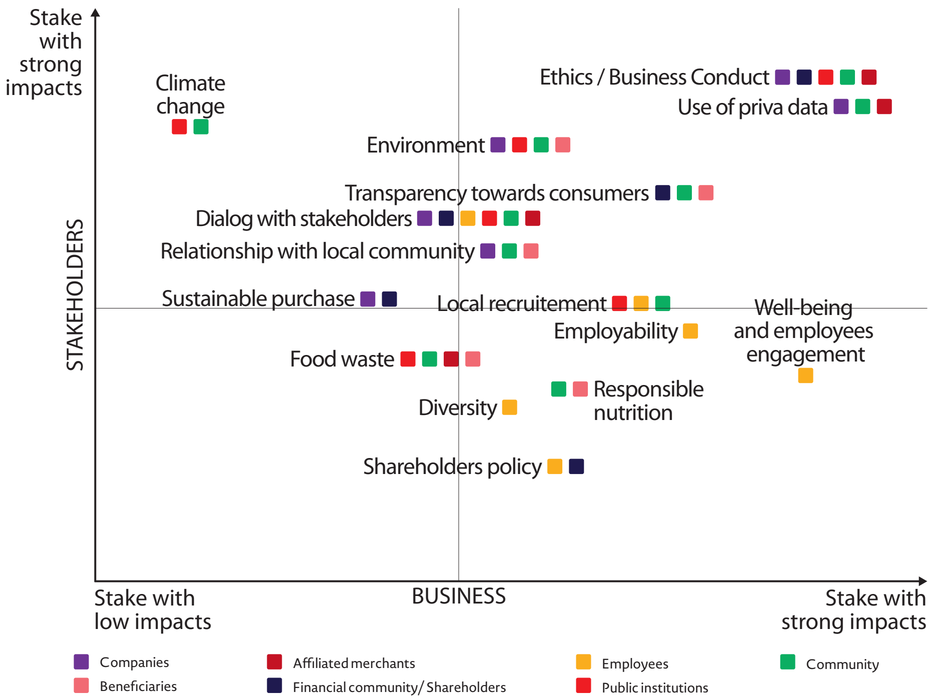
At present, Edenred is positioned as **the world leader in prepaid corporate services**, which fits into the payment industry's particularly broad and promising ecosystem.

The ambitious objective of Edenred's corporate culture is to make the Group's stakeholders ambassadors of the Edenred brand. In other words, the Group aims to move from being a mere service provider to become a key partner for all its stakeholders: businesses, employee users, affiliated merchants, employees, investors and shareholders, public authorities and society in general. Examples of Edenred's relations with stakeholders can be found in section 4.2.3.2, page 90 "Relations with individuals or organizations engaged by the Company" with table of stakeholders, actors, primary means of dialogue and issues addressed.

| STAKEHOLDERS | EDENRED INITIATIVES/CONTRIBUTION | FIGURES |
|---|---|---|
| CLIENT COMPANIES (for further information, see Chapter 1, sections 1.1.2 – 1.1.3 in particular) | • Edenred efficiently manages secure transactions on behalf of companies;<br>• The employer's contribution to employee benefits solutions is exempt from payroll tax, income tax and social security contributions;<br>• The transition to digital solutions, in particular payments by card or smartphone, reduces administrative costs and ensures traceability of funds;<br>• Our Expense Management solutions ensure traceability of funds and helps companies optimize their employees' expenses. | • 750,000 Edenred client companies worldwide. |
| EMPLOYEE USERS (for further information, see Chapter 1, sections 1.1.2 – 1.1.3 in particular) | • Edenred's solutions increase beneficiaries' purchasing power and in the case of Employee Benefits have a positive impact on their health and well-being;<br>• In addition, the employee's contribution to Employee Benefits solutions is exempt from tax;<br>• Expense Management solutions eliminate the need for employees to pay expenses out of their own pockets when traveling;<br>• The transition to digital makes it possible to offer even more solutions to employee users, for example the option of checking their balance or the location of an affiliated merchant at any time. | • 43 million employees use Edenred solutions worldwide. |
| AFFILIATED MERCHANTS (restaurants, supermarkets, service stations, etc.) (for further information, see Chapter 1, sections 1.1.2 – 1.1.3 in particular) | • Dedicated payment solutions generate revenue for Edenred's affiliated merchants;<br>• The transition to digital solutions makes it easier for merchants to manage administrative tasks. | • 1.4 million affiliated merchants worldwide. |
| SOCIETY (for further information, see Chapter 1, sections 1.1.2 – 1.1.3 in particular, and Chapter 4 section 4.2) | • An "Ideal" approach to CSR in line with our business to enhance the Group's positive impact on its internal and external stakeholders and limit its negative impacts (for example, on the environment);<br>• Global health is under threat from obesity. In addition to the *Ticket Restaurant®/Ticket Alimentacion®* solutions, the Group has developed a range of programs to raise awareness about healthy eating among all its stakeholders and the wider public. For example, the tools of the European FOOD program are available free of charge on the program's website. | • 3.5 million employee beneficiaries and 217,000 affiliated merchants reached by Ideal Meal;<br>• Edenred's solutions, such as *Ticket Restaurant®* and *Ticket Alimentacion®* are used to pay for one billion meals every year; |
| PUBLIC AUTHORITIES (for further information, see Chapter 1, sections 1.1.2 – 1.1.3 in particular) | • Dedicated Edenred solutions, such as for Public Social Programs, help improve the effectiveness of public policies;<br>• Our Expense Management solutions encourage the formalization of the economy. They also help to have greater visibility on consumptions. | • The formal economy represents a potential global market worth €340 billion in the employee benefits sector. |
| EDENRED EMPLOYEES (for further information, see Chapter 4) | • Improved employability as a result of having the opportunity to quickly take on responsibilities and work in a fast-paced international environment that fosters versatility and agility;<br>• Best place To Work that encourages employee engagement;<br>• Strong values that are truly lived on a daily basis: entrepreneurial spirit, simplicity, innovation, sharing, and performance. | • 7,232 employees in 42 countries;<br>• 28 entities committed to improving well-being at work, representing nearly 90% of employees. |
| INSTITUTIONAL INVESTORS AND INDIVIDUAL SHAREHOLDERS (for further information, see Chapter 9) | • Effective governance;<br>• A calendar of events;<br>• An E-Club was set up in 2015 to encourage the visibility of our individual shareholders. | • €192 million in dividends paid in 2016;<br>• Meetings with 330 financial institutions and 24 road shows;<br>• Almost 600 individual shareholders met via the Annual Shareholders' Meeting, shareholders' meetings held in regional France and at Edenred headquarters. |

### 1.1.4.1 Materiality matrix

The matrix comprises two axes: the first represents Edenred's assessment of the importance of the various CSR-related issues, as defined by the CSR Department, taking into account the concerns raised by local entities and the Group Executive Committee; the second illustrates the importance of these same issues from the point of view of our stakeholders (mainly client companies, employee users, affiliated merchants, investors, shareholders and employees).




### 1.1.4.2 Breakdown of Edenred's stakeholder flows

The table below sets out the Group's financial flows by priority stakeholder category in 2016. It illustrates the direct economic impact of the Group on employment and the economies of countries in which the Group operates. Furthermore, the Group's operations add economic value to the local economy, as Edenred's solutions are used in local shops and restaurants. For further information, see section 4 of the present document.

| Stakeholder | Clients | Employees | Suppliers | Shareholders | Banks | States | Investors | Communities |
|---|---|---|---|---|---|---|---|---|
| Type of flow | Revenue | Employee benefit expense | Other operating expenses excluding tax | Dividends and purchase/sale of own shares excluding tax | Net borrowing cost | Taxes | Capital expenditure | Donations to NGOs |
| Data *(in € million)* | +1,139 | -341 | -333 | -192 | -40 | -150 | -252 | -0.25 |

# 1.2 STRATEGIC VISION, INVESTMENT STRATEGY AND OUTLOOK

## 1.2.1 ROBUST GROWTH FUNDAMENTALS

### 1.2.1.1 Favorable socio-demographic trends

Edenred operates in several growth markets, where each category of solutions is being driven by favorable socio-demographic trends:

- the **Employee meal and food benefits** market is building on increasing urbanization, the emergence of a middle class and the growing economic role of the service sector, while growth in **Employee quality of life** benefits is being fueled by the rising number of women in the workplace, aging populations in developed countries and overall population growth in emerging countries, as well as the quest for a good work-life balance. In addition, the development of formal economies is driving growth across the entire market;
- the **Expense Management** market is benefiting from employees' increased international mobility and companies' desire to control business expenses more effectively and improve traceability;
- **Incentive and Rewards** solutions respond to companies' growing need to find ways of retaining and motivating their employees;
- **Public Social Program** solutions support governments and local authorities in their efforts to limit the informal economy and improve their control over the distribution of assistance, while also endeavoring to increase purchasing power of individuals.

### 1.2.1.2 The drivers of organic revenue growth

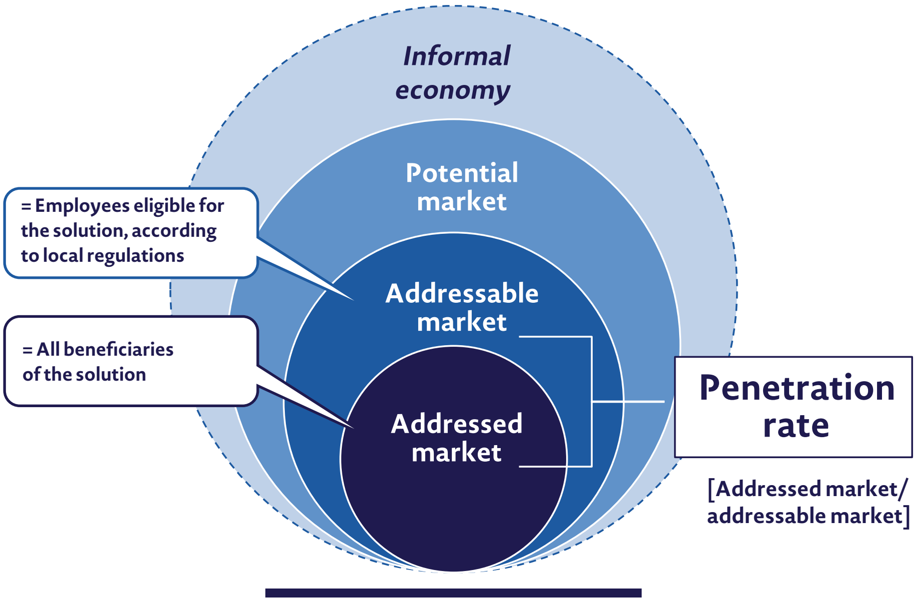
One of the Group's key objectives, announced at the 2016 Investor Day held on October 19, is to achieve organic operating revenue growth of at least 7% per year in the years to 2020. This objective reflects the momentum of the Group's core business and our aggressive medium-term growth targets.

Annual organic operating revenue growth of at least 7% for the Group is expected to result from single-digit growth in Employee Benefits activities and double-digit growth in Expense Management activities.

Gaining new clients in the Employee Benefits market, where we have operated for several years, is expected to contribute significant organic growth in issue volume enabled by increases in:

- the **potential market**, *i.e.* the number of people working in the formal sector of the economy, including people who are not eligible to do so due to local regulations. This is being driven by the formalization of the economy and an increase in declared work, particularly in emerging markets;
- the penetration rate, as Edenred gains first-time clients who historically have not used such solutions. The penetration rate corresponds to the total number of beneficiaries of the marketed solution (**addressed market**) divided by the number of employees eligible for the solution according to local legislation (**addressable market**), as illustrated below;
- Edenred's market share through greater differentiation of solutions and a strong capacity for innovation, particularly through the Group's digital transformation, which opens up numerous opportunities to invent new kinds of services for client companies, affiliated merchants and beneficiaries.

### Penetration rate by Employee Benefits market segment




Moreover, the tax ceiling on employee benefits products tends to rise as prices and incomes increase, either automatically through the application of an indexation formula, or by decision of the public authorities. Edenred lobbies clients and the public authorities to raise voucher face values to keep pace with inflation and salaries, particularly in emerging markets. In some of the Group's markets, the average face value of vouchers ordered by clients is significantly below the maximum face value that is tax deductible. This represents a substantial source of potential growth.

Lastly, since the introduction of the *Ticket Restaurant*® program in France in 1962, Edenred has developed many employee benefits solutions as well as expense management, incentive and rewards and public social program solutions.

## 1.2.2 FAST FORWARD, EDENRED'S STRATEGIC PLAN FOR SUSTAINABLE AND PROFITABLE GROWTH

Unveiled at the 2016 Investor Day held on October 19, Edenred's "Fast Forward" strategic plan aims to accelerate the Group's transformation in the years to 2020 while laying the foundation for new sources of profitable growth.

The plan leverages the Group's unique expertise in creating and managing value-added solutions within B2B transactional ecosystems.

Initiated more than 50 years ago in Employee Benefits, this expertise has since then been successfully extended, notably in Expense Management, and will allow the Group to develop new and innovative solutions in the field of Corporate Payments, expected to become the Group's third growth engine.

These ecosystems have structurally solid fundamentals and the Group's aim is to continue unlocking the strong growth potential they offer. Edenred will look to:

- leverage growth opportunities that result from increased digitization of **Employee Benefits** solutions in order to develop new services and reinforce its position as market leader;
- become a global leader in the **Expense Management** market, notably thanks to the acquisition of Embratec in Brazil in 2016 and a controlling interest in UTA in 2017;
- capitalize on the Group's technological expertise and know-how to develop new value-added solutions for B2B transactional ecosystems such as **Corporate Payments**.

In doing so, the extent of reliance on tax exemptions in the Group's business portfolio (Employee Benefits) will gradually ease in favor of other activities less – or not at all – subject to regulations (regulatory risks are described in section 3).

### 1.2.2.1 Seizing growth opportunities offered by digitization to strengthen Edenred's leading position in the Employee Benefits market

In the Employee Benefits market, where we have been an established player for several years, Edenred's strategy is to seize growth opportunities offered in large part by the increased digitization of solutions of this type in order to further entrench its position as market leader.

The Employee Benefit market still offers significant growth potential stemming from the increase in the potential market, the increase in penetration rates – still low in most of the Group's key host countries – and the increase in the Group's market share by developing differentiating features within our solutions

Building on 2016 issue volume of close to €15 billion in this market through 166 different programs and a total of one billion meals bought using the Group's solutions in 850,000 affiliated restaurants and food outlets, Edenred will accelerate the digital transition of its Employee Benefits solutions in order to reinforce its position as market leader and boost performance.

The Employee Benefits market (mainly covering food, well-being and human services) currently accounts for issue volume of approximately €40 billion worldwide. Thanks to structurally promising fundamentals (particularly in food service, well-being and human services), this market delivers growth ranging from up to 5% in developed countries to between 5% and 10% in emerging countries.

To capture this growth potential, Edenred's action plan has three main levers:

- further penetrate the SME client segment;
- maximize value generation, notably by improving client retention, reviewing pricing policy and creating value-added services for affiliated merchants and employee users;
- increase productivity through optimization of the cost base and increased digitization of solutions and processes.

These development thrusts positively contribute to the conversion of issue volume into operating revenue.

To implement this plan, key enablers will be activated, specifically innovation, technology, Edenred's organizational efficiency and the growing digitization of its solutions, which is key to the Group's strategy. Edenred expects that more than 80% of its Employee Benefits solutions will be digital by 2020.

Some examples of recent initiatives regarding the digitization of such solutions:

- **in France**, 225,000 eligible *Ticket Restaurant®* card beneficiaries have the possibility of paying for their lunch directly with their iPhones using Apple Pay since July 2016. The Group is the only issuer of meal vouchers to offer this type of fingerprint recognition-based payment. Since December 1, 2016, **Spain** has been the second country in which the Group offers its customers this means of payment.
- **in Sweden**, where all solutions are now digital, the Group offers its 10,000 affiliated restaurants a management tool based on a digital platform that gives access to key data regarding *Ticket Restaurant®* card transactions. Using this anonymous information, Edenred's affiliated restaurants can not only improve their sales performance by closely analyzing data on meal voucher use, but also optimize their management by adapting their offering to better suit their customers.

### 1.2.2.2 Becoming a global leader in Expense Management, the Group's second growth engine

Expense Management, particularly relating to corporate vehicle fleets (fuel, maintenance and toll card solutions), is Edenred's second growth engine. These solutions cater mainly for two categories of professional vehicle fleets, namely heavy vehicles (trucks, buses, etc.) and light vehicles (cars, vans, etc.). Specific solutions are developed for each market segment.

The corporate vehicle expense market represents spending in excess of €1,000 billion worldwide each year. With an average penetration rate of just 25% and double-digit annual growth driven by increased employee mobility, expense management solutions meet a growing need among companies to manage their business expenses more effectively.

This huge, under-penetrated growth market, is the second type of ecosystem after Employee Benefits in which Edenred has expanded by unlocking commercial synergies, sharing transaction authorization platforms and capitalizing on its long-standing experience of affiliated merchant networks.

The distinctive feature of this market is that oil companies are increasingly outsourcing expense management services. Edenred aims to leverage opportunities to step up its presence in Expense Management, particularly in the relatively under-penetrated light vehicle fleet segment.

Edenred is now firmly established in Latin America, particularly in Mexico, with *Ticket Car®*, and Brazil, where the Group strengthened its position in 2016 with its acquisition of Embratec, leading to the creation of the new brand *Ticket Log®*. In Europe, Edenred has strengthened its presence through the acquisition of UTA, the number two Europe-wide player in multi-brand fuel cards, toll solutions and maintenance solutions. In line with its Fast Forward strategic plan, the Group increased its stake in UTA from 34% to 51% in January 2017.

Edenred's strategic approach is noteworthy by virtue of its ability to develop specific commercial offers for each region:

- **in Latin America,** the Group is already building on its leadership positions to pursue a vigorous growth strategy;
- **in Europe,** Edenred plans to leverage UTA and its own expertise acquired in Latin America to launch dedicated light vehicle fleet solutions in several key countries, and to increase its market share in the heavy vehicle fleet segment;
- **in Asia,** through Cardtrend, a Malaysian company acquired in 2014, Edenred has an ideal location from which to develop its offering of fuel card program management software across South-East Asia, particularly with local and regional oil companies, while also enabling the development of multi-brand solutions.

After the integration of Embratec in Brazil in May 2016, Edenred is reaching another milestone in its strategy with the consolidation of UTA, which enables the Group to set ambitious objectives for the expense management market. With the integration of UTA and Embratec, the Group managed close to 6 billion liters of fuel in 2016, versus 3.3 billion in 2015, and is targeting an annual volume of more than 9 billion liters by 2020. This vigorous growth will have a significant impact on the Group's profile, since this business is expected to account for over 25% of operating revenue by 2020, compared with 12% in 2015.

### 1.2.2.3 Leveraging Edenred's global presence, know-how and technological expertise to expand into new ecosystems, particularly in corporate payments

Several thousand billion euros worth of financial flows are transacted between companies each year. New virtual card technologies and private payment networks are helping to spur the creation of new ways of more effectively and more simply managing transactions than with traditional means of payment (check or bank transfer) within dedicated transactional ecosystems. Corporate Payments is a huge, untapped and fast-growing market.

It represents a particularly attractive opportunity for Edenred which, with PrePay Solutions (PPS), its jointly-owned subsidiary with MasterCard, and Europe's leading prepaid services company, has a strategic asset through which it can develop tailored electronic and automated payment solutions in transactional ecosystems. Already processor of a large number of transactions related to Employee Benefits and Expense Management solutions developed by the Group in Europe, PPS has extensive expertise in network management and implementation of means of payment.

Through PPS, Edenred already operates payment systems using virtual card technology in the hotel industry and in the e-commerce segment. In October 2016, it announced a first major initiative in the management of new transactional ecosystems. It has won a major tender to set up and manage a global prepaid private network in the travel industry. The contract, to be signed in 2017, will ultimately cover an annual transaction volume of over US dollar 20 billion and an ecosystem of over 10,000 entities in more than 70 countries.

Edenred aims to become a major player in the Corporate Payments ecosystem, a business set to become its third growth engine.

### 1.2.2.4 New financial targets reflecting the Group's strategy and its ambitions for profitable and sustainable growth

From a financial perspective, the Group aims to put all of its energy into generating profitable and sustainable growth and into creating value for its shareholders. Edenred has set itself ambitious new growth targets for the next three years (2017-2019). The Group is aiming for:

- annual like-for-like **operating revenue growth of at least 7%,** resulting from double-digit growth in Expense Management and single-digit growth in Employee Benefits;
- annual like-for-like **operating EBIT growth of at least 9%,** driven by both the ongoing digital transition leading to productivity gains, and the roll-out of initiatives to control costs and maximize synergies, such as in relation to the Embratec integration in Brazil;
- annual like-for-like **growth in funds from operations before non-recurring items (FFO) of at least 10%.**

The Group has a sound financial position and generates a significant negative working capital requirement, which will continue to grow and will in turn help finance Edenred's growth.

## 1.2.3 CAPITAL ALLOCATION POLICY

Drawing on its strong balance sheet, tight rein on debt and sound liquidity, Edenred wishes to leverage growth investment opportunities in line with the strategic goals of its Fast Forward plan.

The first of these opportunities materialized in January 2017, when the Group increased its stake in UTA to 51% by exercising a call option on an additional 17% of the Company's capital. This investment, which enabled Edenred to acquire control of UTA, resulted in a cash outflow of approximately €83 million, bearing in mind that UTA's non-controlling shareholders will have put options on the remaining 49% of capital once this option is exercised. As a result, Edenred will record a liability of around €200 million (gross) in its consolidated financial statements.

The Group has accordingly decided to propose a **dividend representing at least 80% of its net profit, Group share.** In respect of 2016, a dividend of €0.62 will be put to the vote at the Shareholders' Meeting on May 4, 2017. For more information, see section 1.5.2, page 27.

Edenred's ambition is to maximize value creation for shareholders through a balanced deployment of capital between investments and shareholder return, in line with the Group's growth profile.

The list of acquisitions carried out in recent years is presented in section 1.6.2.

## 1.2.4 FINANCIAL STRATEGY

Edenred's business model generates significant cash flow. In 2016, funds from operations before non-recurring items (FFO) totaled €299 million, a like-for-like, year-on-year increase of 15.4% that was in line with the Group's target of annual like-for-like growth of more than 10%.

The free cash flow generated in 2016 amounted to €352 million. A total net amount of €149 million was allocated to the payment of dividends and the share buyback program, and €196 million to acquisitions. After taking into account the above, along with the positive currency effect and non-recurring items for a total of €42 million, the Group's net debt stood at €588 million at December 31, 2016 (versus €637 million at end-2015).

The ratio of adjusted funds from operations to adjusted net debt was an estimated 34% at December 31, 2016, a level consistent with the criteria applied by Standard & Poor's, thereby supporting a "Strong Investment Grade" rating.

## 1.2.5 2017 OBJECTIVES

The Group expects its performance in 2017 to be in line with the medium-term targets of its three-year strategic plan Fast Forward:

- **like-for-like growth of more than 7% in operating revenue**, driven by a mid-single-digit rise in operating revenue for the Employee Benefits business line and a double-digit increase in Expense Management operating revenue (on a like-for-like basis).
- **like-for-like growth of more than 9% in operating EBIT**.
- **like-for-like growth of over 10% in funds from operations before non-recurring items (FFO)**.

The Group expects continued strong growth of its business in Europe in 2017. Latin America should evolve broadly in line with 2016, with robust growth in Mexico despite emerging macroeconomic uncertainties and a continued contrasted performance in Brazil, shaped by weak growth in Employee Benefits owing to rising unemployment but strong double-digit growth in Expense Management.

In line with its strategic goals, the Group will focus on delivering growth in operating revenue and in operating EBIT while continuing to generate high levels of cash flow and maintaining its "Strong Investment Grade" rating.

# 1.3 HIGHLIGHTS OF THE YEAR

- Edenred accelerates its development in Expense Management and doubles the size of its fuel card operations in Brazil through the creation of a joint venture with Brazilian group Embratec (press release of January 12, 2016).
- Appointment of Sylvia Coutinho, CEO of UBS Brazil, as a Director of Edenred (press release of March 30, 2016).
- Edenred Capital Partners supports start-up OuiTeam aiming to develop three-minute recruitment in the restaurant and hotel sector (news item of March 31, 2016).
- Launch of *Ticket Restaurant*® Mobile in Italy: the mobile payment application developed by Edenred Italy reinvents the experience of the traditional lunch break fostering interactivity and offering additional services (news item of May 31, 2016).
- Apple Pay, an easy, secure and private way to pay, available from summer 2016 for *Ticket Restaurant*® card beneficiaries in France (press release of June 14, 2016).
- Launch of new solutions for restaurant affiliates in Italy (country press release of June 16, 2016) and Sweden (June 29, 2016).
- Expense Management: Edenred Germany and Edenred Romania are launching Spendeo by Edenred, a solution designed to manage and optimize employee business travel, before, during and after trips (news item of June 21, 2016).
- Edenred successfully issues a €250 million Schuldschein loan (a German form of private placement). The move helps to optimize and diversify the Group's sources of financing (press release of June 29, 2016).
- In Taiwan, Edenred and Carrefour launch the E-Voucher *Ticket Xpress*®, Carrefour's very first international digital service (News item of August 25, 2016).
- Appointments to Edenred's Executive Committee and reorganization of operating activities (press releases of July 1 and September 19, 2016).
- 2016 Investor Day: Edenred presents Fast Forward, its three-year strategic plan. With this plan, the Group is accelerating its transformation by laying the foundations for new sources of profitable and sustainable growth (press release of October 19, 2016).
- With Apple Pay, users of *Ticket Restaurant*® cards in Spain may pay for their meals directly *via* their iPhone or Apple Watch in all restaurants equipped with a contactless payment terminal. Edenred Spain is the second of Edenred's countries to offer this payment method to their customers after its launch in France in June 2016 (news item of December 1, 2016).
- Launch of the *Ticket Gasolina*® card in Spain, taking Edenred a step closer to deploying its Expense Management solutions in Europe (news item of November 23, 2016).
- Edenred now offers an online payment solution with *Ticket Restaurant*® and *Ticket EcoCheque*® aimed at restaurants and specialty or convenience shops *via* their website (news item of December 14, 2016).
- In the dispute opposing Edenred and the Hungarian State, an arbitration ruling from the ICSID (International Centre for Settlement of Investment Disputes) was delivered in Edenred's favor (press release of December 16, 2016).

## January 2017 highlights

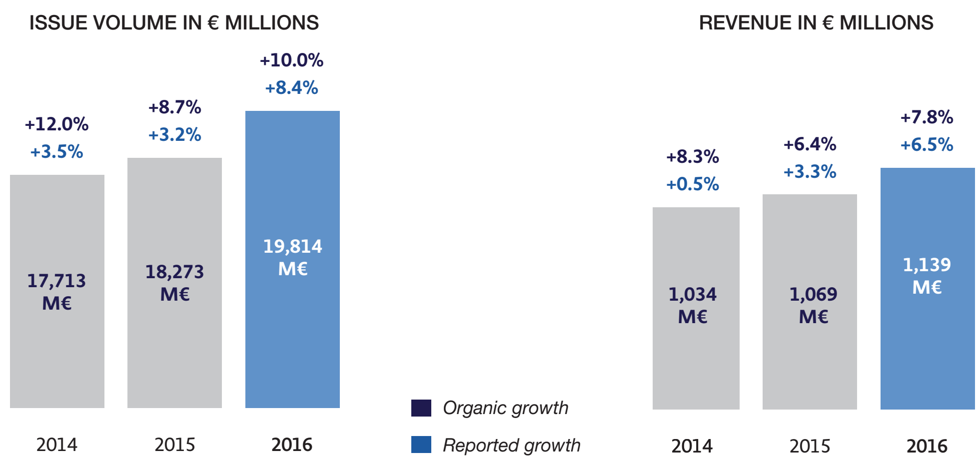
- In Finland, Edenred launched a mobile payment solution (news item of January 19, 2017).
- Edenred becomes a world leader in Expense Management. As part of its Fast Forward strategic plan, Edenred increased its stake in UTA to 51% by exercising its call option on 17% of the Company's capital. The number two Europe-wide player, UTA specializes in multi-brand fuel cards, toll solutions and maintenance solutions (press release of January 20, 2017).

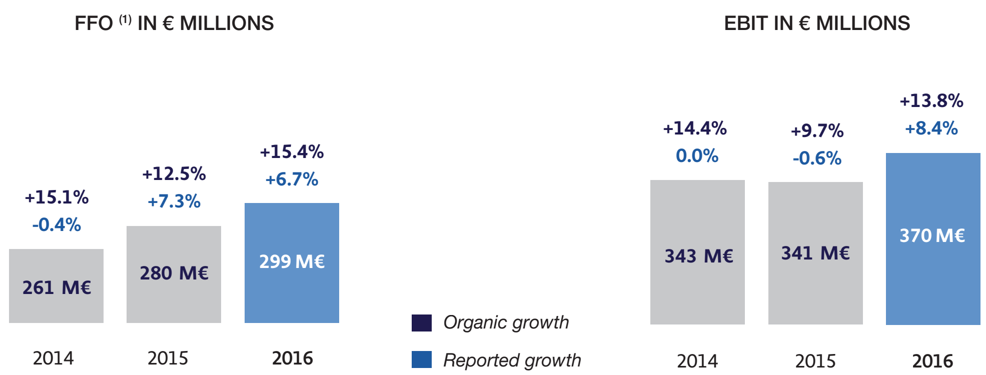
# 1.4 SELECTED FINANCIAL INFORMATION OVER THREE YEARS

| Key indicators * | 2016 | 2015 | 2014 |
|---|---|---|---|
| Issue volume in € millions | 19,814 | 18,273 | 17,713 |
| Revenue in € millions | 1,139 | 1,069 | 1,034 |
| • of which operating revenue | 1,073 | 1,000 | 958 |
| • of which financial revenue | 66 | 69 | 76 |
| Funds from operations before non-recurring items (FFO) *in € millions* | 299 | 280 | 261 |
| EBIT in € millions | 370 | 341 | 343 |
| • of which operating EBIT | 304 | 272 | 267 |
| • of which financial EBIT | 66 | 69 | 76 |
| Net profit, Group share | 180 | 177 | 164 |

* *For definitions, see the glossary at the beginning of this document.*

## Growth like-for-like and as reported



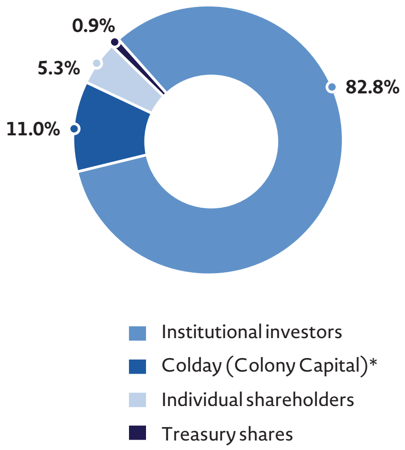




*(1) FFO : Funds From Operations.*

# 1.5 SHAREHOLDER INFORMATION

## 1.5.1 OWNERSHIP STRUCTURE

THE COMPANY'S OWNERSHIP STRUCTURE IS AS FOLLOWS:




* On January 20, 2017, Colday announced that it no longer held any Edenred shares.

The free float represents 88.1% of outstanding shares.

For more information, see section 7.3 page 288.

## 1.5.2 INVESTOR INFORMATION AND DIVIDEND

The dividend policy is based on a payout of at least 80% of net profit, Group share.

The dividend proposed by the Board of Directors to the Shareholders' Meeting of May 4, 2017 in respect of the 2016 financial year amounts to €0.62 per share, *i.e.*, a payout ratio of 80% of net profit, Group share. If the dividend is approved by the Annual Shareholders Meeting, half of the dividend will be paid in cash. Shareholders may opt to receive the other half in cash or reinvest it in new shares at a 10% discount.

For more information about capital allocation and the dividend, see section 1.2.3, page 24 and section 2.1.1.3, page 42.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Last closing price | 18.84 | 17.45 | 22.96 |
| Dividend in euros | 0.62 | 0.84 | 0.84 |
| Dividend yield | 3.29% | 4.81% | 3.66% |

### 1.5.3 FINANCIAL CALENDAR

| | |
|---|---|
| **First-quarter 2017 revenue** | April 18, 2017 |
| **Annual Shareholders' Meeting** | May 4, 2017 |
| **First-half 2017 results** | July 25, 2017 |
| **Third-quarter 2017 revenue** | October 13, 2017 |

## 1.6 MILESTONES

### 1.6.1 PRE-2010: CREATION AND DEVELOPMENT OF ACCOR SERVICES

#### 1962-1980: From an original idea to an effective business model

The original luncheon voucher concept was launched in the United Kingdom in 1954. In 1962, the Jacques Borel International Group set up a new company, Crédit-Repas, and created *Ticket Restaurant*®, France's first meal voucher. Five years later, legislation was adopted creating a legal regime for meal vouchers in France (government order no. 67-830 dated September 27, 1967).

In the 1970s, the *Ticket Restaurant*® formula was exported to Brazil, Italy, Belgium, Germany and Spain.

#### 1980-2000: Geographic diversification of the Employee Benefits offer

In 1982, Jacques Borel International – already the world's leading meal voucher issuer with 165 million *Ticket Restaurant*® vouchers distributed per year in eight countries – was acquired by Novotel SIEH. The following year, Novotel SIEH-Jacques Borel International was renamed Accor. In 1984, the daily number of voucher users worldwide topped one million.

In the 1980s and 1990s, the Group embarked on a strategy to diversify the employee benefits offer for businesses, starting in Mexico with the creation of the *Ticket Alimentación*® food voucher in 1983. This was followed, in 1989, by the introduction of *Childcare Vouchers*® in the United Kingdom and, in 1995, by *Ticket Culture*® vouchers in France.

During this period, the Group also continued to expand internationally, setting up operations in Argentina in 1988, Venezuela in 1990, Turkey in 1992, the Czech Republic, Austria and Luxembourg in 1993, Hungary, Slovakia and Uruguay in 1994, Greece in 1996, the Netherlands, Poland and India in 1997 and Romania in 1998.

#### 2000-2010: Diversification of solutions and media

In the period 2000 to 2010, the Group kept up the pace of organic growth, entering the Chinese market with the launch of a restaurant smart card in 2000, and the Peruvian market. In Brazil, the Group strengthened its presence in 2006 by buying out its 50% partner in *Ticket Serviços*®.

Edenred also pursued a strategy of acquiring local employee benefit providers and companies positioned in the expense management or incentive and rewards segments.

Acquisitions in the employee benefits segment:

- 2003: Dicasa (Mexico);
- 2005: Hungastro (Romania) and WiredCommute (United States);
- 2006: Serial (Italy);
- 2009: Exit Group, the Czech Republic's fourth largest meal voucher issuer.

Acquisition in the expense management segment:

- 2007: Autocupón, Mexico's second largest fuel card issuer.

Acquisitions in the incentive and rewards segment:

- 2006: Calicado (Germany) and RID (India);
- 2007: Kadéos, France's leading provider of closed-loop and open-loop gift solutions;
- 2007: Surfgold, Asia's leading marketing services company, giving the Group access to a client portfolio that includes some of the region's largest companies and to incentive and loyalty program management platforms.

At the same time, the Group completed acquisitions in the technology sector to support its transition to digital solutions:

- 2007: PrePay Technologies Ltd, the UK leader in prepaid cards. Following an agreement with MasterCard Europe in February 2009, the company was renamed PrePay Solutions (67%-owned by Edenred);
- 2008: 62% of Motivano UK, the country's leading online employee benefit management company.

## 1.6.2 SINCE 2010: CREATION OF EDENRED

On June 29, 2010, the Extraordinary General Meeting of Accor shareholders approved the demerger of the Hotels and Services businesses, leading to the creation of Edenred, a pure player in prepaid services that is now listed on the Paris stock exchange. To support Edenred's transition to an independent listed company, a new Board of Directors was elected and the Company's governance principles were defined, a new management team was appointed, the Edenred brand was launched, along with a corporate mission project, EDEN (*Entreprendre différemment ensemble*, translated as "Moving Forward Differently Together") and a strategy was deployed.

Since its formation, the Group has pursued a targeted acquisitions strategy in its core prepaid B2B services business, and has carried out a strategic review of its portfolio:

### Acquisitions since 2010

- in December 2010, Euroticket, a Romanian meal and gift voucher issuer joined the Group;
- in January 2011, Edenred acquired RistoChef, an Italian meal voucher issuer;
- in October 2011, the Group acquired the fuel card business of CGI in Mexico;
- in July 2012, it was the turn of Comprocard, a food voucher issuer in Brazil to join the Group;
- in July 2012, Edenred acquired Barclay Vouchers, the only meal voucher issuer in Japan;
- in February 2013, the Group acquired Colombian employee benefits company Big Pass;
- in March 2013, Edenred acquired Repom, the Brazilian market leader in expense management solutions for independent truckers;
- in June 2013, Opam, a Mexican employee benefits company joined the Group;
- in January 2014, Nets Prepaid, Finland's leading meal voucher company, was acquired;
- also in January 2014, the Group acquired Brazilian employee benefits company Bonus;
- in July 2014, the Group acquired C3 Card, a payroll card specialist in the United Arab Emirates;
- in August 2014, Edenred acquired Cardtrend, a Malaysia-based provider of fuel-card management software solutions;
- in October 2014, Russian monobrand gift card resale company Daripodarki joined the Group;
- in the first quarter of 2015, the Group acquired a 34% stake in UTA, a key player in the European fuel card market.
- in January 2017, Edenred lifted its stake in UTA to 51% by exercising a call option on 17% of share capital.

### Joint ventures and alliances since 2010

- in April 2013, a strategic alliance was set up with SavingStar, the only national fully digital grocery savings service in the US, leading to the creation of *NutriSavings*®. This new joint venture is 67%-owned by Edenred, the majority partner, and 33% by SavingStar;
- in June 2013, Edenred finalized the creation of a 50-50 joint venture with Banco Espirito Santo (which has since become Novo Banco) in the Portuguese employee benefits market, contributing its existing operations in Portugal to the new company;
- in July 2014, Edenred entered into an alliance with American Express in Mexico to offer a unique joint fuel card solution;
- in July 2015, Edenred partnered with the Daimler group to launch a co-branded solution on the fuel card market in Brazil.
- in May 2016, Edenred completed the merger of Embratec (35%) and Edenred (65%) in a joint venture, *Ticket Log*®.

### Disposals since 2010

In 2011, following a strategic review of its business portfolio, Edenred decided to dispose of certain employee assistance program (EAP) assets:

- in April 2011, Edenred sold 100% of EAP France and its stake in BEA (a provider of corporate concierge services);
- in May 2011, Edenred sold its stake in US-based WorkPlace Benefits and its subsidiaries;
- in August 2011, Edenred sold its Australian subsidiary Davidson Trahaire Group, a Human Resources consultancy specialized in employee assistance programs and other corporate psychology services;
- in March 2013, Edenred sold all of the outstanding shares in Tintelingen B.V., a B2B issuer of Christmas gift vouchers in the Netherlands with a wide range of paperless products and services.

# 1.7 THE MANAGEMENT TEAM

Edenred has chosen for its governance to combine the functions of Chairman of the Board and Chief Executive Officer in order to maintain a high degree of responsiveness on the strategic and operational fronts. For more on Edenred's governance, see section 5.

## 1.7.1 THE BOARD OF DIRECTORS

The Board of Directors defines the business strategy and oversees its implementation. A description of its duties and powers is provided in section 5.

**Bertrand Dumazy**
Chairman and Chief Executive Officer of Edenred SA

**Jean-Paul Bailly***
Former Chairman of RATP and Honorary Chairman of Groupe La Poste

**Anne Bouverot***
Chief Executive Officer of Safran Identity & Security

**Philippe Citerne***
Vice-Chairman of the Board of Directors of Edenred

**Sylvia Coutinho***
Chief Executive Officer of UBS Brazil

**Gabriele Galateri di Genola***
Chairman of Assicurazioni Generali S.p.A.

**Maëlle Gavet***
Chief Executive Officer of Compass (from January 2017)

**Françoise Gri***
CEO Françoise Gri Conseil

**Jean-Romain Lhomme**
Co-Founder of PJX10

**Bertrand Meheut***
Director of companies

**Nadra Moussalem**
Chairman of Colony Capital SAS

* *Independent directors*

## 1.7.2 THE EXECUTIVE COMMITTEE

In line with his responsibilities, the Chief Executive Officer forms an Executive Committee to implement the strategy defined by the Board of Directors.

**Bertrand Dumazy**
Chairman and Chief Executive Officer of Edenred SA

### Corporate functions

**Patrick Bataillard**
Executive Vice-President, Finance

**Elie du Pré de Saint Maur**
Executive Vice-President, Marketing and Strategy

**Philippe Dufour**
Vice-President, Alternative Investments

**Philippe Relland-Bernard**
Executive Vice-President, Legal and Regulatory Affairs

**Jeanne Renard**
Vice-President, Human Resources and Corporate Social Responsibility

**Konstantinos Voyiatzis**
Executive Vice President, Technology and Strategic Information Systems

### Operational functions

**Gilles Coccoli**
Chief Operating Officer, Brazil

**Elie du Pré de Saint Maur**
Chief Operating Officer, Corporate Payments

**Antoine Dumurgier**
Chief Operating Officer, Expense Management

**Arnaud Erulin**
Chief Operating Officer, Northern Europe, Central Europe, France and Belgium

**Diego Frutos**
Chief Operating Officer, Hispanic and North America

**Graziella Gavezotti**
Chief Operating Officer, Southern Europe

**Laurent Pellet**
Chief Operating Officer, Asia-Pacific and Middle East

# 1.8 REGULATORY ENVIRONMENT

## 1.8.1 INCOME TAX AND PAYROLL TAX RULES

### 1.8.1.1 Overview

Employee benefits are exempted from income tax and/or payroll taxes as part of government strategies to encourage their use as an instrument of social policy. The Expense Management business line is not dependent on the existence of these kinds of exemptions.

To avoid illegitimate use of the tax benefits, strict rules govern the allocation and use of these solutions, particularly regarding the employer's contribution and role, the eligible beneficiaries and how the benefits may be used.

In some countries, companies have to be licensed to operate in the employee benefits market, while in others no authorization is required. In countries with a licensing system, the barriers to entry are fairly low and consist mainly in meeting certain financial strength criteria.

Companies wishing to operate in the employee benefits market may also be subject to regulations governing investment of the float (corresponding to the cash received from clients for prepaid services that has not yet been reimbursed to affiliated merchants). This is the case in France and Romania for example (see section 2.1.1.4, page 42 and Note 4.6 to the consolidated financial statements, page 185).

The regulatory environment is illustrated in the following sub-sections by a description of the legislation applicable to meal vouchers in France and Brazil.

### 1.8.1.2 Regime applicable in France

#### Rules governing the allocation and use of meal vouchers

The rules governing the allocation of meal vouchers are as follows:

- the vouchers may only be allocated to employees of the company concerned (including interns, subject to conditions);
- since April 2014, the vouchers can be issued in paper or digital format, for example *via* mobile phone or on a payment card;
- since 2002, civil servants may be given meal vouchers if their place of work has no staff restaurant and they are unable to take advantage of alternative solutions set up with public or private foodservice providers;
- meal vouchers qualify as employee benefits; consequently, all employees of the Company must be allocated vouchers with the same face value. However, an employer may allocate meal vouchers to selected employees provided that the selection criteria are non-discriminatory;
- meal vouchers must be allocated on the basis of one voucher per day worked;
- the legislation does not set any minimum or maximum amount, leaving employers free to set the face value of the vouchers allocated to employees. However, in practice, the face value is limited by the caps on the employer's financial contribution, which cannot represent more than a certain percentage of the face value, and on the payroll tax exemption.

Rules also apply to the use of meal vouchers by employees, as follows:

- the vouchers may only be used by the employee to whom they are allocated;
- employees may use the vouchers to pay for their restaurant meal or the purchase of a ready-meal (to be reheated or defrosted as necessary), dairy products or fruit and vegetables (including fruit and vegetables that require further preparation) up to a daily limit of €19. Merchants are not allowed to give any money back on paper voucher payments, while paperless vouchers allow employees to pay merchants the exact amount of the transaction;
- meal vouchers may only be used on working days and not on Sundays or bank holidays, unless an exception is recorded directly on the paper voucher by the employer for the employees concerned.

Meal vouchers can be accepted by restaurants and fastfood outlets, equivalent retailers accredited by the CNTR [(1)], and greengrocers, provided that they sell ready-meals (to be reheated or defrosted as necessary), dairy products or fruit and vegetables (ready to eat or requiring further preparation).

#### Income tax and payroll tax benefits for the employer

Meal vouchers are financed jointly by the employer (or in some cases the works council) and the employee. The employer's contribution (plus – for the calculation of the ceilings below – any works council contribution) cannot represent less than 50% or more than 60% of the vouchers' face value. If these limits are not respected, the employer's contribution will not qualify for exemption from payroll tax, income tax and social security contributions.

The employer's contribution is exempt from social security contributions provided that it does not exceed a certain amount that has until recently been adjusted each year in the same proportions as the upper limit for the first personal income tax band (Article 81, 19° of the French Tax Code). This exemption ceiling was adjusted to €5.38 per voucher in 2017. The employer is naturally free to contribute more than this amount provided that the 50% and 60%

*(1) Commission nationale des titres restaurant.*

minimum and maximum limits are adhered to. However, in this case, the fraction of the contribution in excess of the exemption ceiling will be added back for the purpose of calculating the basis of assessment of social security contributions.

#### Tax benefits for employees

Meal vouchers represent tax-free income for the employee user, as the portion of the face value paid by the employer within the legal limits – between 50% and 60% of the value up to the current exemption ceiling – is not subject to personal income tax.

However, to qualify for the exemption, the employee must comply with the applicable regulations, particularly regarding the use of the vouchers.

### 1.8.1.3 Regime applicable in Brazil

There are two types of food-related vouchers in Brazil, meal vouchers (*vale refeição*) and food vouchers (*vale alimentação*). Meal vouchers may only be used in restaurants and fastfood outlets, while food vouchers may only be used in supermarkets and grocery stores. These two types of vouchers are not interchangeable.

Companies that want to give meal or food vouchers to their employees have to register with the Brazilian Labor Ministry. They can decide to give the vouchers to selected employees only, provided that all employees who are paid less than five times the minimum wage are included. They cannot reduce the number of vouchers allocated to an employee or suspend the allocation as a disciplinary measure.

As in France, part of the vouchers' face value is financed by the employer and part by the employee. The employee's contribution cannot exceed 20% of the face value and, in practice, employers generally finance the total amount. Meal vouchers are totally tax-exempt for both the employer and the employee. In addition to being exempt from payroll taxes, which in Brazil can represent up to 100% of gross salary, the employer's contribution is exempt from corporate income tax up to the equivalent of 4% of the tax due for each tax year.

Since 2014, the Brazilian Central Bank has been in charge of regulating procedures for the issue and functioning of certain electronic payment instruments. As a result, while food and meal vouchers continue to be governed by the Brazilian Labor Ministry with the same operating methods and objectives, the cards used as the medium for granting these benefits are now subject to regulations implemented by the Central Bank. Edenred has submitted the registration applications for companies affected by the regulations to the Central Bank. As of December 31, 2016, the Central Bank was still examining these requests. It is expected to grant the relevant licenses when the rules actually come into force in the first half of 2017.

Some of the new rules impose a minimum level of share capital to be able to issue the cards mentioned above, better knowledge of businesses and the strengthening of internal control requirements. In addition, restrictions will be gradually imposed on the funds maintained in users' accounts, from the card's issue to its use in the networks of merchants. Edenred will comply with all of the new regulations as soon as they come into effect.

## 1.8.2 OTHER REGULATIONS

### 1.8.2.1 Within the European Union

The issuance of e-money is regulated by European directive 2009/110/EC of September 16, 2009 (the "**E-Money directive**"). The directive defines e-money as an "electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a natural or legal person other than the electronic money issuer."

The directive states that it is not intended to apply to "monetary value stored on specific pre-paid instruments, designed to address precise needs that can be used only in a limited way," particularly because these instruments are only accepted within a "limited network" or can only be used to purchase "a limited range of goods or services, regardless of the geographical location of the point of sale."

Neither meal and food vouchers nor other Employee Benefits constitute e-money, whether in paper or paperless format. The E-Money directive clarifies the idea of a "limited network" by using the example of "meal vouchers or vouchers for services (such as vouchers for childcare, or vouchers for social or services schemes which subsidize the employment of staff to carry out household tasks such as cleaning, ironing or gardening), which are sometimes subject to a specific tax or labor legal framework designed to promote the use of such instruments to meet the objectives laid down in social legislation".

The exclusion of all employee benefits from the scope of this directive is confirmed in amending directive (EU) 2015/2366 of November 25, 2015 (the "Payment Services directive"), which repeals directive 2007/64 and provides a regulatory framework for payment services in the European Union, particularly regarding the issuance and acquisition of payment instruments, and is closely interlinked with the E-Money directive. Thus, the new Payment Services directive clearly and unconditionally excludes "instruments valid only in a single Member State provided at the request of an undertaking or a public sector entity and regulated by a national or regional public authority for specific social or tax purposes to acquire specific goods or services from suppliers having a commercial agreement with the issuer."

The incentive and rewards solutions and expense management solutions contain some programs involving the issuance of e-money, which can only be issued by licensed institutions subject to specific capital adequacy rules. The Group offers these types of solutions through its PrePay Solutions subsidiary, an e-money issuer licensed in the UK, and through the two e-money issuers created by the Group in Italy and France to meet local needs – Edenred Italia Fin S.r.l. and Edenred Paiement SAS. These three e-money issuers can issue prepaid cards regarded as e-money, based on the definitions in the E-Money directive, both within their own countries and throughout all European Union countries in which Edenred offers solutions based on prepaid cards regarded as e-money.

Each of these e-money issuers complies with all applicable capital adequacy and other requirements. The main rule resulting from the classification of certain programs as e-money concerns the obligation to protect the funds received in exchange for the issue of e-money. These funds are reported in the balance sheet under "Restricted cash" (see section 2.1.1.4, page 44, and Note 4.6 to the consolidated financial statements, page 185).

In Europe, Edenred monitors changes in regulations governing:

- the prevention of money-laundering and particularly directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, as well as the proposed directive of July 5, 2016 amending this directive;
- the protection of personal data, in particular Regulation (EU) 2016/679, which will come into force in May 2018 in all EU Member States;
- the management of interchange fees and particularly directive (EU) 2015/751 on interchange fees for card-based payment transactions, which reiterates the exclusion of Employee Benefits referred to above.

#### 1.8.2.2 Outside the European Union

The Group keeps a particularly watchful eye on the emergence of regulations that are similar to the E-Money and Payment Services directives in all countries in which it operates.

In several countries, regulations governing payment services and/or e-money sometimes take a similar approach to the European Union's regulations, acknowledging the exceptional nature of the Employee Benefits offered by Edenred.

This is the case, for example, in Turkey, where regulations covering both payment services and e-money entered into force in June 2015. Just like the European Union's E-Money and Payment Services directives, the Turkish regulations provide for the exclusion of instruments accepted within a "limited network" or which only grant access to "a limited range of goods or services".

## 1.9 CONTRACTUAL RELATIONSHIPS

### 1.9.1 CONTRACTUAL RELATIONSHIPS WITH CLIENTS

Master contracts are signed with major accounts that generate significant issue volumes, organizing business relations with these clients.

Such master contracts are generally signed following a call for bids and may cover one or several of the client companies' facilities or subsidiaries. They are usually for periods of one to three years. The contracts specify the commission rate to be billed to the client company and the frequency of billings and payments. It is rare for them to include an exclusivity clause.

For small and medium-sized enterprises and micro-enterprises with limited needs that require greater ordering flexibility, contractual relations are generally based on order forms containing Edenred's general conditions of sale.

### 1.9.2 CONTRACTUAL RELATIONSHIPS WITH MERCHANTS

Affiliation contracts are signed by the Edenred subsidiary concerned with the local merchant network, on a solution-by-solution basis.

The contracts stipulate the terms of reimbursement of the vouchers and the commission terms. Nearly all of the solutions sold by Edenred are covered by affiliation contracts.

### 1.9.3 CONTRACTUAL RELATIONSHIPS WITH SUPPLIERS AND SERVICE PROVIDERS

Relations between Edenred or its subsidiaries and external suppliers or service providers are governed by standard contracts. Close attention is paid to services with associated intellectual property rights in order to ensure that the rights of Edenred and its subsidiaries are clearly determined.

Edenred uses many suppliers and is not dependent on any single company. In order to benefit from powerful, scalable and secure technological infrastructures, the Group implemented global master agreements with leading providers of cloud-based solutions and the associated network aspects in 2016. These agreements are particularly demanding in terms of compliance, security and availability. As the Group continues to digitize its solutions, a large proportion of its contractual relations with suppliers and service providers are also likely to cover purchases of computer servers, plastic cards (with magnetic strips and computer chips), server hosting services, and partnerships with acquisition networks and authorizers.

## 1.10 INTELLECTUAL PROPERTY

Edenred's intellectual property mainly consists of its portfolio of brands and domain names, which are managed by a dedicated legal team. *Ticket Restaurant®* and the names of the other products and services offered by Edenred are registered trademarks that are the property of the Edenred Group.

Controls over compliance with the rules governing the acquisition of intellectual property rights are executed by contract managers, as explained in section 1.9.3, and by administrative teams, through the normal filing and registration process.

A surveillance system has been set up to combat attempts to fraudulently use Edenred's brands and domain names.

Edenred also opposes the use of its protected trademarks as generic names in order to preserve their distinctive character.

## 1.11 REAL ESTATE

Most of the Group's offices are leased. The Group does not expect to encounter any problems in renewing the leases.

# 1.12 SPECIFIC RISKS AND OPPORTUNITIES

## CONTEXT

Technological developments and the transition to digital solutions

## RISKS SPECIFIC TO THE BUSINESS

- Production costs increase during the transition from paper to digital solutions.
- New entrants usually take limited market share, but put pressure on commissions.
- For some solutions, pressure is also exerted on the float.
- The processes must be readjusted.

## OPPORTUNITIES

- The transition to digital solutions (payment by card, smartphone, etc.) provides access to a large amount of solution-usage data and offers growth opportunities through the development of new value-added services *via* the intelligent use of this data. It also reduces costs compared with paper transactions, through the digitization of processes and the establishment of pooled regional transaction processing platforms.
- The digital transition of solutions also allows the implementation of more finely tuned pricing models and direct access to employee users, *via* smartphone applications.
- Lastly, Edenred's expertise in managing digital transactional flow ecosystems, such as meal vouchers, offers the opportunity of quickly bringing new stakeholders (such as advertisers or insurers) into these ecosystems, which represents an opportunity in terms of additional operating revenue.

Risk factors and their management are described in section 3.

2

# FINANCIAL REVIEW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# 2.1 RESULTS OF OPERATIONS

## 2.1.1 CONSOLIDATED RESULTS

### 2.1.1.1 Introduction

2016 saw **strong growth in earnings and EBIT up to a record high** as the following key indicators illustrate (on a like-for-like basis):

- **issue volume up 10.0% to €19,814 million**;
- **operating revenue up 8.3% to €1,073 million**;
- **operating EBIT up 17.3% to €304 million**;
- **funds from operations (FFO) [(1)] up 15.4% to €299 million**.

These strong performances were complemented by:

- an operating EBIT margin [(2)] up 1.1 points to 28.3%;
- EBIT at an all-time high of €370 million despite a €32 million negative currency effect;
- net profit, Group share up 1.9% to €180 million;
- net debt reduced by €49 million to €588 million.

In addition, 2016 saw significant achievements that pave the way for the success of the Fast Forward strategic plan with a good performance in the Employee Benefits business line, a sharp rise in Expense Management as a percentage of Edenred's total business, and the ongoing shift to digital solutions.

#### 2016 financial highlights

| | | | % change | |
|---|---|---|---|---|
| *(in € millions)* | 2016 | 2015 | Reported | Like-for-like [(1)] |
| **Issue volume** | **19,814** | **18,273** | **+8.4%** | **+10.0%** |
| Operating revenue | 1,073 | 1,000 | +7.3% | +8.3% |
| Financial revenue | 66 | 69 | -4.2% | +0.2% |
| **Total revenue** | **1,139** | **1,069** | **+6.5%** | **+7.8%** |
| Operating EBIT | 304 | 272 | +11.6% | +17.3% |
| Financial EBIT | 66 | 69 | -4.2% | -0.2% |
| **Total EBIT** | **370** | **341** | **+8.4%** | **+13.8%** |
| Net profit, Group share | 180 | 177 | +1.9% | |
| Earnings per share, Group share [(2)] (in €) | 0.78 | 0.78 | +0.8% | |

*(1) At constant scope of consolidation and exchange rates (corresponding to organic growth).*

*(2) Shares outstanding: 230,113 thousands of shares in 2016 versus 227,773 thousands of shares in 2015.*

### 2.1.1.2 Analysis of consolidated financial results

#### Issue volume up 10.0% like-for-like at €19.8 billion

In line with the Group's historic medium-term target of 8%-14% annual like-for-like growth, issue volume for the year was up **10.0%** to **€19,814 million**, driven mainly by 12.7% like-for-like growth in the fourth quarter. Reported growth stood at 8.4% for the year, after taking into account:

- the 5.8% positive impact from changes in the scope of consolidation relating to the acquisition of Embratec assets in Brazil, which were transferred to a joint venture 65%-owned by Edenred and fully consolidated over an eight-month period, and La Compagnie des Cartes Carburants (LCCC) in France, which is 69.2%-owned and was fully consolidated over the 12-month period;
- the negative 7.4% currency effect, primarily due to the depreciation of the Brazilian real (down 4.3%), Mexican peso (down 14.8%) and Venezuelan bolivar fuerte (down 63.6%) against the euro.

*(1) Before non-recurring items.*

*(2) This ratio reflects the operating EBIT margin based on reported figures. It corresponds to: (operating EBIT)/(operating revenue).*

### (a) Issue volume by type of solution

| | Employee Benefits | Expense Management | Incentive & Rewards | Public Social Programs | TOTAL |
|---|---|---|---|---|---|
| Issue volume (in € millions) | 14,731 | 3,842 | 825 | 416 | 19,814 |
| % of total IV (1) | 75% | 19% | 4% | 2% | 100% |
| Like-for-like growth | +8.5% | +15.1% | +15.4% | nm | +10.0% |

*(1) IV: issue volume.*

The year saw 8.5% like-for-like growth in the issue volume of **Employee Benefits** associated with meals and food and quality of life, which represented 75% of 2016 issue volume. **Expense Management**, Edenred's second growth engine, delivered robust 15.1% like-for-like growth and now accounts for 19% of total issue volume versus 16% in 2015. Incentive & Rewards and Public Social Programs both posted strong growth in the year, now accounting for 4% and 2%, respectively, of total issue volume.

### (b) Like-for-like issue volume growth by region

| Like-for-like growth | First quarter | Second quarter | Third quarter | Fourth quarter | 2016 |
|---|---|---|---|---|---|
| Latin America | +7.5% | +8.7% | +14.3% | +19.4% | +12.4% |
| Europe | +6.9% | +9.7% | +6.4% | +6.8% | +7.4% |
| Rest of the World | +12.1% | +11.1% | +6.0% | +11.8% | +10.3% |
| **TOTAL** | **+7.4%** | **+9.3%** | **+10.2%** | **+12.7%** | **+10.0%** |

In **Latin America**, issue volume for the year was up 12.4% like-for-like at €9.7 billion, or 49% of the Group's total issue volume.

In **Brazil**, issue volume for 2016 rose by 4.2% like-for-like despite a very weak economic environment. Issue volume for the Employee Benefits business line continued to increase slightly, up 1.2% like-for-like despite the ongoing rise in the unemployment rate [1]. Expense Management solutions continued to record strong like-for-like growth, gaining 14.0%.

In **Hispanic Latin America**, issue volume was up 23.8% like-for-like, reflecting strong growth for Expense Management solutions (up 14.9% like-for-like) and Employee Benefits (up 30.5% like-for-like, aided partly by Venezuela on account of rising inflation). Like-for-like growth in Mexico, Edenred's biggest market in the region, was 13.3%, with an acceleration in the second half of the year.

In **Europe**, 2016 issue volume was €9.4 billion (or 47% of the Group's total issue volume), up 7.4% like-for-like.

**Europe (excluding France)** posted like-for-like growth of 8.9%. Issue volume rose 3.0% in Italy. In Germany, Edenred recorded growth of more than 50% for its *Ticket Plus®* Card solution. *Childcare Vouchers®* in the UK were up 5.9% like-for-like. Issue volume rose 9.7% like-for-like in Central Europe, driven by a good sales performance in an improved economic environment. All other European countries delivered double-digit like-for-like growth in issue volume.

**France** recorded solid 4.6% like-for-like growth in issue volume, reflecting a further 3.4% increase in the *Ticket Restaurant®* meal voucher solution. Edenred leads the digital meal voucher market in France, with around 300,000 users of its *Ticket Restaurant®* card solution. The Group also benefited from 7.1% growth in *Ticket Kadéos®* gift vouchers and cards during the year.

Lastly, issue volume in the **Rest of the World** was up by 10.3% like-for-like over the year, led mainly by strong growth in Turkey, the region's primary contributor.

*(1) The unemployment rate in Brazil was around 12% at end-December 2016 compared to around 9% at end-2015 (source: Banco centrale do Brasil).*

## Total revenue up 7.8% like-for-like to €1,139 million

| Like-for-like growth | First quarter | Second quarter | Third quarter | Fourth quarter | 2016 |
|---|---|---|---|---|---|
| Operating revenue with IV | +5.8% | +7.8% | +9.6% | +10.2% | +8.3% |
| Operating revenue without IV | +6.6% | +5.2% | +12.2% | +9.3% | +8.2% |
| Operating revenue | +5.9% | +7.3% | +9.9% | +10.0% | +8.3% |
| Financial revenue | -3.1% | +0.1% | -2.5% | +6.8% | +0.2% |
| **TOTAL REVENUE** | **+5.2%** | **+6.9%** | **+9.1%** | **+9.9%** | **+7.8%** |

**Total revenue** for 2016 amounted to **€1,139 million**, representing a like-for-like increase of **7.8%** on the previous year. Total revenue comprises operating revenue with issue volume (80% of total revenue), operating revenue without issue volume (14% of total revenue), and financial revenue (6% of total revenue).

On a reported basis, the year-on-year change was a rise of **6.5%**, after taking into account the 5.3% positive impact from changes in the scope of consolidation and the 6.5% negative currency effect.

### a) Total operating revenue up 8.3% like-for-like

**Total operating revenue climbed 8.3%** like-for-like, mainly reflecting a 7.6% rise in operating revenue in the Employee Benefits business line, where the take-up rate [1] remained stable in 2016 (up 2 basis points), and a 13.1% increase in operating revenue for the Expense Management business line (on a like-for-like basis).

- **of which, operating revenue with issue volume up 8.3% like-for-like**

**Operating revenue with issue volume** increased by **8.3%** like-for-like to **€918 million**. This reflects an acceleration in growth in Latin America during the second half and continued strong like-for-like gains in Europe over the last three quarters.

### Growth in operating revenue with issue volume by region (like-for-like):

| Like-for-like growth | First quarter | Second quarter | Third quarter | Fourth quarter | 2016 |
|---|---|---|---|---|---|
| Latin America | +6.2% | +6.6% | +12.5% | +14.1% | +9.7% |
| Europe | +5.1% | +8.9% | +7.3% | +8.0% | +7.4% |
| Rest of the World | +7.9% | +8.6% | +2.4% | +0.4% | +4.8% |
| **TOTAL** | **+5.8%** | **+7.8%** | **+9.6%** | **+10.2%** | **+8.3%** |

***Of which, operating revenue without issue volume up 8.2% like-for-like***

**Operating revenue without issue volume** was up **8.2%** like-for-like at **€155 million**, driven in particular by a good performance from ProwebCE in France.

### b) Financial revenue stable like-for-like

While growth in the float [2] accelerated, rising €165 million in 2016 to €2,619 million, **financial revenue** remained virtually stable like-for-like (up 0.2%) at **€66 million**. This reflects a solid increase in **Latin America** (up 11.0% like-for-like) and in the Rest of the World (up 13.3%), offsetting the 12.8% like-for-like decline in **Europe** attributable to the fall in interest rates.

## EBIT up 13.8% like-for-like to a record high of €370 million

**EBIT** corresponds to total revenue (operating and financial) less operating expenses [3], depreciation, amortization and provisions. It includes:

- **operating EBIT**, which corresponds to operating profit less financial revenue;
- **financial EBIT**, which corresponds to financial revenue.

**Total EBIT** rose 8.4% on a reported basis in 2016, reaching an all-time high of **€370 million**. Like-for-like, total EBIT advanced by €47 million, or **13.8%**. Changes in the scope of consolidation had a positive €14 million impact, while the currency effect was a negative €32 million. Total EBIT comprises operating EBIT and financial EBIT, which corresponds to financial revenue.

*(1) Ratio of operating revenue with issue volume to total issue volume.*

*(2) The float corresponds to the working capital requirement, or service vouchers in circulation less trade receivables.*

*(3) Operating expenses correspond to the operating expenses and operating provision charges discussed in Note 4.4 of the consolidated financial statements, page 182.*

### 2016 operating EBIT by region

| *(in € millions)* | 2016 | 2015 | % change Reported | % change Like-for-like |
|---|---|---|---|---|
| Latin America | 166 | 169 | -1.8% | +9.6% |
| Europe | 144 | 118 | +22.5% | +23.7% |
| Rest of the World | 8 | 8 | -3.7% | -3.4% |
| Worldwide structures | (14) | (23) | -37.9% | -13.9% |
| **TOTAL** | **304** | **272** | **+11.6%** | **+17.3%** |

**Operating EBIT** (which excludes financial revenue) rose **17.3%** like-for-like to **€304 million**, a good performance that reflected an operating flow-through ratio [(1)] of **56.5%**, in line with the historic medium-term target of more than 50%.

**Latin America** posted like-for-like growth of **9.6%** in operating EBIT, as the operating EBIT margin remained at a high level despite the morose economic climate in Brazil, the region's biggest market. In **Europe**, operating EBIT rose by a strong **23.7%** like-for-like, driving a significant improvement in the operating EBIT margin.

The Group's operating EBIT margin gained 1.1 point to stand at 28.3%, reflecting a 2.2-point improvement in the like-for-like operating margin, offset by a 1.1-point decline resulting from a positive scope impact coupled with an unfavorable geographical mix effect. The mix effect relates to fluctuations in exchange rates in the Group's different regions, which operate with different levels of profitability. Locally however, the operating margins of the Group's subsidiaries are not affected by exchange rate fluctuations since their income and expenses are denominated in local currencies.

## Net financial expense

Net financial expense amounted to **€58 million** in 2016, versus €47 million the previous year.

Finance costs for the year totaled €53 million. After hedging gains and interest income from the investment of available cash, together representing a positive impact of €13 million, net finance costs came to €40 million in 2016.

The Group also recognized an unfavorable currency effect of €2 million, and other financial income and expenses representing a net expense of €16 million.

## Operating profit before tax and non-recurring items

Operating profit before tax and non-recurring items totaled €320 million in 2016 versus €303 million in 2015, an increase of **5.6%** on a reported basis.

## Income tax expense

Income tax expense amounted to €102 million in 2016 versus €98 million the year before. The effective tax rate on recurring profit was 33.3%, compared with 32.8% in 2015.

## Net profit

**Net profit, Group share** rose 1.9% in 2016 to **€180 million**, up from €177 million in 2015.

Net profit includes €26 million in net non-recurring costs. These consist of fees (€9 million), primarily relating to acquisitions carried out, impairment of assets (€15 million), the cost of additional initiatives rolled out to optimize the Group's organization (€19 million), and the residual balance of other non-recurring items (€17 million income) – relating mainly to the accounting recognition of compensation due following the decision handed down on December 13, 2016 by the International Centre for Settlement of Investment Disputes (ICSID) in the dispute opposing Edenred and the Hungarian State.

Net profit also includes net financial expense (€58 million versus €47 million in 2015), the share of profit of associates and joint ventures (€8 million), income tax expense (€102 million) and minority interests (an expense of €12 million in 2016 versus €5 million in 2015, with the increase attributable to the creation of the Ticket Log joint venture in Brazil).

*(1) Ratio of the like-for-like change in operating EBIT to the like-for-like change in operating revenue.*

### 2.1.1.3 Dividend and payout ratio

Drawing on its strong balance sheet, tight rein on debt and sound liquidity, Edenred wishes to leverage growth opportunities in line with the strategic goals of its Fast Forward plan.

**The Group has accordingly decided to propose a dividend representing at least 80% of its net profit, Group share.** Edenred's ambition is to maximize value creation for shareholders through a balanced deployment of capital between investments and shareholder return, in line with the Group's growth profile.

For more information about its strategy and capital allocation, see sections 1.2, page 20 and 1.2.3, page 24, respectively.

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Net profit, Group share** | **180** | **177** | **164** |
| Weighted average shares outstanding *(in millions)* | 230 | 228 | 227 |
| Earnings per share, Group share *(in €)* | 0.78 | 0.78 | 0.73 |
| **Ordinary dividend per share** *(in €)* **from 2016** (2) | **0.62** (1) | **N/A** | **N/A** |
| **Total dividend as a percentage of net profit, Group share** (2) | **80%** | **N/A** | **N/A** |
| Ordinary dividend per share *(in €)* up to 2015 (3) | N/A | 0.84 | 0.84 |
| Total dividend as a percentage of recurring net profit after tax (3) | N/A | 96% | 97% |
| Ordinary dividend payout *(in € millions)* | 199 | 191 | 191 |

*(1) To be recommended at the Annual Shareholders Meeting on May 4, 2017. Shareholders will be given the option of receiving the total dividend in cash or receiving 50% in cash and 50% in stock at a 10% discount.*

*(2) The payout ratio is calculated as a percentage of net profit, Group share as from the 2016 reporting period.*

*(3) Up to the 2015 reporting period, the payout ratio was calculated as a percentage of recurring net profit after tax, which amounted to €203 million in 2016.*

### 2.1.1.4 Liquidity and financial resources

#### Cash flows (1)

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Net cash from operating activities | 410 | 368 |
| Net cash from operating activities including non-recurring transactions | 413 | 337 |
| Net cash used in investing activities | (252) | (315) |
| Net cash used in financing activities | 102 | 26 |
| Effect of changes in exchange rates and fair values | (72) | (39) |
| **Net change in cash and cash equivalents** | **191** | **9** |
| Cash and cash equivalents at beginning of period | 406 | 397 |
| Cash and cash equivalents at end of period | 597 | 406 |
| **Net change in cash and cash equivalents** | **191** | **9** |

*(1) See the consolidated statement of cash flows on page 162 and Note 4.4 to the consolidated financial statements on page 182.*

**Net cash from operating activities** corresponds to funds from operations before non-recurring items, plus the change in working capital (*i.e.* the recurring increase in negative working capital requirement) plus the change in restricted cash.

**Restricted cash**, in the amount of €942 million at December 31, 2016 versus €858 million at December 31, 2015, corresponds mainly to service voucher funds in France (€638 million), the United Kingdom (€176 million), Romania (€54 million), the United States (€29 million), Italy (€13 million), Uruguay (€12 million) and India (€10 million) that are subject to specific regulations in these countries. Due to the restrictions on their use, increases in these funds are recorded as a deduction from net cash from operating activities.

#### Funds from operations before non-recurring items (FFO)

Funds from operations before non-recurring items (FFO) amounted to €299 million, versus €280 million in 2015. The like-for-like increase of **15.4%** was higher than the Group's objective of more than 10% annual organic growth. FFO calculation is analyzed in section 2.1.1.5 "Management indicators", page 45.

## Working capital requirement

The following table sets out the items that make up the working capital requirement, excluding restricted cash.

| *(in € millions)* | December 2016 | December 2015 | % change |
|---|---|---|---|
| Inventories, net | 24 | 19 | 5 |
| Trade receivables, net | 1,415 | 973 | 442 |
| Other receivables and accruals, net | 302 | 272 | 30 |
| **Working capital assets** | **1,741** | **1,264** | **477** |
| Trade payables | 142 | 82 | 60 |
| Other payables | 229 | 172 | 57 |
| Vouchers in circulation | 4,182 | 3,564 | 618 |
| **Working capital liabilities** | **4,553** | **3,818** | **735** |
| **NEGATIVE WCR** | **2,812** | **2,554** | **258** |

**Negative working capital requirement** at December 31, 2016 was up €258 million compared with December 31, 2015.

## Debt

### Net debt analysis

Net debt at December 31, 2016 amounted to €588 million compared to €637 million at December 31, 2015, taking into account:

- the €352 million in free cash flow [(1)] for the year, allocated to the shareholder return policy for €149 million and to acquisitions for €196 million;
- the currency effect and non-recurring items for a positive €42 million (of which €13 million for the currency effect alone).

The ratio of net debt to EBITDA improved, at 1.4 versus 1.6 in 2015.

The Group's estimated ratio of adjusted funds from operations to adjusted net debt was unchanged from December 31, 2015 at 34%, above the 30% threshold supporting the "**Strong Investment Grade**" rating based on Standard & Poor's criteria.

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Non-current debt | 1,355 | 1,476 |
| Other non-current financial liabilities | 50 | 38 |
| Current debt | 527 | 2 |
| Bank overdrafts | 52 | 61 |
| Other current financial liabilities | 37 | 45 |
| **Debt and other financial liabilities** | **2,021** | **1,622** |
| Current financial assets | (49) | (40) |
| Other marketable securities | (735) | (478) |
| Cash and cash equivalents | (649) | (467) |
| **Cash and cash equivalents and other current financial assets** | **(1,433)** | **(985)** |
| **NET (CASH) DEBT** | **588** | **637** |

During the year, Edenred began to prepare the refinancing for its €510 million bond maturing in October 2017, issuing a €250 million *Schuldschein* loan – a German form of private placement – consisting of fixed- and floating-rate coupons with an average maturity of 6.1 years, and an average financing cost of 1.2%.

In 2016, Edenred also set up two bank loans, each for BRL 250 million [(2)] and falling due in 2018 and 2019 respectively, and took advantage of more favorable financing conditions to extend its €700 million (undrawn) revolving credit facility for a further two years through to July 2021.

*(1) See details next page*
*(2) BRL 500 million, equivalent to €146 million based on the closing EUR/BRL exchange rate of 3.43 at December 31, 2016.*

These transactions helped improve the Group's debt profile. The average cost of debt was 2.5% (1.6% excluding the Brazilian loans, versus 2.0% in 2015). Excluding the bond issue maturing in October 2017, almost half of which has already been refinanced, Edenred has no major debt repayments due before 2020. The average maturity of the Group's debt is 4.4 years. These transactions also helped Edenred diversify its sources of financing and extend its investor base.

Non-current debt consists mainly of:

- €237 million (€225 million gross) in 3.750% fixed-rate 10-year **private placement notes** due May 23, 2022;
- €256 million (€250 million gross) in 2.625% fixed-rate 7-year **bonds** due October 30, 2020;
- €465 million (€500 million gross) in 1.375% fixed-rate 10-year **bonds** due March 10, 2025;
- €75 million (BRL 250 million) in bank borrowings for a 3-year term at a 12.8% fixed rate and €73 million (BRL 250 million) in bank borrowings for a 2-year term at a fixed rate of 11.5%.

Current debt consists mainly of:

- €525 million (€800 million gross prior to the early repurchase of €290 million in February 2015) in 3.625% fixed-rate 7-year **bonds** due October 6, 2017.

As of December 31, 2016, the Group's debt and other financial liabilities, totaling €2,021 million, were due as follows: 30% in 2017, 4% in 2018, 5% in 2019, 13% in 2020, 6% in 2021 and 42% in 2022 and beyond, as set out in the table below.

| *(in € millions)* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and beyond | December 31, 2016 |
|---|---|---|---|---|---|---|---|
| Debt and other financial liabilities | 616 | 83 | 97 | 266 | 113 | 846 | 2,021 |
| **TOTAL** | **616** | **83** | **97** | **266** | **113** | **846** | **2,021** |

The cost of gross debt at December 31, 2016 was 3.27% before hedging and 2.52% after hedging (see Note 6 to the consolidated financial statements, page 196).

The maturity of financial investments (see Note 6.3 page 204 and Note 4.6 "Restricted Cash" in the consolidated financial statements, page 185) breaks down as follows:

- maturity >1 year: 30%;
- maturity <1 year: 70%.

**Marketable securities** include €731 million worth of term deposits and equivalents with maturities of more than three months and €4 million worth of money market securities and bonds, as well as UCITS.

**Cash and cash equivalents** break down as €162 million in cash and €487 million in money market instruments with original maturities of less than three months.

### Funds from operations and free cash flow

The Edenred business model generates significant cash flow. In 2016, funds from operations before non-recurring items **(FFO)** came in at a record **€299 million**, up **15.4%** like-for-like and in line with the Group's annual growth target of more than 10%.

The **free cash flow** generated over the year totaled **€352 million.** A total net amount of **€149 million** was allocated to the payment of dividends and the share buyback program, and **€196 million** to acquisitions.

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **EBITDA** | **427** | **387** |
| Net financial expense | (58) | (46) |
| Income tax paid | (97) | (104) |
| Non-cash items | 19 | 20 |
| Dividends received from investment in associates and joint ventures | 8 | 23 |
| **Funds from operations** | **299** | **280** |
| Change in working capital requirement | 215 | 129 |
| Change in restricted cash | (104) | (41) |
| Recurring capital expenditure | (58) | (57) |
| **FREE CASH FLOW** | **352** | **311** |

## Equity

Equity represented a negative amount of **€1,230 million** at December 31, 2016 and €1,454 million at the end of the previous year. This is due to the recognition at historical cost of the assets contributed or sold to Edenred by Accor through the asset contribution-demerger transaction. It has no impact on the Group's refinancing capacity, the underlying strength of its financial position or its dividend paying ability.

The statement of changes in equity is presented on page 163 of the consolidated financial statements.

## Off-balance sheet commitments

Off-balance sheet commitments amounted to €187 million at December 31, 2016, versus €161 million a year earlier. For more details, see Note 11.5 of the consolidated financial statements, page 232.

### 2.1.1.5 Management indicators

## Key ratios and indicators

| | 2016 | 2015 |
|---|---|---|
| Like-for-like growth in operating revenue | +8.3% | +7.0% |
| Operating EBIT margin | 28.3% | 27.2% |
| Total EBIT margin | 32.5% | 31.9% |
| Like-for-like growth in FFO (1) | +15.4% | +12.5% |
| Adjusted FFO/adjusted net debt (2) | 34%* | 34% |

* *The Group's estimated ratio of adjusted funds from operations to adjusted net debt was unchanged from December 31, 2015 at 34%, above the 30% threshold supporting the "Strong Investment Grade" rating based on Standard & Poor's criteria.*

| *(1) FFO growth is calculated as follows:* *(in € millions)* | 2016 | 2015 |
|---|---|---|
| + EBITDA | 427 | 387 |
| - Net financial expense | (58) | (46) |
| - Income tax paid | (97) | (104) |
| - Non-cash income and expenses included in EBITDA | 19 | 19 |
| - Cancellation of financial provisions and provisions for taxes | 0 | 1 |
| + Dividends received from investment in associates and joint ventures | 8 | 23 |
| **= Funds from operations before non-recurring items (FFO)** | **299** | **280** |
| Reported growth in FFO | +6.5% | +7.3% |
| Like-for-like growth in FFO | +15.4% | +12.5% |

| *(2) The adjusted FFO/adjusted net debt ratio is calculated as follows:* *(in € millions)* | 2016 | 2015 |
|---|---|---|
| Net debt (cash) at December 31 | 588 | 637 |
| Standard & Poor's adjustment | 233 | 162 |
| **Adjusted net debt (cash)** | **821** | **799** |
| EBITDA | 427 | 388 |
| Standard & Poor's adjustment | (147) | (114) |
| **Adjusted FFO** | **280** | **274** |
| **Adjusted FFO/adjusted net debt** | **34%*** | **34%** |

* *The Group's estimated ratio of adjusted funds from operations to adjusted net debt was unchanged from December 31, 2015 at 34%, 4% above the 30% threshold supporting the "Strong Investment Grade" rating based on Standard & Poor's criteria.*

#### 2.1.1.6 Material contracts

During 2016, no contract representing a material obligation or commitment for the Group was signed in connection with the Group's external growth operations.

### 2.1.2 FORESEEABLE DEVELOPMENTS

The outlook for 2017 is described in section 1, page 24.

### 2.1.3 MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties that may affect the Group in the current financial year are the same as the ones described in section 3 "Risk factors", page 53.

The October 6, 2010 €800 million 7-year bond issue of which €290 million were repurchased before maturity in February 2015, the May 23, 2012 €225 million 10-year bond issue, the October 30, 2013 €250 million 7-year bond issue and the March 10, 2015 €500 million 10-year bond issue do not give rise to any rating risk because they were assigned a specific rating at the time of issue in line with standard market practice.

### 2.1.4 MAIN RELATED PARTY TRANSACTIONS

The main related party transactions are presented in detail in Note 11 to the consolidated financial statements, page 230.

### 2.1.5 RESEARCH AND DEVELOPMENT ACTIVITIES

None.

### 2.1.6 SOCIAL, SOCIETAL AND ENVIRONMENTAL INFORMATION

Social, societal and environmental information is provided in section 4, page 67.

### 2.1.7 SUBSEQUENT EVENTS

Subsequent events are presented in Note 3.4 to the consolidated financial statements, page 174.

# 2.2 MANAGEMENT REPORT FOR THE EDENRED PARENT COMPANY

## DESCRIPTION OF THE BUSINESS

As the Group holding company, Edenred SA manages a portfolio of equity interests, collects dividends from subsidiaries and drives the Group's development.

The Company owns a portfolio of brands, including *Ticket Restaurant*®, *Ticket Alimentaçao*®, *Ticket Compliments*®, *Childcare Vouchers*®, and *Ticket EcoCheque*®, and earns revenues from licensing these brands.

It also provides services to other members (entities?) of the Group regarding prepaid solutions, staff secondment, cash management and IT, as well as advisory services. These services are billed as a percentage of the subsidiaries' revenues and/or profits, as a flat fee or on a per-service basis. They are determined (under normal market conditions?) on arm's length terms.

## 2016 RESULTS

The Company reported revenue of €30 million in 2016, unchanged from 2015, including all royalties and service fees earned in the normal course of business.

Service revenues refer to fees billed for services provided under the Master Services Agreement, IT services, the secondment of staff and various additional costs.

### Analysis of Edenred SA's revenue

| *(in € millions)* | 2016 | 2015 | % of total |
|---|---|---|---|
| **Service fees** | | | |
| • Mutual costs | | | |
| IT services | 9 | 7 | 28.12% |
| Master Services Agreement | 17 | 18 | 57.66% |
| Other | 1 | 2 | 3.22% |
| Staff costs | 3 | 3 | 11% |
| **TOTAL** | **30** | **30** | **100%** |

### Operating income and expenses

Other revenues, own work capitalized, reversals of depreciation, amortization and provisions as well as expense transfers amount to a total of €51 million in 2016 compared to €87 million in 2015. The (€36 million) decline is mainly due to the decrease in the transfer of bond issuance costs recognized in deferred charges (€29 million) and the reversal of provisions for length-of-service awards (€8 million).

The Company ended the year with an operating loss of (€24 million) versus a (€19 million) loss in 2015.

Operating expenses in 2016 amounted to €106 million compared to €136 million the previous year.

External charges reached a total of €46 million in 2016, versus €74 million the previous year. The difference comes from the costs linked to the bond issuance in 2015.

Payroll costs amounted to €34 million versus €39 million in 2015.

The Depreciation, amortization and impairment of fixed assets amounted to€4 million in 2016, versus €3 million the previous year.

Provisions for length-of-service awards payable to employees upon retirement reflect an additional €2 million and a reversal of €1 million in 2016. In 2015 the added provision amounted to €1 million and the reversal to €8 million

### Net financial income

The net financial income for the year amounted to €213 million compared to €190 million in 2015.

Movements on financial provisions, involving mainly provisions for impairment of shares in subsidiaries and risks related to subsidiaries, represented a net income of €37 million. This amount is a combination of (i) €(10 million) in write-downs of shares in subsidiaries and affiliates, mainly the Veninvest Quattro subsidiary for (€2 million) and Edenred Maroc for (€2 million), (ii) €44 million in reversals of provisions for shares in subsidiaries and affiliates, including €22 million for Edenred France, €9 million for Surfgold Singapore and €3 million for Surfgold India, (iii) €2.2 million in reversals of provisions for risks related to subsidiaries, in particular Edenred Portugal for €1 million and Edenred Maroc for €1 million.

The dividend income for the year reached a total of €188 million compared to €194 million in 2015. It included €93 million from Edenred Belgium, €39 million from Edenred France, €34 million from Saminvest, €9 million from Edenred España and €7 million from ASM.

## Recurring profit before tax

The recurring profit before tax amounted to €190 million versus €171 million in 2015.

## Non-recurring items

The non-recurring items representa net income of €15 million in 2016, compared to a net expense of €33 million the previous year.

The €48 million difference is mainly due to the €30 million capital losses booked in 2015 related to the disposal of Shanghai Yagao Meal, Beijing Yagao Meal and Edenred China, the impairment of an intangible asset in 2016 for €5 million and the €22 million reversal, net of impairment, of a provision relating to damages from the Hungarian State due to a change in the regulatory and tax framework for the issuance of meal and food vouchers.

## Income tax expense

Edenred SA reported a taxable profit of €5 million in 2016, compared to a tax loss of €26 million the previous year. Edenred SA and its eligible French subsidiaries were elected for the Group relief system governed by Article 223A of the French General Tax Code on March 18, 2011. The election has been applied since the beginning of the 2011 tax year.

In 2016, a Group relief of €6 million was recorded in Edenred SA's accounts.

Edenred SA recorded a tax expense for the Group of €2 million, against which withholding tax credits were offset.

## Net profit

The net profit for 2016 stood at €207 million (€206,620,521), compared to €137 million (€137,391,090) in 2015.

Non-deductible provisions for liabilities and charges and non-deductible expense accruals recorded in the balance sheet at December 31, 2016 amounted to €3 million, versus €6 million a year earlier.

Edenred SA paid out €192 million (€191,975,172) in dividends for 2015, or €0.84 per share, giving shareholders the option of reinvesting 50% of the dividend in new shares. This resulted in the issue of 2,862,997 new ordinary Edenred shares, representing 1.24% of the capital. The total cash dividend €149 million was paid on June 15, 2016.

The recommended ordinary dividend for 2016 has been set at €0.62 per share. Details of the proposed appropriation of earnings are provided in section 8 of the Registration Document.

Details related to the directorships and other positions held by the directors as well as the Executive Directors' compensation are provided in section 5 Corporate Governance.

## INFORMATION ON SUPPLIER AND CLIENT PAYMENTS

| | Payables | | | | | | Receivables | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Articles D 441-1-1e: invoices received and due but not settled at the end of the period | | | | | | Articles D 441-1-2e: invoices issued and due but not settled at the end of the period | | | | | |
| | **0 days** *(Indicative)* | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **More than 90 days** | **Total (1 or more days)** | **0 days** *(Indicative)* | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **More than 90 days** | **Total (1 or more days)** |
| **Days late** | | | | | | | | | | | | |
| Number of invoices | 4 | | | | | 65 | 17 | | | | | 420 |
| Total amount of invoices (excl. VAT) | €11,044 | €399,635 | €17,192 | €7,925 | €0 | €424,751 | €315,527 | €0 | €1,426,334 | €11,104 | €6,884,688 | €8,322,126 |
| As a % of total purchases for the period (excl. VAT) | 0.03% | 1.02% | 0.04% | 0.02% | 0% | 1.09% | | | | | | |
| As a % of revenue for the period (excl. VAT) | | | | | | | 0.51% | 0% | 2.29% | 0.02% | 11.03% | 13.34% |
| **Invoices excluded – relating to contested or unrecognized payables or receivables** | | | | | | | | | | | | |
| Number of invoices excluded | None | | | | | | None | | | | | |
| Total amount of invoices excluded | None | | | | | | None | | | | | |
| **Reference payment terms used (contractual or legal – Article L.441-6 or Article L.445-1 of the French Commercial Code)** | | | | | | | | | | | | |
| Reference payment terms used to calculate late payments | Contractual terms: yes | | | | | | Contractual terms: No later than the last day of the month in which the invoice is received | | | | | |
| | Legal terms: yes | | | | | | | | | | | |

## NON-DEDUCTIBLE EXPENSES

The aggregate amount of non-deductible costs and expenses referred to in Article 39 paragraph 4 of the French General Tax Code amounted to €161,483 for 2016 and the tax paid thereon was €55,599 (disclosure made in application of Articles 223 *quater* and *quinquies*, 39-4 and 39-5 of the Tax Code).

## 2016 BUSINESS REVIEW

In 2016, the Company carried out its holding company activities.

During the year, the Company continued to apply its investment strategy of acquiring minority interests, generally through joint investments with other investment funds, in innovative projects offering significant growth potential in similar markets to the Group's businesses.

For this reason, Edenred SA continued to subscribe to Partech VI capital calls in 2016, investing €5 million, and in new investments that are shown in the table below:

| Company | Group stake |
|---|---|
| Tim talent | 24.99% |
| Zen Chef – 1001 menus | 15.27% |
| Lucky Card | 13.04% |
| Beamery – Seedjobs | 7.75% |
| Finsquare – Invex | 9.73% |

## TRANSACTIONS IN EDENRED SA SHARES

At December 31, 2016, Edenred SA held 1,805,374 of its own shares, representing 0.77% of the capital.

The Company's ownership structure is described in section 7.3.1 of the Registration Document.

On November 3, 2011, Edenred SA entered into a liquidity contract with Exane BNP Paribas that complied with the AMAFI Code of Conduct recognized by the Autorité des marchés financiers (AMF), whereby Exane BNP Paribas undertook the role of market maker in Edenred SA shares on the Euronext Paris stock exchange.

On November 2, 2014, the Company signed a liquidity contract with Oddo Corporate Finance to maintain a liquid market for its shares on the Euronext Paris stock exchange. The contract, which complied with the AMAFI Code of Conduct approved by the Autorité des marchés financiers (AMF) on March 21, 2011, ended on September 30, 2016.

On October 3, 2016, the Company signed a new liquidity contract with Exane BNP Paribas that complies with the AMAFI Code of Conduct approved by the AMF on March 21, 2011. During 2016, under the liquidity contract, the Company:

- purchased 3,561,639 shares at an average price of €18.16 per share, for a total outlay of €64,696,904;
- sold 3,742,351 shares at an average price of €18.33 per share, for total proceeds of €139,385,815.

The resources credited to the liquidity account to fund these market-making transactions were, at December 31, 2016:

- €1,304 million in cash;
- 69,288 Edenred shares.

## FINANCING

On June 29, 2016, Edenred issued a *Schuldschein* loan – a German form of private placement – consisting of 5- and 7-year tranches with both fixed- and floating-rate coupons, corresponding to an average maturity of 6.1 years.

The issue was significantly oversubscribed in order to meet investor demand. The initial launch amount was raised from €125 million to €250 million.

At an average financing cost of approximately 1.2%, the funds were raised in particularly favorable conditions, allowing the Group to reduce its average cost of debt and extend the average maturity. It also helps Edenred to diversify its sources of financing and expand its investor base.

On July 21, 2016, Edenred signed an agreement with its 14-member banking pool amending and extending its €700 million revolving credit facility. The facility's revised terms are significantly more favorable, reflecting the market's confidence in the Group and the strength of its balance sheet. The facility has been extended by five years, expiring in July 2021, thereby increasing the average life of the Group's debt. The renegotiation also introduced two 1-year extension options, exercisable at Edenred's request and at each lender's discretion.

Following these transactions, on December 31, 2016 the Company had a total debt of €1,735 million.

## RELATIONS WITH SUBSIDIARIES

Edenred SA holds 50% and over direct interests in 39 companies. The most significant interests, in terms of value, are as follows:

- **Edenred France** (€464,966,992) is a French company that issues meal vouchers and other prepaid service solutions to businesses in France.

In 2016, it had revenues of €151,175,247 versus €144,058,884 in 2015, and a recurring profit before tax of €68,204,917 compared to €46,699,571 for the previous year.

- **ASM** (€306,267,400) is a French holding company;
- **Edenred Belgium** (€36,608,000) is a Belgian company that issues meal vouchers and other prepaid service solutions to businesses in Belgium.

In 2016, it had revenues of €41,349,314 versus €40,820,748 in 2015, and a recurring profit before tax of €48,037,405 compared to €78,025,380 for the previous year.

The table below presents subsidiaries whose carrying amount in Edenred SA's balance sheet exceeds 1% of the Company's share capital:

| Subsidiaries and affiliates | Currency | % interest |
|---|---|---|
| **Subsidiaries and affiliates with a carrying amount in excess of 1% of Edenred SA's capital** | | |
| **Subsidiaries (at least 50%-owned)** | | |
| **a) French subsidiaries** | | |
| Edenred France 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| ASM 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Edenred Corporate Payment 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Quattro 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Cinq 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Huit 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Saminvest 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 60% |
| Veninvest Neuf 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Onze 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Douze 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| Veninvest Seize 166-180 bd Gabriel Péri, 92240 Malakoff | EUR | 100% |
| **b) Foreign subsidiaries** | | |
| Surgold India PVT Ltd (Singapore) | INR | 100% |
| Edenred (India) PVT Ltd (India) | INR | 94.90% |
| Edenred Pte Ltd (Singapore) | SGD | 100% |
| Edenred España SA (Spain) | EUR | 99.99% |
| Cestaticket Services C.A. (Venezuela) | VEF | 57% |
| Edenred Belgium | EUR | 100% |
| Edenred Deutschland GmbH (Germany) | EUR | 100% |
| Barclays Voucher Co, Ltd (Japan) | JPY | 100% |
| Inversiones Dix Venezuela, SA | VEF | 100% |
| Edenred Portugal | EUR | 50% |
| Big Pass (Colombia) | COP | 100% |

The other subsidiaries and affiliates are presented in Note 24 to the Company financial statements – Subsidiaries and affiliates.

## RATIOS

None.

## RISK FACTORS

Risk factors are described in section 3, page 53, of the Registration Document.

## RESEARCH AND DEVELOPMENT ACTIVITIES

None.

## SUBSEQUENT EVENTS

There have been no significant events since December 31, 2016.

## DEVELOPMENTS AND OUTLOOK

Edenred SA will pursue its holding company activities in the coming years.

3

# RISK FACTORS


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Investors are advised to consider all of the information provided in this Registration Document, including the risk factors described in this section, before making their investment decision. The described risks are those whose occurrence, in the Company's opinion as of the date of this Registration Document, could have a material adverse effect on the Group, its business, financial position, results of operations or development. Investors' attention is drawn to the fact that other currently unknown risks or risks whose occurrence has not been considered as of the date of this Registration Document may also have a material adverse effect on the Group, its business, financial position, results of operations or development.

The risks and threats to the Group's business are reviewed regularly, under the supervision of the Audit and Risks Committee. These reviews have led to the identification of five categories of risks:

- legal risks, particularly risks associated with the laws and regulations applicable to the Group's solutions;
- external risks, corresponding to the impact of external factors such as changes in the economic or competitive environment;
- market risks, which include currency, interest rate, credit and liquidity risks;
- operational risks, including risks associated with the migration from paper to digital solutions;
- risks associated with the Group's growth strategy and organization structure.

The risk management system is described in more detail in the Report of the Chairman of the Board of Directors on internal control, in section 5.5 on page 144.

# 3.1 LEGAL RISKS

## 3.1.1 CHANGE IN THE LAWS OR REGULATIONS APPLICABLE TO SOLUTIONS QUALIFYING FOR A SPECIFIC TAX REGIME

### Risk

Some Group solutions are governed by national regulations designed to create a payroll tax, income tax or other environment that will encourage their development. They are mainly Employee Benefits solutions, particularly *Ticket Restaurant*® meal vouchers and *Ticket Alimentación*® food vouchers. In 2016, Employee Benefits solutions accounted for 75% of the Group's total issue volume.

These laws and/or regulations may change in ways that are unfavorable to the Group. For example, governments faced with ballooning budget deficits may be tempted to scale back or abolish the payroll tax or income tax benefits attached to these solutions. As the solutions' tax appeal and the format that restricts their use to a specified purpose are core factors behind their growth, any unfavorable change in the regulatory or legislative environment could lead to a decline in related issue volume.

See section 1.8 "Regulatory environment" on page 32 for more information about the regulations applicable to the Group, including sections 1.8.1.2 and 1.8.1.3 on page 32, which describe the regulatory environments in France and in Brazil.

### Measures to manage the risk

The Public Affairs Department implements targeted measures, such as:

- continuous monitoring of political, social and economic developments in the Group's host countries, in order to be forewarned of proposed changes in the laws and regulations applicable to solutions that qualify for a specific payroll tax or income tax regime;
- development of institutional tools, such as macro-economic studies, research, surveys and position papers, demonstrating the effectiveness of Edenred's solutions in promoting specific policies;
- identification of the core players in government, government departments, the corporate world and academia that are involved at international, European and national level, and development of long-term contacts with them;
- participation in the public debate, in order to become a preferred contact of international organizations, European institutions and national decision-makers, so as to defend Edenred's interests and promote its business;
- drafting of messages adapted to each of these players, to ensure that the future of Edenred's solutions and programs is assured;
- creation of partnerships (and/or discussion platforms) with players involved in developing, promoting or defending policies that govern Employee Benefits solutions.

## 3.1.2 CHANGES IN THE LEGISLATIVE OR REGULATORY ENVIRONMENT FOR PAPERLESS SOLUTIONS

### Risk

Some Group solutions are regulated in the various countries where they are sold. The transition to digital solutions – which accounted for 70% of issue volume at the end of 2016 – may lead to an increase in the number of solutions that are subject to specific regulations.

The legal framework for paperless solutions is changing in the European Union as well as in some countries in the Americas and Asia, often in a political climate that is conducive to the introduction of measures that are technically or financial demanding. New regulations governing certain gift cards and other payment cards, for example, generally impose stricter rules. These rules may concern the information to be given to companies and employee beneficiaries when the cards are sold, the level of fees and commissions billed to companies and the treatment of unused balances on expired cards. In some countries, the issuer is required to refund all or some of the remaining balance to the company. In addition, the Group's businesses are subject to data protection and data security laws.

Legal and regulatory obstacles may limit the Group's ability to grow its businesses. The obstacles may be unexpected and require the deployment of significant resources and investments, which may have an adverse effect on the Group's results of operations and financial position.

### Measures to manage the risk

In some countries, specific organizations have been set up to issue paperless vouchers corresponding to e-money or payment services under the local supervision of the supervisor, in order to comply with legal and regulatory requirements. This is the case, for example, in France, Italy and the United Kingdom. In addition, the Group has deployed training and awareness programs within the subsidiaries, dealing with the issues arising in connection with the digital transition, such as the protection of personal data and anti-money laundering and counter-terrorism financing (AML/CTF) procedures.

Lastly, the Group has decided to set up a Compliance Department charged in particular with supporting the subsidiaries in managing the need for compliance with the laws and regulations mentioned in section 1.8.2. The department helps ensure that operations are compliant locally and that the policies and procedures in place are consistent. A review of AML/CTF policies has been initiated in this regard.

## 3.1.3 PROTECTION OF THE GROUP'S BRANDS

### Risk

The Group owns a portfolio of recognized brands, such as *Ticket Restaurant*®* and *Ticket Alimentación*® in the countries where it operates (excluding Portugal). The names of the Group's solutions have been registered in all countries where they are currently used or where they may be introduced in the future. Although prior rights searches are performed, covering brand names and related domain names, it is not possible to obtain absolute assurance that no third parties have rights to similar names that could be used as a basis for challenging, under local statute or case law, the Group's right to use its own brands in certain countries. In addition, the Internet exposes the Group to risks of "cybersquatting", *i.e.* the registering by third parties of Internet domain names that are identical or close to those used by the Group for the sole purpose of selling them.

### Measures to manage the risk

The portfolio of intellectual property rights is regularly updated and all necessary measures are taken to effectively protect and defend the brands and domain names used by the Group. A global surveillance system ensures that the Group is informed of any attempts by third parties to register any brands or domain names that are identical or close to those used by the Group. All necessary legal measures are also taken, including through the civil or criminal courts or by way of alternative dispute resolution procedures, to protect and defend its intellectual property rights.

Measures are also taken to promote risk awareness among people who have access to and/or hold sensitive and/or confidential information. In addition, best practice guidelines are issued to limit the risk, in particular with regard to the use of information systems.

# 3.2 EXTERNAL RISKS

## 3.2.1 ECONOMIC RISKS

### Risk

The Group's results depend in part on economic conditions in its main host countries. Although Edenred's business is less sensitive to economic cycles than others, adverse economic conditions would have a direct impact on its issue volume and, consequently, on its results of operations. An economic slowdown leading to corporate bankruptcies and plant closures would have the effect of reducing the Group's customer base, while an increase in unemployment rates would lead to a reduction, for each client, in the number of beneficiaries of the Group's solutions. In addition, increases in the face value of the vouchers issued by the Group are influenced by inflation rates. Lastly, the Group's financial revenue (*i.e.* the interest income received on the float resulting from the timing difference between the payment by customers of the vouchers' face value and their reimbursement to the merchants) depends on (i) the volume of vouchers issued and, consequently, the economic factors described above, and (ii) market interest rates (see section 3.3.2 "Interest rate risks", page 58).

### Measures to manage the risk

With operations in 42 countries ensuring diversified exposure to economic risks, the Group is less sensitive to economic difficulties in a specific country. The Group is exposed to macroeconomic difficulties in Brazil, but is also benefiting from an acceleration in growth in Europe. The Group's biggest countries in terms of issue volume are Brazil (biggest contributor), France and Mexico. Together, they account for 62% of the Group's issue volume and 61% of operating EBIT.

## 3.2.2 COMPETITION RISKS

### Risk

The Group's businesses are exposed to competition from a handful of international groups as well as local competitors (see section 1.1.2.1 "Unique expertise and positioning", page 7, for a description of the Group's main competitors). One or several markets may be penetrated by new entrants. These may be new companies, or existing companies that are changing their positioning in one or more markets. Competitive pressures may drive down rates in some economically fragile countries, resulting in contracts not being renewed or making it more difficult to win new contracts. If the Group is unable to effectively withstand these competitive pressures, it may lose market share or experience a decline in business or margins.

In countries where Edenred has strengthened its leadership position, certain competitors or commercial partners may be tempted to claim that the Group has used this position to bypass or distort market rules.

### Measures to manage the risk

To compete effectively against the main players in its markets, the Group applies a strategy of innovation and competitive differentiation in terms of product offer, positioning, customer experience and value for money.

For example, by moving ahead faster with the transition to digital solutions, Edenred has set itself firmly apart from certain competitors. This strategy forms the basis of balanced and long-lasting relations with the Group's various stakeholders.

Edenred is also expanding into new market segments, such as Expense Management and Corporate Payments, where it plays the role of a newcomer challenging the positions of existing players.

In all, these measures help to attenuate competition risk.

## 3.2.3 RISKS RELATED TO PARTNERSHIPS AND OTHER STRATEGIC AGREEMENTS

### Risk

In the course of its business, the Group may use partners' technologies, IT applications or networks, particularly for its digital solutions. Any disagreement concerning the renewal of any such partnerships or user licenses may have an adverse effect on the Group's business.

In particular, agreements have been signed with affiliated merchants to permit the use and/or sale of prepaid vouchers and cards. As a result, the non-renewal of any of these partnerships may have an adverse effect on issue volume and revenues from the solutions concerned.

### Measures to manage the risk

To attenuate the potential impact of this type of disagreement, a team has been set up to manage the Group's partnerships and strategy and monitor developments involving the competition. The new team enables the Group to anticipate such risks and to identify potential replacements for existing partnerships.

## 3.2.4 RISKS ASSOCIATED WITH INTERNATIONAL ACTIVITIES

### Risk

The Group operates throughout the world. Its host countries include emerging markets, particularly in Latin America and – to a lesser extent – Central Europe. In 2016, emerging markets accounted for around 58% of the Group's total issue volume.

The Group's international operations expose it to numerous risks. These risks may stem, for example from unexpected or arbitrary changes in tax rules or other regulations applicable to its products, or economic instability or a change in the political environment in a given region or country. Some countries apply exchange controls or impose restrictions on the repatriation of profits.

The Group may also face the risk of its operations being nationalized without receiving adequate compensation, the risk of corruption in certain countries, changes in exchange rates [(1)] or inadequate protection of computerized data.

If one or several of these risks were to occur, this could have a material adverse effect on the Group's results of operations and financial position.

### Measures to manage the risk

The Group's broad international presence lessens the concentration of this risk. In addition, the Group prepares action plans to reduce its consequences, particularly the legal and financial consequences, as far as possible.

However, the Group can give no assurance that its results of operations will not be materially affected by a major change in the economic or regulatory environment in any of its host countries.

*(1) See chapter 6, Note 6.6 Foreign exchange risk, page 205.*

# 3.3 MARKET RISKS

## 3.3.1 PRELIMINARY COMMENT

### Risk

In the normal course of business, Edenred is exposed to interest rate, financing, liquidity and other financial risks, as well as counterparty risk and currency risk. Detailed quantified information about the Group's exposure to these risks, after hedging, is presented in the notes to the consolidated financial statements (see Note 6.6 "Financial instruments and market risk management", page 202).

### Measures to manage the risk

The Group's market risk management policy is designed to meet three core objectives (listed in order of priority): security (*i.e.*, to ensure that transactions are financially secure), liquidity (*i.e.*, to ensure that the Group has sufficient liquid assets and sources of short-term financing to cover its short-term cash requirements) and profitability (*i.e.*, to optimize interest income and expense). The aim is to minimize the impact of market risks on the Group's results and, to a lesser extent, on the balance sheet. Interest rate and currency risks are managed at Group level by the Corporate Treasury and Financing Department, which reports to the Executive Vice-President, Finance.

Interest rate and currency instruments are used to support the Group's investment and financing policies, as well as its hedging strategies (fair value and cash flow hedges). Corporate Treasury and Financing has the necessary expertise and computer applications (Front to Back treasury management software) to invest available cash, raise funds and hedge risks on the financial markets in accordance with the practices generally applied by leading groups. The department's organization and procedures are reviewed by the Internal Audit Department. Monthly cash reports are submitted to the Chief Financial Officer who validates the objectives set in accordance with previously approved management strategies.

## 3.3.2 INTEREST RATE RISK

### Risk

The Group is exposed to interest rate risk on both financial liabilities and financial assets. Interest bearing debt is exposed to the risk of changes in interest rates that in turn affect the Group's finance costs.

Changes in interest rates may also affect the Group's results of operations, debt and equity, due to the impact of applying IAS 39 – Financial Instruments: Recognition and Measurement.

Consolidated debt includes both fixed and variable rate borrowings, with 92% of the total denominated in euros. Target breakdowns between fixed and variable rate debt are determined separately for each currency, giving due regard to anticipated trends in interest rates and to changes in the composition of debt as a result of new borrowings and the repayment of existing borrowings. At December 31, 2016, 16% of total debt was at fixed rates of interest and 84% at variable rates, after taking into account the effect of hedges (see Note 6.6 "Financial instruments and market risk management", paragraph "Hedging impact", page 203).

Interest rate fluctuations have a direct impact on the Group's financial revenue and other interest income. The float amounted to €2,329 million at December 31, 2016, of which €1,387 million (gross) reported as cash and cash equivalents and other marketable securities (see Note 6.3 "Cash and cash equivalents and other marketable securities", page 198), and €942 million reported as restricted cash (see Note 4.6 "change in working capital", paragraph "Restricted cash", page 185).

The average interest rate was 2.7% at December 31, 2016 and 2.9% at December 31, 2015.

A 100-basis point change in interest rates would have an impact of €10 million on interest income in 2017, assuming that the float remains unchanged over the year at the same nominal amount in euros, and taking into account effective fixed interest rates and maturities at December 31, 2016.

Instruments with maturities of more than one year represented 30% of the total at December 31, 2016 versus 29% at December 31, 2015.

### Measures to manage the risk

The Group applies a risk monitoring and management strategy that aims to limit the volatility of interest income and expenses through the use of hedging instruments. Target breakdowns between fixed and variable rate borrowings are reviewed at regular intervals and new targets are set for future periods by senior management.

The related financing strategy is implemented by the Corporate Treasury and Financing Department. The most commonly used hedging instruments are interest rate swaps, caps and floors. They are contracted with leading banks and the documentation is based on the model recommended by the French Banking Federation (FBF).

Edenred does not conduct any trading transactions and has no plans to engage in this type of activity. Neither Edenred SA nor the Group has any open interest rate positions that would be likely to expose the Group to significant risks.

At the balance sheet date, interest rate risks on debt and certain investments were hedged. The hedging instruments used by the Company at that date consisted of interest rate swaps (with Edenred as the fixed rate borrower or lender) and collars (caps and floors).

At December 31, 2016, the notional amounts of interest rate hedges were €1,505 million on debt, for €1,882 million of debt, and €367 million on financial assets.

These instruments are described in the notes to the consolidated financial statements (see Note 6.6 “Financial instruments and market risk management”, paragraphs “Financial instruments” and “Derivative financial instruments”, page 208).

The impact of a 100-basis point change in interest rates on debt of €1,485 million at December 31, 2016, is presented in the notes to the consolidated financial statements (see Note 6.6 “Financial instruments and market risk management”, paragraph “Interest rate risk sensitivity analysis”, page 204).

## 3.3.3 CURRENCY RISKS

### Risk

The Group is exposed to currency risks on the translation into euros in the consolidated financial statements of issue volumes, revenues, EBIT and balance sheet items for each country outside the euro zone. This foreign currency translation risk is not hedged. Due to the Group’s operations in 42 different countries, many financial statement indicators are inevitably exposed to foreign currency translation risk, particularly that arising from the translation of financial statements denominated in Brazilian reals, Mexican pesos and Venezuelan bolivar. A significant proportion of the Group’s service voucher issue volume is generated in countries where the functional currency is different from the Group’s reporting currency (the euro). Group policy consists of investing the cash generated by these activities in the currency of the country where the vouchers are issued.

Actual cash flows between countries whose currency is not the euro consist mainly of dividends paid by subsidiaries to their parent company, and interest payments made and received on intercompany financing. These cash flows may be exposed to changes in exchange rates between the original currency and the euro.

At December 31, 2016, the notional amounts of cash flow hedges of currency risks were limited. These hedges concerned forecast capital flows for less than twelve months.

Exchange gains and losses recognized in the 2016 income statement are presented in the notes to the consolidated financial statements (see Note 6.1 “Net financial expense”, page 196).

The impact of a 10% change in the exchange rates of the main currencies is presented in the notes to the consolidated financial statements (see Note 6.6 “Financial instruments and market risk management”, paragraphs “Foreign exchange risk: currency analysis”, “Currency hedges” and “Foreign exchange risk sensitivity analysis”, page 209).

### Measures to manage the risk

The Group’s operating profit is not exposed to any currency risk, because each subsidiary’s revenues and expenses are paid in local currency. Concerning currency risks on capital flows between subsidiaries and the parent company, foreign currency loans/borrowings are translated using the standards generally applied by leading groups. Other capital flows are included in the monthly cash reports referred to in section 3.3.1 “Preliminary comment”.

Neither Edenred SA nor the Group has any open currency positions that would be likely to expose the Group to significant risks.

## 3.3.4 COUNTERPARTY RISK

### Risk

The Group is exposed to counterparty risk arising from transactions with banks and financial institutions. Its counterparties are financial institutions with which its available cash is invested and from which interest rate and currency instruments are purchased. Default by one of these institutions or a deterioration in its financial position could result in financial losses for Edenred.

### Measures to manage the risk

Exposure to counterparty risk is reduced by dealing only with leading counterparties according to correlated country risks, using a wide range of counterparties, setting exposure limits by counterparty and using a monthly reporting procedure to track the concentration of counterparty risk and the credit quality of the various counterparties based on their credit ratings.

Details of the Group's counterparties are presented in the notes the consolidated financial statements (see Note 6.6 "Financial instruments and market risk management", paragraph "Credit and counterparty risk", page 207).

Group policy consists of investing available cash in the currency of the country in which its solutions are issued. It is therefore exposed to country risks that could arise, in particular, in the event of a financial crisis affecting one or more of its host countries.

A significant proportion of the Group's available cash (corresponding to cash denominated in euros) is invested with the holding company under the worldwide centralized cash management scheme (via intercompany loans and/or multi-currency cash-pooling solutions).

Under this system, the subsidiaries' available cash is transferred to the holding company in all cases where this is allowed under local law or the law governing the business concerned, and where financial conditions permit. Pooling available cash helps to reduce the Group's exposure to counterparty risks on the leading financial institutions with which the funds are invested, through regular centralized monitoring of these funds.

Moreover, pooling available cash in this way helps to vastly reduce the Group's exposure to counterparty risks in countries on review for a potential credit rating downgrade. As part of this prudent policy, the Group selects financial institutions independently of the country from which the available cash originates.

## 3.3.5 FINANCING AND LIQUIDITY RISK

### Risk

The Group's business routinely generates a negative working capital requirement. As a result, the operating subsidiaries do not have any recurring material borrowing needs.

However, the Group may have occasion to take on debt to finance acquisitions or, from time to time, to cover the financing needs arising from the cash cycle.

The financing policy objective is to maintain borrowings at a level that gives the Group permanent access to flexible sources of financing.

Liquidity risk arises mainly from the timing of payment obligations for interest-bearing debt (bonds, private placements, bank borrowings, etc.) and non-interest bearing financial liabilities (non-controlling interest – NCI – puts), and from future payments to be made on derivative financial instruments. For further information, refer to the notes to the consolidated financial statements (see Note 6.6 "Financial instruments and market risk management", paragraph "Liquidity risk", page 206).

Managing debt entails raising new financing to replace existing borrowings on their due date.

### Measures to manage the risk

In line with its refinancing risk management policy, the Group reduces its exposure by (a) setting up financing sources at Group level through the Corporate Treasury and Financing Department; (b) using diversified financing sources; (c) meeting most of its financing needs through more cost-effective medium-term credit facilities; (d) ensuring that sources of financing are available at all times and (e) by negotiating loan agreements that do not include any hard covenants.

A centralized cash management scheme has been set up, whereby the cash surpluses of Group entities are used to cover the cash shortfalls of other entities, and only the net cash requirement is financed through borrowings on the financial market.

Short-term financing needs are secured by undrawn medium-term confirmed lines of credit obtained from leading banks (see Note 6.4 "Debt and other financial liabilities", paragraphs "Financial debts", "Maturities of debt analysis" and "Credit facility", page 200). At December 31, 2016, Edenred had €700 million in undrawn confirmed lines of credit, expiring at the end of July 2021.

Available cash is invested in instruments that can be purchased, sold or closed out within a maximum of five business days. These instruments consist for the most part of fixed-rate time deposits, interest-bearing demand deposits and money market securities, mainly retail certificates of deposit. Further details are presented in the notes to the consolidated financial statements (see Note 6.3 "Cash and cash equivalents and other marketable securities", page 198).

# 3.4 OPERATIONAL RISKS

## 3.4.1 CUSTOMER RISKS

### Risk

Edenred's exposure to customer default is limited and it is not dependent on any single customer. Statistical dispersion of the business is high, with no one customer billed in 2016 representing a significant share of revenue, and trade receivables corresponding to several tens of thousands of accounts.

### Measures to manage the risk

The Group's exposure to losses on trade receivables for which no provision has been recorded is low.

Moreover, some country organizations have set up dedicated teams to manage this risk, and use external databases to obtain a second opinion on the financial health of prospects or customers. Some country organizations have chosen to implement risk transfer solutions, notably in the form of credit insurance.

## 3.4.2 RISK OF VOUCHER FORGERY AND THEFT

### Risk

The distribution of forged vouchers and voucher theft expose the Group to several risks. The Group may be asked to accept forged or stolen vouchers presented by affiliated merchants for reimbursement. Cases of forgery and theft are nevertheless extremely rare.

### Measures to manage the risk

To limit the risk, steps are being taken to accelerate the migration from paper to digital solutions as explained below. At the same time, the Group has resources specifically dedicated to preventing fraud. The Group also has a policy of purchasing insurance coverage of theft risk, as explained in section 3.7 "Risks transferred to the insurance market", page 65.

## 3.4.3 MIGRATION FROM PAPER TO DIGITAL SOLUTIONS

### Risk

The Group is developing electronic media (card, Internet, mobile) for its various solutions. The migration from paper to digital solutions (see section 1.2.2.1, page 22) provides an opportunity to increase issue volume and to sell value-added services, while reducing the risk of voucher theft. However, it is not without its risks, which include the risk of cards being illegally duplicated (via a practice known as "skimming") and risks related to cybercrime. In addition, for certain solutions, migration may drive down the average holding period of the float, *i.e.* the period between the sale of the products and their reimbursement. Lastly, payments for electronic products frequently transit through third-party networks (mainly payment systems or banking networks), which deduct fees and require compliance with sometimes costly and demanding standards, such as the Payment Card Industry Data Security Standard (PCI DSS).

### Measures to manage the risk

The Group's experience with digital solutions in Brazil in recent years shows that the increase in the float resulting from higher issue volumes more than offsets the effect of the shorter float holding period. Moreover, the digital transition enables solutions to be developed that would not be feasible with paper vouchers, leading to an overall increase in the value of the float. The migration to cards will help reduce certain risks, notably those stemming from the production and storage of paper vouchers, risk during transportation, and voucher forgery. In addition, card and transaction security can be bolstered through technological improvements, such as by equipping the cards with a smartcard chip and by strengthening the security checks at payment terminals or international standards enhancing business practices and data security.

## 3.4.4 INFORMATION SYSTEM RISKS

### Risk

In the normal course of business, the Group and/or its service providers use a certain number of IT tools and information systems, in particular to manage digital products and for prepaid program management. The main risks concern information system downtime and data availability and confidentiality. If the IT infrastructure, applications or data transmission networks were to fail, or data center or network security were to be breached, or data were lost – accidentally or intentionally – or used for fraudulent purposes, this could disrupt the Group's business operations.

### Measures to manage the risk

The Group and/or its service providers have back-up systems for these databases, located in highly secure data centers.

In addition, the Group develops business-specific information systems that are rolled out to the subsidiaries to promote synergies and reduce risks.

In 2015, the Group launched a project to harmonize its electronic data storage and processing systems. The purpose of this project is to standardize the mechanical, human and software security solutions used to protect these information systems, and to implement these solutions throughout the organization to ensure that levels of system availability better match their levels of criticality.

At the same time, the Group conducts internal and external audits dedicated to these sensitive computer sites in order, in particular, to monitor safety and improve quality if needed.

In January 2015, the Group set up a dedicated digital risk transfer solution described in section 3.7 "Risks transferred to the insurance market", page 65.

#### Information system availability

The IT teams ensure high availability of information systems *via* the following measures, implemented at either subsidiary or Group level:

- infrastructure monitoring software;
- risk alert applications;
- support teams at local, regional and international level that provide continuous assistance during business hours;
- on-call support staff that provide assistance outside business hours;
- a technical contingency plan setting out the process to follow in order to switch from one environment to another, when necessary.

Subsidiaries in France, the United Kingdom and Mexico are able to maintain or partially restore IT operations in the event of a major incident at the data centers.

#### Data protection

The IT teams ensure data protection *via* the following measures, implemented at either subsidiary or Group level:

- user access rights management;
- increased monitoring of privileged administrator accounts;
- intra-data center application filtering (communication between third-party front-end applications, servers and data bases);
- data encryption, when necessary (data bases, data transmission, etc.);
- data storage encryption on laptop computers, where appropriate.

#### Data retention

The IT teams ensure data retention *via* the following measures, implemented at either subsidiary or Group level:

- regular, scheduled application environment back-ups with data retained in accordance with country-specific requirements;
- regular, scheduled data base back-ups with data retained in accordance with country-specific requirements;
- secure storage spaces where users can back-up work files;
- scheduled e-mail back-ups with data retained for six months.

#### Quality management

The IT teams ensure the quality of IT programs *via* the following measures, implemented at either subsidiary or Group level:

- dedicated development and test environments for each application, when necessary and possible;
- dedicated User Accepted Testing (UAT) environments;
- dedicated pre-production environments where modifications to applications are tested prior to deploying to production;
- dedicated production environments to which only authorized users have access, depending on their security clearance.

### Private Cloud

In November 2016, the Group set up a corporate private cloud in order to improve its level of IT security, in particular by protecting data centers and their availability and standardizing incident management and back-ups.

The cloud will be accessible *via* a new wide area network (WAN), which the Group has developed jointly with British Telecom (BT).

Following migration to the cloud, the Group will therefore have a disaster recovery plan (DRP) in place.

## 3.4.5 ENVIRONMENTAL RISKS

Due to the nature of its business, Edenred is not exposed to any significant direct environmental risks. For more information about the Group's environmental footprint, see section 4.3.1 "Environment", page 93.

# 3.5 RISKS ASSOCIATED WITH THE GROUP'S GROWTH STRATEGY AND ORGANIZATION STRUCTURE

## 3.5.1 RISKS ASSOCIATED WITH THE GROUP'S GROWTH STRATEGY

### PENETRATION OF NEW GEOGRAPHIC MARKETS

#### Risk

The Group's ability to pursue its geographic expansion strategy is affected by certain restrictions and uncertainties, concerning in particular the future regulatory and political environment over which it has no control. The Group may invest resources in preparing its entry in a new market without any assurance that an appropriate tax regime will be established.

Succeeding in a new market also entails setting up a network of affiliated merchants to make the solution attractive for both customers and beneficiaries. The Group may incur start-up losses due to the absence of economies of scale during the early years. Once the Group has opened up a market, its market share may be eroded by the entry of new players that benefit indirectly from its investment and do not have to incur the same costs or risks.

#### Measures to manage the risk

The successful development of an Employee Benefits program in a new country depends in part on the existence of an appropriate tax regime, which in turn may depend on specific legislation being adopted. Before the decision is made to enter a new market, the New Market Pre-Development unit checks that the tax environment is appropriate for its solutions.

In addition, one of the objectives of the Fast Forward strategic plan is to strike a better balance between the Employee Benefits business line and other product lines that are less exposed – or not at all exposed – to regulatory risks, such as the Expense Management and Corporate Payment business lines. These new product lines could open gateways to new markets, while minimizing exposure to regulatory risks.

### RISKS ASSOCIATED WITH THE GROUP'S ACQUISITION STRATEGY

#### Risk

The Group's growth strategy is based in part on external growth, mainly through acquisitions. It may not be possible to identify credible targets or to close deals at the right time and the right price.

In addition, to obtain anti-trust approval for acquisitions in one or several jurisdictions, the Group may have to accept certain conditions such as a requirement to dispose of certain assets or business units.

There are a number of risks associated with acquisition strategies: (i) the business plan assumptions underlying the valuation of the target may prove to be wrong, particularly those concerning future synergies and estimates of market demand; (ii) the Group may not be successful in integrating the acquired company, its technologies, product ranges and employees; (iii) the Group may be unable to retain certain key employees or customers of the acquired company; and (iv) the Group may have to take on additional debt to finance the acquisitions. Consequently, the benefits of current or future acquisitions may not be obtained within the forecast period or may fall short of expectations or adversely affect the Group's financial position.

#### Measures to manage the risk

When a new business is acquired, an integration plan is prepared and the necessary resources are made available for its implementation. In particular, an Internal Audit is performed without delay, internal control principles are established and the Group's financial systems are deployed.

In addition, one of the objectives of the Fast Forward strategic plan is to maximize organic growth by leveraging clearly identified growth drivers, such as growth in the SME segment or more effective pricing policy management, which would reduce the risks associated with external growth.

## 3.5.2 RISKS ASSOCIATED WITH THE GROUP'S ORGANIZATION STRUCTURE

### INTANGIBLE ASSETS

#### Risk

Goodwill and other intangible assets with an indefinite useful life are tested annually for impairment. Net goodwill carried in the consolidated balance sheet at December 31, 2016 amounted to €904 million while net intangible assets totaled €313 million. The Group believes that the 2016 consolidated financial statements present fairly all of its assets and liabilities and its financial position. However, inherently unforeseeable events may occur in the future that result in certain intangible assets being impaired. Any material impairments of intangible assets may have an adverse effect on its results of operations for the year in which the impairment is recognized.

#### Measures to manage the risk

Business assumptions and forecasts are prepared periodically, including a strategic plan and budget drawn up each year for each of the subsidiaries. The strategic plan and the budget are analyzed and, where necessary, an appropriate action plan is developed.

### TAX RISKS

#### Risk

As an international group, Edenred is subject to the tax laws of a large number of countries and conducts its business in compliance with various national regulations. The tax rules in force in the Group's various host countries do not always provide clear solutions that are not open to interpretation. As a result, the Group's organization structure, the way it conducts business and the applicable tax regime may be based on its own interpretation of local tax rules. There is no guarantee that its interpretations will not be challenged by local tax administrations in the future.

#### Measures to manage the risk

Assisted by the Legal and Tax Department and/or a firm of legal and tax advisers, the subsidiaries ensure that they comply with local tax rules. The Group is nonetheless currently involved in various tax disputes. These are described in the notes to the consolidated financial statements (see Note 10.3 "Claims and litigation", page 228).

### RATING RISKS

#### Risk

Edenred's credit rating reflects the Group's ability to repay its debt, its liquidity position, certain financial ratios, and its business profile and financial position. Various other factors that are considered relevant for companies operating in the prepaid services business and the general economic outlook in its host countries are also taken into account. Each agency's rating based on these business, financial and other risk profiles, is determined in accordance with standard market practice.

#### Measures to manage the risk

The Group aims at maintaining a strong financial structure which is consistent with the criteria applied by Standard & Poor's when awarding an investment grade rating. In this regard, the ratio of adjusted funds from operations to adjusted net debt was 34% at December 31, 2016 (see Note 2.1.1.5 "Key ratios and indicators", page 45).

Edenred has been rated BBB+/stable outlook by Standard & Poor's since June 2010. The rating was confirmed by Standard & Poor's in its press releases dated April 15, 2011, October 5, 2011, April 27, 2012, October 23, 2012, March 26, 2013, April 22, 2014, May 12, 2015, January 12, 2016 and March 11, 2016. The loan agreements for the Group's bond issues, private placement issues and bank borrowings do not include any rating trigger (event of default). Each bond issue since the demerger, for a total amount of €1,485 million, was assigned a specific rating at the time of issue in line with standard market practice.

# 3.6 LEGAL AND ARBITRATION PROCEEDINGS

In the normal course of business, the Group may be involved or become involved in legal and arbitration proceedings and may be subject to tax or government audits.

Information about legal or arbitration proceedings in progress, pending or threatened that may have, or have had in the recent past, significant effects on the Group's financial position, business or results of operations is provided in the notes to the consolidated financial statements (see Note 10.3 "Claims and litigation", page 228).

To the best of the Company's knowledge, no other governmental, legal or arbitration proceedings that may have a significant impact on the financial position of the Company and/or the Group [1] have been initiated against the Company or any of its subsidiaries.

The method used to provide for or recognize liabilities complies with the applicable accounting standards (see chapter 6, Note 10.2, page 226).

Provisions for litigation are recorded on receipt by the Group of a notice of claim or summons, based on an assessment of the related risk made by the Group and its advisors. They are presented in the notes to the consolidated financial statements (see Note 10.2 "Provisions", page 226).

Edenred has not entered into any material off-balance sheet commitments other than those disclosed in the notes to the consolidated financial statements (see Note 11.5 "Off-balance sheet commitments", page 232).

# 3.7 RISKS TRANSFERRED TO THE INSURANCE MARKET

Edenred's operational risks are transferred to the insurance market through business-specific insurance programs that protect its businesses and assets in all host countries. They consist of international programs that set common standards for the transfer of risks to insurers and pool purchases of cover by Group entities.

To diversify counterparty risks associated with these programs, they are spread between around a dozen insurers, none of which covers more than 30% of the total capacity transferred to the insurance market. In 2016, over 90% of the Group's programs involved insurers with an insurer financial strength rating higher than A- from Standard & Poor's.

A worldwide liability insurance program with local policies in each country covers the losses caused to third parties by Edenred's business, across the entire Group.

Property and casualty insurance programs cover damage to the assets used in the business, including machines, furniture and buildings, as well as the cost of business interruption following an incident such as a fire, flood or plane crash. The individual sites purchase local property and casualty and business interruption cover in addition to that provided by the international program. Edenred had around 200 sites in 42 countries as of December 31, 2016.

A Group-wide policy transfers to the insurance market part of the risk of fraud and embezzlement by third parties, with or without complicity on the part of Edenred employees.

In 2014, the Group acquired a reinsurance captive, which enables it to address new risks that are specific to Edenred's businesses, such as digital risks. It also helps the Group to manage other risks in accordance with trends in the insurance and reinsurance markets.

All compulsory insurance cover has been taken out in the Group's host countries.

In 2016, the insurance market was such that the Group was able to maintain the amounts transferred to the market.

*(1) External risks are discussed on page 56.*

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## 4.4 CSR INDEPENDENT THIRD-PARTY ENTITY REPORT 102

Edenred is driven by a deep commitment to making people's lives easier and companies more efficient.

As we transform our business, enabling every employee to embrace this commitment is one of our corporate project's key success factors. The Human Resources function plays a key role in supporting our teams in this change process and in creating the stimulating, learning environment they need to invent the future.

Edenred's solutions have long been built around an employee-led social responsibility commitment. Our Ticket Restaurant® meal voucher, for example, was invented to address a social issue by encouraging French employees to take a lunch break, thereby improving sanitary conditions and limiting the use of lunchboxes in the workplace. Today, our "Ideal" program is demonstrating this commitment in three areas: healthy eating habits, environmental stewardship and local community development.

In accordance with France's Grenelle II environmental legislation, this chapter is organized into three sections covering social, societal and environmental aspects. Human Resources polices are described in the first section on social responsibility.

## GOVERNANCE, ORGANIZATION AND DEPLOYMENT OF THE CORPORATE SOCIAL RESPONSIBILITY PROCESS

Edenred has created an effective organization and governance system to disseminate its Corporate Social Responsibility (CSR) approach throughout all levels of the Group.

This organization leverages two global networks: the Human Resources (HR) correspondents network and the CSR correspondents network. These networks are tasked with deploying HR and CSR policies and leading local action plans.

Coordination is centralized by the Human Resources and Corporate Social Responsibility Departments. HR and CSR roadmaps are developed in collaboration with the subsidiaries to apply global objectives to each subsidiary and to meet each country organization's specific needs.

The HR and CSR networks operate in a collaborative approach, in line with Edenred's multi-local culture. This approach includes:

- regularly scheduled sessions to share best country practices, common tools, general topics that apply to every country and external news;
- an internal collaborative web platform named Bubble. The CSR and HR networks each have their own virtual community in which members can communicate directly through a forum and a blog; share best practices, tools and methodologies; and organize events;
- regular internal communication that helps disseminate the overall approach.

In addition to the HR and CSR correspondent networks, Edenred's CSR policy, as validated by the Executive Committee, is cascaded to:

- senior managers, mainly through presentations given at Group events, during regional or support function seminars, or *via* the managers' newsletter;
- all employees, through information published Group-wide or on the collaborative intranet, or *via* events, newsletters or blogs;
- external stakeholders, who receive information on Edenred's CSR policy and main projects *via* the Group's website, Registration Document, annual brochure and news releases.

# METHODOLOGY

## Social, societal and environmental indicators

Edenred redefined its social, societal and environmental indicators in 2012 to bring them into compliance with the obligations set out in France's Grenelle II and Warsmann IV Acts. The indicators are based to a great extent on the Global Reporting Initiative (GRI) and the United Nations Global Compact, signed in 2016. A cross-reference table with Article 225 of the Grenelle II Act is available on page 326.

## Reporting scope

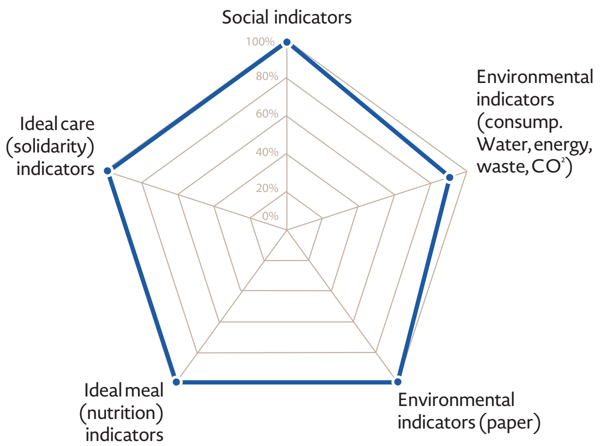
For social data, the scope of reporting is exactly the same as the scope of consolidation for financial data. Reported data cover every subsidiary, regardless of legal form, host country or size.

In the case of societal and environmental data, the number of reporting units has been steadily expanded over the years, to a total of **39** of our **42** host countries in 2016. With fewer than five employees each, the **3** remaining subsidiaries are too small to provide meaningful environmental and societal data. Data on water use, energy use and waste production have been compiled for subsidiary headquarters, production facilities and branches with more than 50 employees. The reporting scope therefore covers **91%** of employees for these environmental data and 100% for other environmental and societal data.

Joint ventures in which Edenred has a majority interest are fully consolidated, with the exception of those that were formed during the year.

### Coverage of the Grenelle II scope of reporting by 2016 HR and CSR data

% OF AVERAGE ANNUAL WORKFORCE COVERED IN 2016




## Collection and reporting of HR and CSR data

In recent years, the HR and CSR data collection and reporting process has become more reliable and secure thanks to its integration into the information system used for financial consolidation. Under the current process, every year data are collected by a local HR and/or CSR correspondent and then inputted and validated locally in FIRST, the financial information system used to prepare the consolidated financial statements. They are then consolidated and checked for consistency by the corporate HR Department (social data) and CSR Department (societal and environmental data). The reported data are used to update the HR and CSR indicators, which are sent to the correspondents and country chief executives to provide comparative data analysis by region and support the implementation of action plans.

# 4.1 SOCIAL DATA

As our most valuable asset, people have been a core component of Edenred's growth strategy over the past 50 years. They embody the pioneering spirit that has driven our success, demonstrating every day their ability to take action and deliver superior performance.

In today's changing environment, Human Resources policies and managerial practices are powerful tools for providing structure, encouraging engagement and motivating our teams. Employees' actions are motivated by a shared principle: "doing simple things exceptionally well." This simple, fundamental idea is the core of our "Customer Inside" managerial philosophy, which aims to make customers the focus of our strategic thinking and decision-making processes.

## Edenred's values

**Entrepreneurial spirit**

Entrepreneurial spirit is a key driver of Edenred's growth. It fosters accountability, common sense, agility and foresight. It blossoms in our environment, where initiative, testing and learning are key attitudes.

**Innovation**

The ability to innovate enables us to continuously develop inventive and differentiating ideas. Listening and responding to trends and needs in our markets are fundamental to our business. Employees are encouraged to pass on their ideas for improving or changing processes.

**Performance**

The quest for performance is one of our highest standards and the key to our success. The best ambassadors of this value are our employees, both individually and collectively.

**Simplicity**

Simplicity is integrated into all of our solutions. Relationships with our stakeholders are natural, direct and friendly.

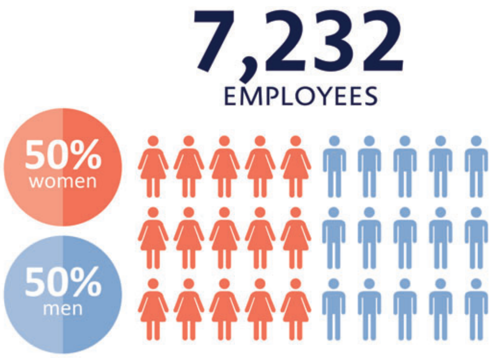
**Sharing**

The sense of sharing is an everyday reality at Edenred, whether it be skills, experience, outlook or mutual support among employees or with external stakeholders.

## 4.1.1 KEY FIGURES

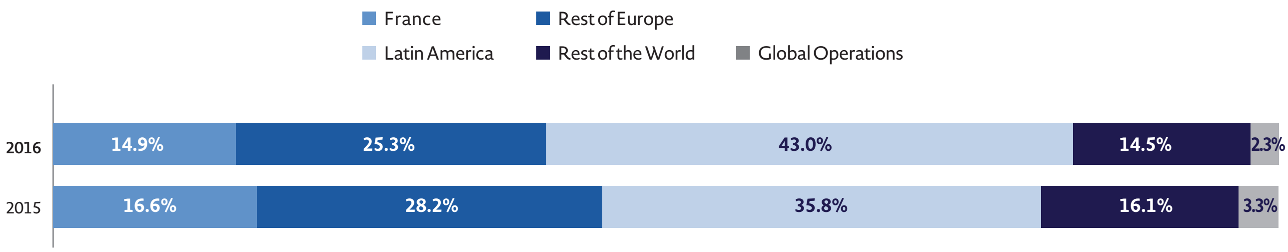
### 4.1.1.1 Human Resources data at December 31, 2016

At December 31, 2016, Edenred employed **7,232** (1) people in its host countries around the world, representing an increase of **14.8%** from December 31, 2015.




### Workforce by region

The diversity of geographical locations reflects our international character, with **82.8%** of employees working outside France at the end of 2016.

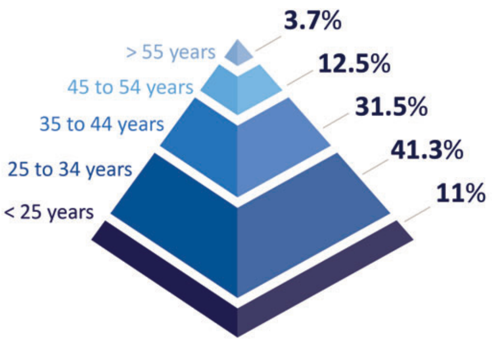



Note: Employees who work for the parent company in France are included in “Global Operations”.

*(1) Number of individuals on the payroll at December 31, 2016.*

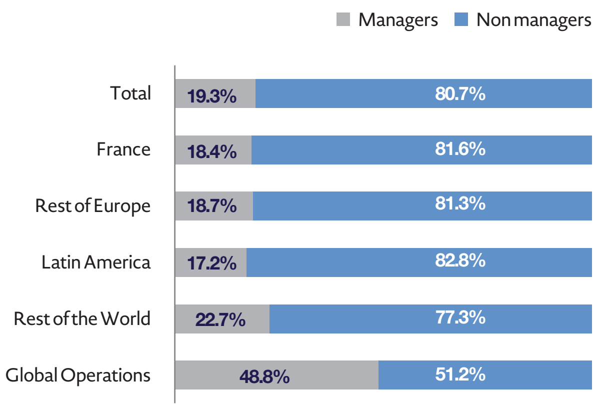
## Workforce by age

**52.3%** of employees are under 35.



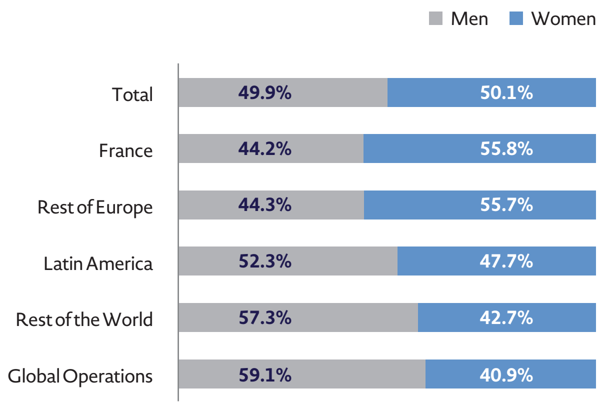

## Workforce by job category

A manager is defined as an employee who manages others and/or has a high level of responsibility within the organization. At December 31, 2016, managers accounted for **19.3%** of the workforce, as follows:




## Workforce by gender

At December 31, 2016, women accounted for **50.1%** of the workforce, as follows:




### 4.1.1.2 New hires and departures in 2016

In 2016, the Group hired **2,700** new employees [(1)], of whom **62.7%** were in Latin America, **14.8%** in Europe outside France, **11.4%** in France, **10.5%** in the Rest of the World and **0.6%** in the Global Operations. **53.4%** of these people were recruited from outside and hired with a permanent contract, while **34.6%** came onboard as part of a transfer of business following the acquisition of subsidiaries.

Over the same period, **1,799** people [(2)] left the various subsidiaries, mostly (**54.6%**) due to resignation, expiration of temporary contracts, uncompleted trial periods and retirement. Terminations accounted for **40.4%** of the total, and **89.4%** of those were individual dismissals.

### 4.1.1.3 Working hours

In every host country, Edenred operations comply with local legislation on maximum weekly working hours.

In 2016, **95.9%** of employees had permanent contracts and **95.1%** worked full time.

*(1) Excluding internal promotions and transfers, merged entities and conversions of temporary contracts into permanent contracts.*

*(2) Does not include promotions or transfers, conversions of temporary contracts into permanent contracts or any long-term leave that may cause a work contract to be suspended but not terminated.*

## 4.1.2 MAIN HUMAN RESOURCES POLICIES AND 2016 OUTCOMES

Human Resources policies are designed to support the Group's operating strategy and ongoing transformation.

Each policy is applied locally, taking each unit's size, history, culture, circumstances and regulatory environment into account. The Group Human Resources Department coordinates the sharing of best practices with the country organizations through the network of Human Resources correspondents.

This pragmatic approach is designed to develop a consistent set of common principles worldwide, so as to support the fast expansion of our business operations. It also maintains the units' agility, a key driver in our multi-local organization.

Human Resources policies are built on three pillars:

- organizational performance, which includes hiring, training and performance management;
- employee motivation, which covers compensation and benefits, recognition, careers and mobility, and induction;
- quality of the workplace environment, which encompasses the Best Place to Work program, social dialogue, health and safety, and diversity.

Country HR teams are responsible for locally implementing Human Resources principles and complying with national labor practices and legislation.

### Human Resources highlights of the year

**International careers**: posting of international job openings to encourage cross-border employee mobility.

**Introduction of a consensus-based co-optation process** for the appointment of country chief executives and country Executive Committee members.

**Sustained progress toward the Well-Being at Work objective,** with **89.5%** of employees working in a subsidiary involved in the ambition.

**Charter of Ethics:** scope of application broadened to suppliers.

### 4.1.2.1 Organizational performance

The goal of this pillar is to "put the right person in the right place." The related HR policies are designed to match, as closely as possible, employee skills and aspirations with the Group's organizational needs and operational objectives. Hiring, training and employee appraisals are key steps in developing individual and organizational performance.

### Hiring for the long term

In 2016, Edenred hired a total of **1,441** employees on permanent contracts to support its business development. The hiring of new employees is seen as a critical process, and is managed rigorously. Internal policies ensure compliance with the principles of non-discrimination and diversity so that the recruitment process takes place without any form of discrimination.

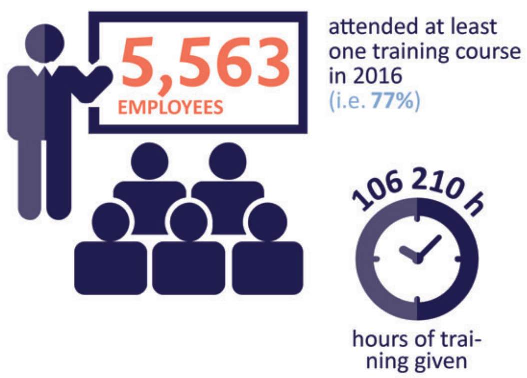
Before starting an external search, country units first look at internal mobility paths. This is because our small, local organizations require us to foster internal mobility in order to retain talent and enable employees to grow, in terms of skills, agility and employability.

### Offering high-quality training programs while meeting the Group's organizational and operational needs

Supporting employees' growth and skills enhancement is crucial for:

- promoting the Group's strategy, notably in the stepped-up transition to digital solutions and in the development of new solutions;
- improving team members' employability, by developing their expertise and fostering their personal growth.

Training is a key part of every HR initiative at Edenred. In 2016, **5,563** employees (or **76.9%** of the workforce) participated in at least one training course during the year. In other words, every employee on payroll at December 31 had attended nearly **15** hours of training on average in 2016. Complete data on training are provided on page 81.



All Edenred team members may participate in training, provided that the courses correspond to their unit's strategy and needs and match their personal development objectives. Most of the country organizations have a structured training plan, aligned with the Group's key training principles and growth strategy, and tailored to the local situation.

Training is generally managed at local level, in fitting with our multi-local culture. To supplement this, certain training programs are managed and/or initiated at the Group level.

### Local training programs

Subsidiaries training programs focus on the local needs of the various professions and on short- and medium-term objectives, while sustaining a common foundation for the Group's values and general knowledge of the organization and its strategy. The priorities in 2016 were to:

- enhance marketing, technological and functional expertise, with:
  - training for sales and marketing teams (Sweden, Hungary, Spain and the United States),
  - digital awareness ("Digital Culture for Everyone" in France, "Digital and Innovation Academy" in Brazil),
  - project management: training in the SCRUM methodology, Service Design, Design Thinking in Mexico, introduction to the Agile method at PPS,
  - new information technologies,
  - product training,
  - customer relationship management;
- strengthen managerial capabilities;
- provide language training;
- develop safety practices;
- encourage knowledge sharing, with dedicated seminars at PPS and corporate headquarters.

Programs may be conducted by internal experts or by outside organizations, using a variety of methods, including classroom teaching, knowledge sharing and e-learning modules.

### Group training programs

In addition to local programs, a number of training initiatives are conducted at Group level to support global strategic priorities. In 2016, focus areas included:

- **training concerning strategy and the development of new solutions**: Edenred offers digital transition training for all of the subsidiaries. Introduced in 2010 for country chief executives, support function executives and developers, this training supports the deployment of digital solutions in every region and fosters innovation. So far, more than 1,700 employees have participated in the program. In 2016, training and working sessions with the country organizations focused primarily on:
  - electronic banking and innovative payment systems,
  - mobile solutions,
  - expense management;
- **the program to cascade the Customer Inside managerial approach,** which in 2016 focused on the "Managing in the complexity" module for country chief executives.

### Appraising employee performance

Performance is one of our five values, so assessing employee performance and skills plays an important role in HR processes. Mandatory for all employees, regardless of their job level, performance reviews are conducted at least once a year, generally between December and March. Subsidiaries in certain countries, such as Japan, Austria, Poland and Mexico, also carry out mid-year reviews.

To improve stakeholder buy-in, certain subsidiaries have created performance management training courses for managers or employees. Operations in Mexico and Romania, for example, have developed specific training sessions on performance reviews.

After collecting the individual reviews, the HR function devises its training plan, adjusts salaries in agreement with management and tracks career and skills development aspirations.

## 4.1.2.2 Employee motivation

Our **7,232** employees are helping to drive the Group's transformation. Engaging their full potential is a key factor in driving our success and a shared ambition in every country organization.

### Offering motivating career paths

At Edenred, there are no standard career paths, and employee mobility is primarily managed locally. In keeping with the Group's entrepreneurial spirit, each employee is encouraged to actively manage his or her personal growth and career development. Our ongoing transformation and agile organization are constantly offering employees new opportunities. In many countries, especially where our operations are small and fast growing, employees have many different responsibilities, thereby enhancing their cross-functional capabilities.

Whenever the required skills are available in-house, promoting from within is preferred to outside recruitment. At corporate headquarters and in some countries, such as India, Belgium and Poland, vacancies are advertised internally, a practice that is now being extended to other subsidiaries.

To encourage cross-border employee mobility, an online job posting was rolled out in 2016, listing vacancies potentially suitable for international candidates.

In the United Kingdom and several other countries, an Internal Recruitment Charter is helping to ensure that employees have the same chances of being hired as outside candidates. Similarly, Edenred UK runs a "short-term assignment" program whereby an employee is seconded to another team for three months in preparation for a potential transfer or promotion. Edenred International's Internal Audit Department runs a "guest" program that gives employees from corporate headquarters or the country subsidiaries the opportunity to participate in short-term audit assignments that let them discover new professions and new working environments, while learning about the best internal control practices in place across the Group.

Certain countries, like Italy, India, China and the United Kingdom, have created the potential for gateways between jobs for certain functions (IT and sales teams in particular). These gateways provide openings for possible moves from one level or type of position to another.

International career management is handled at the corporate level, and positions ranked executive and higher tare monitored by the Executive Committee.

## Managing talent and preparing the future

Two programs co-exist at the Group level for managing high-potential talent:

- Talent Week, which is aimed at middle managers with recognized engagement and growth potential. It gives participants a better understanding of Edenred's strategy, instills a shared knowledge base and helps them to build an international network;
- the Executive Induction Seminar, which provides the opportunity for new Executives to gain a broader vision of the Group, to work on leadership, and to receive behavioral coaching in connection with Customer Inside.

The Executive Committee is involved in preparing and leading these programs.

Certain subsidiaries, such as PPS and the units in Brazil and Slovakia, have set up local initiatives to develop talent identified in-house. These programs often comprise external components, such as an assessment/development center, personality tests, and leadership, management and communication training modules, and internal training modules that are more skills and business-oriented. One of their key success factors is the involvement of the local Executive Committee.

## Onboarding new employees and helping them find their place

As the first steps in any new company are key, Edenred subsidiaries pay particularly close attention to welcoming new employees into their teams. Most of them have set up onboarding programs that help new employees quickly find their way within the organization and discover Edenred's culture and specific atmosphere of friendliness, sharing and simplicity.

Depending on the position and the host country's local environment, several onboarding programs are available, including:

- collective onboarding sessions that give several new employees the opportunity to learn about the Group's history and strategy, the host country's specific features and Edenred's mindset and operating procedures;
- one-on-one meetings with key people related to the employee's position.

Other initiatives may be organized before or after these onboarding days:

- welcome booklets, to offer new hires practical information and on-the-job guidance. The Group welcome booklet, for example, was updated in 2016 and distributed in every country organization;
- the announcement of new arrivals to all employees;
- feedback sessions with the Human Resources Department and/or the line manager after one month, three months and six months (in Mexico, for example);
- mentoring programs that team a newcomer with a more seasoned employee, in Germany and Romania, for example, or in the case of interns hired under France's Volunteering for International Experience (VIE) program.

## Recognizing performance

### At the Group level

Each year, the Ewards recognize employees whose performance, work and commitment have helped make Edenred a preferred partner for its stakeholders. Eward winners are selected from among the entire workforce, up to the executive level. The Group Executive Committee makes the final selection, attesting to the importance the Group places on the Ewards.

Since the Ewards system was created in 2011, 91 employees worldwide and 16 project teams have been honored for their outstanding achievements.

### At the regional or local level

In Latin America, Asia and Europe, employee recognition programs have been in place for many years. By rewarding exceptional individual and team achievements, they help improve customer relations, drive innovation and foster internal cooperation. The Asia-Pacific region, for example, created the Eagles Awards in 2011 to recognize top performers.

Edenred UK benefits platform now includes an e-recognition module that lets employees nominate co-workers whose performance particularly reflects Edenred values and Customer Inside practices. Local management selects excellence award winners from the list compiled online.

Across the board, subsidiaries make a point of recognizing employees who have given five, ten and fifteen or more years of service to the organization. Local ceremonies are organized to celebrate these individuals, who receive monetary awards or Edenred solutions depending on their seniority.

## Providing fair compensation and benefits

### Compensation

Both global and local compensation policies are designed to recognize employees for their individual engagement and contribution to the Company's growth. They are structured to ensure that individual and collective objectives are effectively aligned with the Group's strategy and support its deployment.

Salary raises are determined in relation to the local environment, particularly the applicable labor legislation. The principles shared across the Group are based on individual performance, taking into account:

- proficiency and initiative for a given job classification;
- the job's positioning as compared to internal and external benchmarks.

Depending on the managerial level or type of position, employees may be eligible for an incentive bonus, whose target amount is set according to the job classification. The amount granted is determined on the basis of the employee's performance during the year, as measured against the objectives mutually agreed upon with the employee during the prior year's performance interview.

Total gross payroll stood at **€214 million** (1) in 2016, up 5% from the year before. Europe (including Global Operations) accounted for **59.8%**, Latin America **26.9%** and the Rest of the World **13.3%**.

### Edenred solutions and services

Employees are our main ambassadors and promoters. As such, they benefit from solutions and services offered in their country of employment, in compliance with local legislation and within locally defined limits.

These services and solutions, which vary from country to country, aim to:

- make life easier: *Ticket Restaurant*®, *Ticket CESU*, *Ticket Alimentación*®, *Ticket Car*®, *Childcare Vouchers*®, etc.;
- motivate and reward: Shopping Card®, *Ticket Kadéos*®, *Ticket Compliments*®, etc.;
- manage business expenses: in the course of their duties, some managers and sales employees use Edenred's solutions to manage business expenses.

In some countries, such as the United Kingdom, the Czech Republic and Slovakia, employees can select the benefits that best suit their needs *via* a dedicated web platform. These so-called "flex" or "cafeteria" systems offer the opportunity to save, invest in retirement funds, and use Edenred solutions or travel allowances.

#### *Profit-sharing programs*

Edenred has different ways of giving employees a stake in consolidated net profit depending on the local environment. A few subsidiaries, such as the Brazilian unit and ProwebCE in France, have profit-sharing plans.

Quite frequently, a percentage of the annual bonus is linked to the subsidiaries earnings. The percentage varies by country and job category, with bonuses granted sometimes only to local management, and sometimes to all employees.

**France**

Employees of the parent company and Edenred France are given a stake in consolidated net profit through the Group statutory profit-sharing agreement. The funds, calculated on the basis of the Company's net profit, are set aside in the Special Employee Profit-sharing Reserve for deferred payment.

To strengthen cohesion beyond the unit level and enhance the sense of co-destiny among employees of the two French units, a Group agreement was signed in November 2010 and renewed in 2013 to create a single, pooled Special Employee Profit-sharing Reserve. The amount of profit-sharing bonuses varies on the basis of net profit, shareholders' equity, wages and value added.

Independently of this pooled agreement, the Group's French companies (parent company and French subsidiary) have all signed discretionary profit-sharing agreements aimed at giving employees a stake in their company's performance by rewarding them with an across-the-board bonus, based on meeting the performance target specified in the agreement. A new three-year agreement was signed in June 2016 at corporate headquarters.

### Employee savings plans

Edenred supports employee savings with a number of plans.

Employees of Edenred International and the French subsidiary, for example, can invest in securities and money market instruments held in a Group Savings Plan. Edenred encourages this type of saving by offering a matching contribution.

Since December 2011, Edenred International and Edenred France employees can also invest in a PERCO retirement savings plan.

Similar plans with employer contributions have been set up to supplement mandatory pension systems in certain countries like Brazil. Lastly, Edenred Japan, Mexico, Venezuela, Colombia and other countries have introduced employee savings systems.

*(1) Includes base salary and all bonuses and gratuities paid to employees under permanent contracts.*

### Edenred Solidarity Fund

In early 2015, Group management and the employee representatives of Edenred France and the parent company signed an agreement setting up a Solidarity Fund to provide financial assistance to employees of the two units who find themselves in need. Eligible employees may receive support in the form of donations or loans, depending on the situation. Each case is reviewed by a committee comprising an employee representative and a management representative from each unit, who must decide unanimously to grant or reject the requested support.

### Share-based payments

Performance shares are awarded annually to key executives and top talent, representing around 350 grantees worldwide in 2016.

The plan period is three years.

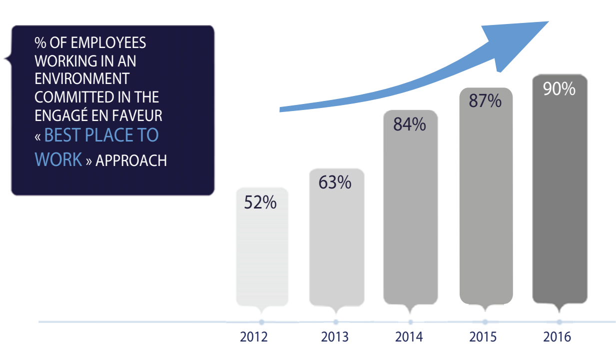
Performance criteria are measured over three years for each of the three indicators: growth in issue volume, funds from operations (FFO) and Edenred's total shareholder return (TSR) compared to the average TSR of the SBF120 (see the section on Governance, page 140).

## 4.1.2.3 Workplace environment

### Being a "Best Place to Work"

High performance and well-being are part of Edenred's commitment towards both customers and employees. Improving quality of life in the workplace is therefore a key deliverable for the Group. For this reason, Edenred pays close attention to employee well-being, health and safety as part of the commitment shared by all of the subsidiaries to be engaged in a "Best Place to Work" initiative.

### Our «Best Place to Work» ambition




The Best Place to Work program is supported by the Executive Committee and draws on quality of worklife surveys conducted in each country to measure such criteria as work-life balance, empowerment, quality of management and communication. The findings are analyzed and used to devise action plans led by management and the local HR team.

As of end-2016:

- **28** units had earned or were working toward quality of worklife certification;
- nearly **90%** of employees worked in an environment that had earned or was actively involved in earning quality of worklife certification.

Certain subsidiaries prepare for their certification drive by conducting an initial employee satisfaction and engagement survey.

### Promoting a satisfactory work-life balance

Edenred is committed to developing a positive work-life balance through a number of initiatives that vary by geography:

- flexible working hours, as in Sweden, Finland and the United Kingdom. In Germany, for example, the subsidiary offers significant flexibility with 22 different worktime arrangements. At PPS, policies are in place to manage flextime and telecommuting arrangements.
- part-time work, which is encouraged by the Austrian and Slovakian subsidiaries, especially for employees with young children;
- concierge services that can handle certain private tasks for employees during their working hours;
- benefits to promote employee well-being, such as gym and dance classes, healthy eating and balanced diet workshops;
- support for parents:
  - at the birth of a child, with new baby bonuses in Austria, incentives to take paid parental leave beyond the legal minimum at PPS,"Keep in Touch Days" in the United Kingdom,
  - for childcare, with:
  - the distribution of Edenred childcare solutions to employees (e.g. *Childcare Vouchers*® in the United Kingdom, *Ticket Junior*® in the Czech Republic, and the *CESU* voucher in France),
  - offices designed with an area to welcome employees' children when they are ill or need temporary childcare (Mexico and Germany),
  - a "Moms and Dads" program in Italy, particularly to support women returning from maternity leave. Among the services offered are expert help in identifying the most appropriate childcare solution.

## Acting as a responsible employer and promoting diversity

Diversity is a source of value and performance. The Group Charter of Ethics reaffirms our commitment to forbidding any form of discrimination with regard to gender, age, family situation, origin, sexual orientation, physical abilities, or membership in a political, religious or labor organization. Decisions with regard to hiring, promotion, training and compensation are based solely on the individual's capabilities, skills and experience.

### A diverse workforce

Edenred is a multi-local company deeply committed to nurturing its multicultural diversity, which it sees as a source of strength and a valuable asset. Edenred subsidiaries operate in very different and complex markets, and the diversity of workforce reflects the geographic diversity of customer base. For example, the 61 employees of the Dubai subsidiary represent ten different nationalities, while the 100 Edenred Germany employees cover 11 nationalities and speak 12 languages.

This is why the concept of equal opportunity is intertwined with the principle of fairness that underpins the Human Resources process. In this way, all employees demonstrating the same levels of performance, ability and engagement are guaranteed the same possibilities of success, regardless of age, gender, disability, religion or other factors. To demonstrate this commitment to respecting differences, a variety of agreements have been signed, backed by targeted action plans, which are being diligently applied in hiring, training, mobility, promotions and every other Human Resources process. Edenred United Kingdom, for example, has developed an Equal Opportunity Policy designed to ensure that employees are hired, promoted, trained and generally treated on the basis of their skills and aptitudes alone, without regard to gender, country of origin/nationality, religion, age or other factor. As a major stakeholder in this policy, management is responsible for combating all forms of discrimination on a daily basis and raising employee awareness about the seriousness of discriminatory behavior, which can lead to disciplinary action.

### Gender equality

At end-2016, women accounted for **50.1%** of employees worldwide and held **38.3%** of management positions. Different types of initiatives have been taken by the subsidiaries to promote gender equality:

- formal policies to eradicate discrimination and promote gender equality, implemented for example at PPS, and in the United States and the United Kingdom;
- agreements on workplace gender equality, such as the one signed by Edenred France, which reaffirms the principles of respect for equal opportunity between men and women at all stages of their careers. It includes initiatives to eliminate roadblocks for women at Edenred, as well as measures to facilitate more equal sharing of childcare responsibilities. The intergenerational contract, which came into force in early 2014, also commits the Company to ensuring a balance between men and women and maintaining employment levels for young people and older workers;
- external studies on effective wage equality, such as the one conducted in 2016 on expatriate employees and Executive Committee members in each country.

### Integrating and retaining people with disabilities

Edenred took an assertive stance in this area by signing an initial Group agreement applicable in Edenred France and Edenred International to hire and retain people with disabilities. As part of this three-year agreement, which took effect in January 2012, Edenred made a firm commitment to increase the percentage of people with disabilities in its workforce. At end-2014, this commitment was reaffirmed with a new three-year agreement that includes a plan to keep people in employment, as well as communication/awareness, training and hiring initiatives (with a minimum target of eight hires, including three on permanent contracts, over the term of the agreement).

More broadly, the subsidiaries are demonstrating their commitment to integrating and retaining people with disabilities in a number of ways, aligned with each country's specific characteristics:

- the direct hiring of **84** people with disabilities, in a large number of subsidiaries, for example in Turkey, China, Sweden and Slovakia. In addition, Edenred Belgium renewed its partnership in 2015 with Prorienta, a dedicated job training center;
- the indirect hiring of people with disabilities, for example at Edenred Spain, Edenred France and Edenred International for various services, and Edenred Italy, in accordance with an agreement signed with Milan province to integrate employees with disabilities through an outside company;
- the design and/or upgrading of workplaces to make them accessible to people with disabilities;
- a dedicated team has been set up for the French subsidiaries with identified internal correspondents who are responsible for developing partnerships with recruitment organizations and sheltered workshops, creating a purchasing policy, ensuring the continued employment of employees recognized as having disabilities, and organizing employee information and awareness sessions on disability issues;
- a plan to retain disabled Edenred France employees by upgrading their workstations with hearing devices, ZoomText magnifiers for the visually impaired, and a number of other ergonomic adjustments;
- a plan to support clients, affiliated merchants, beneficiaries and other stakeholders in France, with the introduction of an innovative system for making all of our solutions accessible to the hearing impaired;
- training of Edenred France sales people in the Group's disability policies;

- communication and educational initiatives for Edenred France employees, focused on digital accessibility:
  - participation in the National Disability Week, with the goal of presenting disabled employment as an equal opportunity issue, with a focus on digital accessibility as a means of retaining disabled employees,
  - participation in the European Disability Employment Week, where Edenred won first prize in the first Hackathon organized by ADAPT organization around the theme of "uniqueness as an innovation driver".

### Older employees

Edenred International made a commitment in late 2010 to promote the hiring and retention of older employees. This commitment was formalized in a three-year agreement, in compliance with legal obligations, that features a pledge to maintain the number of employees over 55 at a minimum of 4.5% of the total workforce at corporate headquarters. A number of initiatives have been taken to support this measure, notably in the areas of hiring, career planning, working conditions, skills development, end-of-career transitioning and knowledge and skills transfer. A similar action plan has been deployed throughout the French subsidiaries.

In 2013, employee representatives of Edenred International signed an intergenerational contract that commits the Company to increasing the hiring rate of people under 26 by two percentage points and to preserving the proportion of employees aged over 45. Employees aged 55 and over may scale back their workweek to 80% while still retaining the same basis of assessment for their pensions as when working full-time. Talks have been initiated to renew the intergenerational contract for 2017.

## Fostering social dialogue

At Edenred, social dialogue covers the full range of negotiation and consultation procedures, as well as the simple exchange of information between employee representatives and management. All of the social advances achieved since July 2010 demonstrate the importance of social dialogue as a key success factor. Representative bodies have been set up in most Edenred entities (except small units), providing a crucial foundation for the social dialogue process. Three levels of social dialogue are in place within the Group.

### Social dialogue at the national level

The progress in employee relations in the various subsidiaries attests to vibrant social dialogue with union and employee representatives. In all, **63.6%** of employees work in units with employee representative bodies and **57.3%** are currently covered by a collective agreement.

In 2016, **45** such agreements were signed in subsidiaries on a wide variety of issues, including wages, profit sharing, intergenerational agreements, working hours and workplace health and safety. Among those agreements, **four** focus specifically on health and safety.

### Social dialogue at the Group level in France

Because Edenred France and Edenred International employees work so closely together in the same building, management and employee representatives have agreed on the need to create a Group Works Council on the basis of the various works councils in place within each unit. The agreement specifies that the Group Works Council's role is not the same as that of the unit works councils, which have their own specific objectives and resources.

Created by a collective agreement in 2011, the Group Works Council comprises seven representatives from the works councils of Edenred France and Edenred International. Its role is to address all of the issues pertaining to the Group's operations and its financial, business and labor situation, as well as its strategic vision and objectives. It met twice in 2016.

### Social dialogue at the European level

Employee representation at the national level varies from country to country. Because the Group is convinced that quality dialogue at the European level will help develop a Europe-wide mindset and shared sense of belonging, a European Works Council has been created. A special negotiating group with representatives from 13 European countries has been formed and met in July 2014 to negotiate the terms under which the European Works Council will operate, the scope of its responsibilities and the procedures for European dialogue. The agreement on the European Works Council was signed in September 2014. The European Works Council's mission is to balance the Group's interests with employees' interests in a constructive manner by addressing all cross-border issues (*i.e.* concerning at least two countries) in an even-handed spirit of discussion and dialogue. It meets once a year, in June in the case of 2016. It consists of four representatives and is chaired by the Executive Vice President, Human Resources.

## Promoting workplace health and safety

In line with Edenred's ambition to be a "Best Place to Work", on-the-job risks – including psychosocial risks – are integrated in the development plans. The guiding principle is to ensure that employees have a safe, healthy workplace in which they can perform effectively. The subsidiaries adapt this principle in accordance with their needs, local practices and legal and regulatory framework. Local initiatives focus on three key areas: preventing occupational risks, preventing psychosocial risks and providing healthcare coverage.

Complete data on health and safety are provided on page 81. Note in addition that Group-wide, in 2016 there were two cases of certified occupational illness resulting in at least one day of lost time, nine occupational accidents resulting in at least one day of lost time, and 27 commuting accidents resulting in at least one day of lost time.

### Preventing occupational risks

Edenred works closely with existing Health, Safety and Working Conditions Committees (CHSCTs) to implement its policies. Many country organizations have a CHSCT or similar organization. Training and employee awareness programs have been set up and experts visit sites to verify their compliance and provide employees with health advice.

#### *Edenred France and Edenred International*

Edenred France and Edenred International have both set up CHSCTs that are responsible for monitoring workplace health and safety and improving working conditions, notably by closely reviewing working conditions and potential occupational risks on the front lines. All of these risks are listed in a single document so that they can be reduced or eliminated with effective action plans.

#### *Brazil*

In accordance with legislation, the Internal Accident Prevention Committee (CIPA) meets once a year. Made up of elected representatives, the committee maps identified risks in each work unit in a specific, regularly updated document and implements prevention policies and awareness initiatives. A regular newsletter provides information on such topics as occupational health, ergonomics and road safety. Workplace rescue and first-aid staff are regularly trained to assist in the event of an accident.

### Health coverage and other health benefits

With mandatory cover varying significantly from one country to the next, each unit selects the level of additional cover it wishes to provide, depending on the local situation, its business plan and its funding capabilities. Additional health cover is offered in several Edenred subsidiaries in Latin America, Europe and Asia:

- expatriate employees may be covered by a special international insurance plan in addition to the local system, depending on the country and the level of local benefits. This ensures the same level of protection as in the expatriate's home country, particularly in terms of post-retirement benefits, while respecting the principle of fairness with regard to local employees;
- Edenred France and Edenred International signed a Group insurance agreement in November 2010, followed by company agreements for each unit to ensure that employees and their families are covered in the event of illness, accident or death;
- Edenred Brazil's Viva Melhor platform, which is part of the general employee benefits system, offers employees a comprehensive array of care solutions to preserve their health, as well as access to psychologists, nutritionists, physical education teachers, physicians and other specialists.

Medical checkups are offered by many subsidiaries, such as Edenred Czech Republic, Edenred Poland and Edenred Hungary.

In other countries, the Group's commitment is also demonstrated through initiatives to promote healthy living and/or a balanced diet. These include "Health Days," conferences or workshops on nutrition and health, and programs to promote regular physical activity. Edenred Mexico, for example, organizes a Health Week once a year for employees and their families, with free medical check-ups and reduced fees for a variety of tests. Edenred France organizes campaigns to raise awareness about health and safety issues, such as a workplace health and safety day, a one-day event to fight hepatitis with Santé en Entreprise, an annual flu vaccination drive, a day-long program on healthy eating and balanced diet, and a full week dedicated to well-being. A nurse and a social worker are based full-time on site, to see employees as needed.

### 4.1.3 2016 SUMMARY TABLES OF EMPLOYEE DATA – GROUP

| | France | Europe (excl. France) | Latin America | Rest of the World | Global Operations | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|
| **Number of employees** | **1,078** | **1,830** | **3,110** | **1,050** | **164** | **7,232** | **6,299** |
| % under permanent contracts | 92.1% | 92.2% | 98.8% | 97.4% | 97.0% | 95.9% | 95.9% |
| % women | 55.8% | 55.7% | 47.7% | 42.7% | 40.9% | 50.1% | 50.6% |
| % men | 44.2% | 44.3% | 52.3% | 57.3% | 59.1% | 49.9% | 49.4% |
| Number of interns, apprentices and international volunteers | 22 | 46 | 99 | 24 | 8 | 199 | 136 |
| Full-time equivalent | 1,042 | 1,810 | 3,144 | 1,041 | 211 | 7,248 | 6,343 |
| **Managers** | | | | | | | |
| % of total workforce (1) | 18.4% | 18.7% | 17.2% | 22.7% | 48.8% | 19.3% | 20.5% |
| % women | 46.5% | 42.1% | 35.0% | 35.3% | 33.8% | 38.3% | 39.3% |
| % men | 53.5% | 57.9% | 65.0% | 64.7% | 66.3% | 61.7% | 60.7% |
| **Training** | | | | | | | |
| Number of hours of training | 10,910 | 24,350 | 62,080 | 7,591 | 1,279 | 106,210 | 110,153 |
| Number of hours of training for managers | 1,859 | 6,556 | 13,417 | 2,704 | 304 | 24,840 | 34,853 |
| Number of hours of training for non-managers | 9,051 | 17,794 | 48,663 | 4,887 | 975 | 81,370 | 75,300 |
| Number of employees having attended at least one training course | 668 | 1,456 | 2,896 | 477 | 66 | 5,563 | 4,704 |
| Number of managers having attended at least one training course | 87 | 312 | 437 | 118 | 15 | 969 | 1,040 |
| Number of non-managers having attended at least one training course | 581 | 1,144 | 2,459 | 359 | 51 | 4,594 | 3,664 |
| **Health and safety** | | | | | | | |
| Frequency rate (2) | 8.8 | 3.1 | 2.5 | 0.0 | 0.0 | 3.0 | 2.9 |
| Severity rate (3) | 0.4 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Absenteeism rate (4) | 4.7 | 3.7 | 2.2 | 1.6 | 2.3 | 2.9 | 2.3 |
| Number of fatal accidents in the workplace | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of occupational illnesses resulting in at least one day of lost time | 0 | 2 | 0 | 0 | 0 | 2 | 0 |

**Note on reported information:**

*Employee numbers correspond to the number of individuals on the payroll on December 31 and the number of full-time equivalent employees.*

*The concept of number of employees is designed to quantify the number of physical individuals under contract (this excludes interns, service providers and subcontractors) regardless of the actual time spent on site or their contractual working hours. Total number of employees is used to calculate several other indicators.*

*The concept of full time equivalent is designed to quantify the workforce on a comparable basis, i.e. the standard full-time contract applied in each unit. This involves counting the Company's operational workforce taking into account workweek duration and contractual working hours. The figures also include interns and temporary employees.*

(1) *A manager is defined as an employee who manages others and/or has a high level of responsibility within the organization.*

(2) *Frequency rate: number of occupational and commuting accidents with lost time multiplied by 1,000,000 and divided by the total number of hours actually worked by the entire workforce over the calendar year.*

(3) *Severity rate: number of days of lost time following an occupational or commuting accident multiplied by 1,000 and divided by the total number of hours worked by the entire workforce over the calendar year.*

(4) *Absenteeism rate: total number of person-days lost to absenteeism in the period divided by the number of person-days available in the period. This includes absenteeism due to work accidents, commuting accidents, occupational illnesses and non-occupational illnesses.*

# 4.2 SOCIETAL DATA

By inventing the *Ticket Restaurant*® meal voucher in 1962, Edenred helped to spread the practice of taking a lunch break to all employees. Since then, the Group has contributed to social progress with programs that make life easier for both employees and consumers. Edenred has deployed a Corporate Social Responsibility (CSR) approach applicable on a daily basis. Known as “Ideal”, it is aligned with its operations and defined by three strategy lines.

The first concerns **promoting healthy eating habits**, a core competency at Edenred since meal solutions represent nearly 80% of total issue volume. With “Ideal meal,” Edenred aims to make it easier for stakeholders to enjoy balanced meals at affordable prices in every host country.

The second is to **limit the environmental impact** of day-to-day operations, whether in the office, in production or in the solutions developed by Edenred. “Ideal green” covers all of the local initiatives undertaken in this area.

The third strategy line is to **support local community development** through “Ideal care” initiatives. In 42 host countries around the world, Edenred’s teams see local solidarity as an essential component of the Group’s integration into local ecosystems.

## Positioning and objectives of the "Ideal" approach, 2013-2016

| Priority | Objective | Outcomes, 2013-2016 | Performance indicators over the period | 2016 highlights |
|---|---|---|---|---|
| **Ideal meal:** to facilitate access to healthy eating at an affordable price. | A project to promote healthy eating in each country. | • 22 subsidiaries involved in promotional projects aimed at several stakeholders;<br>• Healthy eating survey (FOOD) conducted in nine European countries;<br>• Survey conducted on the eating habits of 2,500 employees;<br>• Participation in the Group-wide Ideal meal Day, held in 33 countries in 2013, 23 in 2014 and 28 in 2015. | • 4.3 million beneficiaries;<br>• 200,000 affiliates; and<br>• 4,826 Edenred employees are reached every year, on average, by educational initiatives. | • Contest launched to encourage restaurant owners to submit sustainable foodservice projects;<br>• Publication of Ideal meal eating habits surveys. |
| **Ideal green:** improve the environmental performance of our business units | An initiative to reduce our environmental footprint in each country | • Eco-design commitment expanded (recycled paper, recycled cards, lifecycle assessments);<br>• Environmental data are reported in 39 countries and reviewed by an independent third party;<br>• Development of environmentally friendly solutions (*Ticket Car carbon control, Ecochèque in Belgium, Mobility solutions*);<br>• Participation in the Group-wide Ideal Green Day, held in 27 countries in 2013, 25 in 2014 and 29 in 2015; | • 9% reduction in energy use<br>• 3% reduction in water use<br>• 60% reduction in waste produced<br>• 55% reduction in office paper and brochures<br>• 14% reduction in greenhouse gas emissions<br>between 2013 and 2016.<br>• 27% reduction in voucher process paper (1)<br>• 81% of country organizations (by issue volume) use environmentally friendly paper for vouchers. | • Comparative lifecycle assessments of paper vouchers and cards;<br>• Card recycling in France using a process that won a Nuit de la RSE award. |
| **Ideal care:** build privileged relationships with local communities | A long-term partnership in each country | • Emblematic programs in the largest subsidiaries;<br>• *Ticket Restaurant®* cards can now be *used* to make donations;<br>• Participation in the Group-wide Ideal Care Day, held in 29 countries in 2013, 28 in 2014 and 35 in 2015. | • €3.1 million in direct and indirect donations (through voucher donation campaigns);<br>• An average 230 non-profits supported;<br>• Nearly 15,000 hours dedicated by employees to volunteer work<br>between 2013 and 2016. | • 171 non-profits supported in 2016, mainly in the areas of food aid, children, public assistance, culture and emergency assistance;<br>• Introduction of card-based online giving, raising the *most* funds since the campaign began. |

*(1) Based on the same method as used in the 2013-2015 period (change of method in 2016).*

## THE "IDEAL 2020" VISION

"Position Edenred as a CSR enabler in the promotion of healthy nutrition and expense management."

A detailed strategic plan is now being prepared and will be released at a later date.

## 4.2.1 IDEAL MEAL TO PROMOTE HEALTHY EATING

Since becoming independent, Edenred has considerably expanded on its more than ten-year commitment to promoting healthy eating and fighting obesity. As part of this process, all of the initiatives underway at the Group level have been brought together under the "Ideal meal" program.

"Ideal meal" was designed to respond, in a pragmatic way, to a key public health challenge:

- in 2014, 1.9 billion people over 18, or 39% of the world's adult population, were considered obese or overweight. This has led to a sharp increase in the number of people suffering from certain types of cancer, diabetes, strokes or heart attacks, which in turn is putting significant strain on public health systems. Today, the majority of overweight and obese individuals live in developing countries, rather than developed nations. According to the World Health Organization (WHO), overweight and obesity are the fifth leading risk for global deaths. At least 2.8 million adults die each year as a result of being overweight or obese;
- as the producer of the *Ticket Restaurant*® and *Ticket Alimentation*® meal voucher solutions, Edenred is in direct contact with affiliated merchants, beneficiaries and clients who each day make eating decisions that are important for their health. With almost 750,000 corporate clients, 1.4 million affiliated merchants and 43 million beneficiaries, Edenred can take tangible action to promote healthy food choices.

Each subsidiary is encouraged to deploy its own projects with direct stakeholders – clients, affiliated merchants, beneficiaries and Edenred employees – to facilitate balanced nutrition. While these projects are tailored to the local environment and nutritional issues in each country, they are all designed to make a meaningful impact on stakeholder eating habits, as measured by dedicated indicators.

### 4.2.1.1 A major commitment aligned with Edenred's core business

Since Edenred's creation, it has taken many initiatives contributing to the development of the "Ideal meal" program: the **FOOD program,** which houses the majority of the Group's initiatives in Europe, the **Nutritional Balance program** in South American countries, and local initiatives in country organizations such as Brazil with the **AVANTE**™ **program**. As of end-2016, **22** countries covering **81%** of the workforce were already involved in healthy eating projects. The main initiatives are presented below.

#### Edenred, FOOD program coordinator in Europe

##### Origin of the European project

Organized as a public-private consortium, the FOOD (Fighting Obesity through Offer and Demand) program focuses on the growing problem of obesity in Europe. The program began in 2009 as a project co-financed by the European Commission in six European countries (Belgium, Czech Republic, France, Italy, Spain and Sweden) with the goal of raising awareness about balanced nutrition among employees and restaurant managers and aligning supply (offer) to demand.

Edenred is the project's sponsor and coordinator. With operations in each of the countries in which the program has been introduced, it is responsible for deployment with the different partners – and more specifically for its diffusion – and for relations with the restaurant network.

In light of the pilot project's results, the partners decided to transform FOOD into a program in order to pursue the same principles and objectives over the long term. On December 14, 2011, a total of 23 partners signed a new consortium agreement defining the program's main initiatives and organization. The decision to pursue FOOD as a program was also made with the idea of expanding into new countries and bringing in new partners. As a result, Slovakia, Portugal and Austria have all joined the list of participating countries. The program recently celebrated its fifth anniversary.

##### Notable achievements in FOOD member countries in 2016

***Italy: the Ministry of Health joins the FOOD program***

The Italian Ministry of Health officially became a partner of the FOOD program in 2016, alongside the Edenred subsidiary, and is now updating the program's Italian recommendations.

***Czech Republic: a purpose designed program for companies***

After piloting the program in-house in 2015, the teams launched "Firm in the Plate," a set of hands-on workshops for companies to help their employees eat healthy, balanced meals during the workday. The program effectively builds corporate awareness of how eating right can positively impact employee health, productivity and motivation, while reducing work-related accidents. It offers employees recommendations about what they should eat in order to improve their listening skills, concentration and motivation.

***Portugal: a MOOC to help instill best practices***

In 2016, the University of Porto partnered with Edenred to launch "Eat Better, Save More," a massive open online course (MOOC) dedicated to healthy eating. It was inspired by the eponymous book published by the Portuguese Directorate General of Health and Edenred in 2013, as part of the FOOD program. More than 4,000 participants in 34 countries attended the four weeks of classes in 2016.

In the program's nine member countries, **3,130 restaurants** have become FOOD affiliates and more than 273 tools have been developed to instill the principles of balanced nutrition among employees and restaurants.

### The Nutritional Balance program in Latin America

Since 2005, the Nutritional Balance program has been deployed to promote healthy eating habits, by enabling *Ticket Restaurant®* users to easily identify menu items at affiliated restaurants that meet the criteria of a varied and balanced diet. Represented by the "Gustino" mascot, the program was developed in partnership with expert nutritionists, local public partners and restaurant industry representatives, whose involvement ensures the initiative's validity.

The program is active in Edenred's Latin American host countries, notably Chile, Mexico, Uruguay and Venezuela.

#### Notable achievements in Nutritional Balance member countries in 2016

In Uruguay, where the program has been in place for more than a decade, Edenred led a number of initiatives during the year in association with the Honorary Commission for Cardiovascular Health to raise awareness of the important of lowering the salt content in food. On World Food Day in October, Edenred teams participated in a public event to promote healthy eating, in partnership with the Ministry of Health and representatives of the Food and Agriculture Organization (FAO). Nutritionist-led workshops were offered to several clients during the year.

### The AVANTE™ program in Brazil

AVANTE™, the Brazilian version of the "Ideal meal" program, is designed to educate beneficiaries about the importance of a healthy diet, support affiliated restaurants in offering more balanced menus and help clients improve the health of their employees.

#### Notable achievements of the AVANTE™ program in 2016

AVANTE™ offers a nutritional check-up for participating company employees, a map of workplace eating habits, e-training sessions, management scorecards for clients, dietitian services and access to members-only content on the program website.

Awareness among employees of Brazilian subsidiary Ticket was raised during the year not only through conventional initiatives, but also by the new "My AVANTE Recipes" campaign, which asked employees to submit recipes based on the ten recommendations for healthier eating.

The AVANTE dietitian offered personalized advice to 527 beneficiaries.

In addition, an information campaign presented e-learning opportunities to 8,736 affiliated merchants.

## 4.2.1.2 A fourth annual Ideal meal Day to support sustainable foodservices

On October 16, World Food Day, each host country educates its employees, clients, affiliated merchants and beneficiaries by giving nutritional advice and organizing activities to encourage healthy eating.

For the 2016 event, Edenred issued a call for restaurant-related projects in the form of the #myidealrestaurant challenge, which ran from September 12 to October 21 to support restaurants committed to offering sustainable foodservices. Participating restaurants were expected to submit a project that they were thinking of implementing.

The five categories available were:

- promoting healthy eating;
- sourcing locally;
- deploying outstanding environmental practices;
- keeping customers well informed;
- acting as a responsible employer.

In the end, two restaurants – one chosen by the public, the other by the Edenred panel of judges – were awarded €5,000 each to help them carry out their projects.

Highlights of the 2016 event:

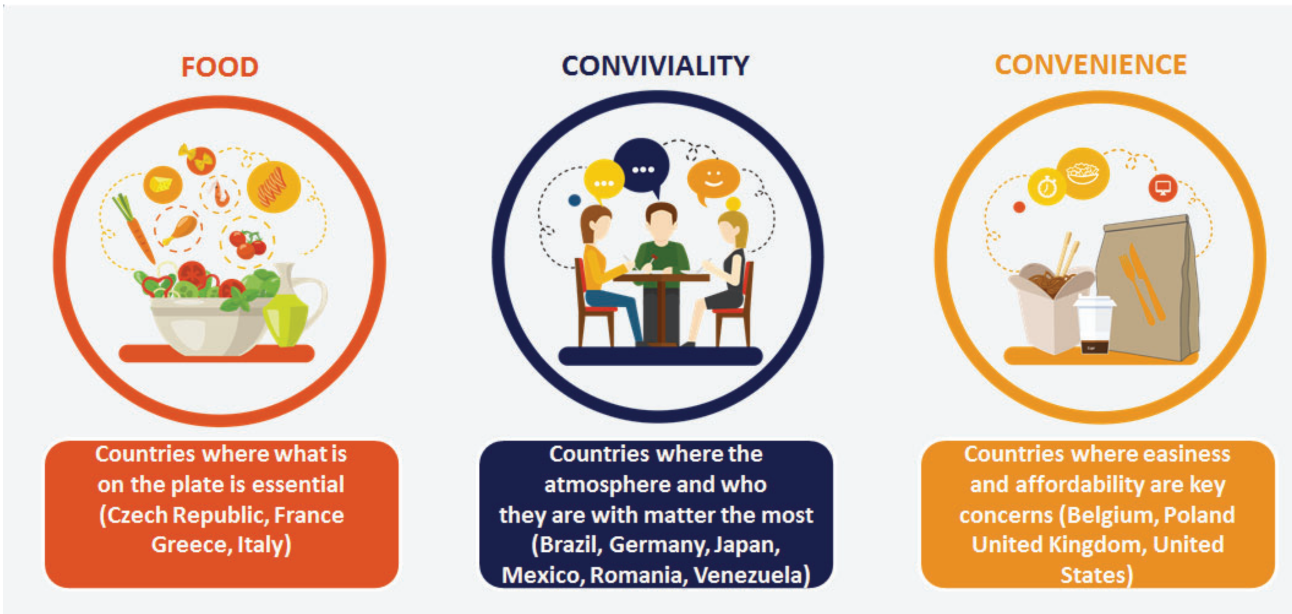
- 29 participating Edenred country organizations;
- 34 short-listed projects, which can be found on http://myidealrestaurant.org/;

- 2 restaurants awarded prizes;
- More than 5,000 online votes to elect the public's favorite project.

### 4.2.1.3 Publication of the Edenred survey of the eating habits of 2,500 employees around the world

In 2016, Edenred published the results of its survey "What is your ideal meal?", conducted among 2,500 employees in 14 countries worldwide. How long does a Brazilian spend over lunch compared with a French person? How is the lunch-break perceived from one continent to another? Where do employees tend to eat? Is food a matter of health or pleasure? By answering such questions, the Ideal meal survey revealed the diversity of employees' eating habits and offers insight into the cultural particularities concerning food. In this way, the initiative of promoting a healthy diet that began over a decade ago with the Ideal meal program can be kept consistently aligned with reality. The findings are available at http://www.edenred.com/fr/enquete-ideal-meal.

What is lunch in three words? When Edenred employees were asked about their ideal meal, three main categories stood out:




### 4.2.1.4 Initiatives to reduce food waste

In line with its long-standing commitment to food issues, Edenred pays special attention to food waste and is taking action in a variety of ways.

- First, by the very nature of its *Ticket Restaurant*® solution and **the shift to paperless media**. As the issuer of the *Ticket Restaurant*® solution, Edenred naturally encourages its own employees to use the vouchers to pay for their lunch, since only the largest subsidiaries have staff restaurants. Using meal vouchers is in itself an effective way for people to purchase only just what they can eat. Moreover, as vouchers go increasingly paperless in every host country, *Ticket Restaurant*® is helping to fight even more against food waste. Because giving change from a paper voucher is prohibited, it cannot be redeemed for less than its face value. This prompts beneficiaries to order another dish to reach or exceed the amount of their voucher. With digital media, on the other hand, the balance on the card or mobile app can be spent in any given amount, so that beneficiaries can order exactly what they want for lunch.
- Second, by **raising employee awareness of food waste**. In several countries, like China and France, subsidiaries are committed to educating employees on the importance of reducing food waste.
- And third, by **supporting actions by affiliated restaurants and other stakeholders**. In 2016, two subsidiaries in particular deployed noteworthy initiatives in this area:

#### Edenred Italy

The Italian subsidiary and the National Consortium for the Recovery and Recycling of Cellulose-based Packaging (COMIECO) have formed a partnership to produce special meal voucher booklet covers with recommendations for avoiding waste. By offering a few simple waste-avoidance tips, such as asking restaurants for a container to bring uneaten food back home, these COMIECO recommendations will give more than **one million Edenred meal voucher beneficiaries** greater awareness of the need to nurture a sustainable food culture, sort garbage and prevent the waste of natural resources. In 2015, the subsidiary also actively participated in Expo Milan, organizing a conference on food waste to promote the passage of a law making it easier to collect left-over food and redistribute it to people in need. Edenred Italy offers affiliated restaurants free "doggy bags" for their customers to use during their lunch breaks.

#### Edenred Brazil

Last July, an exhibition was organized by the Brazilian teams to raise public awareness about food waste. Around 400 people attended the opening, two fine cuisine demonstrations were organized with a renowned chef for 52 Edenred clients, affiliates and employees. Six workshops were also organized to raise participant awareness about waste.

"IDEAL MEAL" KEY INDICATORS IN 2016

ideal meal

PROMOTE HEALTHY NUTRITION AMONG OUR STAKEHOLDERS

**22** COUNTRIES INVOLVED

**3.5** MILLION BENEFICIARIES **217,000** AFFILIATES AND **5,750** EMPLOYEES EDUCATED AROUND THE WORLD

**3,150** ESTABLISHMENTS IN THE FOOD NETWORK OF RESTAURANT IN EUROPE

## 4.2.2 IDEAL CARE TO SUPPORT LOCAL COMMUNITY DEVELOPMENT

In every host country, Edenred forges strong ties with local communities and associations to assist people in difficult circumstances.

Our employees are the driving force behind these initiatives, which take the form of donations, skills support or social welfare programs, very often deployed in association with clients, affiliated merchants, beneficiaries and other stakeholders.

Throughout, the focus is on long-term partnerships with the supported organizations. Chosen on the basis of each subsidiary's local situation, the projects cover a wide range of areas, including food aid through collections and voucher donations, support for education or re-employment assistance.

### 4.2.2.1 Ideal care Day devoted to community support

Each year on Human Rights Day (December 10), Edenred organizes the international "Ideal care Day", during which employees are encouraged to take action to help their local communities. During the day-long event, employees organize fund-raising drives to meet the needs of a partner association and/or donate their time by participating in one or more charity projects.

In 2016, 23 country organizations held local drives that brought in more than €110,000 in donations, some 1,000 gifts and around 150 kg of food. Examples of these initiatives included:

- an attic sale organized by Edenred Singapore, whose proceeds were donated to Society for the Aged Sick, which provides quality care for the aged sick and destitute;
- a lottery organized for teenagers in Brazil under the auspices of Instituto Ser +, which assists socially vulnerable youth. The winner received books offered by Edenred employees;
- a bake sale organized by Edenred Germany employees, with the proceeds from the sale of cakes, waffles and hot wine going to the Deutsche Lebensbrücke e.V. association, which is dedicated to children's health and nutrition.

### 4.2.2.2 Other initiatives

In addition to Ideal care Day, Edenred celebrates the many community initiatives being led by employees throughout the year in partnership with local non-profit associations. In all, **171** non-profits in our host countries around the world are being supported, with **327** eight-hour days devoted to volunteering activities.

Financial donations to non-profits are now being more precisely tracked by distinguishing between two categories:

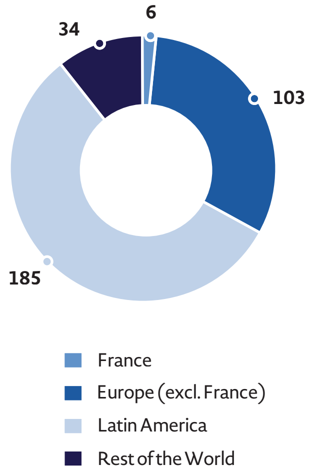
- direct donations by the Group and subsidiaries: €253,904;

- indirect donations through campaigns to encourage beneficiaries of Group solutions to donate their vouchers, in France, Spain, Austria and the Czech Republic: €779,165.

Together, these totaled €1,033,069 in donated funds in 2016.

In addition to financing, Edenred provides support through in-kind donations (equipment that can be used or sold to raise money, advertising space, gifts and food) and donations of employee time spent on donation-related activities (media creation, voucher sorting or doing volunteering activities on working period).

TIME DEVOTED TO VOLUNTEERING ACTIVITIES BY REGION IN 2016 *(IN PERSON-DAYS)*




## Employee initiatives

### Mexico

For the past nine years, Edenred Mexico has partnered with TECHO, an NGO that provides emergency housing for families living in extreme poverty. In 2016, Edenred donated five homes and was supported by 17 volunteers who devoted an entire weekend to building them, offering 816 person-hours of volunteer service.

In all, over the years, Edenred Mexico's commitment has given 67 families a new home and 568 volunteers have donated an aggregate 13,484 hours of their time.

### United Kingdom

During the year, the entire staff donated to the local food bank, with each department taking a turn for one month, so that by year-end more than 409 kg of food had been offered. This represented the equivalent of three days of food for people in need in Edenred UK's host community.

### Brazil

Initiated by Embratec (acquired in 2016) and continued by Ticket Log in Brazil, the Pescar project is supporting 16 to 19-year-olds in difficulty by offering them vocational training through courses held every day at the Company, from 2:00 to 6:00 pm. This year, it is training 18 volunteers, who will attend at least 900 hours of daily classes in two main curricula:

- personal development and citizenship (60%);
- technical and vocational skills development (40%).

In the second half of the year, the young people will discover several corporate functions.

In addition to the social benefits, Ticket Log's objective is to identify promising young talents and to keep them in the Company. To date, 97 young people have been trained by Edenred since 2009.

## Initiatives carried out with other stakeholders

In many countries, the Group leverages its unique positioning with beneficiaries and affiliated merchants to relay and support associations.

### France

For the past 14 years, Edenred France has worked closely with the French Red Cross and supported its food aid initiatives. Edenred was the first French issuer to suggest donating vouchers, with its *Restaurons la solidarité* campaign. This possibility is also offered to *Ticket Restaurant®* card users, who can make donations to the French Red Cross throughout the year, securely and in just a few clicks on the www.croix-rouge.fr website.

In 2016, the campaign was highly successful, raising more than €572,000, of which €230,705 *via* the card.

In total, more than €3 million has been raised since 2002.

Edenred France also gets employees, host communities, clients, affiliated merchants and other stakeholders involved in its commitment to the French Red Cross through a variety of initiatives, such as soliciting donations from employees or offering the opportunity for clients to win first-aid training courses.

### Bulgaria

Edenred Bulgaria is partnering the Holiday Heroes association, which offers needy families food packages during the year-end holidays. The year's soon-to-expire vouchers are collected from key accounts and their employees to finance one of the items in the Christmas package. In 2016, the €2,200 collected helped to finance more than 5,100 packages for families in difficulty.

### Austria

Since 2006, Edenred has partnered with the Austrian Red Cross to collect all of the paper vouchers donated by beneficiaries in special boxes installed at certain clients and affiliated merchants each year. In this way, €9,000 was raised in 2016 to help families in emergency situations not covered by government assistance, in particular by paying their bills, enabling them to buy groceries and offering them long-term support.

IDEAL CARE KEY INDICATORS IN 2016

ideal care

SUPPORT LOCAL COMMUNITIES THROUGH VOLUNTEERING ACTIONS

**171** ASSOCIATIONS SUPPORTED

**€1,033,069** DONATED TO COMUNITY

**327 DAYS** DEVOTED BY EMPLOYEES TO VOLUNTEERING ACTIVITIES

## 4.2.3 OTHER SOCIETAL DATA

### 4.2.3.1 Geographic, economic and social impact

#### Employment and regional development

Because of the nature of its business, Edenred has both a direct and an indirect positive impact on local employment and neighborhood merchants. The prepaid service vouchers marketed by Edenred are a significant source of revenue for affiliated restaurants, supermarkets and other merchants, as well as a powerful tool for stimulating local employment, notably for human services. For governments, the vouchers' traceability helps reduce off-the-books work and improves tax collection.

The Group's impact in this area can be measured by the number of affiliated merchants who accept all types of Edenred vouchers. There are nearly 1.4 million affiliated merchants in its 42 host countries.

#### Summary of Human Resources data for France [(1)]

| Employment | At December 31, 2016 |
|---|---|
| Total number of employees | 1,242 |
| **Compensation** | |
| Gross payroll *(in € millions)* | 55 |

*(1) French subsidiaries and parent company.*

#### Neighbors and local communities

*Ticket Alimentation®* food vouchers are one of Edenred's flagship food-based products. They can be used by employees and their families to purchase groceries in convenience stores or supermarkets. In many emerging markets, the vouchers are a way to ensure access to a balanced diet, not only for Company employees but also for a larger ecosystem. Launched by Edenred in 1983 in Mexico, the product has since been rolled out to other Latin American countries, including Brazil, and more recently to certain countries in Central Europe, such as Bulgaria.

### 4.2.3.2 Relations with individuals or organizations engaged by the Company

#### Dialogue engaged with individuals or organizations

Table of stakeholders, actors, primary means of dialogue and issues addressed

| Stakeholders | Key Edenred actors | Primary means of dialogue | Issues addressed |
|---|---|---|---|
| **Clients**<br>Key accounts, SMEs, public sector | • Sales Department;<br>• Subsidiary senior management;<br>• Group Human Resources and Corporate Social Responsibility Department. | • Customer surveys;<br>• Tender bids;<br>• Client presentations;<br>• Website;<br>• Theme workshops led by nutritionists. | • Satisfaction and opinion surveys;<br>• Building awareness of healthy eating;<br>• Product and service compliance;<br>• Ethical conduct;<br>• Responsible services content in proposed Group solutions. |
| **Affiliated merchants**<br>Restaurants, foodservice outlets, service stations, dry-cleaners, etc. | • Subsidiary Affiliates Department. | • Extranet website;<br>• CSR programs (ECO Pressing, local versions of Ideal Meal);<br>• FOOD program affiliate questionnaires;<br>• Targeted newsletters and email campaigns. | • New business development;<br>• Educating restaurants in healthy eating practices. |
| **Beneficiaries**<br>Employees, citizens | • Subsidiary Marketing Department. | • Website, social media;<br>• Beneficiary website;<br>• Targeted newsletters and email campaigns;<br>• Dedicated events (cooking classes, workshops with nutritionists). | • Satisfaction and opinion surveys;<br>• Information related to the solutions in use;<br>• Building awareness of healthy eating;<br>• Increasing purchasing power. |
| **Employees**<br>Edenred employees and employee representative organizations, job applicants | • Group Human Resources and Corporate Social Responsibility Department;<br>• Subsidiary senior management and HR manager. | • Special committees (Works Council, Health, Safety and Working Conditions Committee, European Works Council);<br>• Employee satisfaction surveys;<br>• Internal communication;<br>• CSR events. | • Social dialogue;<br>• Workplace well-being policies;<br>• Employee retention and motivation;<br>• Engagement in the corporate project. |
| **Shareholders**<br>Institutions, individuals, the financial community, SRI rating agencies, the French financial markets regulator (AMF) | • Group senior management;<br>• Investor Relations Department;<br>• Group Human Resources and Corporate Social Responsibility Department. | • Registration Document;<br>• Roadshows and conferences;<br>• Meetings with investors;<br>• Shareholder breakfasts and meetings;<br>• Newsletters;<br>• Website, specific emails and toll-free number. | • Educational material about Edenred's businesses and the unique features of its key indicators;<br>• Business ethics;<br>• Corporate governance;<br>• Transparency. |
| **Public authorities** | • Group Institutional Relations Department;<br>• Subsidiary senior management. | • Meetings;<br>• Working groups;<br>• Economic research. | • Contributions to public health solutions. |
| **Society**<br>Associations, NGOs, local communities | • Subsidiary CSR correspondents. | • Financing, donations in-kind or in person-hours;<br>• Promotion *via* the communication channels with Edenred stakeholders. | • Partnerships;<br>• Visibility given to a cause or association;<br>• Fundraising support. |

### 4.2.3.3 Subcontractors

#### Inclusion of social and environmental issues in purchasing policy

In 2016, Edenred distributed a new version of its Charter of Ethics that applies to every business partner, contractor and supplier, enjoining them to abide by ethical, environmental and employee relations guidelines that comply with the Charter's values. The Charter plays a critical role in laying the foundations for dialogue with suppliers, whose billings represent more than 30% of consolidated revenue. Purchasing policy is decentralized to the subsidiary level. The Group has a few suppliers identified as key partners with whom it has international framework agreements. Examples include contracts with the Group's main printers or card suppliers. These agreements include clauses on compliance with labor laws in the country of production. Concerning paper purchases, which are still business-critical, environmentally friendly materials such as FSC-certified and/or recycled paper and vegetable-based inks are consistently preferred whenever possible without jeopardizing voucher security.

#### Reliance on subcontracting

The majority of outside contractors used by Edenred are hired to provide IT services. The Group requires its subsidiaries to ensure that subcontractors are employed in strict observance of the applicable regulations and labor laws concerning work shifts, the basis for calculating hours worked, etc., and encourages compliance through awareness measures with CSR correspondents. By virtue of its Charter of Ethics, Edenred is committed not to using forced or concealed labor, and to refusing to work or immediately stopping working with suppliers and service providers using employees working under duress or threat. Edenred France, for example, introduced a Responsible Purchasing Charter in October 2014 to set out its expectations of suppliers in such areas as human rights, employment best practices and non-discrimination. The charter has been signed by the subsidiary's main suppliers.

### 4.2.3.4 Fair practices

#### Measures taken to prevent corruption

In May 2016, a new Group Charter of Ethics was published and distributed to every employee. Currently available on the corporate website, the Charter presents Edenred's main ethical principles, and defines the behaviors and practices that every employee and every supplier is expected to demonstrate. Line managers cascade the Charter's fundamental guidelines to their teams and maintain constant awareness of their importance. By year-end 2016, 73% of employees had read and signed the Charter and half of the country organizations had introduced a compliance clause in new work contracts.

In addition, the Legal Department has prepared a best practices guide to avoiding corruption in every geography, in compliance with France's Sapin II Act concerning transparency, the fight against corruption and modernization of the economy. Translated into several languages, the guide will be supported by a training and education program scheduled for roll-out in the first half of 2017. At the same time, a whistleblowing procedure has been introduced so that the Group Legal Department can respond quickly to any suspected case of bribery or corruption.

In 2012, anti-money laundering (AML) and combating the financing of terrorism (CFT) policies were introduced at Group level, with training for the finance teams in the European subsidiaries. In 2013, the policies were translated into Spanish for the Latin American subsidiaries, and training was offered to both country chief executives and the local finance departments. Following these sessions, certain country organizations, like France, the United Kingdom, Italy and Argentina, adapted and deployed the policies in their operating subsidiaries. The Legal Affairs Department pursued these efforts in 2013 and assisted a number of country organizations (including Germany and Romania) in implementing the procedure. In 2014, Internal Audit assignments were conducted jointly between the Group Audit Department and PrePay Solutions to verify the existence and proper application of AML/CFT procedures in Germany and Poland, leading to local action plans. The Group's audit framework was revised in 2014, and now includes several points relating to anti-money laundering procedures. In 2015, a Compliance Department was created and tasked with revising corporate AML/CFT policies and leading their deployment in the subsidiaries – a process that will gain momentum in 2017.

#### Measures taken to safeguard consumer health and safety

The Group's priority commitment to promoting healthy eating habits and preventing obesity is presented in the previous sections.

### 4.2.3.5 Initiatives to promote human rights

Edenred is committed to respecting human rights as defined in the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. As a result, it avoids infringing on human rights in all of its actions.

As concerns Human Resources management, the Charter of Ethics reaffirms our commitment to the principles and fundamental rights outlined in the International Labour Organization's fundamental conventions. These cover the right to freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labor, the effective abolition of child labor and the elimination of discrimination in respect of employment and occupation. The resources deployed in relation to Edenred's business base are described above.

## 4.2.4 MEASURING AND RATING PERFORMANCE

### 4.2.4.1 Socially responsible investing indices

#### FTSE4Good

In recognition of its commitment to Corporate Social Responsibility, Edenred has been included in the FTSE4Good Index series since 2010. An evaluation by an independent organization demonstrated that Edenred fulfilled the requirements for inclusion. The FTSE4Good Index series has been designed to facilitate investment in companies that meet globally recognized Corporate Social Responsibility standards.

#### Dow Jones Sustainability Indices

For the third consecutive year, the Dow Jones Sustainability Index (DJSI) acknowledged Edenred's commitment to Corporate Social Responsibility. Edenred has been included in the DJSI Europe in the Commercial & Professional Services industry group since 2013. The index assesses companies on economic, social and environment aspects, covering criteria such as governance, Human Resources policy, human rights and environmental impact.

### 4.2.4.2 Standards

#### United Nations Global Compact

In 2015, following the publication of its Charter of Ethics, Edenred officially joined the 12,000 organizations around the world that have pledged to support the United Nations Global Compact, an initiative that calls on companies to adopt a common stance on human rights, labor, the environment, and anti-corruption. Launched in July 2000 with the goal of creating a sustainable, inclusive global economy, the Compact is one of the world's foremost Corporate Social Responsibility initiatives. In 2016, Edenred submitted its first Communication on Progress report, which is available of the Global Compact website.

#### Grenelle II Act

A cross-reference table with Article 225 of the Grenelle II Act is available in section 9, page 326.

### 4.2.4.3 Other certifications and ratings

#### France

In December 2016, Edenred France's card recycling initiative was honored with the CSR Innovation and Service Award at the Nuit de la RSE ceremony. The event showcases and supports the most effective CSR policies and the most innovative projects deployed by French non-profit associations or private companies. The Edenred France process makes it possible to recycle and reuse the entire *Ticket Restaurant®* card. When their card expires, beneficiaries receive a new one with instructions on how to return the old one, which is then shredded using a mechanical process and the materials reused to make new cards. The service was chosen for the award by a panel of CSR professionals because it will encourage the adoption of a new eco-friendly practice and the emergence of new recycling and reuse solutions.

#### Brazil

The two Brazil-based subsidiaries, Ticket Services and Ticket Log, were awarded a gold medal by the country's Green House Gas Protocol program in recognition for their greenhouse gas inventory initiatives. Both companies have been inventorying their greenhouse gas sources since 2010. This medal is awarded only to companies whose inventories have been reviewed by an independent third party.

# 4.3 ENVIRONMENTAL DATA

Information is reported by geographical region, as follows:

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

The Group's CSR reporting methodology is described on page 69.

## 4.3.1 IDEAL GREEN TO PRESERVE THE ENVIRONMENT

### 4.3.1.1 Organizational response to environmental issues, environmental assessment or certification programs

Although it has a limited impact on the environment because its operations are mainly service related, Edenred undertakes to:

- analyze existing initiatives to ensure that the Company is in compliance with local environmental regulations and international environmental standards and has implemented a continuous improvement approach to prevent any risks related to its operations;
- reduce its environmental impacts by improving waste management and carefully controlling its consumption of natural resources;
- communicate effectively and present its environmental policy to all stakeholders, both internal and external.

The Group's environmental initiatives focus on four main paths: environmental management, eco-designed products, programs with environmental value for affiliated merchants and clients, and employee awareness.

#### Environmental management

Edenred has established an environmental management system based on the principles of ISO 14001.

Subsidiaries in France, Brazil, and the United Kingdom have received this certification and renew it at least once every three years. Subsidiaries in Mexico and the Czech Republic have obtained other local environmental certifications. As a result, **51%** of Edenred employees now work in a subsidiary that has earned environmental certification.

In November 2016, the Brazilian Ticket Services unit earned its maintenance certificate for the fifth straight year, reflecting Bureau Veritas' recognition of the maturity of our environmental management process.

To encourage the other subsidiaries to seek certification, the CSR Department released the results of a study it conducted on the challenges and steps involved in obtaining ISO 14001 certification, along with feedback from certified subsidiaries.

Data from the environmental initiatives being led by the country organizations are consolidated in a reporting system based on some 20 indicators covering:

- water use;
- energy use;
- paper use;
- plastics use;
- waste production;
- greenhouse gas emissions.

#### Eco-designed solutions

Most of Edenred's impacts on the environment stem from the production of paper vouchers and cards.

Vouchers are printed on pre-printed backgrounds sourced from third-parties. These backgrounds are also used by some of the subsidiaries to customize their own vouchers at Edenred production facilities using specialized printers. This means that paper represents one of the leading impacts of Edenred's business activities. In 2016, **24** subsidiaries, representing 70% of the workforce and 81% of issue volume, used paper that was recycled or certified to the standards of the Forest Stewardship Council (FSC) for voucher production (source: 2016 CSR reporting).

The Group is actively engaged in transitioning its solutions to paperless media. As of end-2016, 70% of issue volume was delivered in digital format. This approach considerably reduces the impact of Edenred's activities on paper resources.

Card production is outsourced, but the amount of plastic used in marketing these media is reported (see paragraph 4.3.3.2).

#### The prepaid industry's first comparative lifecycle assessment of the impacts of vouchers and cards

Working with an outside firm, Edenred conducted the industry's first comparative study of the environmental impact of its *Ticket Restaurant*® paper vouchers and cards in France. The lifecycle assessment (LCA) measured the impacts of each medium on three indicators – climate change, resource depletion and water use – so that priority actions could be identified to reduce the card's environmental impact in 2016.

The primary conclusion was that the card has a more positive impact on climate change and natural resources.

For these first two indicators, the *Ticket Restaurant*® card appears to be more effective in driving improvement than the paper voucher. Switching to the card cuts GHG emissions by nearly two thirds (64%) and reduces resource use by 86% across the product lifecycle. This is because the card is manufactured and sent to the user once every two years, which means that energy use and carbon emissions are significantly reduced in the production and distribution stages.

On the other hand, the card results in higher water use than paper vouchers, for two reasons:

- In 2012, Edenred opted to use only 100% recycled paper in its voucher production [(1)] and to recycle all the redeemed vouchers, which significantly attenuated their impact.
- The *Ticket Restaurant*© card turns out to use more water in the utilization phase because the lifecycle assessment took into account the non-recyclable thermal paper receipt issued with each payment.

The assessment helped to identify effective action levers to reduce the environmental footprint, both at Edenred and across the entire payment voucher chain. In 2017, Edenred France will invite stakeholders in its value chain to work together to devise ways of optimizing the process.

### Programs for clients and affiliated merchants

A number of Edenred units have developed services to add environmental value to their programs.

#### Brazil and Mexico

*Ticket Car*®'s *Ticket Carbon Control*® program, which gives clients detailed, precise information about their vehicles' $CO_2$ emissions, was launched in Brazil in 2009 and Mexico in 2012. Today it is used by around 300 clients a year, and some 1,300 Carbon Control reports were shared in 2016. In addition, Brazil has introduced the Carbon Free program to enable fleet managers to offset their GHG emissions by participating in emissions reduction projects that earn GHG/carbon offset credits. In this way, each month's GHG emissions are offset the following month, continuously neutralizing the impact of client vehicle fleets on the environment.

#### Belgium

Edenred created *Ticket EcoCheque*® in 2009 at the request of the Belgian authorities. This solution promotes environmentally friendly products and services, and increases the buying power of employee beneficiaries. Some 700,000 employees have already used *EcoCheque*® vouchers, which are intended solely for the purchase of environmentally friendly goods and services. An exhaustive list has been drawn up by the National Labor Council.

#### United Kingdom

Cycle to Work is a solution devised by the UK subsidiary that allows employers to reduce their payroll costs by subsidizing the purchase of bikes for their employees. The model strongly encourages employers to promote this clean, healthy mode of transportation.

## 4.3.1.2 Employee training and information

Because employee commitment is a key success factor for Edenred's environmental policy, a variety of resources have been deployed to inform and teach employees about environmentally friendly practices. In 2016, a total of 5,167 employees attended training sessions on environmental issues throughout the year, with a focus on Green IT, an increasingly important challenge as the shift to digital gains momentum.

#### Ideal green Day

Each year since 2011, Edenred goes green on International Earth Day (April 22) to remind employees about environmental stewardship and encourage them to take action. The day provides an opportunity to raise awareness and get teams to work on one of the key environmental issues facing Edenred. In 2016, several subsidiaries organized events around mobility issues. In Brazil, for example, employees were surveyed to help identify their mobility profiles and offer them recommendations to reduce our environmental footprint in Brazil.

## 4.3.1.3 Resources devoted to preventing environmental risks and pollution

Edenred's ISO 14001-based environmental management system helps to prevent environmental risks and pollution. In 2016, the subsidiaries allocated a total budget of **€320,860** to environmental initiatives, including organizing Ideal Green Day, earning ISO 14001 certification, conducting environmental communication campaigns and purchasing recycled paper to print prepaid vouchers, catalogs and office documents.

## 4.3.1.4 Provisions and guarantees for environmental risks

No material provisions or guarantees have been set aside for environmental risks. Edenred was not subject to any court rulings on environmental claims during the year.

*(1) Edenred France was the first meal voucher issuer to earn FSC certification across the paper voucher production chain.*

## 4.3.2 POLLUTION AND WASTE MANAGEMENT

### 4.3.2.1 Measures to prevent, reduce or abate environmentally hazardous emissions and discharges into the atmosphere, water or soil

The environmental management system based on ISO 14001 implemented by Edenred contributes to the prevention, reduction and abatement of environmentally hazardous emissions and discharges into the atmosphere, water or soil.

Edenred's activities generate wastewater whose content is similar to household wastewater. Edenred's offices, most of which are located in cities, are generally connected to municipal sewage systems.

The Group's operations do not result in any soil pollution or significant air pollution. Country organizations are encouraged to use environmentally friendly inks in the voucher customization process. Edenred France, for example, uses non-toxic water-based inks that do not emit any volatile organic compounds (VOCs). Production sites are equipped with aeration systems to ensure that process dust is quickly removed from the air.

### 4.3.2.2 Measures to avoid, recycle, reuse and otherwise reclaim and eliminate waste

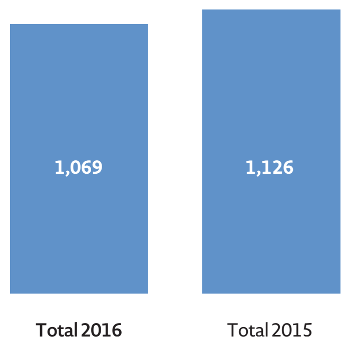
Edenred's ISO 14001-based environmental management system comprises procedures to ensure sustainable waste management and recycling. Edenred's eco-design approach also helps limit waste production. Given the nature of our business, most waste is office refuse and voucher customization process waste, such as print cartridges and paper.

Ten or so subsidiaries have deployed internal recycling systems for office paper, plastic cups, aluminum cans and printer cartridges. Most of the redeemed vouchers processed by the subsidiaries are shredded and recycled by an outside contractor. Cards represent an indirect recycling challenge for Edenred, as they are produced by third parties and become the property of beneficiaries once distributed. However, the French subsidiary has been the first to introduce a system to encourage beneficiaries to recycle their *Ticket Restaurant®* cards. When their card expires, beneficiaries receive a new one with instructions on how to return the old one for recycling. The card is then shredded by an outside partner, using an entirely mechanical (and therefore environmentally sensitive) process. The resulting plastic (98.4%) and metal (1.6%) is reclaimed to make new cards.

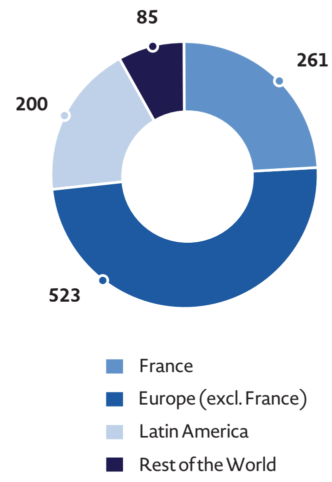
This service was honored in France by a CSR Innovation and Service Award at the 2016 Nuit de la RSE ceremony, as a possible recycling solution for the entire industry.

The following table shows the total tonnage of waste produced worldwide and by region.

TOTAL WASTE PRODUCED IN 2016 AND 2015
*(IN METRIC TONS)*




WASTE PRODUCED BY REGION IN 2016 *(IN METRIC TONS)*




The amount of waste produced across the Group declined by 5% year-on-year in 2016, primarily due to the transition to digital solutions in most of the subsidiaries.

### 4.3.2.3 Noise and all other types of pollution generated by an activity

As Edenred's activities generate very little noise pollution or odors, no related measures have been taken.

## 4.3.3 SUSTAINABLE USE OF RESOURCES

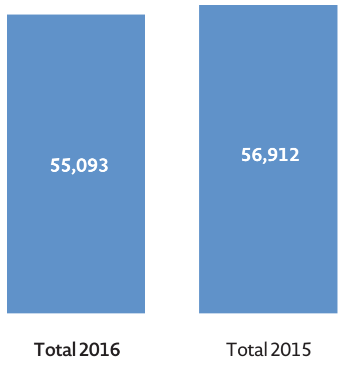
### 4.3.3.1 Water use and supply in relation to local constraints

The environmental management system based on ISO 14001 implemented by Edenred encourages reasonable use of water.

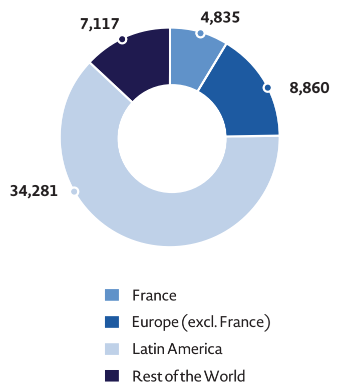
Edenred's offices, most of which are located in cities, are connected to municipal sewage systems.

The table shows the total volume of water used worldwide and by region.

TOTAL WATER USED IN 2016 AND 2015 *(IN CUBIC METERS)*




WATER USE BY REGION IN 2016 *(IN CUBIC METERS)*




Despite the increase in the workforce in 2016, the total volume of water used Group-wide declined by **3%** over the year, led by the deployment of water-saving plans in the largest subsidiaries.

### 4.3.3.2 Consumption of raw materials and measures taken to use them more efficiently

Edenred's ISO 14001-based environmental management system recommends that raw materials be used responsibly.

#### Paper

Wood used to make the paper for vouchers is the main raw material used by the Group.

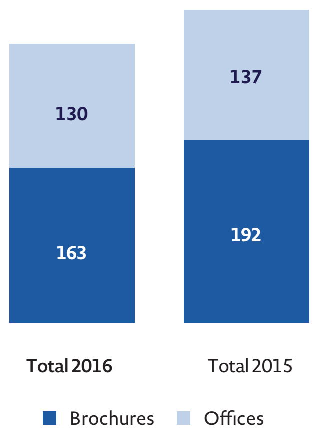
Eco-design is one of the four key improvement paths of Edenred's environmental policy. To contribute to this approach, subsidiaries are encouraged to use recycled paper or paper certified to the standards of the Forest Stewardship Council (FSC), both for voucher production and everyday office use.

In 2016, 24 country organizations used this type of paper to make their vouchers, thereby limiting the Group's impact on wood resources. In France, for example, Edenred was the first meal voucher issuer to use fully recycled security paper and to earn FSC certification.

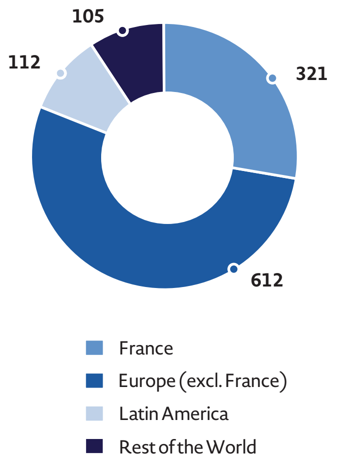
The table below shows the total volume of paper used worldwide and by region.

Total paper used across the Group is tracked by three indicators: office paper used, paper used to print marketing brochures and the amount of process paper used in the vouchers sold during the year. The method of calculating the third indicator was revised in 2016 and is now based on the number of vouchers sold and their average weight, without counting inventory. As a result, there are no comparable prior-year figures.

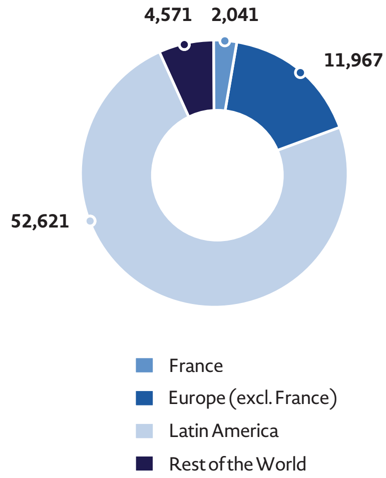
TOTAL PAPER USED IN OFFICES AND FOR BROCHURES IN 2016 AND 2015 *(IN METRIC TONS)*



PROCESS PAPER USED IN THE PRODUCTION OF ISSUED VOUCHERS BY REGION IN 2016 *(IN METRIC TONS)*




AMOUNT OF PLASTIC USED IN CARD PRODUCTION IN 2016 BY REGION *(EN KG)*




Total paper used in offices and for brochures declined by **11% year-on-year in 2016, and by 55% over the entire 2013-2016 period**. The amount of paper used in voucher production fell by 27% from 2013 to 2015, led by the steady transition to digital solutions and digital marketing campaigns. As mentioned above, the calculation method was revised in 2016 to better reflect the weight of vouchers issued in our markets. The breakdown by region is consistent with the progress made by subsidiaries in terms of their transition to digital solutions.

## Plastics

As the digital transition for all Edenred solutions picks up speed, the use of plastic for card production has become a major challenge for the Group. Note, however, that while 70% of issue volume has already been shifted to paperless media, not all of them are plastic cards.

Certain subsidiaries are looking at using more environmentally friendly materials than recycled PVC for card production. To recycle end-of-life *Ticket Restaurant*® cards, Edenred France has partnered with a local company that uses a mechanical process that is currently the industry's most eco-responsible.

In 2016, a total of **71,200** kg of plastic was used in card production.

Another source of plastic consumption stems from Edenred's office work and the use of plastic cups. Several subsidiaries have taken action either to reduce this use by offering new hires their own cup (France) or to limit its impact by sorting waste cups (France and Japan).

### 4.3.3.3 Energy use, measures taken to improve energy efficiency and use of renewable energies

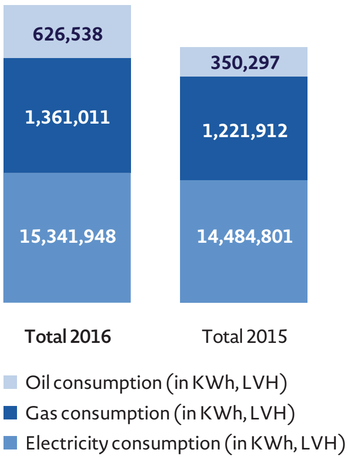
Edenred's ISO 14001-based environmental management system includes measures to reduce energy use and improve energy efficiency.

At present, the Group's energy mix does not include renewable energies. However, the development of renewables is encouraged, as in the project in Brazil described in section 4.3.4.1.

In 2016, the solar panels installed on the roof of a voucher plant in Belgium generated 53,009 kWh over the year.

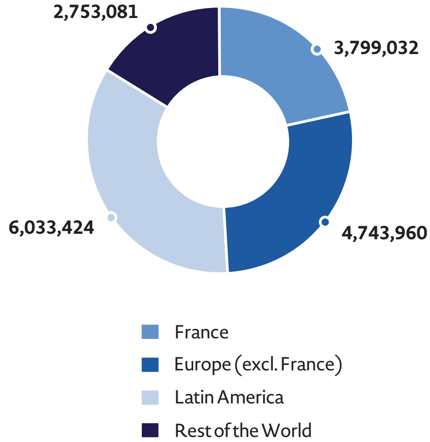
The table shows the total amount of energy used worldwide and by region.

**TOTAL ENERGY USED IN 2016 AND 2015** *(IN KWH, LHV)*




*LHV = LOWER HEATING VALUE*

**ENERGY USE BY REGION IN 2016** *(IN KWH, LHV)*




*LHV = LOWER HEATING VALUE*

Total energy used across the Group rose by **8%** in 2016, but was down 9% compared with 2013. Most of the 2016 increase stemmed from the growth in the like-for-like workforce and the consolidation of new units, in Brazil and France, for example. In addition, fuel oil consumption, which accounts for 4% of total energy use, surged by almost 80% due to the very heavy use of a generator to offset blackouts in Mexico. The breakdown by region is aligned with the breakdown in the Group's business.

### 4.3.3.4 Land use

No measurements have been made as land use is minor in Edenred's operations.

## 4.3.4 MEASURES TO COMBAT CLIMATE CHANGE

### 4.3.4.1 Material sources of greenhouse gas emissions

#### Carbon footprint and lifecycle assessment

Owing to the nature of its business, Edenred has a limited impact on climate change. Nevertheless, in 2012, a continuous improvement program was undertaken as part of a formal environmental policy. Moreover, in France and Brazil – our two main host countries – greenhouse gas emissions were inventoried to identify the main material sources.

Following an analysis of the GHG Protocol accounting and reporting standard, the following main sources of the Group's greenhouse gas emissions were identified:

Scopes 1 and 2:

- Inputs – especially the customization of pre-printed paper;
- IT assets;
- Energy used at the main facilities and production units.

Scope 3 – (Indirect emissions from activities not included in Scopes 1 and 2):

- Inputs – subcontracted services;
- Transportation – voucher deliveries and business travel

To move to the next level, a comparative lifecycle assessment was performed on the paper and card solutions. It revealed that (i) vouchers primarily have an environmental impact during production and transportation, given that they are delivered every month to the 52,000 client companies in France; and (ii) cards have an impact mainly during production (including chip fabrication) and from the use of POS terminals and the issuance of receipts.

In the weeks ahead, the assessment findings will be shared internally with the CSR network and externally to initiate an action plan in the host countries, starting with the French unit.

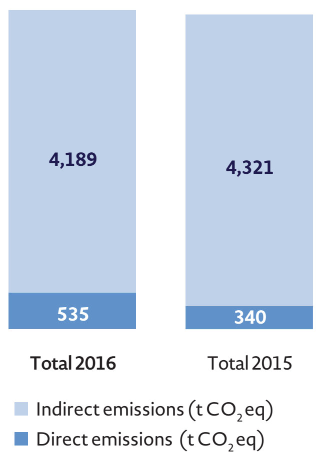
As described below, business travel *via* taxi, airplane and train, as well as the commercial vehicles used by the sales force, is a major source of emissions. As part of the continuous improvement in the reporting and reduction of its impacts, the Brazilian subsidiary carried out a detailed inventory of these data and found that emissions from business travel totaled 1,186.35 $tCO_2eq$ in 2016. Measurement of the impact from business travel will be broadened to at least one other subsidiary in 2017.

#### Emissions

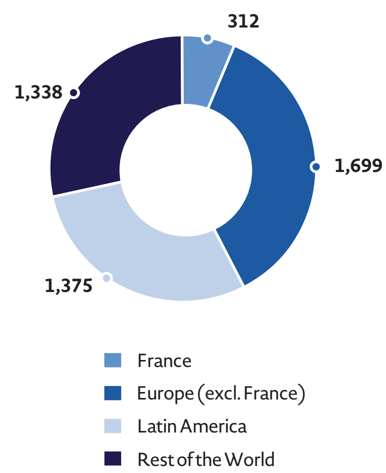
Greenhouse gas emissions are calculated based on the energy use data provided above, as follows:

- direct emissions correspond to the natural gas and fuel oil burned in Group facilities;
- indirect emissions concern electricity used by Group facilities.

TOTAL GREENHOUSE GAS EMISSIONS IN 2016 AND 2015 *(IN $TCO_2$ EQ)*




GREENHOUSE GAS EMISSIONS BY REGION IN 2016 *(IN $TCO_2$ EQ)*



Total greenhouse gas emissions remained virtually unchanged in 2016, rising by just 1% over the year. These emissions are calculated on the basis of emission factors for natural gas, fuel oil and electricity (source: ADEME).

In Brazil, Edenred chose to offset all of the unavoidable energy use reported during the subsidiary's carbon review with a biomass-to-energy investment project.

Other country organizations have implemented commuting-related initiatives, such as the incentives used by Edenred UK and Edenred Germany to encourage employees to bike to work. Corporate headquarters employees have created a car-pooling intranet site that is scheduled for roll-out in several other subsidiaries.

### 4.3.4.2 Measures to adapt to climate change

The Group has taken measures to limit the increase in greenhouse gas emissions related to business growth.

Companies must also prepare for climate change and take into account the potential consequences on the working environment. Within the framework of its risk management strategy, Edenred has deployed a system to track seismic and storm-related risks. The system helps users prioritize actions in deploying a safety and prevention plan in the event of an incident.

## 4.3.5 MEASURES TO PROTECT BIODIVERSITY

Edenred's ISO 14001-based environmental management system includes measures to protect biodiversity.

A number of initiatives undertaken by subsidiaries to protect biodiversity are described above, including the use of recycled and FSC-certified paper for voucher production and nature preservation and reforestation projects carried out with local partners as part of Ideal Green Day.

In France, for example:

- In partnership with French NGO Reforest'action, Edenred France sent all of its clients and affiliates a 2017 New Year's card inviting each one to choose the region of France where they would like a tree to be planted in their names. In 2016, nearly 3,500 cacao and other trees were planted in Haiti, helping to fight against deforestation, reduce the risk of landslides and prevent the drying up of ground soil and rivers, while supporting the preservation of local biodiversity. The virtual lot listing all the trees planted by Edenred France is regularly increased throughout the year by other responsible marketing operations bringing together employees, clients and other stakeholders.

IDEAL GREEN KEY INDICATORS IN 2016

## 4.3.6 SUMMARY OF ENVIRONMENTAL INDICATORS, 2013-2016

| Indicator | 2013-2016 trend | Comments |
|---|---|---|
| Waste | -60% | The massive reduction in waste and voucher process paper has been led by the shift in the Group's solutions to digital media. The reduction in paper used for brochures or in offices is attributable to the deployment of paper-saving plans and, more generally, the digitization of processes as solutions go increasingly paperless. |
| Office paper and brochures | -55% | |
| Voucher process paper | -27% (as of end-2015) | |
| Energy | -9% | The decline in water use, energy use and greenhouse gas emissions reflects the introduction of an environmental management system in some of the subsidiaries and the annual reporting of data, which is used as a basis for deploying water and energy savings plans. |
| Water | -3% | |
| Greenhouse gas emissions | -14% | |

# 4.4 CSR INDEPENDENT THIRD-PARTY ENTITY REPORT

**Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report**

*This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

For the year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditor of Edenred SA, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048 [(1)], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2016 included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

## COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

## STATUTORY AUDITOR'S RESPONSIBILITY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved seven persons and was conducted between November 2016 and February 2017 during a five week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000 [(2)] concerning our conclusion on the fairness of CSR Information.

## 1. ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the corporate social responsibility section of the management report.

### Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

*(1) whose scope is available at www.cofrac.fr.*

*(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

## 2. CONCLUSION ON THE FAIRNESS OF CSR INFORMATION

### Nature and scope of our work

We conducted around 10 interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (see appendix):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities/divisions/sites selected by us [(1)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents between 21% and 22% of quantitative human resources data disclosed and between 27% and 50% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

### Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 14, 2017
One of the Statutory Auditors
Deloitte & Associés

Patrick E. Suissa
Partner

Julien Rivals
Partner, Sustainability

*(1) Edenred France, Edenred Czech Republic, Edenred Mexico, Edenred HQ, Edenred UK.*

## Appendix

The CSR Information that we considered to be the most important, on which we conducted detailed tests, are the following:

### Quantitative information:

| Social | Environment | Societal |
|---|---|---|
| • Total workforce; | • Total energy use; | • Number of days devoted by employees to voluntary activities; |
| • Percentage of women in management positions; | • Total greenhouse gas emissions; | • Number of beneficiaries sensitized to the Ideal Meal feeding programs. |
| • Number of hires and departures by type (excluding mobility); | • Total paper use for the production of vouchers; | |
| • Absenteeism rate; | • Number of country organizations, percentage of the workforce represented using recycled paper or paper certified to the standards of the Forest Stewardship Council (FSC) for voucher production; | |
| • Percentage of employees working at units with employee representative bodies; | • Plastic consumption related to the production of cards; | |
| • Percentage of employees covered by a collective agreement; | • Percentage of employees working in a country organization that has received an ISO 14 001 certification. | |
| • Frequency rate and severity rate of occupational accidents and commuting accidents; | | |
| • Number of hours of training. | | |

### Qualitative information:

- Policy on the control of food waste;
- Description of the main sources of greenhouse gas emissions;
- Compensation and Benefits Policy;
- Initiatives to support parenting and work-life balance;
- Anti-corruption policy / Ethical charter.

5

# CORPORATE GOVERNANCE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# 5.1 CORPORATE GOVERNANCE

Edenred's system of corporate governance is based on the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"). The Corporate Governance Code can be consulted on the MEDEF website, www.medef.com. Paper copies are available on request from AFEP, MEDEF and the Company's headquarters.

The only exception to the application of the AFEP-MEDEF Code recommendations are mentioned on paragraph 5.2.1.2 hereinafter.

# 5.2 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

## 5.2.1 MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

### 5.2.1.1 Governance structure

Since April 9, 2010, Edenred has been organized as a *société anonyme* (public limited company) administered by a Board of Directors.

As provided for in the applicable regulations, on June 29, 2010, the Board of Directors decided to combine the functions of Chairman of the Board of Directors and Chief Executive Officer and confirmed this decision on September 10, 2015 when Bertrand Dumazy was appointed Chairman and Chief Executive Officer. The Board considers that this governance structure is best aligned with the Company's needs, because it ensures the high level of strategic and operational responsiveness required by a young organization whose business is undergoing radical technological transformation. The Chairman and Chief Executive Officer does not receive any compensation in his capacity as Chairman of the Board.

Article 14 of the Company's bylaws allows for the appointment by the Board of one or two Vice-Chairmen to lead Board meetings in the Chairman's absence. In light of its decision to combine the functions of Chairman and Chief Executive Officer, the Board decided to appoint an independent director as Vice-Chairman of the Board. Philippe Citerne has held this position since June 29, 2010.

Furthermore, under Article 1.5 of the Board of Directors' Internal Regulations, the Vice-Chairman may also act as lead independent director provided he/she qualifies as an independent director in accordance with the criteria disclosed by the Company. In addition, the Board of Directors must appoint a Vice-Chairman if the Chairman is also the Chief Executive Officer, in which case the Vice-Chairman will also serve as lead independent director.

In addition to the role vested in him by the Company bylaws, the Vice-Chairman, as lead independent director, acts as the preferred contact for the other independent directors. Whenever necessary and at least once a year, he organizes a meeting reserved exclusively for independent directors to allow them to discuss certain issues outside full Board meetings. The meeting costs are paid by the Company, which also handles the logistical aspects. The meeting agenda is set by the Vice-Chairman but each independent director is able to raise any other issues not included on the agenda. After the meeting, the Vice-Chairman can arrange to meet the Chairman and Chief Executive Officer to inform him of all or certain of the independent directors' comments or requests. If appropriate, he may also decide to comment on the work of the independent directors during meetings of the full Board.

The Vice-Chairman, who also acts as lead independent director, oversees responses to requests from shareholders not represented on the Board, makes himself available to hear their comments and suggestions and, where possible, answers their questions after consulting the Chairman. To this end, he has been assigned a specific e-mail address that may be used by any person who wants to send him their comments or ask questions: philippe.citerne@edenred.com. The Board of Directors is informed by the Vice-Chairman about all of his contacts with shareholders.

The Vice-Chairman, who also acts as lead independent director, oversees formal self-assessments of the Board's practices and approves the self-assessment report. He may intervene with the Chairman and Chief Executive Officer on the items to be included on the agenda of Board meetings. He approves the annual summary of strategic issues to be included on the agenda of Board meetings, as submitted to him by the Chairman and Chief Executive Officer. Lastly, he deals with any conflicts of interest involving Board members.

### 5.2.1.2 Membership of the Board of Directors

As of December 31, 2016, the Board of Directors had 11 members, eight of whom were qualified by the Board as independent directors based on the criteria set out in the AFEP-MEDEF Corporate Governance Code.

As of December 31, 2016, seven of the directors were men and four were women, *i.e.*, 36%. Philippe Citerne has decided not to stand for re-election at the next Shareholders Meeting, reducing the number of male directors to six. The percentage of women directors will therefore be 40%. The Company will then comply fully with the provisions of the French Act no. 2011-103 of January 27, 2011 on the balanced representation of women and men on Boards of Directors and Supervisory Boards, and on gender equality in the workplace, as well as the recommendations of the AFEP-MEDEF Code. Philippe Citerne will be appointed as a Board observer when he stands down as director.

The table below summarizes the composition of the Board of Directors at December 31, 2016. Details on each of the directors are provided thereafter.

| Name | Age | Inde-pendence | Number of directorships in listed companies (excluding Edenred) | Audit and Risks Committee | Compensation and Appointments Committee | Commitments Committee | Date first elected | End of current term | Attendance at the 7 Board meetings |
|---|---|---|---|---|---|---|---|---|---|
| Bertrand Dumazy | 45 | No | 0 | | | | 2015 | 2018 AGM | 100% |
| Jean-Paul Bailly | 70 | Yes | 2 | • | | • | 2010 | 2020 AGM | 86% |
| Anne Bouverot | 50 | Yes | 1 | • | | | 2010 | 2017 AGM | 71% |
| Philippe Citerne | 67 | Yes | 1 | • | • | | 2010 | 2017 AGM | 100% |
| Sylvia Coutinho | 55 | Yes | 0 | | | | 2016 | 2017 AGM | 100% |
| Gabriele Galateri di Genola | 70 | Yes | 2 | | • | | 2010 | 2018 AGM | 100% |
| Maëlle Gavet | 38 | Yes | 0 | | | | 2014 | 2018 AGM | 86% |
| Françoise Gri | 59 | Yes | 2 | | • | | 2010 | 2017 AGM | 86% |
| Jean-Romain Lhomme | 41 | No | 0 | • | | | 2013 | 2018 AGM | 100% |
| Bertrand Méheut | 65 | Yes | 3 | | | • | 2010 | 2020 AGM | 100% |
| Nadra Moussalem | 40 | No | 2 | | • | • | 2010 | 2020 AGM | 100% |

Each director's situation in relation to the independence criteria, defined in collaboration with the Compensation and Appointments Committee, is reviewed annually by the Board of Directors. As regards significant business relationships between directors and the Company, the Board of Directors noted again this year that none of the directors had any relationship of any kind whatsoever with the Company, its Group or the management of either that may color their judgment. Pursuant to the independence criteria approved by the Board of Directors, qualified independent directors cannot:

- have been at any time in the past five years an employee or a corporate officer of the Company, or an employee or director of its parent or a company that it consolidates;
- be a corporate officer of a company in which the corporation directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (current or in the past five years) holds a directorship;
- be a customer, supplier, investment banker or commercial banker:
  - that is material for the Company or its Group, or
  - for which the Company or its Group represents a material proportion of the activity;
- have any close family ties with a corporate officer;
- have been a Statutory Auditor of the Company at any time in the last five years;
- have been a director of the Company for more than twelve years;
- be or represent a shareholder owning more than 10% of the capital or voting rights of the Company.

The Board of Directors reserves the right not to classify certain directors as independent in particular circumstances.

The table below summarizes these independence criteria for each director as of December 31, 2016:

| | Not an employee or corporate officer | No cross directorships | No business relationships | No family ties | Not an auditor or former auditor | Not a director for more than twelve years | Is not or does not represent a shareholder with 10%+ | Independent |
|---|---|---|---|---|---|---|---|---|
| Bertrand Dumazy | x | • | • | • | • | • | • | NO |
| Jean-Paul Bailly | • | • | • | • | • | • | • | YES |
| Anne Bouverot | • | • | • | • | • | • | • | YES |
| Philippe Citerne | • | • | • | • | • | • | • | YES |
| Sylvia Coutinho | • | • | • | • | • | • | • | YES |
| Gabriele Galateri di Genola | • | • | • | • | • | • | • | YES |
| Maëlle Gavet | • | • | • | • | • | • | • | YES |
| Françoise Gri | • | • | • | • | • | • | • | YES |
| Jean-Romain Lhomme | • | • | • | • | • | • | • | NO |
| Bertrand Méheut | • | • | • | • | • | • | • | YES |
| Nadra Moussalem | • | • | • | • | • | • | x | NO |

As of December 31, 2016, the membership of the Board of Directors was as follows:

## Jean-Paul Bailly

**Date of birth:**
November 29, 1946

**Nationality:**
French

**Business address:**
38 rue Gay Lussac, 75005 Paris, France

**First elected:**
June 29, 2010

**Re-elected:**
May 4, 2016

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2019

**Number of Edenred shares held at December 31, 2016:**
607

**Main position:**
Former Chairman of RATP and Honorary Chairman of La Poste Group.

**Experience and expertise:**
A graduate of École Polytechnique and the Massachusetts Institute of Technology, Jean-Paul Bailly has held various positions with the Paris Transit Authority (RATP), including Manager of the Paris Metro and RER suburban rail system, Human Resources Director, Deputy Chief Executive Officer and then Chairman and Chief Executive Officer. He was Chairman of the French Post Office (La Poste Group) from 2002 to 2013 and Chairman of the Supervisory Board of La Banque Postale from 2006 to 2013. Since then, he has been Honorary President of La Poste Group.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**
- Director – Accor SA *(listed company)* – France
- Chairman of the Supervisory Board – Europcar *(listed company)* – France

**Former directorships and positions held in the past five years**
- Director – Sopassure SA
- Director – CNP Assurances SA *(listed company)*
- Director – Poste Immo SA – Permanent representative of La Poste
- Director – Geopost SA – Permanent representative of La Poste
- Director – Sofipost SA – Permanent representative of La Poste
- Chairman and Chief Executive Officer – La Poste SA
- Chairman of the Supervisory Board – La Banque Postale SA
- Member of the Supervisory Board – La Banque Postale Asset Management SA

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Anne Bouverot

**Date of birth:**
March 23, 1966

**Nationality:**
French

**Business address:**
11, boulevard Galliéni, 92445 Issy-les-Moulineaux Cedex, France

**First elected:**
June 29, 2010

**Re-elected:**
May 24, 2013

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2016

**Number of Edenred shares held at December 31, 2016:**
1,012

**Main position:**
CEO of Safran Identity & Security

**Experience and expertise:**
A graduate of École Normale Supérieure and of Télécom Paris, Anne Bouverot was the Presales Operations Manager of Global One from 1996 to 2002. In August 2004, she became Chief of Staff for the Chief Executive Officer of Orange Group and then, in November 2006, Executive Vice-President, International Business Development, at France Telecom. She has also been a director of Groupama SA since October 2008. In September 2011, she became Director General and Member of the Board of GSMA, the international association of mobile network operators. She became CEO of Safran Identity & Security (ex Morpho) in 2015.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**

- Director – CapGemini SA *(listed company)* – France
- Chair & CEO – Safran Identity & Security – France
- Chairman and Managing Director – MorphoTrak, LLC – United States
- Chairman of the Board – Morpho Detection International, LLC – United States
- Director – Morpho Detection, LLC – United States
- Member of the Supervisory Board – Morpho Cards GmbH – Germany
- Chairman – Morpho USA, Inc. – United States
- Corporate Secretary – CICS – Conseil des Industries, de la Confiance et de la Sécurité – France

**Former directorships and positions held in the past five years**

- Director – Orange SA *(listed company)*
- Director – Groupama SA *(listed company)*
- Chairman – France Telecom North America
- Member of the Board of Directors – GSMA *(international association of mobile network operators) – Permanent representative of France Telecom Orange*
- Member of the Scientific Advisory Board – France Telecom Orange SA *(listed company)*
- *Director General – GSMA SV – Switzerland*
- *Member of the Board of Directors – GSMA Ltd – United States*

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Philippe Citerne

**Date of birth:**
April 14, 1949

**Nationality:**
French

**Business address:**
Bain & Cy, 50, avenue Montaigne, 75008, Paris, France

**First elected:**
June 29, 2010

**Re-elected:**
May 24, 2013

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2016

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Vice-Chairman of the Board of Directors, Edenred

**Experience and expertise:**
After graduating from École Centrale de Paris and holding a number of positions in the French Finance Ministry, Philippe Citerne joined Société Générale in 1979, where he served as Vice-President of Economic Research, Vice-President Finance and Vice-President Human Relations, prior to becoming Director, Deputy Chief Executive Officer and Chief Operating Officer from 1997 to April 2009. He was Vice-Chairman of the Board of Directors of Accor until July 2016 then he has been designated as Board observer. He is currently Vice-Chairman of the Edenred Board of Directors.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**

- *Observer – Accor SA (listed company) – France*
- *Member of the Supervisory Board – Lendix – France*
- *Director – MK2 – France*
- *Chairman – C2.0 – France*
- *Chairman – Filcico – France*
- *Chairman – Inverewe Capital – Ireland*
- *Non-executive Chairman – Telecom & Management SudParis (research institute) – France*

**Former directorships and positions held in the past five years**

- Director – Sopra Group SA *(listed company)*
- Director – Rosbank
- Director – Rexecode
- Chairman of the Board of Directors – Accor SA *(listed company)*
- Deputy Chief Executive Officer – Société Générale SA *(listed company)*
- Member of the Supervisory Board – Deposit guarantee fund – Representative of Société Générale
- Chairman – Systèmes Technologiques d'Échanges et de Traitement (STET)

## Sylvia Coutinho

**Date of birth:**
December 1, 1961

**Nationality:**
Brazilian

**Business address:**
Av. Faria Lima 4440-9 andar, São Paulo (Brazil),

**First elected:**
March 23, 2016

**Re-elected:**
n/a

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2016

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
CEO of UBS Group Brazil

**Experience and expertise:**
Sylvia Coutinho holds a degree in engineering and a post-graduate degree in economics from the University of São Paulo, as well as an MBA from Columbia University in New York. She started her career in 1984 at the banking group Citigroup, where she held several high-responsibility positions in Brazil and the United States. In 2003, she joined HSBC where she held senior positions in the wealth and asset management divisions, and notably became Head of Retail Banking and Wealth Management for Latin America and Head of Global Asset Management for the Americas.

Since 2013, Sylvia Coutinho serves as the Country Head of the banking group UBS in Brazil and heads UBS' Brazilian Executive Committee.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**

- Chief Executive Officer – UBS Group Brazil – Brazil

**Former directorships and positions held in the past five years**

- Regional Director – HSBC Bank

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Bertrand Dumazy

**Date of birth:**
July 10, 1971

**Nationality:**
French

**Business address:**
Edenred SA 166-180, boulevard Gabriel Péri, 92240 Malakoff, France.

**First elected:**
October 26, 2015

**Re-elected:**
n/a

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2017

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Chairman and Chief Executive Officer, Edenred SA

**Experience and expertise:**
Bertrand Dumazy is a graduate of ESCP Europe with an MBA from Harvard Business School. He started his career in 1994 as a consultant with Bain & Company, first in Paris and later in Los Angeles. He then worked as an Investment Director of BC Partners in 1999 before founding Constructeo. In 2002, he joined the Neopost group. Initially head of Marketing and Strategy, he was appointed Chairman and Chief Executive Officer of Neopost France in 2005 and then Chief Financial Officer for the Neopost group in 2008. In 2011, he became President and CEO of Deutsch, a world leader in high performance connectors, *a* position he held until the group was acquired by TE Connectivity. In 2012, he joined Materis as Executive Vice-President then CEO and eventually President and CEO of Cromology. In October 2015, he was appointed Chairman and CEO of the Edenred Group. He also became the Chairman of the Supervisory Board of UTA in November 2015.

**Independent with regard to AFEP-MEDEF Code:** No

**Directorships and positions held as of December 31, 2016**
- Chairman and Chief Executive Officer – Edenred SA – France
- *Chairman of the Supervisory Board – Union Tank Eckstein GmbH & Co. KG – Germany*
- *Chairman – PWCE Participations SAS – France*
- *Director – Terreal SAS – France*

**Former directorships and positions held in the past five years**
- President – Cromology (formerly Materis Paints)
- President – Cromology (formerly Materis Peintures)
- President – Materis SAS
- President – Materis Corporate Services
- Chairman of the Board of Directors – Cromology SL (formerly Materis Paint Espana SL) – Permanent Representive of Cromology Services
- Chairman of the Board of Directors – International Coating Products (UK) Limited
- Director – Vernis Claessens
- Director – Cromology Italia S.p.A (formerly Materis Paints Italia S.p.A)
- Director – Innovcoat Nanoteknolojik Boya Ve Yüsey Urunleri Sanayi Ticaret Ve Arge A.S

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Gabriele Galateri di Genola

**Date of birth:**
January 11, 1947

**Nationality:**
Italian

**Business address:**
Piazza Cordusio 2, 20123
Milan, Italy

**First elected:**
June 29, 2010

**Re-elected:**
May 13, 2014

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2017

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Chairman of Assicurazioni Generali S.p.A.

**Experience and expertise:**
Gabriele Galateri di Genola, who has an MBA from Columbia University (New York), held various positions at Saint-Gobain, then at Fiat beginning in 1977. He was appointed Chief Executive Officer of IFIL in 1986 and General Manager of IFI in 1993. He was Chairman of Mediobanca until June 2007, then Chairman of Telecom Italia SpA until 2011. He then became Chairman of Generali Group.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**
- Chairman – *Assicurazioni Generali SpA (listed company) – Italy*
- Chairman – *Istituto Italiano di Tecnologia (IIT) – Italy*
- Director – *Accor Hospitality Italia Srl – Italy*
- Director – *Lavazza SpA – Italy*
- Director – *FAI – Fondo per l'Ambiente Italiano – Italy*
- Director – *Assonime – Italy*
- Director – *Moncler Italia SpA (listed company) – Italy*
- Member of the General Board and Executive Committee – *Fondazione Giorgio Cini – Italy*
- Member of the Management Board – *Associazione De Sono* – Italy
- Member of the International Advisory Board – *Columbia Business School – United States*
- Member of the International Advisory Board – *Bank of America Merrill Lynch – United States*
- Member of the International Advisory Board – *Temasek – Singapore*

**Former directorships and positions held in the past five years**
- Director – Italmobiliare SpA *(listed company)*
- Director – Azimut – Benetti SpA
- Director – Saipem SpA *(listed company)*
- Director – Accor SA *(listed company)*
- Director – Fondazione Rosselli
- Director – Banca Esperia SpA
- Director – Istituto Europeo di Oncologia (IEO)
- Director – Fondazione Nuovi Mecenati
- Director – Fondazione Ravello
- Director – Fiera di Genova SpA
- Director – Utet SpA
- Director – Fondazione R&I
- Director – Cassa di Risparmio di Savigliano (CRS)
- Director – Banca Carige *(listed company)*
- Director – Fondazione Ravello
- Director – Fondazione Santa Cecilia
- Director – TIM Participaçoes SA
- Director – Confindustria
- Member of the Central Advisory Board – Commerzbank AG
- Chairman – TIM Brazil S&P SA *(listed company)*
- Chairman – TIM Participacoes SA
- Chairman – Telecom Italia SpA *(listed company)*
- Vice-Chairman – RCS Mediagroup SpA *(listed company)*
- Member of the Supervisory Board – San Faustin NV
- Member of the Compensation Committee – TIM Participaçoes SA
- Member of the Management and/or Executive Board – Confindustria
- Member of the Management and/or Executive Board – Unione Industriali Napoli – Vice-Chairman of the Banda Larga Project
- Member of the Management and/or Executive Board – Assolombarda

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Maëlle Gavet

**Date of birth:**
May 22, 1978

**Nationality:**
French

**Business address:**
Edenred SA 166-180 boulevard Gabriel Péri, 92240 Malakoff, France

**First elected:**
May 13, 2014

**Re-elected:**
n/a

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2017

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Chief Operating Officer of Compass
*(since January 2017)*

**Experience and expertise:**
A graduate of La Sorbonne University, École Normale Supérieure de Fontenay-Saint-Cloud and IEP de Paris, in 2001 Maëlle Gavet set up Predstavitelskij.dom, a Russian corporate events company, before joining the Boston Consulting Group as a partner in 2003. In 2010, she joined Ozon.ru as Sales and Marketing Director, becoming Chief Executive Officer in April 2011. In 2015, she was appointed Executive Vice-President of Global Operations for Priceline Group and became Chief Operating Officer of Compass in January 2017.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**
- Executive Vice-President of Global operations – *Priceline Group – Netherlands*
- Chief Executive Officer – *Ozon Holdings – Russia*

**Former directorships and positions held in the past five years**
- Chief Executive Officer – LLC Internet Solutions (Ozon.ru)
- Partner – The Boston Consulting Group

## Françoise Gri

**Date of birth:**
December 21, 1957

**Nationality:**
French

**Business address:**
Edenred SA 166-180, boulevard Gabriel Péri, 92240 Malakoff, France.

**First elected:**
June 29, 2010

**Re-elected:**
May 24, 2013

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2016

**Number of Edenred shares held at December 31, 2016:**
1,947

**Main position:**
CEO of Françoise Gri Conseil

**Experience and expertise:**
A graduate of Ensimag, Françoise Gri joined the IBM Group in 1981. She was appointed Director of the E-business Solutions Marketing and Sales division of IBM EMEA in 1996, and then Director of Sales Operations for IBM EMEA in 2000. After serving as Chairman and Chief Executive Officer of IBM France from 2001 to 2007, Françoise Gri was Chairman of ManpowerGroup France and Southern Europe from 2007 to 2012, before joining the Pierre & Vacances Center Parcs group in 2013, then serving as Chief Executive Officer until 2014. In 2015, she became CEO of Françoise Gri Conseil and in 2016 she was Chairman of the Board of Directors of Viadeo.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**
- Chairman – Françoise Gri Conseil
- Director – Crédit Agricole SA *(listed company)* – France
- Director – *WNS Services (listed company, NYSE) – India*
- Director – 21 Centrale Partners – France

**Former directorships and positions held in the past five years**
- Chairman of the Board of Directors – Viadeo
- Director – STX Europe
- Chief Executive Officer – Pierre & Vacances Center-Parcs *(listed company)*
- Member of the Supervisory Board – Rexel *(listed company)*
- Member of the Ethics Committee – *MEDEF*
- Member – *High Corporate Governance Committee*
- Member – *Institut Français du Tourisme*

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Jean-Romain Lhomme

**Date of birth:**
August 22, 1975

**Nationality:**
French

**Business address:**
Edenred SA 166-180 boulevard Gabriel Péri, 92240 Malakoff, France

**First elected:**
October 3, 2013

**Re-elected:**
May 13, 2014

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2017

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Co-Founder PJX10

**Experience and expertise:**
Jean-Romain Lhomme graduated with a degree in business administration and finance from HEC Business School in Paris and minored in international business at ESADE (Barcelona). He started his career as an analyst in New York and Brazil for the Latin American privatization team of Paribas and for Mercer Management Consulting (Oliver Wyman) as an analyst in Paris. He then worked for the Strategic Director of PPR, mostly focusing on acquisitions and new retail formats. He joined Colony Capital in 2000 where, until 2015, he was Principal and Co-Head of Colony Capital Europe, responsible for the identification, evaluation, consummation and management of new European investments. Jean-Romain Lhomme is currently Co-Founder of PJX10.

**Independent:** No

**Directorships and positions held as of December 31, 2016**

- Legal Manager – *Lake Invest Sarl – Luxembourg*
- Legal Manager – *Des Garçons SCI – France*
- Director (since January 9, 2017) – *BrickVest Ltd. – United Kingdom*

**Former directorships and positions held in the past five years**

- Member of the Supervisory Board – Colfilm SAS
- Director – Holding Sports & Événements SAS
- Legal Manager – Colony Luxembourg Sarl
- Legal Manager – Fair Sponsors Sarl
- Legal Manager – Fair Zero Sarl
- Legal Manager – New Finco
- Legal Manager – 30GV Genpar
- Legal Manager – 30GV Master Genpar I
- Legal Manager – 30GV Master Genpar II
- Legal Manager – ColMassyRedLux Genpar
- Chief Executive Officer – Colony Capital SAS
- Director – Sisters Soparfi SA
- Director – Colwine Sarl
- Director – Clinique de Carouge CMCC SA
- Director – Permanence de la Clinique de Carouge
- Director – La Tour Sarl
- Director – La Tour Réseau de Soins
- Director – Château Lascombes SA
- Chairman of the Board of Directors – Château Lascombes SA
- Chairman of the Supervisory Board – BUT SAS
- Chairman of the Supervisory Board – Decomeubles Partners SAS
- Legal Manager – Fair Finance Sarl
- Legal Manager – Fair Partners Sarl
- Director – CDSR Burlington House Developments Limited
- Director and CEO – Colyzeo Investment Management

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Bertrand Méheut

**Date of birth:**
September 22, 1951

**Nationality:**
French

**Business address:**
166-180 boulevard Gabriel Péri, 92240 Malakoff, France

**First elected:**
June 29, 2010

**Re-elected:**
May 4, 2016

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2019

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Director of companies

**Experience and expertise:**
A graduate of École des Mines de Paris, Bertrand Meheut spent most of his career with Rhône-Poulenc and later Aventis CropScience, serving as Deputy Chief Operating Officer, Europe, in charge of corporate services for the "Agro" division, and then successively as Chief Executive Officer of the German subsidiary, Deputy Chief Executive Officer of Rhône-Poulenc Agro and Executive Vice-President and Chief Operating Officer Europe. Following the merger of Rhône-Poulenc and Hoechst to form Aventis, Bertrand Meheut was appointed Chief Executive Officer of Aventis CropScience. He joined Canal+ group in 2002 and was Chairman of the Executive Board until 2015. He now holds directorships with several companies.

**Independent with regard to AFEP-MEDEF Code:** Yes

**Directorships and positions held as of December 31, 2016**
- Director – Accor SA *(listed company)* – France
- Director – Pierre & Vacances Group *(listed company)* – France
- Director – Aquarelle.com – France
- Vice-Chairman of the Board of Directors – SFR Group (listed company) – France

**Former directorships and positions held in the past five years**
- Director – SFR
- Canal+ Finance SA – Permanent representative of Canal+ group
- Director – Sport+ SA – Permanent representative of Canal+ group
- Director – Cinémathèque
- Chairman of the Board of Directors – Société d'Édition de Canal Plus SA *(listed company)*
- Chairman of the Board of Directors – Canal+ International Development SA
- Chairman of the Executive Board – Canal+ France SA
- Chairman of the Executive Board – Canal+ group
- Member of the Executive Board – Vivendi SA *(listed company)*
- Chairman of the Management Board – Canal+ Régie SA
- Chairman of the Management Board – Canal+ Overseas SAS
- Chairman – Kiosque Sport SAS
- Chairman – Canal+ Régie SAS
- Co-Legal Manager – Canal+ Éditions SNC – Permanent representative of Canal+ group
- Managing Partner – Kiosque SNC – Permanent representative of Canal+ France SA
- Chairman of the Supervisory Board – Studio Canal SA
- Member of the Supervisory Board – TVN

*Directorships shown in italics do not fall within Article L.225-21 of the French Commercial Code on multiple directorships.*

## Nadra Moussalem

**Date of birth:**
July 4, 1976

**Nationality:**
French

**Business address:**
6, rue Christophe Colomb,
75008 Paris, France

**First elected:**
June 29, 2010

**Re-elected:**
May 4, 2016

**Current term ends:**
Shareholders Meeting to approve the financial statements for the year ended December 31, 2019

**Number of Edenred shares held at December 31, 2016:**
500

**Main position:**
Chairman of Colony Capital SAS

**Experience and expertise:**
A graduate of École Centrale de Lyon with a Master's degree in Information and Information Technology, Nadra Moussalem is Colony Capital Executive Director, head of Europe, responsible for identifying, assessing, executing and monitoring the fund's European investments. Before joining Colony Capital in 2000, he worked in the financial engineering department of Axa Conseil in Paris. He acted as Chairman and Chief Executive Officer of Edenred during the transition period from August 1, 2015 to October 25, 2015.

**Independent with regard to AFEP-MEDEF Code:** No

**Directorships and positions held as of December 31, 2016**

- Director – Accor SA *(listed company)* – France
- Director – Carrefour *(listed company)* – France
- Director – Carmila – France
- Chairman – *Colony Capital SAS – France*
- Chairman – *Data IV France – France*
- Chairman – *Data IV Services – France*
- Chairman – *DC115 SAS – France*
- Chairman – *Holding Sports & Evenements – France*
- Chairman – *Colfilm SAS – France*
- Chairman – *Collilkirsh France SAS – France*
- Chairman – *Colkart SAS – France*
- Chairman – *Data 4 Italy – Italy*
- Chairman – *Data 4 Services Italy – Italy*
- Chief Executive Officer – *Colspa SAS – France*
- Legal Manager – *ColEvreux SCI – France*
- Legal Manager – *Colnîmes SARL* – France
- Legal Manager – *ColNozay EURL – France*
- Legal Manager – *Colnozay SCI* – France
- Director – *Colyzeo Investment Management – United Kingdom*
- Director – *Colyzeo Investment Advisors Limited – United Kingdom*

**Former directorships and positions held in the past five years**

- Chairman and Chief Executive – Edenred SA (from August 1, to October 25, 2015)
- Officer Director – Sisters Soparfi SA
- Officer Director – Distribuidora Internacional de Alimentación SA *(listed company)*
- Chairman – Collilkirsh
- Director – Data 4 UK Limited
- Director – Data 4 UK Services Limited
- Legal Manager – Cedar Trust
- Legal Manager – CT Real Estate
- Legal Manager – *SC 30GV 301*
- Legal Manager – SC 30GV 302
- Legal Manager – *Data Genpar Sarl*

### 5.2.1.3 Changes in the membership of the Board of Directors in 2016

The table below shows changes in the membership of the Board of Directors during 2016:

| Date of the change | Director concerned | Change |
|---|---|---|
| March 23, 2016 | Sylvia Coutinho | Co-opted as new Director |

### 5.2.1.4 Absence of conflicts of interest

There are no family relationships between the members of the Board of Directors.

No loans or guarantees have been granted or issued by the Company in favor of any member of the Board of Directors. No assets that are necessary for the conduct of the Company's business are owned by a director or a member of his or her family.

There are no potential conflicts of interests between any duties to Edenred of the members of the Company's administrative, management or supervisory bodies or the members of senior management and their private interests.

To the best of the Company's knowledge, in the past five years:

- no director has been convicted of any fraudulent offence;
- no director has been associated with any bankruptcy, receivership or liquidation;
- no director has been the subject of any official public incrimination and/or sanction by any statutory or regulatory authority;
- no director has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

### 5.2.1.5 Members of the Executive Committee

The members of the Executive Committee are:

**Bertrand Dumazy**
Chairman and Chief Executive Officer

**Patrick Bataillard**
Executive Vice President, Finance

**Gilles Coccoli**
Chief Operating Officer, Brazil

**Philippe Dufour**
Executive Vice President, Alternative Investments

**Antoine Dumurgier**
Chief Operating Officer, Expense Management

**Elie du Pré de Saint Maur**
Executive Vice President, Marketing and Strategy and Chief Operating Officer, Corporate Payment

**Arnaud Erulin**
Chief Operating Officer, Northern Europe, Central Europe, France and Belgium

**Diego Frutos**
Chief Operating Officer, Hispanic and North America

**Graziella Gavezotti**
Chief Operating Officer, Southern Europe

**Laurent Pellet**
Chief Operating Officer, Asia-Pacific and Middle East

**Philippe Relland-Bernard**
Executive Vice President, Legal and Regulatory Affairs

**Jeanne Renard**
Executive Vice President, Human Resources and Corporate Social Responsibility

**Konstantinos Voyiatzis**
Executive Vice President, Technology and Strategic Information Systems

## 5.2.2 PRACTICES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

### 5.2.2.1 Practices and powers of the Board of Directors

#### Membership of the Board of Directors (Article 12 of the bylaws)

The Company is administered by the Board of Directors with at least three and no more than eighteen members, except where otherwise permitted pursuant to the law, particularly following a merger.

The age limit for holding office as a director is 75. Directors who reach the age of 75 are deemed to have automatically resigned at the close of the first Shareholders Meeting held after their 75th birthday.

In addition, no more than one third of the Board members may be aged over 70.

These age limits also apply to the permanent representatives of Corporate Directors.

If, as a result of a director reaching the age of 70, the one-third proportion referred to above is exceeded, the oldest director will be deemed to have automatically resigned with immediate effect.

Directors are elected on the basis prescribed by law by ordinary resolution of the Shareholders Meeting, for a four-year term. They may be re-elected.

Exceptionally, shareholders may decide to elect one or more directors for a term of less than four years so that Board members retire by rotation.

If one or more seats on the Board become vacant, the Board of Directors may provisionally appoint directors to fill said seats, subject to ratification at the next Ordinary Shareholders Meeting, on the basis prescribed by law.

A decision by shareholders not to ratify the appointment would not invalidate the Board's decisions and actions during the period up to said meeting.

Directors are appointed by the Board to fill a vacant seat for the remainder of the previous director's term.

For as long as the Company's shares are traded on a regulated market, each director is required to hold 500 Edenred registered shares.

#### Powers of the Board of Directors (Article 13 of the bylaws)

The Board of Directors decides the Company's strategy and oversees its implementation. It examines all issues relating to the efficient conduct of the business and makes all decisions concerning the Company, within the limits of the corporate purpose and except for those decisions that, by law, can only be made by shareholders at the Shareholders Meeting.

In addition to those matters which, by law, require the Board's prior authorization, the Board of Directors' Internal Regulations list the decisions of the Chief Executive Officer or the Chief Operating Officers that can only be made with the Board's authorization (see section 5.2.2.2).

The Board of Directors may decide to issue bonds in accordance with the provisions of the law, and may give a one-year authorization to one or several of its members, or to the Chief Executive Officer or, with the latter's agreement, to one or more Chief Operating Officers, to carry out bond issues and set the related terms and conditions on the Board's behalf.

The Board of Directors may assign specific permanent or temporary responsibilities to one or more of its members or to any person outside the Board.

The Board of Directors may decide to set up committees tasked with examining issues submitted to them by the Board or its Chairman.

These committees report to the Board, which decides on their membership and terms of reference.

On June 29, 2010, the Board set up an Audit and Risks Committee, a Commitments Committee and a Compensation and Appointments Committee (see section 5.2.2.5, page 121) whose practices are described in the Board of Directors' Internal Regulations.

#### Quorum and majority (Article 15 of the bylaws)

The Board of Directors can validly conduct business provided that at least half of its members are present.

Directors who participate in meetings by videoconference or any other appropriate telecommunication system on the basis allowed by the applicable laws and regulations may be taken into account in the calculation of the quorum and voting majority, by decision of the Board.

Directors may give proxy to another director, in writing, to represent them at a Board meeting, provided that no director may represent more than one fellow director at any given meeting.

Decisions of the Board are made by a majority vote of the directors present or represented.

In the case of a split decision, the Chairman has the casting vote.

#### Decisions of the Board of Directors (Article 15 of the bylaws)

The Board of Directors meets as frequently as necessary in the Company's interest. Meetings are called by the Chairman.

They are held at the Company's headquarters or at any other venue specified by the Chairman.

Meetings may be called by any method, including orally, by the Chairman, or by the Board Secretary at the Chairman's request.

Meetings may also be held at the request of at least one-third of the directors or the Chief Executive Officer, to discuss a specific agenda.

If the Chairman is unable to fulfill his duties, meetings may be called by the director appointed as acting Chairman or by the Vice-Chairman (or one of the Vice-Chairmen) or by the Chief Executive Officer if he sits on the Board.

Meetings are chaired by the Chairman of the Board or, in his absence, by the Vice-Chairman (or one of the Vice-Chairmen) or by any other director designated by the Board.

The Chief Executive Officer, the Chief Operating Officer, other members of management, the members of the Strategy and Development Department, the Statutory Auditors or any other person with specific knowledge of the matters concerned may be invited by the Chairman to attend all or part of a Board meeting.

Directors and all other persons invited to attend Board meetings are required to treat all information disclosed during the meeting as strictly confidential and generally act with discretion.

### 5.2.2.2 Internal Regulations of the Board of Directors

The Internal Regulations specify the Board's organizational and operational framework, as well as the powers and responsibilities of the Board and the Committees of the Board (see section 5.2.2.5 "Committees of the Board of Directors", page 121, for a description of these committees).

#### Membership of the Board of Directors (Article I.1 of the Board of Directors' Internal Regulations)

At least half of the directors on the Board of Directors must be independent within the meaning of the criteria set forth in the AFEP-MEDEF Corporate Governance Code.

#### Board meetings (Article I.2 of the Board of Directors' Internal Regulations)

The Board of Directors meets as frequently as necessary in the Company's interest at the call of its Chairman. It generally holds at least five meetings a year, including one to review the budget and one to conduct a strategic review of the Group's operations. The proposed dates of each year's meetings are sent to the directors no later than November 30 of the previous year. Meetings can be called by mail, e-mail or fax or verbally by the Board's Secretary.

Part of at least one meeting a year is devoted to assessing the Board's efficiency and effectiveness, to identify possible areas for improvement. In addition, the Board of Directors conducts a formal self-assessment at least once every three years.

In accordance with Article 15 of the Company's bylaws, for the purpose of calculating the quorum and voting majority, directors who take part in meetings by any method that allows them to be identified and to take an active part in the discussion are considered as being physically present, in accordance with the applicable laws and regulations.

#### Information given to the Board (Article I.3 of the Board of Directors' Internal Regulations)

The directors are provided with all the information they consider necessary to fulfill their duties.

Before each meeting, directors are sent a meeting file containing background information on all agenda items that need to be examined in advance, unless this is impossible for confidentiality or practical reasons.

The Board is informed on a regular basis of the financial position, cash position and commitments of the Company and the Group, as well as the main policies in the areas of Human Resources, organization and information systems, and discusses these matters and policies at periodic intervals. The Board is also informed on a regular basis of the Company's financial communications strategy. Presentations commented by the Group's senior management may be held and additional documents may be provided, if necessary.

In addition, the directors are kept regularly informed between meetings of all significant events and transactions in the life of the Group. In particular, they receive copies of all press releases issued by the Company as well as a periodic summary of financial analysts' research reports on the Group and, when necessary, the actual reports.

The directors can ask the Chairman or the Chief Executive Officer for copies of any additional documents that they consider necessary to make an informed contribution to Board discussions. The Chairman or the Chief Executive Officer may ask the Board for its opinion before supplying the documents concerned.

The directors can also ask the Chairman or the Chief Executive Officer to arrange for them to meet with members of senior management, with or without the Executive Director being present.

#### Restrictions on Executive Management's powers (Article I.4 of the Board of Directors' Internal Regulations)

The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations, including matters requiring the Board's prior authorization under the law, particularly Articles L.225-35 and L.225-38 of the French Commercial Code.

In addition, the Board of Directors:

**a)** reviews and approves the Group's overall strategy, at least once a year, in accordance with Article I.2 of the Board's Internal Regulations;

**b)** reviews the interim financial statements and approves the interim Management Report in accordance with Article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*);

**c)** automatically authorizes in advance the following decisions and transactions:

- any financial commitments of the Company or a Group company (defined as commitments related to the purchase or sale of business units, assets or majority or minority interests in non-Group companies, direct investments, lease commitments, loans, advances, capital increases in non-controlled entities, and bilateral or syndicated bank loans) in excess of €50 million. However, the Chairman and Chief Executive Officer may contract (i) bank loans for up to €250 million provided that the loan fits in with the Group's Board-approved financing strategy and (ii) bank loans due in less than one year, whatever the amount borrowed, without the Board's specific prior authorization,
- any transactions affecting the Group's strategy or business scope or not in line with the Company's stated strategy;

**d)** sets, each year, the total amount up to which the Chief Executive Officer is authorized to issue undertakings, avals and guarantees, which may not exceed €250 million per year.

### Vice-Chairman of the Board of Directors and lead independent director (Article I.5 of the Board of Directors' Internal Regulations)

Article 14 of the Company's bylaws allows for the appointment by the Board of one or two Vice-Chairmen to lead Board meetings in the Chairman's absence.

Under Article I.5 of the Board of Directors' Internal Regulations, the Vice-Chairman or Vice-Chairmen are appointed for their term as director.

The Vice-Chairman may also serve as lead independent director. In this case, the Vice-Chairman/lead independent director must qualify as an independent director in accordance with the criteria disclosed by the Company.

A Vice-Chairman must be appointed if the Chairman is also the Chief Executive Officer, in which case the Vice-Chairman will also serve as lead independent director.

### Independent directors (section III of the Board of Directors' Internal Regulations)

According to section III of the Internal Regulations, qualification as independent director is discussed every year by the Compensation and Appointments Committee, which submits a report to the Board of Directors. Each director's situation in relation to the independence criteria is reviewed annually by the Board of Directors based on this report.

The Board of Directors must disclose the conclusions of the assessment to shareholders in the Annual Report, indicating that it carefully examined whether the directors had any significant business relationships with the Company and the criteria which were adopted to reach these conclusions.

The definition and independence criteria are set in accordance with the AFEP-MEDEF Corporate Governance Code.

The Board of Directors may decide that a director meeting these criteria does not qualify as independent given his or her situation or the Company's situation due to its shareholding structure or for any other reason. Conversely, the Board of Directors may decide that a director who does not meet these criteria is independent.

## 5.2.2.3 Chairman of the Board of Directors

### Appointment of the Chairman of the Board of Directors (Article 14 of the bylaws)

The Board of Directors elects one of its members to serve as Chairman, for the duration of his or her term as director. The Chairman may be re-elected to this position.

The age limit for holding office as Chairman is 70. If the Chairman reaches the age of 70 during his or her term, he or she is deemed to have automatically resigned from this position at the close of the first Shareholders Meeting held after his or her 70th birthday.

### Role and responsibilities of the Chairman of the Board of Directors (Article 14 of the bylaws)

The Chairman's role and responsibilities are specified in the applicable laws and the Company's bylaws.

He or she chairs meetings of the Board of Directors, organizes and leads the work of the Board, and reports to shareholders on the Board's work at General Meetings.

He or she also ensures that the Company's administrative, management and supervisory bodies function efficiently and that the directors are in a position to fulfill their duties.

The Chairman chairs Shareholders Meetings and prepares the reports to shareholders required by law. The Board of Directors may decide to combine the functions of Chairman and Chief Executive Officer, either when the Chairman is appointed or subsequently, in which case the provisions of the law and the Company's bylaws applicable to the Chief Executive Officer also apply to the Chairman.

### 5.2.2.4 Executive Management

#### Organization of Executive Management (Article 17 of the bylaws)

In accordance with the law, the Company is managed by and under the responsibility of the Chairman and Chief Executive Officer or by a Chief Executive Officer appointed by the Board.

The decision to separate or combine the positions of Chairman and Chief Executive Officer is made by a majority vote of the directors present or represented at the relevant Board meeting.

At the Board's discretion, this decision may apply until such time as the Board decides otherwise, by a majority vote of the directors present or represented at the meeting.

If the Chairman of the Board is also the Chief Executive Officer, the following provisions of the bylaws apply to the Chairman.

#### Appointment of the Chief Executive Officer (Article 18 of the bylaws)

When the Board of Directors chooses to separate the duties of Chairman and those of Chief Executive Officer, it appoints the Chief Executive Officer from among the directors or from outside the Board, it fixes the duration of his or her term of office, which cannot, should the case arise, exceed the term of his or her duties as director, it determines his or her compensation and, if necessary, the limits of his or her powers.

The age limit for holding office as a Chief Executive Officer is 65. If the Chief Executive Officer reaches the age of 65 during his or her term, he or she is deemed to have automatically resigned from this position at the close of the first Shareholders Meeting held after his or her 65th birthday.

#### Powers of the Chief Executive Officer (Article 18 of the bylaws)

The Chief Executive Officer has the broadest powers to act in all circumstances in the Company's name, within the limits of the corporate purpose and except for those powers that the law specifically attributes to the Shareholders Meeting or the Board of Directors.

He or she represents the Company in its dealings with third parties.

The actions of the Chief Executive Officer are binding on the Company, even when they fall outside the corporate purpose, unless the Company can prove that the third party knew or, under the circumstances, could not fail to be aware that this was the case. The fact that the bylaws have been published does not constitute adequate proof.

The Chief Executive Officer may be authorized by the Board to issue guarantees on the Company's behalf, up to a maximum amount specified by the Board. Any such authorization may not be given for a period of more than one year, whatever the duration of the guaranteed commitments.

The Chief Executive Officer and the Chief Operating Officers may delegate their authority to any persons of their choice, with or without the right of substitution, subject to the restrictions provided for by law.

#### Chief Operating Officers (Article 19 of the bylaws)

The Board of Directors may appoint up to five natural persons as Chief Operating Officers to assist the Chief Executive Officer, at the latter's request.

The age limit for holding office as a Chief Operating Officer is 65. If a Chief Operating Officer reaches the age of 65 during his or her term, he or she is deemed to have automatically resigned from this position at the close of the first Shareholders Meeting held after his or her 65$^{th}$ birthday.

The extent and duration of the Chief Operating Officers' powers is determined by the Board of Directors in agreement with the Chief Executive Officer.

However, in their dealings with third parties, the Chief Operating Officers have the same powers as the Chief Executive Officer.

If the position of Chief Executive Officer becomes vacant for whatever reason, the Chief Operating Officers continue to fulfill their duties and responsibilities until a new Chief Executive Officer is appointed, unless the Board of Directors decides otherwise.

### 5.2.2.5 Committees of the Board of Directors

The Board of Directors may decide to set up committees tasked with examining issues submitted to them by the Board or its Chairman. These committees report to the Board, which decides on their membership and terms of reference. There are currently three committees of the Board – the Audit and Risks Committee, the Commitments Committee and the Compensation and Appointments Committee. Their rules of procedure are included in the Board of Directors' Internal Regulations.

#### Audit and Risks Committee

##### Members

As of December 31, 2016, the members of the Audit and Risks Committee were Philippe Citerne, Jean-Paul Bailly, Anne Bouverot and Jean-Romain Lhomme.

The Committee's Chairman, Philippe Citerne, is an independent director. Three members on four are considered by the Board as being independent directors based on the criteria in the AFEP-MEDEF Corporate Governance Code. All of its members have expert knowledge of financial and accounting matters.

##### Terms of reference

The Audit and Risks Committee is responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include monitoring the process for the preparation of financial information and checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure. It assists the Board of Directors in ensuring that the financial statements of the Company and the Group, are accurate, fairly stated and reliable. The Committee makes proposals and recommendations to the Board in the areas described below. To this end, the Committee:

- reviews the interim and annual consolidated financial statements and the annual financial statements of the Company, prior to their examination by the Board of Directors. This includes assessing the follow-up of the systems whereby the accounts are drawn up and the validity of methods selected to account for material transactions;
- reviews the procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- reviews the scope of consolidation and the reasons for excluding any entities;
- reviews the Group's risk management policy and ensures that effective systems are in place;
- assesses the Group's risk exposures and material off-balance sheet commitments, as well as the effectiveness of the risk management system, and receives a copy of the Chief Financial Officer's detailed report on these matters;
- obtains assurance concerning the effectiveness of the Group's system of internal control by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and is provided with the results of the Internal Audits carried out since the last presentation;
- reviews the Statutory Auditors' audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditors' appointment is due to expire, oversees the Statutory Auditor selection procedure and reviews the proposals submitted by the various candidates, expresses an opinion on the proposed fee budgets for statutory audit work and makes recommendations to the Board of Directors on the choice of Statutory Auditor;
- ensures compliance with the rules governing the Statutory Auditors' independence;
- reviews the categories of additional audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- is informed, at the end of each year, of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees.

### Meetings

The Audit and Risks Committee meets at least three times a year and whenever necessary, including prior to Board meetings whose agenda includes matters within its purview. One meeting attended by the head of Internal Audit is devoted to reviewing the effectiveness of the internal control system.

The Committee may make regular enquiries of the directors, the Chief Executive Officer, the head of Internal Audit, the Statutory Auditors and the Group's senior management (*i.e.*, persons in charge of preparing the financial statements of the Company and the Group, risk management, internal control, legal and tax affairs, treasury and finance) without the Executive Director being present, after first notifying the Chairman of the Board or the Chief Executive Officer.

Calls to meeting are issued by the Committee Chairman and include the meeting agenda.

Meetings to review the interim and annual financial statements are held at least three days prior to the Board meeting called to approve the financial statements.

The members of the Audit and Risks Committee receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group.

The Chairman of the Board, the Chief Executive Officer, the Vice President, Finance, and the Statutory Auditors may be invited to attend Audit and Risks Committee meetings.

## Commitments Committee

### Members

As of December 31, 2016, the members of the Commitments Committee were Jean-Paul Bailly, Bertrand Meheut and Nadra Moussalem.

The Committee is chaired by Nadra Moussalem. Two-thirds of its members are considered by the Board as being independent directors based on the criteria in the AFEP-MEDEF Corporate Governance Code.

### Terms of reference

The Commitments Committee is responsible for preparing Board meetings and making recommendations to the Board on the following matters:

- any transactions that have a material impact on the Group's strategy or lead to a material change in the Group's business base (mainly entry in a new business or withdrawal from an existing business), whatever the amount of the commitment;
- mergers, demergers or asset transfers;
- changes to the Company's corporate purpose;
- any immediate or deferred financial commitments of the Company or a Group company representing more than €50 million per transaction. "Financial commitments" are defined as:
  - acquisitions or disposals of business units, assets or majority or minority interests in non-controlled entities within the meaning of Article L.233-3 I and II of the French Commercial Code by the Company or a Group company; in the latter case, the entity's enterprise value is used as a basis for determining the amount of the commitment,
  - any and all direct investments, for example for the creation of a business, business unit, subsidiary or expenditure on technological developments,
  - lease commitments, the amount of the commitment being measured on the basis of the market value of the leased asset,

- loans, advances or capital increases in non-controlled entities within the meaning of Article L.233-3 I and II of the French Commercial Code, by the Company or a Group company, and
- bilateral or syndicated borrowings (i) not consistent with or in compliance with the annual Group financing strategy as previously approved by the Board of Directors or (ii) in excess of €250 million. The Commitments Committee's prior approval is not required for borrowings due in less than one year, whatever the amount borrowed.

### Meetings

Meetings of the Committee may be called at any time, in writing or verbally, by the Committee Chairman.

The Commitments Committee meets whenever necessary, including prior to Board meetings whose agenda includes matters within its purview. The Committee's recommendations must be endorsed by the Board of Directors before the related commitments are entered into by the Group.

## Compensation and Appointments Committee

### Members

As of December 31, 2016, the Compensation and Appointments Committee members were Françoise Gri, Philippe Citerne, Gabriele Galateri di Genola and Nadra Moussalem.

The Committee is chaired by Françoise Gri, independent director. Three-quarters of its members are considered by the Board as being independent directors based on the criteria in the AFEP-MEDEF Corporate Governance Code.

The Executive Director cannot be a member of the Compensation and Appointments Committee. However, the Executive Director works with the Committee to review candidates for election as directors or the Executive Director's succession plan. The Executive Director also participates in the Committee's review of the compensation policy for members of the Group Executive Committee.

### Terms of reference

The Compensation and Appointments Committee's role is to prepare the Board of Directors' decisions on the determination of the Executive Director's compensation and benefits and the Group's policy with respect to stock option plans or performance share plans.

It also participates in preparing senior management succession plans. To this end, the Committee makes proposals and recommendations to the Board in the areas described below:

- regarding appointments, the Committee:
  - makes recommendations, in liaison with the Chief Executive Officer, regarding the appointment, termination and re-election of directors, the Chairman of the Board and the Vice-Chairman or Chairmen, and organizes the selection of candidates for election as directors so as to take into consideration the need for balance in the Board's membership and ensure that each candidate not only has the required capabilities but is also in a position to devote sufficient time to the Board's business. The objective is for directors to have the range of experience and skills necessary to enable the Board to carry out its duties effectively with the required objectivity and independence vis-à-vis both Executive Management and any given shareholder or group of shareholders,
  - expresses its opinion on the appointment or re-election of the members of the Audit and Risks Committee, the Chairman of the Audit and Risks Committee and the members of the other committees,
  - establishes a succession plan for the Executive Director, to be able to propose succession solutions to the Board of Directors in the event of an unforeseen vacancy,
  - proposes the qualification of independent director for the directors concerned, ensures compliance with the independence criteria within the meaning of the AFEP-MEDEF Corporate Governance Code, expresses an opinion on this issue, if appropriate, and advises the Chairman on the number of independent directors,
  - is informed of the succession plan concerning members of the Group's Executive Committee;
- regarding compensation and benefits, the Committee:
  - examines and makes recommendations on the Executive Director's short-term compensation (salary and bonus), medium- and long-term incentives such as performance shares and stock options, pension arrangements and all other in-kind benefits,
  - proposes and monitors the implementation of the rules for setting the Executive Director's bonus, while ensuring that the rules are consistent with the annual appraisal of the Executive Director's performance and with the Group's medium-term strategy,
  - expresses an opinion to the Board of Directors regarding the general stock option and performance share policy,
  - is informed of and expresses an opinion on the compensation policy for members of the Group Executive Committee,
  - issues a recommendation to the Board of Directors on the overall amount of directors' fees to be submitted to shareholders for approval. It makes proposals to the Board of Directors concerning the fee allocation rules and the individual amounts to be paid to each director based on their attendance at Board meetings and, where applicable, meetings of Committees of the Board,
  - reviews the policy regarding employee share issues and any such issues proposed by the Chief Executive Officer,
  - reviews liability insurance cover taken out by the Company on behalf of the Executive Director,
  - expresses an opinion on the information provided to the shareholders in the Annual Report regarding i) the Executive Director's compensation; ii) the principles and methods used to set such compensation, and iii) stock options or performance shares granted to the Executive Director.

#### Meetings

The Compensation and Appointments Committee meets at least twice a year and whenever necessary, including prior to Board meetings whose agenda includes matters within its purview. Calls to meetings are issued by the Committee Chairman and include the meeting agenda.

### 5.2.2.6 Director's Charter

Under Article 1.6 of the Board of Director's Internal Regulations, the Board of Directors, a collegial body, must act at all times in the Company's interest.

Directors perform their duties with loyalty and professionalism in accordance with the Director's Charter adopted by the Board of Directors at its meeting of June 29, 2010 to comply with the best practices of corporate governance. The Director's Charter, which describes the ethical principles applicable to directors, in accordance with the applicable laws and regulations and the Company's bylaws, applies to all directors regardless of whether they meet the independence criteria set out in the AFEP-MEDEF Corporate Governance Code.

#### Duty of due care

Directors must carry out their duties as they see fit in the best interests of the Company. They must be committed to constantly improving their knowledge of the Group and its businesses, and they have a duty of vigilance that includes reporting any problems of which they may become aware. They must devote the necessary time and attention to their duties as a director, making every effort to attend all meetings of the Committees to which they belong, meetings of the Board of Directors and Shareholders Meetings.

In addition to complying with the legal and regulatory provisions related to multiple directorships, directors must make sure that their duties as director of the Company are compatible with the directorships or positions that they hold in other companies, in particular as regards the workload. Directors are required to disclose periodically to the Company the directorships that they hold in any other company in order to enable the Company to comply with its statutory disclosure obligations in this regard.

#### Duty of information

Directors have a duty to request the information that they consider necessary to carry out their duties from the Company's management *via* the Chairman and Chief Executive Officer or the Board Secretary. They can ask the Chairman and Chief Executive Officer to arrange meetings for them with members of the Group's senior management, to be held with or without the Chairman and Chief Executive Officer being present.

When a new director takes up office, the Board Secretary provides him/her with an information pack containing the Company's bylaws, the Board of Directors' Internal Regulations, the Director's Charter, as well as the principal laws and regulations dealing with directors' responsibilities.

Directors may ask the Board Secretary at any time for explanations of the scope of these laws and regulations and their resulting rights and obligations.

#### Transparency and preventing conflicts of interests

Directors are expected to demonstrate a high level of independence in all circumstances, in terms of their analyses, judgments, decisions and actions.

They agree not to solicit or accept any benefit that would be likely to affect their independence.

Any director that is directly or indirectly in a position of a conflict of interest – even potentially – with respect to the interest of the Company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, must inform the Chairman and Chief Executive Officer or any individual designated by the Chairman and Chief Executive Officer. A director in a position of a conflict of interest may not take part in the discussion of the matter concerned or the related vote and may therefore be asked to leave the room while the discussion and vote are taking place.

When they are first elected and every year thereafter, no later than January 31, directors are required to disclose in writing all ties that they have with Group companies, their managers, suppliers, customers, partners or competitors. The disclosure document is sent to the Chairman and Chief Executive Officer with a copy to the Board Secretary.

#### Duty of discretion and confidentiality

Directors have a general duty of discretion and confidentiality in the interest of the Company. To that end, they undertake to treat as strictly confidential all non-public information to which they have access, and all matters discussed during meetings of the Board and any of its committees of which they are members, as well as the opinions expressed and the votes cast during the meetings.

In addition, except for the Chief Executive Officer and Chief Operating Officer, who are called upon to act as the Company's spokesperson, directors are required to liaise with the Chairman and Chief Executive Officer before engaging in any communications with the media on subjects that concern or may affect the Group, the Company, or its corporate governance structures.

### Trading in Company securities by the directors

Directors have access to inside information which, if made public, could affect the price of the Company's shares or any other securities issued by the Company. Consequently, in accordance with the applicable laws and regulations, directors must not:

- use inside information to trade in the Company's securities either directly or through an intermediary;
- knowingly allow a third party to carry out transactions in the Company's securities based on inside information;
- disclose inside information to third parties, deliberately or through indiscretion.

In addition, without prejudice to the laws and regulations on insider trading, periods known as "negative windows" are determined each year, during which directors may not trade in the Company's shares or any other securities issued by the Company (including exercising stock options), either directly or through an intermediary, even *via* the trading of derivatives. The negative windows correspond to (i) the 30 calendar days preceding the date of publication of the annual and interim consolidated financial statements, the day of publication and the following day, and (ii) the 15 calendar days preceding the date of publication of quarterly revenue figures, the day of publication and the following day.

Directors are given details of the negative windows each year by the Board Secretary. In addition, they are notified immediately by the Board Secretary of any specific negative windows that will apply due to financial or strategic transactions planned by the Group.

Directors may not hedge the risks of losses on their Company shares or stock options.

Directors are required to report to France's securities regulator (Autorité des marchés financiers) and to the Company (through the Board Secretary) any transactions in the Company's shares or any other securities issued by the Company carried out by them or any persons closely associated with them.

Directors may consult the Board Secretary at any time regarding the implications of the negative windows system and the conditions of its application to any specific case.

## 5.2.2.7 Board Secretary

Pursuant to the Company's bylaws, the Board of Directors names a Secretary who need not be a director.

The Board Secretary calls members to meetings of the Board of Directors when requested to do so by the Chairman of the Board and draws up the minutes of Board meetings, which are then submitted to the Board for approval.

He/she sends the meeting files to directors according to the procedure described in Article I.3 of the Board of Directors' Internal Regulations, when requested to do so by the Chairman of the Board or the Chief Executive Officer, and generally responds to requests from directors for information about their rights and obligations, the Board's practices or the life of the Company.

His/her duties also include obtaining up-to-date copies of the documents disclosing directors' potential conflicts of interest, as provided for in the Transparency and Preventing Conflicts of Interests section of the Director's Charter.

Lastly, the Board Secretary attends the meetings of the Board Committees as needed, at the request of the Chairman or Chief Executive Officer and with the approval of the Committees' Chairmen, and may also be given the task of sending meeting files to the Committees' members.

Philippe Rélland-Bernard was named Secretary to the Board at the Board meeting of June 29, 2010.

## 5.2.2.8 Directors' fees

On the recommendation of the Compensation and Appointments Committee, the Board of Directors allocates the annual amount of directors' fees awarded by the Shareholders Meeting based in particular on each director's attendance rate at Board meetings and at meetings of any committee of which he or she is a member. The compensation allocation method must include a variable portion (representing the largest part of each director's fee).

Allocation is based on the following principles:

- the duties of Board member are compensated with a fixed portion of a flat amount defined by the Board of Directors and with a variable portion based on the number of meetings attended in the previous year, which will exceed the amount of the fixed portion;
- the duties of Vice-Chairman of the Board of Directors are compensated with a fixed portion of a flat amount defined by the Board of Directors;
- the duties of Committee member are compensated with a fixed portion of a flat amount defined by the Board of Directors and with a variable portion based on attendance at meetings, which will exceed the amount of the fixed portion;
- the duties of Committee Chairman are compensated with a fixed portion of a flat amount defined by the Board of Directors for each Committee;
- the duties of observer, if any, are compensated with a fixed portion of a flat amount defined by the Board of Directors and with a variable portion based on attendance at meetings, which will exceed the amount of the fixed portion;
- no directors' fees are awarded to directors who also hold the position of Chairman of the Board, Chairman and Chief Executive Officer, Chief Executive Officer or Chief Operating Officer.

Directors' fees are paid within three months of the fiscal year-end.

# 5.3 SHAREHOLDERS MEETINGS

## 5.3.1 NOTICE OF MEETING (ARTICLE 23 OF THE BYLAWS)

Shareholders Meetings are called as provided for by law.

In accordance with the applicable regulations, all shareholders are entitled to attend and take part in Shareholders Meetings in person or by proxy, whatever the number of shares held. The shares must be registered in the name of the bank or broker that manages the shareholder's securities account in accordance with Article L.228-1, paragraph 7, of the French Commercial Code (or in the shareholder's name if the shares are not traded on a regulated market) in the Company's share register no later than 12 a.m. Paris time on the second business day preceding the Shareholders Meeting. If the shares are held in bearer form (and are traded on a regulated market), they must be recorded in a bearer share account kept by one of the accredited intermediaries mentioned in Article L.542-1, paragraphs 2 to 7, of the French Monetary and Financial Code, by the same deadline. These formalities must be carried out in compliance with the applicable laws and regulations.

The recording of bearer shares in an account kept by an accredited intermediary is evidenced by a certificate of share ownership (*attestation de participation*) issued, electronically if necessary, by the intermediary in accordance with the applicable laws and regulations.

Shareholders Meetings take place at the Company's registered office or at any other venue specified in the notice of meeting.

## 5.3.2 CONDUCT OF SHAREHOLDERS MEETINGS (ARTICLE 24 OF THE BYLAWS)

All shareholders have the right to attend or be represented at Shareholders Meetings on the basis specified by law.

They may vote by post pursuant to Article L.225-107 of the French Commercial Code. The proxy/postal voting form may be sent to the Company or to the Company's registrar in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

The Board may decide, when the meeting is called, to allow shareholders to take part in and vote at the meeting by videoconference or any other electronic telecommunications medium that allows them to be identified, in accordance with the applicable laws and regulations.

In addition, and if the Board of Directors so decides when the Shareholders Meeting is convened, shareholders may also request an admission card electronically.

Are deemed present for the purpose of quorum and majority requirements shareholders who take part in the Shareholders Meeting by videoconference or by any other means of electronic telecommunication or remote transmission that allow them to be identified, in accordance with the laws and regulations that determine the acceptable types of media and the conditions for their application.

If the Board of Directors so decides when the Shareholders Meeting is convened, the entire Meeting may be publicly broadcast by videoconference or any other means of telecommunication or remote transmission, including *via* the Internet.

Electronic signatures of proxy/postal voting forms by shareholders or their legal representative must be:

- secure signatures complying with the applicable laws and regulations; or
- registered by the shareholder with a unique username and password on the Company's dedicated website, if one exists, in accordance with the applicable laws and regulations. This electronic signature process will be considered as a reliable process of identifying shareholders and matching them with their votes/proxies within the meaning of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code (*Code civil*).

Each share gives the right to one vote save where voting rights are regulated by law. Paid-up shares registered in the name of the same holder for at least two years have double voting rights.

In the case of a share issue paid up by capitalizing reserves, profits or additional paid-in capital, the new shares allocated in respect of shares with double voting rights also have double voting rights from the time of issue.

Registered shares converted into bearer shares or sold to a different shareholder lose their double voting rights. However, transfers through inheritance, liquidation of marital assets or an *inter vivos* transfer to a spouse or to an eligible relative do not result in the loss of double voting rights or a break in the qualifying period. The merger of the Company has no impact on double voting rights, provided that the bylaws of the surviving company allow for their exercise.

In the case of split interest shares, the beneficial owner may exercise the voting rights attached to shares at Ordinary and Extraordinary Shareholders Meetings, subject to the legal owner's right to vote personally when the law requires a unanimous vote of all of the shareholders.

Shareholders Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a director designated by the Board. Otherwise, the meeting elects its own Chairman.

The function of Scrutineer of the meeting is fulfilled by the two shareholders present at the meeting who hold or represent the largest number of voting rights and who consent to take on the role. The Bureau thus formed names a Secretary, who may or may not be a shareholder.

An attendance register is kept, pursuant to the law.

Copies or excerpts of the meeting minutes may be certified by the Chairman of the Board of Directors, the Chairman of the meeting, or the meeting Secretary.

Ordinary and Extraordinary Shareholders Meetings fulfilling the relevant quorum and voting majority requirements exercise the powers vested in them by law.

# 5.4 EXECUTIVE DIRECTOR'S COMPENSATION, DIRECTORS' AND EMPLOYEES' INTERESTS

## 5.4.1 FIXED AND VARIABLE COMPENSATION POLICY AND COMPONENTS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board of Directors reports below on its compensation policy for the Chairman and Chief Executive Officer of Edenred, which will be submitted to the shareholders for approval in accordance with new Article L.225-37-2 of the French Commercial Code introduced by the Sapin II Act of December 9, 2016 on transparency, anti-corruption and business reform.

### Processes for determining compensation

The Chairman and Chief Executive Officer's compensation is determined by the Board of Directors based on the recommendation of the Compensation and Appointments Committee. The various components of the compensation package, *i.e.*, fixed salary and bonus, long-term performance share plans and benefits, are taken into account.

The Compensation and Appointments Committee meets several times a year to discuss relevant subjects and performs preparatory work conducted under the supervision of the Committee's Chairman. This work includes analyzing the performance of the Company and its Chairman and Chief Executive Officer, ensuring that objectives are in line with the Group strategy and shareholders' interests, reviewing executive compensation data from similar companies and monitoring changes in Corporate Governance Codes.

The work of the Compensation and Appointments Committee is used as a basis to assess the prior year's performance and set the Chairman and Chief Executive Officer's targets and compensation for the following year. The short and long-term bonuses are reviewed each year. Fixed salary is revised periodically, taking into account the Chairman and Chief Executive Officer's performance and market practices.

## Compensation philosophy

The Chairman and Chief Executive Officer's **compensation** is determined based on an assessment of his responsibilities and the difficulty of his job, his experience and practices in companies or groups of a comparable size to Edenred.

The Executive Director's total compensation is determined based on the following three key principles: compliance, comparability and performance.

### Compliance

The Chairman and Chief Executive Officer's compensation complies with the AFEP-MEDEF Corporate Governance Code and the "comply or explain" principle. All components of the Chairman and Chief Executive Officer's compensation package are compliant, *i.e.*, short-term compensation (salary and bonus), deferred compensation (incentive plans) and commitments.

### Comparability

The Compensation and Appointments Committee regularly engages outside consulting firm Mercer to conduct a benchmarking analysis of the Chairman and Chief Executive Officer's compensation.

This comparison is based on a peer group of French companies from a variety of sectors included in the SBF 120 index with similar characteristics to Edenred, selected based on the following four criteria: (i) market capitalization, (ii) EBIT, (iii) total number of employees and (iv) percentage of international employees.

### Performance

The Committee has set diverse and demanding performance criteria, which are used to perform a complete analysis of the Chairman and Chief Executive Officer's performance, in line with the Group's strategy and shareholders' interests. Performance assessment is based on a balance between financial, operational and management criteria as well as a balance between short-term and long-term performance.

The following section provides details of the components of the Chairman and Chief Executive Officer's compensation in 2016.

On the recommendation of the Compensation and Appointments Committee, the Board of Directors determined its general compensation policy for the Executive Director throughout his term of office, the main principles of which are as follows:

## Salary

### Determination

The Chairman and Chief Executive Officer's salary is paid in twelve monthly installments and is based on:

- the complexity of his responsibilities;
- his professional experience and expertise;
- benchmark studies of comparable functions (external competitiveness).

### Increases

The Board of Directors has decided that the Chairman and Chief Executive Officer's salary can only be revised at relatively long intervals, in accordance with the AFEP-MEDEF Code, or at the end of his term. However, it may be revised earlier than that in the event of a significant change in the scope of his responsibilities or if there is a wide gap relative to market practices. In these specific circumstances, the revised salary and the reasons for its revision will be disclosed.

In addition, the Chairman and Chief Executive Officer may not have an employment contract while holding executive office.

## Directors' fees

The Chairman and Chief Executive Officer will not receive Directors' fees.

## Annual bonus

### Structure of annual bonus

The Chairman and Chief Executive Officer will receive a bonus equal to 120% of his salary if the targets set are achieved. It will be based on:

- quantitative financial targets, representing 65% of salary;
- quantitative operational targets, representing 30% of salary, related to the Group's strategy; and
- qualitative managerial targets, representing 25% of salary, related to the Group's strategy.

If the quantitative targets are exceeded, the Board of Directors may raise the bonus to a maximum of 180% of salary based on a balanced split between the targets.

### Financial and non-financial factors

The Board of Directors has decided that the financial targets underlying the Chairman and Chief Executive Officer's bonus will for the most part be based on EBIT but also on earnings per share.

The quantitative operational targets will be set each year according to the Group's strategy.

### New appointment

The Board of Directors has decided that if a new Chairman and Chief Executive Officer is appointed, the same principles will apply, although if the appointment is made part way through the year, the amounts due will be calculated on a pro rata basis. However, if the new appointment is made in the second half of the relevant year, performance will be assessed by the Board of Directors on a discretionary basis, based on the recommendation of the Compensation and Appointments Committee.

### Resignation or termination

If the Chairman and Chief Executive Officer stands down during the year, the amount of the bonus for that year will be based on (i) his performance as assessed by the Board of Directors on a discretionary basis, based on the recommendation of the Compensation and Appointments Committee, and (ii) the length of the Executive Director's time in office during the relevant year.

## Exceptional bonus

The Board of Directors has decided that in principle the Chairman and Chief Executive Officer may receive an exceptional bonus in certain circumstances, which must be disclosed in detail and substantiated. Payment of an exceptional bonus is subject to approval by the shareholders in accordance with Article L.225-37-2 of the French Commercial Code.

## Deferred compensation

The Board of Directors believes that this mechanism, to which other key executives of the Group are also entitled, is particularly appropriate for the Chairman and Chief Executive Officer given the direct contribution he is expected to make to the Company's overall long-term performance. In line with market practices, this mechanism is based on the award of performance shares, which not only help to incentivize and retain the beneficiaries but also to align their interests to the interest of the Company and that of the shareholders.

The vesting and lock-up periods, performance conditions and performance levels for the performance share plans awarded to the Chairman and Chief Executive Officer comply with the plan regulations and the authorization granted by the Shareholders Meeting to award the performance shares, as described on page 138.

The performance shares awarded may not exceed 120% of salary plus target annual bonus on the date of award.

### Signing bonus

The Board of Directors reserves the right to award a signing bonus to a new Chairman and Chief Executive depending on the circumstances and the candidate.

In order to immediately align the Chairman and Chief Executive Officer's interests to those of the shareholders, and subject to authorization by the Shareholders Meeting, the signing bonus may be composed partly or entirely of long-term incentives subject to presence and performance conditions, such as performance shares, stock options or any other incentives.

The signing bonus may not exceed the amount of the benefits lost by the candidate upon leaving his or her previous function.

### Resignation or termination

In accordance with the provisions of the performance share plans currently in existence, the Chairman and Chief Executive Officer will lose the right to all or part of the performance shares initially granted if he stands down voluntarily during the vesting period, unless the Board of Directors decides otherwise. If the Chairman and Chief Executive Officer is forced to stand down for any reason whatsoever, he will retain the right to one third of the shares awarded for each year of presence during the three-year vesting period, unless the Board of Directors decides that the entire award may be retained.

## Long-term cash-based incentive

The Board of Directors has decided not to use long-term cash-based incentives, preferring to focus on share-based incentives to align the interests of the Executive Director to those of the shareholders.

However, such a mechanism could be envisaged should regulatory developments or other circumstances make the use of share-based incentives ineffective, restrictive or impossible.

## Other benefits

### Termination benefits

The Board of Directors reserves the right to grant the Chairman and Chief Executive Officer termination benefits, the terms and conditions of which will be adapted to his personal profile and will take into account the Company's economic, workforce-related and social environment.

The Board of Directors has decided that the termination benefits may not exceed the equivalent of two years' salary plus annual bonus, will be contingent on the achievement of serious, challenging performance conditions, will be measured over a reference period of three years preceding the date of departure, and will be payable only in the event of forced termination for whatever reason. No termination benefits will be payable if, within twelve months of his departure, the Chairman and Chief Executive Officer becomes eligible for the basic State pension and, consequently, for pension benefits under the Company's supplementary pension plan.

### Unemployment insurance

The Board of Directors has decided that the Chairman and Chief Executive Officer will be entitled to join an unemployment insurance plan that will pay unemployment benefits following loss of office for a maximum period of 24 months.

### Death/disability and health insurance

The Chairman and Chief Executive Officer will be covered by the death/disability and health insurance plan set up for employees, which has been extended to include the Executive Director.

### Company car

The Chairman and Chief Executive Officer will be entitled to a company car.

### Supplementary pension benefits

The Chairman and Chief Executive Officer will be covered by the Group's supplementary pension plan in the same way as other plan beneficiaries, as described on page 132, which may be either a defined contribution and/or a defined benefit plan. In accordance with Article L.225-42-1 of the French Commercial Code as amended by Article 229 of Act no. 2015-990 of August 6, 2015, payment of the pension benefit under the defined benefit plan will be contingent on the achievement of a performance condition, defined as the achievement of at least 60% of the targets set for the annual bonus award.

## 5.4.2 FIXED AND VARIABLE COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2016

At its meeting of February 10, 2016 and based on the proposal of the Compensation and Appointments Committee, the Board decided to maintain Bertrand Dumazy's gross annual salary at €750,000.

It also defined the criteria for determining his bonus, which is capped at a certain percentage of salary. The bonus may range from 0% to 120% of salary, and may be increased to a maximum of 180% of salary if certain targets are exceeded, *i.e.*:

- a bonus of up to 65% of salary based on financial targets, of which 50% based on EBIT and 15% based on earnings per share; in the event of outperformance, as approved by the Board of Directors, the bonus based on these targets may reach 105% of salary;
- a bonus of up to 30% of salary based on three operational targets related to the Group's strategy, each representing 10% of salary, the targets being the Group's transformation rate, expense management solutions issue volume and sales *via* digital channels; in the event of outperformance, as approved by the Board of Directors, the bonus based on these targets may reach 50% of salary;
- a bonus of up to 25% of salary based on managerial targets related to the Group's strategy, such as the successful integration of Embratec.

Bertrand Dumazy's 2016 bonus was determined at the Board meeting held on February 22, 2017, based on the recommendation of the Compensation and Appointments Committee, as follows:

- the bonus based on financial targets amounted to 102% of salary;
- the bonus based on operational targets amounted to 37% of salary;
- the bonus based on managerial targets amounted to 25% of salary.

The total bonus for 2016 therefore amounted to €1,226,550.

The level of achievement required for each of the targets underlying the annual bonus is measured and assessed each year by the Compensation and Appointments Committee.

### Long-term incentive plans

#### Exceptional long-term incentive plan

In accordance with the commitments made by the Board of Directors when Bertrand Dumazy was appointed Chairman and Chief Executive Officer, Bertrand Dumazy was awarded 74,800 performance shares valued at €1,125,000.

#### Group long-term incentive plan

Bertrand Dumazy was covered by the Group's long-term incentive plan in 2016 in the same way as the other beneficiaries of this plan (members of the Executive Committee and senior executives in some forty countries). Under this plan, he was awarded 74,800 performance shares valued at €1,125,000.

Annual award

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Stock options** | | | |
| Number of options granted during the year | 0 | 0 | 0 |
| Value of stock options granted during the year (see Table 4 section 5.4.5.1 for details) | €0 | €0 | €0 |
| **Performance shares** | | | |
| Number of performance share rights granted during the year | 149,600 | 137,363 | 0 |
| Value of performance shares granted during the year (see Table 6 of section 5.4.5.2 for details) | €2,250,000 | €1,125,000 | €0 |
| **TOTAL VALUE** | **€2,250,000** | **€1,125,000** | **€0** |

### Vested rights under the plans

No shares vested under the stock option or share award plans in either 2015 or 2016.

## Shares held at December 31, 2016

Bertrand Dumazy held 500 Edenred shares at December 31, 2016.

## Employment contract

Bertrand Dumazy does not have an employment contract with Edenred SA or any of its subsidiaries or companies in which it has an equity interest.

## Other commitments given to Bertrand Dumazy

### Termination benefits (1)

On the recommendation of the Compensation and Appointments Committee, the Board of Directors decided to entitle Bertrand Dumazy to termination benefits should he be forced to stand down for whatever reason. The benefits may not exceed the equivalent of two years' salary and annual bonus and payment will be contingent on the achievement of serious, challenging performance conditions. No termination benefits will be payable if, within twelve months of his departure, Bertrand Dumazy becomes eligible for the basic State pension and, consequently, for pension benefits under the Company's supplementary pension plan.

The benefits payable will not exceed the equivalent of two years' total gross annual compensation as Chairman and Chief Executive Officer, defined as the sum of:

- the fixed portion of the compensation on an annual basis as Chairman and Chief Executive Officer on the date of termination of his duties; and
- the average of the variable portion of annual compensation as Chairman and Chief Executive Officer received or to be received for the last two years during which he served as Chairman and Chief Executive Officer, prior to the date of termination of his duties.

Payment of the termination benefits is contingent on the achievement of certain serious, challenging performance criteria. The criteria selected by the Board concern the Group's business and financial performance – as measured by the key indicators on which the Group's financial communications to the market are based – and its stock market performance. Performance will be measured over a three-year period, taking into account the Group's long-term historical performance and the external risks to which it is exposed, as described in section 3 of the 2016 Registration Document, page 56.

The performance conditions are as follows:

- 5% like-for-like growth in issue volume compared with the previous year;
- 2% like-for-like growth in operating revenue compared with the previous year;
- 5% like-for-like growth in funds from operations (2) (FFO) compared with the previous year;
- increase in the Company's share price at least equal to 85% of the increase in the Euronext Paris SBF 120 index over the Reference Period or, if the index falls over the Reference Period, decline in the Company's share price of no more than 125% of that of the index over the Reference Period.

*(1) Related-party agreement authorized at the Board of Directors' meeting of February 10, 2016 and approved at the Shareholders Meeting of May 4, 2016.*

*(2) Before non-recurring items.*

Achievement of each of these four criteria will be measured over the three years preceding the year in which his appointment as Chairman and Chief Executive Officer was terminated (the "Reference Period"). Each of the first three criteria will be deemed to have been met if the related objective was achieved in at least two of the three years in the Reference Period. In the event of departure after the third year, the index performance before the date on which he took up office will not be taken into account.

Payment of the maximum termination benefits will depend on at least three of these four performance criteria being met, as observed by the Board of Directors on the basis prescribed by the laws in force when his appointment as Chairman and Chief Executive Officer is terminated. If only two of the criteria are met, 50% of the maximum termination benefits will be paid; if one or none of the criteria are met, no benefits will be paid.

The amount of termination benefits paid to Bertrand Dumazy may, under no circumstances, exceed two years' total gross annual compensation.

In addition, if Bertrand Dumazy is forced to stand down as Chairman and Chief Executive Officer before two full years have elapsed, he will be entitled to receive a settlement, in exchange for his waiving any rights of recourse, in an amount equal to two years' fixed salary plus target bonus.

If he is forced to stand down more than two years but less than three years after his appointment, the reference period used to determine whether the performance conditions referred to above have been met will be reduced to the last two elapsed years.

### Unemployment insurance

During 2016, Bertrand Dumazy was covered under an insurance plan set up with Association GSC, entitling him to unemployment benefits equal to 70% of his contractual income, capped at €16,090 per month, for a period of up to 18 months. The total annual cost of the plan for Edenred was €13,231 [1].

As of January 1, 2017, Bertrand Dumazy is covered under the same insurance plan set up with Association GSC but entitling him to unemployment benefits for a period of 24 months, as stipulated in Association GSC's terms and conditions, which also require a waiting period of one year after taking office before Bertrand Dumazy can benefit from the 24-month coverage. The total annual cost of the plan for Edenred in 2017 will be €31,245 [2].

### Death/disability and health insurance [3]

The Chairman and Chief Executive Officer is covered by the death/disability and health insurance plan set up for employees, which has been extended to include the Executive Director. Premiums paid by the Company for this extended cover in 2016 amounted to €5,450.

### Supplementary Pension Benefits[4]

#### *General supplementary pension plan*

A supplementary pension plan has been set up for Group senior executives above certain grades whose compensation meets certain criteria. This plan is comprised of a defined contribution plan ("Article 83") and a defined benefit plan ("Article 39"):

- under the Article 83 defined contribution plan, the Company pays an annual contribution representing up to 5% of five times the annual ceiling for calculating Social Security contributions [5];
- under the Article 39 defined benefit plan (16 persons in 2016), the Company is committed to paying an annuity to plan participants when they retire, based on principles that comply with the recommendations contained in the AFEP-MEDEF Corporate Governance Code:
  - to qualify for benefits under this top-hat plan, participants must end their career with the Group, have participated in the plan for at least five years and completed at least fifteen years' service with the Group. The pension payable under the plan is reduced by the amount of the pension payable under the defined contribution plan referred to above,
  - the reference period for the benefit calculations is the period of participation in the plan (*i.e.*, at least five years),
  - rights to potential supplementary pension benefits are accumulated gradually by year of participation and are calculated each year based on the participants' gross annual compensation,
  - the replacement rate may not exceed the following two thresholds:
    - the replacement rate of the supplemental plan (defined contribution and defined benefit plan) is limited to 30% of the last gross annual remuneration [6],
    - if the final gross annual compensation represents more than 12 times the annual ceiling for calculating Social Security contributions, the overall replacement rate represented by all benefits paid under compulsory plans and Edenred supplementary pension plans is capped at 35% of the average reference compensation for the best three years out of the participant's last ten years before retirement.

Participants who leave the Group before claiming the pension under the general plan lose their rights under the defined benefit plan and retain only those relating to the defined contribution plan.

*(1) Related-party agreement authorized at the Board of Directors' meeting of September 10, 2015 and approved at the Shareholders Meeting of May 4, 2016.*

*(2) Related-party agreement authorized at the Board of Directors' meeting of December 15, 2016 to be submitted for approval at the Shareholders Meeting of May 4, 2017.*

*(3) Related-party agreement authorized at the Board of Directors' meeting of September 10, 2015 and approved at the Shareholders Meeting of May 4, 2016.*

*(4) Related-party agreement authorized at the Board of Directors' meeting of February 10, 2016 and approved at the Shareholders Meeting of May 4, 2016.*

*(5) The annual cap for calculating Social Security contributions represented €38,616 in 2016.*

*(6) Gross annual compensation corresponds to the participant's salary and bonus, excluding any exceptional bonuses.*

#### *Application of the supplementary pension plan to the Executive Director*

The Chairman and Chief Executive Officer participates in the supplementary pension plan in the same way as the other plan participants, as described above. However, in accordance with the provisions of Article L.225-42-1 of the French Commercial Code as amended by Article 229 of Act no. 2015-990 of August 6, 2015 ("Macron Act"), the Board of Directors' meeting of February 10, 2016 indirectly made payment of the Article 39 pension contingent on the achievement of the targets set to determine the Chairman and Chief Executive Officer's bonus. He will receive 100% of the Article 39 pension benefit if the targets set for determining his bonus are at least 60% met. If they are not 60% met, he will not receive any Article 39 pension benefit in respect of that year. In 2016, the Board noted that the performance condition had been achieved.

The supplementary pension entitlement is taken into account in determining his overall compensation package.

## Summary table of Bertrand Dumazy's compensation

### Table 1: Compensation, stock options and performance share rights awarded to the Executive Director *(in €)*

| Bertrand Dumazy | 2016 | 2015* | 2014 |
|---|---|---|---|
| Compensation for the year (see Table 2 for details) | 2,480,198 | 804,170 | n/a |
| Value of long-term incentives awarded during the year | | 0 | n/a |
| Value of stock options granted during the year | | 0 | n/a |
| Value of performance shares granted during the year (see Table 6 of section 5.4.5.2 for details) | 2,250,000 | 1,125,000 | n/a |
| **TOTAL** | **4,730,198** | **1,929,170** | **N/A** |

* *Appointed October 26, 2015.*

### Table 2: Compensation paid to the Executive Director *(in €)*

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| **Bertrand Dumazy** | **Amount due** | **Amount paid** | **Amount due** | **Amount paid** | **Amount due** | **Amount paid** |
| Salary | 750,000 | 750,000 | 138,470 | 138,470 | n/a | n/a |
| Annual bonus | 1,226,550 | 165,000 | 165,000 | 0 | n/a | n/a |
| Long-term incentive | 0 | 0 | 0 | 0 | n/a | n/a |
| Exceptional bonus | 500,000 | 500,000 | 500,000 | 500,000 | n/a | n/a |
| Directors' fees | 0 | 0 | 0 | 0 | n/a | n/a |
| Benefits-in-kind | 3,648* | 3,648* | 700 | 700 | n/a | n/a |
| Vacation pay under the employment contract | 0 | 0 | 0 | 0 | n/a | n/a |
| **TOTAL** | **2,480,198** | **1,418,648** | **804,170** | **639,170** | **N/A** | **N/A** |

* *Company car.*

Table 11: Commitments given to the Executive Director

| | Employment contract | | Supplementary pension plan | | Compensation or benefit payable in the case of termination or change of office | | Non-compete indemnity | |
|---|---|---|---|---|---|---|---|---|
| **Executive Director** | **YES** | **NO** | **YES** | **NO** | **YES** | **NO** | **YES** | **NO** |
| Bertrand Dumazy | | X | X | | X | | | X |

In accordance with Article L.225-37-2 of the French Commercial Code, the Board of Directors will consult the shareholders on these issues at the Shareholders Meeting held on May 4, 2017.

## 5.4.3 COMPENSATION AWARDED TO BERTRAND DUMAZY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, IN 2017

At its February 22, 2017 meeting, the Board of Directors decided to maintain Bertrand Dumazy's compensation at its current level, based on the recommendation of the Compensation and Appointments Committee.

Bertrand Dumazy's gross annual salary in 2017 in his capacity as Chairman and Chief Executive Officer will be €750,000.

At the same meeting, the Board also defined the criteria for determining his bonus, which is capped at a certain percentage of salary. The bonus awarded to Bertrand Dumazy, Chairman and Chief Executive Officer, in 2017 May range from 0% to 120% of his salary, and may be increased to a maximum of 180% of salary if certain targets are outperformed, *i.e.*:

- a bonus of up to 65% of salary based on financial targets, of which:
  - 50% based on EBIT, which may be increased to 80% of salary in the event of outperformance as approved by the Board of Directors, and
  - 15% based on earnings per share, which may be increased to 25% of salary in the event of outperformance as approved by the Board of Directors;
- a bonus of up to 30% of salary based on three operational targets related to the Group's strategy, each representing 10% of salary, the targets being the Group's transformation rate, expense management solutions issue volume and sales of meal and food vouchers *via* digital channels and distance selling; in the event of outperformance, as approved by the Board of Directors, the bonus based on these targets may reach 50% of salary;
- a bonus of up to 25% of salary based on managerial targets related to the Group's strategy, such as implementation of the Fast Forward strategic plan, particularly in the expense management and corporate payment businesses.

At its meeting of February 22, 2017, the Board decided to maintain the other components of compensation and benefits including an award valued at €1,125,000 under the long-term incentive plan that may be set up for beneficiaries designated by the Board, the unemployment insurance plan, supplementary pension plans, death & disability and health insurance and a company car.

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, payment of these components of compensation and benefits to the Executive Director will be subject to approval at the Shareholders Meeting held to approve the financial statements for the year ended December 31, 2017.

## 5.4.4 DIRECTORS' FEES

The Shareholders Meeting of May 10, 2010 set the total annual fees payable to directors at €500,000. This amount is allocated by the Board of Directors among its members based on the recommendation of the Compensation and Appointments Committee.

At its meeting of February 22, 2017, the Board decided to recommend an increase in the total amount of Directors' fees to €590,000 at the Shareholders Meeting of May 4, 2017. The increase is justified by (i) the Board's desire to attract new Directors and (ii) the legal requirement to appoint an employee-representative Director in 2018.

The principles governing the allocation of total directors' fees for 2016 among the members of the Board of Directors, as decided at the Board meeting of February 22, 2017, comply with the recommendations of the AFEP-MEDEF Corporate Governance Code. The allocation comprises:

- a variable portion (representing the largest part of each director's fee) that takes into account directors' attendance at Board meetings;
- an additional amount allocated to members of the Board Committees;
- an amount that reflects the level of responsibility assumed and time spent.

In accordance with the above principles:

- no fees are allocated to the Chairman and Chief Executive Officer;
- the Vice-Chairman of the Board receives a flat fee of €10,000; this sum will be increased to €15,000 if the Shareholders Meeting of May 4, 2017 approves the increase in the total amount of directors' fees;
- all Board members receive a flat fee of €1,527 on average per meeting, plus a fee of €1,866 for each meeting attended during the year (including by videoconference);
- the Chairmen of the specialized Board Committees each receive a flat fee of €5,000; this sum will be increased to €7,500 if the Shareholders Meeting of May 4, 2017 approves the increase in the total amount of directors' fees;
- all members of specialized Board Committees receive a flat fee of €2,915 on average per meeting plus a fee of €3,562 per meeting attended during the year (including by videoconference).

### Table 3: Directors' fees and other compensation paid to Non-Executive Directors

| **Board of Directors** *(in €)* | **Fees paid in 2017 in respect of 2016** | **Fees paid in 2016 in respect of 2015** | **Fees paid in 2015 in respect of 2014** |
|---|---|---|---|
| **Jean-Paul Bailly** | 59,488 | 61,599 | 52,706 |
| **Anne Bouverot** | 46,440 | 36,556 | 48,424 |
| **Philippe Citerne** | 92,188 | 85,576 | 97,174 |
| **Sylvia Coutinho** (1) | 16,964 | - | - |
| **Gabriele Galateri di Genola** | 37,703 | 53,279 | 60,812 |
| **Maëlle Gavet** | 21,884 | 23,369 | 17,382 |
| **Françoise Gri** | 50,634 | 57,833 | 48,424 |
| **Jean-Romain Lhomme** | 53,438 | 40,333 | 44,467 |
| **Bertrand Meheut** | 31,667 | 32,120 | 33,284 |
| **Nadra Moussalem** (2)(3) | 56,933 | 63,785 | 61,341 |
| **Roberto Oliveira de Lima** (4) | - | 5,115 | 34,639 |
| **TOTAL** | **467,338** | **459,565** | **498,654** |

*(1) Appointed to the Board on March 23, 2016.*
*(2) The fees shown in the table are paid to Colony Capital.*
*(3) No directors' fees were paid to Nadra Moussalem for the period August 1 to October 25, 2015.*
*(4) Resigned from the Board on May 18, 2015.*

As the total directors' fees were not allocated in full, the Board decided, at its meeting of February 22, 2017, to award an exceptional additional fee of €3,000 to Sylvia Coutinho to take into account her status as non-European resident and to compensate for the extra time spent away from her professional duties compared with the other directors in order to travel to the Company's headquarters for Board meetings.

## 5.4.5 DIRECTORS' AND EMPLOYEES' INTERESTS

### 5.4.5.1 Stock option plans

#### Details of stock option plans

Pursuant to the authorization given by the Shareholders Meeting of May 10, 2010, the Board of Directors' meetings of February 23, 2011 and February 22, 2012 defined the terms and conditions of three stock option plans for certain Group employees and Executive Directors and granted stock options as summarized in the table below. The number of options granted may not be exercisable for shares representing more than 7% of the Company's share capital.

**Table 8: Details of stock option plans currently in progress**

**Information about stock options**

| | **2012 Plan** | **2011 Plan** | **2010 Plan** |
|---|---|---|---|
| Grant date | February 27, 2012 (1) | March 11, 2011 (2) | August 6, 2010 (3) |
| Total options, of which options granted to | 382,800 | 611,700 | 4,235,500 |
| **Jacques Stern (4)** | **66,000** | **72,000** | **240,000** |
| **Nadra Moussalem (5)** | **n/a** | **n/a** | **n/a** |
| **Bertrand Dumazy (6)** | **n/a** | **n/a** | **n/a** |
| Start of exercise period | February 28, 2016 | March 12, 2015 | August 7, 2014 |
| Expiry date | February 27, 2020 | March 11, 2019 | August 6, 2018 |
| Exercise price (in €) | 19.03 | 18.81 | 13.69 |
| Options exercised as of December 31, 2016 | 21,000 | 144,900 | 2,784,749 |
| Cumulative number of options canceled or forfeited | 12,000 | 10,350 | 426,750 |
| Options outstanding at the year-end | 370,800 | 495,050 | 1,024,001 |
| **TOTAL** | **382,800** | **611,700** | **4,235,500** |

*(1) Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 22, 2012.*
*(2) Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 23, 2011.*
*(3) Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of June 29, 2010.*
*(4) Resigned on July 31, 2015.*
*(5) Appointed from August 1 to October 25, 2015.*
*(6) Appointed on October 26, 2015.*

#### 2016

No stock options were granted to Group employees or Executive Directors in 2016. The Board of Directors was not granted any authorizations by the Shareholders Meeting for the issue of stock options.

In 2016, stock options granted to or exercised by the Executive Directors of Edenred and the top ten grantees other than the Executive Directors were as follows:

#### Executive Director

#### Table 4: Stock options granted during the year to the Executive Director by Edenred SA or any other Group company

None.

#### Table 5: Stock options exercised during the year by the Executive Director

None.

#### Employees other than the Executive Director

#### Table 9: Stock options granted to and exercised by the top ten grantees other than the Executive Director

| | Total options granted/ exercised | Exercise price *(in €)* |
|---|---|---|
| Options granted during the year to the ten employees other than the Executive Director who received the largest number of options (aggregate information) | None | |
| Options exercised during the year by the ten employees other than the Executive Director who exercised the largest number of options (aggregate information) | 100,234<br>14,100<br>None | 13.69<br>18.81<br>19.03 |
| **TOTAL** | **114,334** | |

### 5.4.5.2 Performance share plans

#### Details of performance share plans

Pursuant to the authorizations given by the Shareholders Meeting of May 10, 2010, May 24, 2013, April 30, 2015 and May 4, 2016, the Board of Directors' meetings of February 23, 2011, February 22, 2012, February 12, 2013, February 11, 2014, February 11, 2015, December 9, 2015, May 4, 2016 and February 23, 2017, defined the terms and conditions of eight plans and granted performance shares to certain Group employees and Executive Directors as summarized in the table below.

## Table 10: Details of performance share plans currently in progress

### INFORMATION ABOUT PERFORMANCE SHARES

| | 2017 Plan | 2016 Plan | 2015 Plan (Chairman & CEO) | 2015 Plan | 2014 Plan | 2013 Plan | 2012 Plan | 2011 Plan |
|---|---|---|---|---|---|---|---|---|
| Grant date | March 8, 2017 (1) | May 4, 2016 | Dec. 9, 2015 | Feb. 20, 2015 (2) | Feb. 17, 2014 (3) | Feb. 18, 2013 (4) | Feb. 27, 2012 (5) | Mar. 11, 2011 (6) |
| Total number of performance shares awarded, of which shares awarded to: | 794,985 | 990,080 | 137,363 | 800,000 | 824,000 | 845,900 | 867,575 | 805,025 |
| Jacques Stern (7) | | | | 64,000 | 66,000 | 50,000 | 38,500 | 42,000 |
| Bertrand Dumazy | 61,355 | 149,600 | 137,363 | | | | | |
| Vesting date (8) | March 9, 2020 | May 5, 2019 | Dec. 10, 2018 | Feb. 21, 2018 or Feb. 21, 2020 | Feb. 18, 2017 or Feb. 18, 2019 | Feb. 19, 2016 or Feb. 19, 2018 | Feb. 28, 2015 or Feb. 28, 2017 | Mar. 12, 2014 or Mar. 12, 2016 |
| End of lock-up period (9) | - | - | Dec. 10, 2020 | Feb. 21, 2020 | Feb. 18, 2019 | Feb. 19, 2018 | Feb. 27, 2017 | Mar. 11, 2016 |
| Performance conditions | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR** vs. SBF 120 TSR | Like-for-like growth in issue volume and funds from operations* (FFO) | Like-for-like growth in issue volume and funds from operations* (FFO) |
| Number of vested shares at Dec. 31, 2016 | 0 | 0 | 0 | 0 | 600 | 211,940 | 259,716 | 747,313 |
| Cumulative number of canceled and forfeited performance shares | 0 | 12,800 | 0 | 167,084 | 176,175 | 251,990 | 81,061 | 57,712 |
| Performance shares outstanding at Dec. 31, 2016 | 794,985 | 977,280 | 137,363 | 632,916 | 647,225 | 381,970 | 526,798 | 0 |
| **TOTAL** | **794,985** | **990,080** | **137,363** | **800,000** | **824,000** | **845,900** | **867,575** | **805,025** |

* *Before non-recurring items.*

** *Total shareholder return.*

(1) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 23, 2017.*

(2) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 11, 2015.*

(3) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 11, 2014.*

(4) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 12, 2013.*

(5) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 22, 2012.*

(6) *Decision of the Chairman and Chief Executive Officer pursuant to the Board authorization of February 23, 2011.*

(7) *Jacques Stern resigned from office on July 31, 2015.*

(8) *Three-year vesting period for French tax residents and non-residents subject to the French social security system and a five-year vesting period for tax residents of other countries who are not subject to the French social security system.*

(9) *The lock-up period only applies to French tax residents and non-residents subject to the French social security system.*

In accordance with the AFEP-MEDEF Code, the performance share awards are made at the same time every year, after the annual results have been published, save for the exceptional long-term incentive plan awarded to Bertrand Dumazy upon his appointment as Chairman and Chief Executive Officer as of October 26, 2015 and the Group performance share plan of May 4, 2016 set up to take advantage of a stabilized fiscal and workforce-related environment. Performance share rights are not awarded systematically to a given category of employees, but are designed to reward personal performance, measured in terms of the results obtained, individual achievements and potential.

### 2016

The Shareholders Meeting of May 24, 2013 authorized the Board of Directors to grant performance shares. According to the terms of this authorization, the number of performance share rights awarded during the 26-month authorization period may not exceed 1.5% of the capital and the aggregate par value of any resulting share issues will be deducted from the total maximum amount provided for in the second paragraph of the 13th resolution of the Shareholders Meeting of May 15, 2012 or, if applicable, the total maximum amount set in any new resolution to the same effect adopted while this authorization is in force. In addition, the number of performance share rights awarded in a single year may not exceed 1% of the capital.

Pursuant to this authorization, no more than 8% of the performance share rights may be granted to the Executive Director and no more than 25% may be granted to the members of the Executive Committee.

The plan period is five years. Performance share rights awarded to French tax residents are subject to a three-year vesting period followed by a two-year lock-up period and rights awarded to residents of other countries are subject to a five-year vesting period with no lock-up period

Under the performance share plan set up in February 2013 pursuant to this authorization, 800,000 performance share rights were awarded to 457 grantees in some forty countries (Executive Directors, members of the Executive Committee, senior executives), representing 0.35% dilution.

The Shareholders Meeting of April 30, 2015 authorized the Board of Directors to grant performance shares. According to the terms of this authorization, the number of performance share rights awarded during the 26-month authorization period may not exceed 1.5% of the capital and the aggregate par value of any resulting share issues will be deducted from the total maximum amount provided for in the second paragraph of the 17th resolution of the Shareholders Meeting of May 13, 2014 or, if applicable, the total maximum amount set in any new resolution to the same effect adopted while this authorization is in force.

The Executive Director may not be awarded more than 0.06% of the total number of performance shares awarded in the fiscal year.

Pursuant to the authorization given by the Shareholders Meeting of April 30, 2015, the Board of Directors set up a performance share plan for the new Chairman and Chief Executive Officer in December 2015 and made an award of 137,363 performance shares, representing 0.05% dilution.

The Shareholders Meeting of May 4, 2016 authorized the Board of Directors to grant performance shares. According to the terms of this authorization, the number of performance share rights awarded during the 26-month authorization period may not exceed 1.5% of the capital and the aggregate par value of the shares concerned by the rights will be deducted from the total maximum amount provided for in the third paragraph of the 22nd resolution of the Shareholders Meeting of May 4, 2016 or, if applicable, the total maximum amount set in any new resolution to the same effect adopted while this authorization is in force.

The Executive Director may not be awarded more than 0.1% of the total number of performance shares awarded in the fiscal year.

Pursuant to the authorization given by the Shareholders Meeting of May 4, 2016, the Board of Directors decided to set up (i) a performance share plan in May 2016 for some 350 beneficiaries including the Executive Director, awarding 990,080 shares representing 0.43% dilution, and (ii) a performance share plan in March 2017 for some 330 beneficiaries including the Executive Director, awarding 794,985 shares representing 0.34% dilution.

Under the May 2016 plan, three performance criteria will apply measured over a period of three consecutive fiscal years, and the performance shares will vest as follows:

- 37.5% if the target for like-for-like issue volume growth is met;
- 37.5% if the target for like-for-like growth in funds from operations (FFO) is met;
- 25% if the stock market performance target is met, corresponding to Edenred's total shareholder return (TSR) compared with the average TSR for companies included in the SBF 120 index.

The two operating performance targets above are specific to the Group's business and correspond to organic growth in issue volume and FFO, which are the key indicators related to the Group's strategy (see section 1, page 15). The purpose of the stock market performance criterion is to align management and shareholder interests, and raise managers' awareness of the specific challenges faced by a listed company.

The Board of Directors set the performance ranges (lower and upper limits) for each criterion based on the recommendation of the Compensation and Appointments Committee. These performance ranges are as follows:

| **Like-for-like issue volume growth over three years** | |
|---|---|
| Like-for-like issue volume growth of less than 8% | 0% |
| Like-for-like issue volume growth of 8-9% | 75% |
| Like-for-like issue volume growth of 9-10% | 100% |
| Like-for-like issue volume growth of 10-12% | 125% |
| Like-for-like issue volume growth of 12% or more | 150% |
| **Like-for-like growth in FFO (1) over three years** | |
| Like-for-like growth in FFO of less than 8% | 0% |
| Like-for-like growth in FFO of 8-10% | 75% |
| Like-for-like growth in FFO of 10-12% | 100% |
| Like-for-like growth in FFO of 12-14% | 125% |
| Like-for-like growth in FFO of 14% or more | 150% |
| **Edenred's TSR (2) compared with that of SBF 120 companies (by sextiles)** | |
| 1st sextile (101 to 120) | 0% |
| 2nd sextile (81 to 100) | 50% |
| 3rd sextile (61 to 80) | 75% |
| 4th sextile (41 to 60) | 100% |
| 5th sextile (21 to 40) | 125% |
| 6th sextile (1 to 20) | 150% |

*(1) Funds from operations before non-recurring items.*
*(2) Total shareholder return.*

Edenred's TSR measures the total return for shareholders, taking into account share price appreciation and the dividends paid to shareholders.

The SBF 120 TSR will be calculated based on the TSR of each SBF 120 company.

The level of achievement of the performance targets will be assessed based on the information provided by Edenred's Finance Department.

The Board of Directors determined the year's actual performance against the targets at the meeting held to approve the annual financial statements, after consulting the Compensation and Appointments Committee. In 2016, the TSR criterion was not fulfilled.

### Executive Director

The Company does not allow Executive Directors and Executive Committee members who receive performance shares to hedge the related equity risk until the end of the lock-up period set by the Board of Directors.

Pursuant to the authorization given by the Shareholders Meeting of May 4, 2016 in its 29th resolution, Bertrand Dumazy was awarded 149,600 performance shares by decision of the Board of Directors on May 4, 2016 and 61,355 performance shares by decision of the Board of Directors on February 23, 2017.

### Table 6: Performance share rights granted to the Executive Director

| Performance share rights granted during the year to each of the Executive Directors by the Company or any other Group entity | Plan no. and date | Number of performance shares granted during the year | Value based on the method used in the consolidated financial statements (1) | Vesting date | End of lock-up period | Performance conditions |
|---|---|---|---|---|---|---|
| Bertrand Dumazy | 2016 Plan (no. 8) Date: May 4, 2016 | 149,600 | 2,250,000 | May 5, 2019 | May 5, 2019 | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR vs. SBF120 TSR |
| | 2017 Plan (no. 9) Date: March 8, 2017 | 61,355 | 1,125,000 | March 9, 2020 | March 9, 2020 | Like-for-like growth in issue volume and funds from operations* (FFO) and Edenred TSR vs. SBF120 TSR |
| **TOTAL** | | **210,955** | **3,375,000** | | | |

* *Before non-recurring items.*

(1) *Performance shares are measured at their theoretical value at the grant date determined using the Black & Scholes option pricing model, in accordance with AFEP-MEDEF guidelines, rather than at the value of the compensation received. Performance shares are forfeited if the grantee leaves the Group before the vesting date or if the performance conditions are not met.*

Bertrand Dumazy, in his capacity as Chairman and Chief Executive Officer, is required to hold 15% of his performance shares in registered form for as long as he remains in office.

### Table 7: Performance share rights available to the Executive Director

None.

### Table 7 *bis*: Performance share rights acquired by the Executive Director

None.

### Employees other than Executive Directors

### Table 9 *bis*: Performance shares granted to the top ten employees other than the Executive Directors and vested performances shares

| | Number of performance share rights granted/shares vested | Fair value *(in €)* |
|---|---|---|
| Performance shares granted in 2016 to the ten employees other than the Executive Directors who received the largest number of performance shares (aggregate information) | 257,000 | 3,864,278 |
| Performance shares that vested during the year for the ten employees other than the Executive Directors who received the largest number of vested shares during the year (aggregate information) | 142,350 | 2,638,071 |

### 5.4.5.3 Directors' dealings in the Company's shares

#### Table: Summary of transactions in the Company's shares

Schedule of transactions involving shares of the Company carried out during the past fiscal year, within the meaning of Article L.621-18-2 of the French Monetary and Financial Code.

| Directors concerned: | Transaction date | Type of transaction | Number of shares | Transaction amount *(in €)* |
|---|---|---|---|---|
| Gilles Coccoli<br>*Member of the Executive Committee* | March 4, 2016 | Exercise of stock options | 1,500 | 20,535 |
| | March 4, 2016 | Sale of shares | 1,500 | 26,550 |
| | April 18, 2016 | Exercise of stock options | 5,000 | 68,450 |
| | April 18, 2016 | Sale of shares | 5,000 | 93,784 |
| | June 15, 2016 | Purchase of shares | 916 | 13,868 |
| | July 25, 2016 | Exercise of stock options | 5,000 | 68,450 |
| | July 25, 2016 | Sale of shares | 5,000 | 103,400 |
| | July 25, 2016 | Sale of shares | 916 | 18,718 |
| | September 19, 2016 | Exercise of stock options | 5,000 | 68,450 |
| | September 19, 2016 | Sale of shares | 5,000 | 102,150 |
| | September 22, 2016 | Exercise of stock options | 5,000 | 68,450 |
| | September 22, 2016 | Sale of shares | 5,000 | 105,000 |
| | October 19, 2016 | Exercise of stock options | 5,000 | 68,450 |
| | October 19, 2016 | Sale of shares | 5,000 | 110,000 |
| Philippe Dufour<br>*Member of the Executive Committee* | March 18, 2016 | Exercise of stock options | 6,928 | 94,844 |
| | June 15, 2016 | Purchase of shares | 1,138 | 17,229 |
| Arnaud Erulin<br>*Member of the Executive Committee* | June 15, 2016 | Purchase of shares | 559 | 8,463 |
| Philippe Relland-Bernard<br>*Member of the Executive Committee* | February 17, 2016 | Sale of shares | 2,450 | 37,142 |
| | April 18, 2016 | Sale of shares | 3,675 | 68,593 |
| Graziella Gavezotti<br>*Member of the Executive Committee* | March 22, 2016 | Sale of shares | 17,500 | 296,537 |
| | October 21, 2016 | Sale of shares | 15,000 | 328,899 |

## 5.4.6 STATUTORY AND DISCRETIONARY PROFIT-SHARING PLANS

Information about statutory and discretionary profit-sharing plans is provided in section 4 "Corporate Social Responsibility", page 70, part 4.1.2.2 Employee motivation, e) Providing fair compensation and benefits.

# 5.5 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS MEETING ON THE PREPARATION AND ORGANIZATION OF BOARD OF DIRECTORS' MEETINGS AND INTERNAL CONTROL PROCEDURES

This report to shareholders for the year ended December 31, 2016 on the preparation and organization of Board of Directors' meetings and on internal control procedures has been drawn up in compliance with Article L.225-37 of the French Commercial Code.

It was reviewed by the Audit and Risks Committee on February 20, 2017 and approved by the Board of Directors on February 22, 2017. It is based on the document entitled "The Internal Control System Reference Framework" issued by the Working Group set up by French securities regulator Autorité des marchés financiers. The following description of the Company's internal control procedures is organized in line with the template provided in the Reference Framework.

The report, to be presented at the Shareholders Meeting of May 4, 2017, is made up of this section, section 5.1 "Corporate governance", section 5.2 "Administrative, management and supervisory bodies", section 5.3 "Shareholders Meetings", and section 5.4 "Executive Director's compensation, directors' and employees' interests", which includes a summary of directors' transactions in Edenred shares, and of directors' and employees' interests in the Company's capital (presentation of stock option plans, performance share plans, statutory and discretionary profit-sharing plans).

The report refers to the disclosure of information in the Management Report in compliance with Article L.225-100-3 of the French Commercial Code on the Company's capital structure and items that could have an impact in the event of a public tender offer for the Company's shares.

Edenred complies with the AFEP-MEDEF Corporate Governance Code, save for the provisions on the Board's gender balance, for the reasons given in the section on "Executive Director's Compensation". The Corporate Governance Code is available from the MEDEF website (www.medef.com) and on request from AFEP, MEDEF and the Company's headquarters.

## 5.5.1 ORGANIZATION AND PROCEDURES OF THE BOARD OF DIRECTORS

### Organization

The framework for the preparation and organization of Board meetings results from French company law and the related regulations, from the Company's bylaws and from the Board of Directors' Internal Regulations, which also describe the procedures of the Committees of the Board (see the section on "Board of Directors' Internal Regulations").

Following the decision of Philippe Citerne not to renew his term as director, the Board of Directors would be composed, at the end of the next General Meeting and subject to its approval of the other renewals, by six men and four women, *i.e.* 40% women. The Board of Directors will thus fully comply with the legal provisions in force.

The Board of Directors includes one Italian citizen, one Brazilian citizen and four members with extensive professional experience outside France (US, Russia, UK, Italy and Netherlands), enhancing Edenred's international vision.

Each Board member is required to comply with the Director's Charter, which is also presented in this Registration Document.

### Procedures

The Board of Directors met seven times in 2016. Calls to meeting are sent by e-mail and/or by mail, with the agenda, generally eight days before the meeting date. The directors receive all necessary information on a timely basis to enable them to fulfill their duties. Background information about agenda items are sent to them sufficiently well in advance to allow them to make an informed contribution to the Board's discussions. They are kept regularly informed of the financial position, cash position and commitments of the Company and the Group as well as the Group's strategy and main policies in the areas of Human Resources, organization and information systems, and discuss these strategies and policies at periodic intervals. The Board members are also informed on a regular basis of the Company's financial communications strategy. Presentations commented by the Group's senior management may be held and additional documents may be provided, if necessary. In the period between two meetings, directors are kept regularly informed of significant events and transactions involving the Group and are sent copies of all press releases issued by the Company.

The Board meetings lasted two hours on average and the average attendance rate was 91%.

## Work carried out in 2016

At the Board of Directors meetings held in 2016, the Board of Directors dealt with the following matters:

- approval of the financial statements for the year ended December 31, 2015;
- the financial communication processes;
- the 2016 budget and financing plan;
- the Group's strategy;
- the Annual Shareholders Meeting of May 4, 2016 and the resolutions to be tabled at the meeting;
- notifications received under disclosure threshold rules and monitoring of the changes in the Company's shareholding structure;
- the review of the interim financial statements and the preparation of the interim Management Report;
- the Chairman and Chief Executive Officer's compensation;
- the allocation of performance shares;
- the breakdown of directors' fees;
- the proposed re-election of three directors;
- proposed appointment of a new director;
- Executive Management organization;
- the renewal of the term of office of Committee members;
- the independence criteria applied to directors and the specific financial and other expertise of the members of the Audit and Risks Committee;
- the authorizations given to the Chairman and Chief Executive Officer to carry out bond issues and undertakings, avals and guarantees;
- the implementation of the share buyback program;
- Edenred's development projects;
- review of related-party agreements that remained in effect during the year and the signature of new agreements with the Chairman and Chief Executive Officer;
- reduction and increase of the Company's capital pursuant to the 2010, 2011 and 2012 stock option plans and the award of performance shares to non-French tax residents.

Part of each meeting was devoted to discussing the Group's business, strategy, results, cash position, capital expenditure and acquisition projects.

## Assessment

Pursuant to Article 10 of the AFEP-MEDEF Corporate Governance Code, the Board is required to assess its ability to meet the needs of shareholders, which have entrusted it with the Company's management. This self-assessment entails a regular review of its membership, organization, practices and procedures. In accordance with Article 1.2 of the Internal Regulations, the Board of Directors conducts a self-assessment of its procedures, with a view to identifying opportunities to improve its efficiency, at least once a year, and a formal self-assessment with the assistance of an outside consultant, at least once every three years.

Accordingly, a formal self-assessment with the assistance of an outside consultant was performed in 2016, based on one-on-one interviews with directors conducted by the outside consultant using a questionnaire compliant with AFEP-MEDEF recommendations.

The discussion enabled the directors to share their observations and they concluded that the Board's performance and dynamics had improved. The directors stressed the quality of the background information provided to them and confirmed that the current form of governance was suited to the Company's needs. They pointed out the need for the Board to prepare for change in its membership in order to best support Edenred in its ambitions.

## Vice-Chairman

In the interest of sound governance, the Board of Directors has elected to set out formally in its Internal Regulations the function and role of the lead independent director to be appointed if the positions of Chairman of the Board of Directors and Chief Executive Officer are not separated, thereby strengthening the role of Philippe Citerne as Vice-Chairman of the Board and lead independent director in 2016.

As well as participating in the assessment of the Board's practices and procedures, Philippe Citerne, Vice-Chairman of the Board and lead independent director, organizes meetings of the independent directors to discuss various issues, such as how to protect the interests of shareholders not represented on the Board of Directors, how shareholders are represented by the independent directors, the Group's results and dividend policy, and its growth outlook. He also approved the annual summary of strategic issues to be included on the agenda of Board meetings, as submitted to him by the Chairman and Chief Executive Officer.

He was not called upon to deal with any conflicts of interest within the Board of Directors in 2016.

## Committees of the Board

Board discussions and decisions in some areas are prepared by specialized Board Committees made up of directors appointed by the Board for the duration of their term as director. These committees examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman of the Board. They report regularly to the Board on their work, and inform the Board of their observations, opinions, proposals or recommendations.

To assist them in their work, the Board Committees may commission technical reports from management or from external consultants, at the Company's expense. In both cases, the Chairman of the Board or the Board of Directors is notified in advance and the Committees report to the Board of Directors. They may also arrange meetings with members of Company management responsible for the areas under review, with or without the Executive Director being present.

In this case also, the Chairman and Chief Executive Officer shall be informed in advance.

There are three standing Board Committees:

- the Audit and Risks Committee;
- the Commitments Committee;
- the Compensation and Appointments Committee.

The Board can also set up one or several *ad hoc* committees.

Each Committee is chaired by one of its members, designated by the Board on the recommendation of the Compensation and Appointments Committee.

The Committees may invite the Chief Executive Officer to attend any and all their meetings, except for the part of the Compensation and Appointments Committee meetings during which agenda items concerning him personally are discussed.

After consulting with the Board of Directors, the Committee Chairman appoints a person (who need not be a committee member or a director) to act as Secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee periodically reviews its rules of procedure and proposes to the Board any changes that are considered necessary or that will improve their procedures.

The Board Committees do not have any decision-making authority and can, under no circumstances, replace the Board of Directors, which has sole decision-making authority.

The **Audit and Risks Committee** met five times in 2016 to prepare the Board's review and approval of the annual financial statements of the Company, the interim and annual consolidated financial statements and the annual budget, in line with its terms of reference as set out in the Board of Directors' Internal Regulations. The work of the Audit and Risks Committee focused on reviewing (i) the annual financial statements for the year ended December 31, 2015 and the financial statements for the six months ended June 30, 2016, (ii) the proper application of accounting principles, (iii) the financial communication process, (iv) audit and internal control matters, (v) tax and legal risks, and (vi) policies governing the investment of available cash. Audit and Risks Committee meetings are attended not only by its members but also by the Chairman and Chief Executive Officer, the Chief Financial Officer and the Statutory Auditors. The Board Secretary, the Vice President, Group Management Control, the Vice President, Consolidation and Financial Control, the head of Internal Audit, the Vice President, Tax, the Head of Information Systems Security and the Group Treasurer may also be invited to attend. During 2016, the Audit and Risks Committee managed the process of re-appointing the principal and alternate Statutory Auditors through a competitive bidding procedure.

The Audit and Risks Committee has four members with the expert knowledge of financial and accounting matters needed to fulfill the Committee's duties. It is chaired by the Vice-Chairman, who is also the lead independent director. Three of the Committee's four members (75%) are qualified by the Board of Directors as independent directors.

Committee meetings lasted two hours on average and the average attendance rate was 95%.

The **Commitments Committee** met once in 2016, in line with its terms of reference as set out in the Board of Directors' Internal Regulations, to prepare the Board of Director's decisions on the following matters:

- transactions that have a material impact on the Group's strategy or lead to a material change in the Group's business base;
- mergers, demergers or significant asset transfers;
- changes to the Company's corporate purpose;
- financial commitments in excess of €50 million per transaction;
- bilateral or syndicated borrowings representing €250 million or more.

During 2016, the Commitments Committee reviewed the terms and conditions of exercising the call options held by the Company on UTA.

The Commitments Committee has three members, two of whom are qualified by the Board of Directors as independent directors, *i.e.*, 66%.

The Committee meeting lasted 45 minutes and the attendance rate was 100%.

The **Compensation and Appointments Committee,** which met four times in 2016, drew up recommendations to the Board on the determination of the Executive Directors' compensation and benefits and the Group's policy with respect to stock option plans or performance share plans. It also participated in preparing senior management succession plans, in line with its terms of reference as set out in the Board of Directors' Internal Regulations.

In 2016, the Compensation and Appointments Committee made recommendations concerning the Chairman and Chief Executive Officer's 2015 bonus; his salary for 2016; the performance criteria to be applied to determine his 2016 bonus; the award of performance share awards; the allocation of 2015 directors' fees; the Group's Human Resources policy and the establishment of a succession plan for the Chairman and Chief Executive Officer and other key employees. The Committee also made recommendations about the establishment of "Say on Pay" procedures concerning the compensation due or awarded to the Chairman and Chief Executive Officer in respect of 2015, and on the new related-party agreements entered into with the Chairman and Chief Executive Officer in 2016. The Committee also reviewed the specific skills of the Audit and Risks Committee members, and the ratio of men and women on the Board of Directors.

The Compensation and Appointments Committee has four members, three of whom are qualified by the Board of Directors as independent directors, *i.e.*, 75%. It is chaired by an independent director.

The Committee's meetings lasted one and a half hours on average and the attendance rate was 75%.

## 5.5.2 CONDITIONS AND PROCEDURES FOR PARTICIPATING IN SHAREHOLDERS MEETINGS

The conditions and procedures for participating in Shareholders Meetings are set out in Article 24 of the Company's bylaws.

A summary is provided in the section 7 "Information about the Company and its capital".

## 5.5.3 RESTRICTIONS ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As allowed by French law and the Company's bylaws, the Board of Directors has, on several occasions, confirmed its decision not to separate the positions of Chairman of the Board of Directors and Chief Executive Officer.

Consequently, the Chairman of the Board of Directors is responsible for the executive management the Company, represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances within the scope of the powers ascribed to the Board by law or by regulations and vested in it under its Internal Regulations.

In accordance with the Internal Regulations, the Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations, including:

- calling the Shareholders Meeting and setting the meeting agenda;
- approving the annual budget and financing plan and the multi-year plan presented by the Chief Executive Officer and any changes in the budget;
- preparing the Company's financial statements and consolidated financial statements as well as the Management Report;
- authorizing the related-party agreements and commitments governed by Articles L.225-38 *et seq.* of the French Commercial Code;
- choosing the organization of the Company's Executive Management in accordance with Article 17 of the bylaws;
- appointing or removing the Chairman of the Board, the Vice-Chairman of the Board, the Chief Executive Officer and the Chief Operating Officers;
- determining the powers of the Chief Executive Officer and with the latter's agreement, the powers of the Chief Operating Officers;
- appointing directors;
- setting the compensation of the Chairman of the Board, the Chief Executive Officer and the Chief Operating Officers;
- appointing the members of the Committees created in accordance with the law, the bylaws and the Board of Director's Internal Regulations;
- allocating directors' fees to directors in accordance with the Internal Regulations;
- approving the Chairman's Report on the Board of Directors' procedures, internal control and risk management;
- deciding to issue debt securities not giving access to capital under Article L.228-40 of the French Commercial Code;
- deciding on the compensation to be paid to observers;
- authorizing the Chief Executive Officer, with the right of delegation, to grant undertakings, avals and guarantees in accordance with Article L.225-35 of the French Commercial Code;
- deciding every year on the Company's gender and salary equality policy in accordance with Article L.225-37-1 of the French Commercial Code.

In addition, the Board of Directors performs any and all controls and verifications it considers appropriate.

More generally, the Board of Directors:

- ensures that shareholders are properly informed, based on information received from senior management; and
- ensures that the Company has identification, assessment and risk management procedures, including off-balance sheet procedures, as well as an appropriate internal control system.

In addition to the powers vested in it by law or regulations, the Board of Directors:

a) reviews and approves the Group's overall strategy, at least once a year, in accordance with Article 1.2 of the Internal Regulations;

b) reviews the interim financial statements and approves the interim Management Report in accordance with Article 451-1-2 of the French Monetary and Financial Code;

**c)** systematically authorizes in advance the following decisions and transactions:

- any and all immediate or deferred financial commitments of the Company or a Group company representing more than €50 million per transaction. "Financial commitments" are defined as:

– acquisitions or disposals of business units, assets or majority or minority interests in non-controlled entities by the Company or a Group company within the meaning of Article L.233-3 I and II of the French Commercial Code; in the latter case, the entity's enterprise value is used as a basis for determining the amount of the commitment,

– any and all direct investments, for example for the creation of a business, business unit, subsidiary or expenditure on technological developments,

– lease commitments, measured on the basis of the market value of the leased asset,

– loans, advances or capital increases in non-controlled entities by the Company or a Group company within the meaning of Article L.233-3 I and II of the French Commercial Code,

– any and all bilateral or syndicated bank loans.

However, taking out bank loans of up to €250 million per year is not subject to approval, provided that the commitment is consistent with, and complies with, the Group's annual financing strategy as previously approved by the Board of Directors. In this case, the Chairman and Chief Executive Officer informs the Board of Directors of the commitments after they have been made.

The Board's prior approval is also not required for borrowings due in less than one year, whatever the amount borrowed;

- Any transactions that have a material impact on the Group's strategy or lead to a material change in the Group's business base (mainly entry in a new business or withdrawal from an existing business), or not in line with the Company's stated strategy, whatever the amount of the commitment.

The Chief Executive Officer or any other person duly empowered to implement the transactions assesses, under its responsibility, the transactions that are significant;

**d)** sets, each year, the total amount up to which the Chairman is authorized to issue undertakings, avals and guarantees, which may not exceed €250 million per year, with the Chairman and Chief Executive Officer being required to report to the Board of Directors each year on the amount and nature of the undertakings, avals and guarantees issued under the authorization. These items should be included in a note to the minutes recording the Board's decision. The Board of Directors can authorize the Chairman and Chief Executive Officer to issue tax and customs undertakings, avals and guarantees for unlimited amounts as provided for by law.

## 5.5.4 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

### 5.5.4.1 Internal control definition and objectives

The Edenred Group observes the highest standards in terms of internal control and financial information. Internal control is a process defined and implemented by the Board of Directors, management and employees to provide reasonable assurance regarding the achievement of objectives in the following areas:

- application of the instructions and directional guidelines fixed by Executive Management;
- compliance with the applicable laws and regulations, and adherence to the Group's corporate values;
- prevention and control of operational risks, financial risks and the risks of error or fraud;
- optimization of internal processes to guarantee operational efficiency and efficient use of resources;
- production of high quality, fairly stated accounting, financial and management information.

To fulfill each of these objectives, the Group has defined and implemented the main principles of internal control, based to a large extent on the Internal Control Framework defined in the report of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as last updated in 2013, and on the AMF's Internal Control Reference Framework and related recommendations, as last updated in 2010.

These principles are underpinned by:

- management policies that foster the development of an internal control culture and promote integrity;
- the identification and analysis of risk factors that may prevent the Group from meeting its objectives;
- an organization and procedures designed to ensure that the strategies defined by Executive Management are implemented;
- periodic reviews of control activities to seek out potential areas of improvement;
- procedures for the communication of information about internal control.

By helping to anticipate and control the risks involved in not meeting the objectives the Company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities. However, internal control cannot provide absolute assurance that the Company's objectives will be met.

One of the objectives of the internal control system is therefore to anticipate and control the risks arising in the course of the Company's business, as well as the risk of errors or fraud, particularly in the areas of accounting and finance. However, as stated in the AMF's Internal Control Reference Framework, internal control procedures cannot provide absolute assurance that the Company's objectives will be met, no matter how well the system is designed or how well the procedures are applied.

The following description of the Company's internal control systems was prepared based on the AMF [(1)]'s Internal Control Reference Framework and its application guide.

### 5.5.4.2 Summary description of internal control procedures

The internal control system described below covers the parent company and all of its consolidated subsidiaries, which are responsible for implementing the instructions and directional guidelines fixed by Executive Management, including internal control objectives. Each subsidiary's internal control system includes both the procedures defined at Group level and business-specific procedures that take account of the subsidiary's organization, culture, risk factors and specific operating environment. As the parent company, Edenred SA is responsible for ensuring that adequate internal controls exist and are applied, in particular to the accounting, financial and operating procedures of the subsidiaries included in the scope of consolidation.

### 5.5.4.3 Main participants in the system of internal control

Internal control procedures are part of the policies defined by the Board of Directors and are implemented under the direct responsibility of the heads of the operating divisions and corporate functions. Internal control is everyone's responsibility, from corporate officers to front-line employees.

The main structures responsible for overseeing the internal control system are as follows:

#### Executive Management

In accordance with the law and the Company's bylaws, the Chairman and Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances. The situations where exercise of the Chairman and Chief Executive Officer's powers is subject to the prior approval of the Board of Directors are described in section 3.

For the purpose of carrying out his duties, the Chairman and Chief Executive Officer has set up an Executive Committee comprising representatives from all of the operating divisions and corporate functions. The Executive Committee members are:

Representing the regions and businesses:

- Chief Operating Officer, Hispanic and North America;
- Chief Operating Officer, Northern Europe, Central Europe , France and Belgium;
- Chief Operating Officer, Southern Europe and Africa;
- Chief Operating Officer, Brazil;
- Chief Operating Officer, Asia-Pacific and Middle East;
- Chief Operating Officer, Expense Management;
- Chief Operating Officer, Corporate Payment;

Representing the corporate functions:

- Executive Vice President, Marketing and Strategy;
- Executive Vice President, Alternative Investments;
- Executive Vice President, Finance;
- Executive Vice President, Legal and Regulatory Affairs;
- Executive Vice President, Technology and Strategic Information Systems;
- Executive Vice President, Human Resources and Corporate Social Responsibility.

#### Group Finance

The Executive Vice President, Finance is responsible for implementing the Group's financial policies, in particular by communicating to the subsidiaries the accounting principles and standards used to prepare the consolidated financial statements.

Group Finance is organized around the following departments:

- Group Treasury and Financing;
- Group Management Control, responsible for overseeing the following units:
  - Consolidation and Financial Control,
  - Group Accounting,
  - Group Financial Information Systems;
- Corporate Finance, Mergers and Acquisitions;
- Financial Communications;
- Group Internal Audit, which includes the operational Internal Audit teams and internal information systems audit teams;
- Group Tax.

The Financial Controllers for the different operating regions report directly to the Executive Vice President, Finance, working closely and regularly with the Regional Chief Operating Officers.

Group Finance maintains regular contact with the Statutory Auditors, who audit the financial statements of the Company and the Group in accordance with the applicable laws and regulations.

##### Group Treasury and Financing

This department is responsible for the tracking, security, transparency and efficiency of the Group's cash management and financing transactions. Its activities include:

- managing financial resources to preserve the Group's liquidity position, in agreement with the Executive Vice President, Finance;
- managing cash positions;
- quantifying and hedging financial risks (particularly currency and interest rate risks);
- managing banking relationships;
- supporting subsidiaries in their management choices and assisting Executive Management in arranging financing for new projects.

(1) *Autorité des marchés financiers.*

## Group Management control

This department supervises and manages the Consolidation and Group Financial Control units, the Group Financial Information Systems Department and the Group Accounting Department.

It is responsible for relations with the Group's Statutory Auditors.

### *Consolidation and Group Financial Control*

**Role of the Financial Control unit**: Group Financial Control is responsible for producing monthly, quarterly and annual consolidated income statements. The items in the income statements of the subsidiaries and the corporate functions are tracked and analyzed by means of operational and financial indicators, which are compared at monthly intervals with the budget and prior year actual results. The unit also produces the data for the Group's published quarterly revenue reports.

This work serves as the basis for the preparation and transmission to the Executive Committee of management reports, supported by variance analyses and analyses of material trends identified from the subsidiaries' monthly management reporting packages.

The Executive Committee attaches considerable importance to the Group's planning process, leading to the preparation of the annual budget that rolls down the Group's strategy into operational action plans. It is the responsibility of Group Financial Control to issue appropriate instructions and guidelines for the teams involved in preparing the budgets.

It coordinates the planning and budget control system, which is backed by an instruction manual describing the management rules to be applied by all entities, as well as the budgeting, forecasting and management reporting procedures.

**Role of the Consolidation unit**: The consolidation process consists of consolidating Group companies at the level of the ultimate parent company, Edenred SA, which owns all of these companies either directly or indirectly. Each consolidated subsidiary produces a consolidation package in accordance with Group accounting policies and IFRSs, based on accounting data generated by their local information systems.

The Consolidation unit issues instructions prior to each period-end, setting out the reporting deadlines and describing any changes in standards, rules or principles that will apply for the first time. It also provides regular training on consolidation tools and standards. On receipt of the packages, the Consolidation unit performs the customary checks and controls before launching the consolidation process. The package reviews are an opportunity to check the accounting treatment applied to recognize and measure significant, unusual and non-recurring transactions.

To help improve the quality of financial information reported by consolidated subsidiaries, the Chief Executive Officer and the Finance Director of each consolidated or non-consolidated subsidiary are required to issue to the Group a representation letter at each half-yearly and annual close, certifying that (i) the financial statements comply with Group accounting policies and principles, (ii) internal controls over the preparation and processing of the financial statements are effective, and (iii) there have been no irregularities involving employees or management. The subsidiaries' management also provide additional Human Resources information for the calculation of pension obligations, as well as comments on material events for the period and a description of any items that – individually or cumulatively – have a material impact on the understanding and measurement of the subsidiary's financial statements.

The Consolidation team also produces the financial statements and notes published in the Group's Annual Reports.

## Group Financial Information Systems

The Group's accounting and financial information systems are designed to ensure the security, reliability, timeliness and traceability of financial information.

They are based on:

- a Group accounting system, to be deployed in all of the Group's subsidiaries;
- a reporting and consolidation system that covers all of the Group's operations, thereby ensuring consistency of accounting data at Company and Group levels.

A specifically designed user manual has been prepared and issued to the employees concerned, in order to guarantee that the systems are correctly used and that the information obtained is appropriate and relevant.

The Group has also set up processes to ensure the security of the accounting and financial information systems, as well as the integrity of the data involved. These include regular back-ups and programmed controls that trigger warnings in the event of incorrect data entries.

The accounting and financial information system is regularly updated to keep pace with changes in the Group's specific needs.

The network and all centralized applications are tested periodically to ensure that they are adequately protected against intrusion risk, and regular security audits are also performed.

## Corporate Finance, Mergers and Acquisitions

Corporate Finance is responsible for all of the Group's capital transactions such as acquisitions, divestments, mergers, joint ventures, etc. It provides expertise in the valuation and economic and financial structuring of acquisitions. It ensures that the Group's procedures in terms of due diligence and negotiations with vendors are properly followed for acquisition projects. It assists the Management Control Department in valuation work connected with monitoring merger and acquisition transactions in the Group's consolidated financial statements (impairment testing) and goodwill allocation.

Its role with respect to mergers and acquisitions is:

- assessing investment proposals on behalf of the Chief Executive Officer and Executive Vice President, Finance for submission to the Group Executive Committee or the Board's Commitments Committee;
- coordinating the entire acquisition process, including the acquisition audit, and centralizing the results;
- arranging the process for approving investment proposals (organizing the approval Committee meeting, presenting the proposals to the Group's Executive Committee and/or the Board's Commitments Committee, etc.).

### Financial Communications

The Financial Communications Department is responsible for providing the market and the financial community with clear, accurate information about the Company's results, strategy and outlook.

It organizes and conducts ongoing dialogue with shareholders, investors and analysts through press releases, meetings, telephone conference calls, and the Company's website.

The Financial Communications Department complies strictly with the applicable regulatory framework, in particular that of the Autorité des marchés financiers (AMF), and adheres to the principle of equal treatment of all investors. With the support of Legal and Group Management Control Departments, it is also responsible for reporting all regulated information (periodical and regular), which must meet transparency, accuracy and regularity requirements.

All financial press releases and published results are signed off by the Board of Directors and the Audit Committee prior to publication.

### Group Internal Audit and Information Systems Audit

Reporting to the Executive Vice President, Finance, Group Internal Audit is one of the cornerstones of the internal control system, responsible for helping to develop internal control tools and standards, and for performing audits based on the annual audit program approved by the Audit and Risks Committee of the Board of Directors. It has a team specializing in operations and financial audit and a team in charge of information systems audit.

Internal Audit is defined in professional standards as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations and information systems. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes." The internal auditors help the Group to meet its objectives by assessing its risk management, control and governance processes according to a systematic and methodical approach, and making proposals to improve their efficiency.

The Internal Audit Department's procedures are fully aligned with this definition. Its methods and procedures for reporting on its work are described in the Internal Audit Charter. This charter defines the framework for Internal Audit activities within the Group, based on the professional guidelines issued by IFACI (operations and financial audit) and ISACA (information systems audit), IIA affiliates, which require internal auditors to observe the highest ethical standards. It is signed by the Chairman and Chief Executive Officer, the Executive Vice President, Finance and the head of Group Internal Audit, and approved by the Group's Audit Committee.

Group Internal Audit coordinates its audit plans with the Statutory Auditors' work plans. In 2016, the Group Internal Audit team comprised the head of department and seven auditors (four operations auditors and three information systems auditors).

### Group Tax Department

The Group Tax Department's responsibilities in the area of internal control are to ensure that the Group fulfills its obligations and complies with the applicable tax rules. The Department's duties include:

- identifying the Group's risk exposures and implementing policies and procedures to address and attenuate tax risks;
- monitoring material tax disputes and tax audits of Group entities;
- aligning the tax practices of the various Group entities and checking with the Group's tax advisors that major transactions comply with the applicable tax laws;
- selecting tax advisors for all Edenred geographies and monitoring their services and related billings.

## Legal Department

The Group Legal Department is responsible for ensuring that the Group complies with all applicable laws and regulations in all of its host countries, protecting the Group's assets and businesses as a whole and defending the interests of the Group, as well as the professional interests of its directors and employees.

It contributes to internal control in four main areas:

- drafting and updating standard contracts and contract templates for the most common transactions (purchases of IT and other goods and services, general conditions of sale, product claims, etc.), along with procedures for their use;
- making proposals to the Executive Committee regarding the rules to be applied for delegations of authority and for the distribution and protection of confidential information, introducing these rules and monitoring their correct application worldwide;
- selecting external legal advisors, monitoring their services and performance, and tracking their billings in liaison with the Management Control Department;
- transposing international standards and guidelines into Group operational requirements.

The Group Legal Department's Insurance unit is tasked with purchasing adequate insurance cover for the Group's risk exposures. The Group determines its insurance policy on a global, consolidated basis as well as on a local basis. Global insurance programs have been set up with pools of leading insurers and specific additional cover is purchased locally when required.

The Group Risk manager in charge of the Insurance unit is responsible for mapping the Group's major risks with input from the Internal Audit and Information Systems Audit teams.

A Compliance Department was created in 2015, reporting to the Legal Affairs Department. Its role is to:

- monitor the regulations referred to in section 1.8.2 (payment services, electronic money, interchange, etc.) that may have an impact on Edenred's programs;
- provide the Group's subsidiaries with the support required to obtain a good understanding of these regulations and their impacts on programs and organization structures.

### 5.5.4.4 Internal communication of information and procedures related to accounting and financial information

The Group ensures that relevant information is communicated in a timely manner to all persons concerned by the system of internal control so that they can perform their duties in accordance with the Group's standards. To this end, a set of procedures describing best practices and reporting processes has been circulated internally.

Internal controls over accounting and financial information are designed to provide assurance that (i) the financial information produced by consolidated subsidiaries is reliable, (ii) the financial information published by the Group is fairly stated and complies with the true and fair view principle, and (iii) adequate safeguards are in place to protect against the risk of errors, inaccuracies or omissions in the Group's financial statements. Edenred refers to the AMF [(1)]'s Internal Control Reference Framework and the guide to its application to internal controls over accounting and financial information.

#### Group principles and values – Internal Audit Charter

The Group's internal control system forms part of the corporate values expressed by the Board of Directors and Executive Management and communicated to all employees. Rules of conduct and integrity have been drawn up covering the areas of employee behavior and relations with customers, shareholders, business partners and competitors.

The Internal Audit Charter aims to provide a Group-level cross-functional view of Internal Audit resources and methodologies, as well as the methods used to communicate the results of Internal Audits. It defines the framework for Internal Audit activities within the Group, based on the professional guidelines issued by IFACI and other bodies that require internal auditors to observe the highest ethical standards. The Internal Audit Charter is signed by the Group's Chairman and Chief Executive Officer, the Executive Vice President, Finance, the head of Group Internal Audit, and the members of the Executive Committee whose names and responsibilities are presented in the Registration Document.

#### Procedure manuals and accounting principles

A Finance Manual is issued to all Group Finance Departments, describing the closing process for the monthly management accounts and setting out the Group's charts of accounts, consolidation principles, accounting standards and policies. The Manual also includes the Treasury Charter, which describes cash management procedures, the principles to be followed concerning the holding of payment instruments and the approval of expenditures, as well as the role and organization of cash pooling systems.

In addition, a presentation of International Accounting Standards/International Financial Reporting Standards has been prepared by the Group Management Control Department and made available to all Group employees concerned.

Lastly, consolidation instructions detailing the financial reporting schedule and specific adjustments to be made to the subsidiaries' local financial statements are issued every six months to the various Finance Directors and consolidation teams, and are archived on the Finance Intranet.

The subsidiaries' consolidation packages, including adjustments to comply with Group policies, are prepared by the local accounting teams using as a reference the Group Finance Manual which describes the accounting recognition and measurement rules. The manual presents the basic concepts applied for the preparation of the financial statements, such as the going concern, accounting period and reliability concepts. It is regularly updated to reflect changes in French laws and regulations governing the preparation of consolidated financial statements.

The Finance Manual also describes in detail Group principles for the recognition, measurement and presentation of the main financial statement items, including:

- descriptions and definitions of income statement items, and the consistency tests to be performed such as the tax proof;
- rules governing the recognition and presentation of balance sheet and off-balance sheet items;
- rules governing the measurement of certain items based on estimates;
- accounting and reporting principles for intra-group transactions.

#### Reporting procedure

Group Financial Control is responsible for overseeing the reporting procedure described in the Finance Manual. This procedure requires local teams to submit monthly reporting packages comprising an analysis of key business indicators and the main components of income, in the format prescribed by the Group. All reporting data submitted by local subsidiaries must be analyzable by nature, function and solution.

*(1) Autorité des marchés financiers.*

The reporting procedure is designed to provide a detailed analysis of monthly changes in consolidated financial and operating results, to support resource allocation decisions and measure the efficiency of the various organizations. Reported data are compared to the budget and to prior-year actuals, to detect any emerging trends or unexplained variances.

### Internal Audit Reports

A draft report is prepared after each Internal Audit, setting out the auditors' findings, identified risks and related recommendations. This report is sent to the management of the audited entity, which prepares an action plan. A summarized version of this draft report may also be sent on request to the members of the Executive Committee.

The final report, which includes the action plan prepared by the audited entity, is then sent to the members of the Group Executive Committee in charge of overseeing operational and financial matters for the entity concerned.

The Audit and Risks Committee receives a half-yearly summary from the Group Internal Audit Department of the Internal Audits carried out during the period, including a status report on the annual audit plan, an assessment of the quality of internal control in the audited entities, the internal auditors' main observations, and action plans decided on by the parties concerned.

## 5.5.4.5 Identifying and analyzing risks

The Group identifies and analyzes the key risks that, if they occurred, would affect its ability to fulfill its objectives. It takes the appropriate measures to limit the probability of these risks occurring and the consequences if they do.

### Identifying risks

The Group is exposed to a number of risks in the normal course of business.

These risks, together with the related control procedures, are described in section 3 "Risk Factors". They include liquidity risks, counterparty risks, currency and interest rate risks, business risks and legal risks (including litigation and arbitration risks). The "Risk Factors" section also includes a description of the Group's insurance policy.

Internal control procedures are implemented under the direct responsibility of the heads of the operating divisions and corporate functions and Group Internal Audit, and form part of an on-going process of identifying, assessing and managing risks.

In line with this overall process the Group has developed internal control self-assessments, based on analyzing the internal control risks inherent in each business and identifying key control issues.

### Internal control self-assessments

The Group places considerable emphasis on preparing, issuing and monitoring internal control self-assessment procedures alongside existing internal control standards and processes. The self-assessment procedures are implemented by all Edenred entities that sell prepaid vouchers and cards. Data obtained from the internal control self-assessment process are centralized annually at country level, with the assistance of the Group Internal Audit team. The results are analyzed by Group Internal Audit, which prepares an annual executive summary for the Group Executive Committee and the Audit and Risks Committee.

Internal Audit programs for entities where the self-assessment system has been deployed include a quantitative measurement, *via* a rating system, of the gap between the self-assessment and the internal auditors' assessment of the level of internal control. By analyzing these gaps, it is possible to evaluate the quality of the self-assessment procedures implemented by the entity manager.

### Internal control risk mapping

Internal control risk maps are prepared based on the results of Internal Audits and the above-mentioned self-assessments. These maps, which highlight issues that require priority action, are included in the relevant Internal Audit reports and are periodically presented in summary form to the Executive Committee and the Audit and Risks Committee.

A mapping system covering all internal and external risk factors is in the process of being developed by the Risk Management unit, which is part of the Legal Department, assisted by Group Internal Audit. The system will provide data in a standard form concerning each entity's perceived level of risk exposure, to be used to prepare any necessary action plans.

The Risk Management unit of the Legal Department supports the operating divisions in implementing the corrective measures in order to mitigate the major identified risks.

### Group risk mapping

The Risk Management unit of the Legal Department is responsible for implementing procedures in association with the Executive Committee that anticipate and appropriately address the Group's risk exposures, with the support of the operating divisions and corporate functions.

The unit's approach consists of (i) developing tools to identify and monitor risk trends and prioritize the Group's main risks, and (ii) devising a risk prevention strategy aimed at reducing the frequency and seriousness of identified risks.

The Risk Management unit, which is part of the Legal Affairs Department, is responsible for financing Group risks, in particular by setting up appropriate insurance cover.

### Information systems security

The Information Systems Security Department advises and assists Group management in defining its IT security policy. It is also responsible for ensuring that the policy is properly implemented and applied, by identifying, organizing, coordinating and leading security programs, prevention programs and corrective measures in all of the Group's host countries.

### Financial risks related to the impacts of climate change

As a service business, the Group is not dependent on industrial facilities and does not use large volumes of natural resources. The paper-based proportion of the business has been reduced from 60% in 2010 to less than 30% at end-2016. The Group's exposure to climate change can therefore be considered as limited.

In 2017, the Group plans to conduct an initial study to model the impact of rising water levels on its business activities in Latin America.

The Group continues to take action aimed at limiting growth in greenhouse gas emissions, as described in section 4.3.4 "Measures to Combat Climate Change".

## 5.5.4.6 Control activities

To improve control of identified risks, the Group has set up control procedures that comply with its standards and cover both operating and financial information processes.

### Preparing and controlling the consolidated financial statements

The consolidated financial statements are prepared by the Management Control Department of Group Finance based on information reported by the entities' Chief Executive Officers and Finance Directors. The format of the consolidation packages is determined by the Group.

The entities are responsible for the information contained in their consolidation packages and are required to make formal representations to Group Finance about the fairness of reporting data and its conformity with Group accounting standards and policies.

The Consolidation unit carries out systematic controls of the consolidation packages submitted by the entities. A detailed schedule for reviewing the packages is prepared and sent to the employees concerned.

In connection with their audit of the consolidated financial statements, the Statutory Auditors review the consolidation packages transmitted by the entities included in the scope of their audit. Group Internal Audit also reviews from time to time the proper application of Group accounting standards and policies by the entities, and reports to Group Finance any issues identified during the review.

The consolidated financial statements are examined by the Executive Vice President, Finance prior to their review by the Audit and Risks Committee in preparation for approval by the Board of Directors.

### Role of the Internal Audit Department

Group Internal Audit carries out its audit assignments based on an audit program validated by the Executive Committee and the Audit and Risks Committee. The main types of assignments, as described in the Internal Audit Charter, are as follows:

- **operations and/or financial audits**, which are aimed at evaluating the reliability and effectiveness of the operating entities' internal control systems, as well as ensuring that they comply with Group standards. These audits mainly include checking that the internal control self-assessments have been properly and regularly performed by the operating entities. Comparing the results of the Internal Audits with the results of the self-assessments serves to close the internal control loop;
- **organizational and procedural audits**, which are aimed at helping the divisions to optimize and adapt their procedures and operating processes, notably when rolling out cross-functional projects that lead to a change in organization structures;
- **specific audits**: review assignments are referred to as specific audits when they comply with the professional standards applicable to internal auditors and fall within their remit. They can concern issues applicable to one or more operating entities or to a particular country, function or process;
- **IT function audits**, which are performed by the two specialized information systems auditors to ensure that best practices are applied in relation to the organization and management of the audited entities' information systems;
- **audits of applications and processes**, which are aimed at ensuring that the manual and automated checks in place provide an appropriate level of internal control in view of the operations covered by the applications concerned;
- **project management audits**, which are designed to validate the implementation of best IT project management practices;
- **acquisition audits**, which are conducted as part of the decision-making process for Group acquisitions when the target's business has highly technological components. Their scope depends on the underlying objectives of the acquisition, but their general aim is to identify any risks relating to the Group's ability to maintain and develop the target's information systems.

Internal Audit plans are determined based on the internal control risk map and self-assessment questionnaires. The objective is for each entity to be audited at least once every three or four years. The duration of each Internal Audit depends on the context, but they generally involve three auditors spending two weeks on site. A report is drawn up at the end of each audit, describing the organization of each process and the auditors' recommendations. Copies of the report are given to the audited entity, the manager responsible for the entity, the members of the Executive Committee and the Chairman and Chief Executive Officer.

Measures are taken by the management of the audited entities to eliminate the identified internal control weaknesses and make any necessary improvements. The Group Internal Audit team performs a follow-up visit within the next 12 to 18 months, to check that the action plans have been duly implemented.

The head of Group Internal Audit prepares half-yearly and yearly summaries of the Internal Audits carried out by his teams during the year for presentation to the Executive Committee and to the Audit and Risks Committee, which checks that the department has the necessary resources and makes any observations or recommendations that it considers necessary.

Lastly, reviews of entities' logistical security, focused on securing the technology platforms operated by the Group, are primarily performed by the Information Systems Security Department, which reports to Group Information Systems.

### 5.5.4.7 Monitoring internal control

Internal control procedures are regularly reviewed to ensure that they are appropriate and aligned with the Group's objectives, particularly in view of the risks specific to each business and the costs of performing the controls.

The main structures responsible for overseeing the internal control system are as follows:

#### The Audit and Risks Committee

The Board of Directors' Internal Regulations define the Audit and Risks Committee's membership, terms of reference and procedures. The Audit and Risks Committee is responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include monitoring the process for the preparation of financial information and checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure. It assists the Board of Directors in ensuring that the financial statements of the Company and the Group are accurate, fairly stated and reliable. The Committee makes proposals and recommendations to the Board in the areas described below. To this end, the Committee:

- reviews the interim and annual consolidated financial statements and the annual financial statements of the Company, prior to their examination by the Board of Directors. This includes assessing the monitoring of the processes involved in drawing up the financial statements and the appropriateness of the methods used to account for material transactions;
- reviews the procedures for preparing information provided to shareholders and to the market and Company press releases relating to accounting and financial information;
- reviews the scope of consolidation and the reasons for excluding any entities;
- reviews the Group's risk management policy and ensures that effective systems are in place;
- assesses the Group's risk exposures and material off-balance sheet commitments, as well as the effectiveness of the risk management system, and receives a copy of the Executive Vice President, Finance's detailed report on these matters;
- obtains assurance concerning the effectiveness of the Group's system of internal control by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the Internal Audit program and of the results of the Internal Audits carried out since the last presentation;
- reviews the Statutory Auditors' audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditors' appointment is due to expire, oversees the Statutory Auditor selection procedure and reviews the proposals submitted by the various candidates, expresses an opinion on the proposed fee budgets for statutory audit work and makes recommendations to the Board of Directors on the choice of Statutory Auditor;
- ensures compliance with the rules governing the Statutory Auditors' independence;
- validates the categories of additional audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- is informed, at the end of each year, of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees, as well as on its assessment of the Statutory Auditors' level of independence.

The Audit and Risks Committee has between three and five members. At least one member has expert knowledge of financial and accounting matters and at least two-thirds of the members are qualified by the Board of Directors as independent directors.

It is chaired by an independent director.

The Audit and Risks Committee meets at least three times a year and whenever necessary, including prior to Board meetings whose agenda includes matters within its purview. One meeting attended by the head of Internal Audit is devoted to reviewing the effectiveness of the internal control system.

The Committee may make regular enquiries of the directors, the Chief Executive Officer, the head of Internal Audit, the Statutory Auditors and the Group's senior management (*i.e.*, persons in charge of preparing the financial statements of the Company and the Group, risk management, internal control, legal and tax affairs, treasury and finance) without the Executive Director being present, after first notifying the Chairman and Chief Executive Officer.

Calls to meeting are made by the Committee Chairman and include the meeting agenda.

Meetings to review the interim and annual financial statements are held at least three days prior to the Board meeting called to approve the financial statements. The members of the Audit and Risks Committee must receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group.

The Chairman and Chief Executive Officer, the Vice President, Finance, and the Statutory Auditors may be invited to attend Audit and Risks Committee meetings.

# 5.6 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

(Year ended December 31, 2016)

To the Shareholders,

In our capacity as Statutory Auditors of Edenred and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

## Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

## Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, March 14, 2017
The Statutory Auditors

ERNST & YOUNG Audit
Philippe DIU

DELOITTE & ASSOCIÉS
Patrick E. SUISSA

6

# FINANCIAL STATEMENTS


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# 6.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Edenred;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

## 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 3.2 « Change of the Bolivar exchange rate in 2015 and 2016 « of the consolidated financial statements sets out the method used by your group for translating financial statements of its subsidiaries located in Venezuela for the years ended December 31, 2015 and 2016. Our work consisted in assessing the appropriateness of the procedures referred to above, to review their correct application and to ensure that the notes to the consolidated financial statements provide an appropriate level of information.
- Edenred performs impairment tests on goodwill and intangible assets with indefinite useful lives whenever there is an indication that an asset may be impaired and at least once a year and, in accordance with the method set out in Note 5.5 to the consolidated financial statements "Impairment tests". We have reviewed the method used to perform such impairment tests and the overall consistency of the assumptions used and ensured that the notes to the financial statements provide an appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III. SPECIFIC VERIFICATION

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, March 14, 2017
The Statutory Auditors

| ERNST & YOUNG Audit | DELOITTE & ASSOCIÉS |
|---|---|
| Philippe DIU | Patrick E. SUISSA |

# 6.2 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## 6.2.1 YEARLY CONSOLIDATED INCOME STATEMENT

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| Operating revenue with IV | 4.3 | 918 | 848 |
| Operating revenue w/o IV | 4.3 | 155 | 152 |
| Financial revenue | 4.3 | 66 | 69 |
| **Total revenue** | **4.3** | **1,139** | **1,069** |
| Operating expenses | 4.4 | (712) | (681) |
| Depreciation, amortization and provisions | 5.1 | (57) | (47) |
| **EBIT** | **4.5** | **370** | **341** |
| Net financial expense | 6.1 | (58) | (47) |
| Share of associates net profit | 2.2 | 8 | 9 |
| **Operating profit before tax and non-recurring items** | | **320** | **303** |
| Other income and expenses | 10.1 | (26) | (23) |
| **Profit before tax** | | **294** | **280** |
| Income tax expense | 7.1 | (102) | (98) |
| **NET PROFIT** | | **192** | **182** |
| **Net Profit, Group share** | | **180** | **177** |
| Net Profit, Non-controlling interests | 8.3 | 12 | 5 |
| Weighted average number of shares outstanding *(in thousands)* | 8.2 | 230,113 | 227,773 |
| **Earnings per share, Group share** *(in euros)* | **8.2** | **0.78** | **0.78** |
| Diluted earnings per share *(in euros)* | 8.2 | 0.77 | 0.76 |

## 6.2.2 YEARLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| **Net profit** | | **192** | **182** |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Currency translation adjustment | 1.4 | 92 | (114) |
| Change in fair value of financial instruments | | 26 | (15) |
| Tax on items that may be subsequently reclassified to profit or loss | | (9) | 5 |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gains and losses on defined benefit plans | | (3) | 8 |
| Tax on items that will not be reclassified to profit or loss | | 0 | (3) |
| **Other comprehensive income, net of tax** | | **106** | **(119)** |
| **TOTAL COMPREHENSIVE INCOME** | | **298** | **63** |
| **Comprehensive income, Group share** | | **280** | **61** |
| **Comprehensive income, Non-controlling interests** | | **18** | **2** |

## 6.2.3 CONSOLIDATED BALANCE SHEET

### Consolidated assets

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| **Goodwill** | **5.2/ 5.5** | **904** | **575** |
| **Intangible assets** | **5.3/ 5.5** | **313** | **182** |
| **Property, plant and equipment** | **5.4/ 5.5** | **38** | **37** |
| **Investments in associates** | **2.2** | **151** | **150** |
| Non-current financial assets | 4.2 | 41 | 32 |
| Deferred tax assets | 7.2 | 69 | 67 |
| **TOTAL NON-CURRENT ASSETS** | | **1,516** | **1,043** |
| Trade receivables | 4.6/ 4.7 | 1,415 | 973 |
| Inventories, other receivables and accruals | 4.6/ 4.7 | 326 | 291 |
| Restricted cash | 4.6 | 942 | 858 |
| Current financial assets | 6.2/ 6.5 | 49 | 40 |
| Other marketable securities | 6.3/ 6.5 | 735 | 478 |
| Cash and cash equivalents | 6.3/ 6.5 | 649 | 467 |
| **TOTAL CURRENT ASSETS** | | **4,116** | **3,107** |
| **TOTAL ASSETS** | | **5,632** | **4,150** |

### Consolidated liabilities

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| Issued capital | 8.1 | 467 | 462 |
| Treasury shares | 8.1 | (32) | (56) |
| Consolidated retained earnings (including additional paid-in capital) | | (1,699) | (1,781) |
| Cumulative compensation costs - share-based payments | | 86 | 76 |
| Cumulative fair value adjustments of financial instruments | | 3 | (14) |
| Cumulative actuarial gains (losses) on defined benefit plans | | (5) | (2) |
| Currency translation reserve | | (230) | (316) |
| Net profit, Group share | | 180 | 177 |
| **Equity attributable to owners of the parent company** | | **(1,230)** | **(1,454)** |
| Non-controlling interests | 8.3 | 69 | 12 |
| **Total Equity** | | **(1,161)** | **(1,442)** |
| Non-current financial debt | 6.4/ 6.5 | 1,355 | 1,476 |
| Other non-current financial liabilities | 6.4/ 6.5 | 50 | 38 |
| Non-current provisions | 10.2 | 42 | 33 |
| Deferred tax liabilities | 7.2 | 129 | 84 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,576** | **1,631** |
| Current financial debt | 6.4/ 6.5 | 527 | 2 |
| Other current financial liabilities | 6.4/ 6.5 | 37 | 45 |
| Current provisions | 10.2 | 35 | 22 |
| Funds to be redeemed | 4.6 | 4,182 | 3,564 |
| Trade payables | 4.6 | 142 | 82 |
| Current tax liabilities | 4.6/ 4.7 | 13 | 13 |
| Other payables | 4.6/ 4.7 | 229 | 172 |
| Bank overdrafts | 6.4/ 6.5 | 52 | 61 |
| **TOTAL CURRENT LIABILITIES** | | **5,217** | **3,961** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,632** | **4,150** |

## 6.2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| | *(en millions d'euros)* | Notes | Décembre 2016 | Décembre 2015 |
|---|---|---|---|---|
| + | Net profit, Group Share [(1)] | | 180 | 177 |
| + | Non-controlling interests | 8.3 | 12 | 5 |
| - | Shares from associates investments | 2.2 | (8) | (9) |
| - | Depreciation, amortization and provision expenses | | 66 | 52 |
| - | Deferred taxes | 7.1 | (5) | (9) |
| - | Change in financial provisions | | (0) | 2 |
| - | Writte-offs | | - | - |
| - | Expenses related to share-based payments | | 9 | 14 |
| - | Non cash impact of the other income and expenses | | 30 | (2) |
| - | Difference between income tax paid and income tax expense | | 10 | 2 |
| + | Dividends received from investment in associates [(2)] | 2.2 | 8 | 23 |
| **=** | **Funds from operations including non-recurring items** | | **302** | **255** |
| - | (Gains) losses on disposals of assets, net | | (0) | (2) |
| - | (Gains) losses on non-recurring transactions (including restructuring costs) | | (3) | 27 |
| **=** | **Funds from operations before non-recurring items (FFO)** | | **299** | **280** |
| + | Decrease (increase) in working capital | 4.6 | 215 | 129 |
| + | Recurring decrease (increase) in restricted cash | 4.6 | (104) | (41) |
| **=** | **Net cash from operating activities** | | **410** | **368** |
| + | Non-recurring gains (losses) (including restructuring costs) received / paid | | 3 | (31) |
| **=** | **«Net cash from operating activities including non-recurring transactions (A)»** | | **413** | **337** |
| - | Recurring expenditure | | (58) | (57) |
| - | External acquisition expenditure | 2.1 | (196) | (240) |
| + | Proceeds from disposals of assets | | 2 | (18) |
| **=** | **Net cash from (used in) investing activities (B)** | | **(252)** | **(315)** |
| + | Shares issues by subsidiaries [(3)] | | 48 | 56 |
| - | Dividends paid [(3)] | | (199) | (199) |
| + | (Purchases) sales of treasury shares | | 2 | (48) |
| **+** | **Increase (Decrease) in debt** | **6.5** | **251** | **217** |
| **=** | **Net cash from (used in) financing activities (C)** | | **102** | **26** |
| **-** | **Net foreign exchange difference and fair value adjustment (D)** | | (72) | (39) |
| **=** | **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (E) = (A) + (B) + (C) + (D)** | **6.5** | **191** | **9** |
| + | Cash and cash equivalents at beginning of period | | 406 | 397 |
| - | Cash and cash equivalents at end of period | | 597 | 406 |
| **=** | **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **6.5** | **191** | **9** |

*(1) Including € (38) million of financial interests effectively paid in 2016. No dividends have been received from external companies.*

*(2) Including € 11 million received in 2015 related to 2014.*

*(3) Including € (5) million of tax on dividends in 2016. Moreover, in respect of 2015 year, a dividend amounting to €0.84 per share with the option of reinvesting 50% of this dividend in new shares has paid in cash for €(149) million and distributed in new shares for €(43) million as of December 31, 2016.*

Cash and cash equivalents at end of the period can be analysed as follows:

| | | Notes | December 2016 | December 2015 |
|---|---|---|---|---|
| + | Cash and cash equivalents | 6.3 | 649 | 467 |
| - | Bank overdrafts | 6.4 | (52) | (61) |
| **=** | **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **597** | **406** |

## 6.2.5 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

| *(in € millions)* | Issued capital | Aditionnal paid-in capital | Treasury shares | Consolida-ted retained earnings [2] | Cumulative compen-sation costs share based payments | Cumulative fair value adjust-ments of financial instruments | Cumulative actuarial gains (losses) on defined benefit plans | Currency transla-tion reserve [1] | Net profit, Group share | Equity attribu-table to owners of the parent company | Total non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2014** | **458** | **637** | **(47)** | **(2,403)** | **64** | **(4)** | **(7)** | **(205)** | **164** | **(1,343)** | **23** | **(1,320)** |
| Appropriation of 2014 result | - | - | - | 164 | - | - | - | - | (164) | - | - | - |
| Issue of share capital | | | | | | | | | | | | |
| • *in cash* | - | - | - | - | - | - | - | - | - | - | - | - |
| • *cancellation of treasury shares* | - | (34) | - | - | - | - | - | - | - | (34) | - | (34) |
| • *option exercised* | - | 14 | - | - | - | - | - | - | - | 14 | - | 14 |
| • *dividends reinvested in new shares* | 4 | 38 | - | - | - | - | - | - | - | 42 | - | 42 |
| Dividends paid | - | - | - | (191) | - | - | - | - | - | (191) | (3) | (194) |
| Effect of changes in consolidation scope | - | - | - | (1) | - | - | - | - | - | (1) | (10) | (11) |
| Compensation costs for the period — share-based payments | - | - | - | - | 12 | - | - | - | - | 12 | - | 12 |
| (Acquisitions) disposals of treasury shares | - | - | (9) | (5) | - | - | - | - | - | (14) | - | (14) |
| **Other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **(10)** | **5** | **(111)** | **-** | **(116)** | **(3)** | **(119)** |
| Net profit for the period | - | - | - | - | - | - | - | - | 177 | 177 | 5 | 182 |
| **TOTAL COMPREHENSIVE INCOME** | **-** | **-** | **-** | **-** | **-** | **(10)** | **5** | **(111)** | **177** | **61** | **2** | **63** |
| **December 31, 2015** | **462** | **655** | **(56)** | **(2,436)** | **76** | **(14)** | **(2)** | **(316)** | **177** | **(1,454)** | **12** | **(1,442)** |
| Appropriation of 2015 result | - | - | - | 177 | - | - | - | - | (177) | - | - | - |
| Increase (decrease) in share capital | | | | | | | | | | | | |
| • *in cash* | - | - | - | - | - | - | - | - | - | - | - | - |
| • *cancellation of treasury shares* | - | - | - | - | - | - | - | - | - | - | - | - |
| • *option exercised* | - | (11) | - | - | - | - | - | - | - | (11) | - | (11) |
| • *dividends reinvested in new shares* | 5 | 38 | - | - | - | - | - | - | - | 43 | - | 43 |
| Dividends paid [3] | - | - | - | (192) | - | - | - | - | - | (192) | (4) | (196) |
| Effect of changes in consolidation scope [4] | - | - | - | 74 | - | - | - | - | - | 74 | 43 | 117 |
| Compensation costs for the period – share-based payments | - | - | - | - | 10 | - | - | - | - | 10 | - | 10 |
| (Acquisitions)/ disposals of treasury shares [5] | - | - | 24 | (4) | - | - | - | - | - | 20 | - | 20 |
| **Other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **17** | **(3)** | **86** | **-** | **100** | **6** | **106** |
| Net profit for the period | - | - | - | - | - | - | - | - | 180 | 180 | 12 | 192 |
| **TOTAL COMPREHENSIVE INCOME** | **-** | **-** | **-** | **-** | **-** | **17** | **(3)** | **86** | **180** | **280** | **18** | **298** |
| **DECEMBER 31, 2016** | **467** | **682** | **(32)** | **(2,381)** | **86** | **3** | **(5)** | **(230)** | **180** | **(1,230)** | **69** | **(1,161)** |

*(1) See Note 1.4 "Foreign currency translation" detailing main exchange rates used in 2015 and 2016.*

*(2) This amount includes the impact of acquiring Edenred entities owned by Accor that was deducted from equity for €(1,894) million following the demerger in June 2010, refers Note 8 "Shareholders' equity" – "Preamble for further information regarding the negative situation of retained earnings".*

*(3) Shareholders at the Annual Meeting on May 4, 2016, approved a dividend in respect of 2015 year amounting to €0.84 per share with the option of reinvesting 50% of this dividend in new shares. The dividends were paid in cash for €149 million and distributed in new shares for €43 million for 2015 as of December 31, 2016.*

*(4) By determining the difference between the cost of the business combination and the estimated acquisition date fair value of the net assets acquired on Embratec, the Group has re-estimated at fair value 35% of Ticket Car® activity sold by Ticket Serviços to Embratec. The gain of this disposal has been booked in equity with balance in goodwill for the amount of €91 million. The Group has also re-estimated at fair-value 21.70% of Repom sold by Edenred Brazil to Embratec: this value has been booked in equity with balance in goodwill for the amount of €13 million.*

*(5) The movement in treasury shares reflects €(4) million in liquidity contract transaction and acquisition of owned shares for €24 million.*

## 6.2.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## PREAMBLE

On July 1, 2015, the Financial Market Authority published a “guide on the relevance, the consistency and the readability of financial statements”. The purpose of this guide is to assist companies in their preparation of financial statements, in making them more intelligible and relevant.

In the light of this, this guide contains a number of ideas for consideration organized around three main issues:

**1)** Make the presented information more relevant by giving more detailed and specific information for the most sensitive and important items and by eliminating, if need be, the information related to irrelevant topics;

**2)** Improve the consistency of the presented information with the one communicated to the market. The purpose is to emphasize the same topics in consolidated accounts as in the presentation to financial analysts and press releases;

**3)** Make the information more intelligible by reorganising the structure of the notes to the consolidated financial statements and using a number of principles used in financial communication.

In order to participate to this drive for improvement, Edenred implemented, since the publication of financial statements as of December 2015, the reorganization of its financial document notes and to simplify it.

Furthermore, the accounting rules and methods previous single note had been split at the beginning of each specific note it was related to. The notes had been joined together by topic in order to enable the reader to have a global vision of the topics. Finally, in order to provide a quicker reading, visuals have been added as a way to identify the topics among each section.

This icon highlights an IFRS standard issue.

This icon highlights a definition specific to the Edenred Group.

This icon highlights the use of estimates or judgement. As the Group uses estimates and hypothesis, it uses the method presented in Note 1.6. In the absence of standards or interpretations applicable to a specific transaction, the Management of Edenred uses judgement to define and apply the accounting methods that will provide relevant and reliable information, so that the financial statements present a true and fair view of the financial situation, the financial performance and the Group cash flows, and show the economic reality of transactions.

This icon highlights the figures of the Group for the current year as well as the comparative period.

## NOTE 1 GROUP PRESENTATION

### 1.1 Business description

Edenred, which invented the *Ticket Restaurant*® meal voucher and is the world leader in prepaid corporate services, designs and manages solutions that improve the efficiency of organizations and purchasing power to individuals.

By ensuring that allocated funds are used specifically as intended, these solutions enable companies to more effectively manage their:

- Employee benefits (*Ticket Restaurant*®*, Ticket Alimentación*®*, Ticket CESU, Childcare Vouchers*®, etc.);
- Expense management process (*Ticket Car*®, *Ticket Clean Way*®, *Repom*®, etc.);
- Incentive and rewards programs (*Ticket Compliments*®, *Ticket Kadéos*®, etc.).

The Group also supports public institutions in managing their social programs.

### 1.2 Management of the Group's capital structure

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

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

Group dividends distribution policy has been updated during 2016 related to dividends to be paid in 2017. On October 19, 2016 the Group communicated on this new policy that illustrates the intention to pay every year a dividend at least equal to 80% of Consolidated Net Result – Group share.

### 1.3 Information about the parent company Edenred SA

Registered name: Edenred SA

Registered office: Immeuble Colombus, 166-180 Boulevard Gabriel Péri, 92245 Malakoff – France

*Société anonyme* with a Board of Directors. Share capital: €467,359,690

Registered in Nanterre: RCS 493 322 978

NAF code: 6420Z

**These financial statements closed on December 31, 2016 were approved for publication by the Board of Directors of Edenred on February 22, 2017. They will be submitted for shareholders' approbation during the general assembly on May 4, 2017.**

### 1.4 Foreign currency translation

The presentation currency is the Euro. Amounts are rounded to the nearest million of euro.
In accordance with IAS 21 – Effects of Changes in Foreign Exchange Rates and for consolidation needs, the balance sheets of foreign subsidiaries are translated into euros at the exchange rate on the balance sheet date (closing exchange rate). Their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity and recognized in profit on disposal or closing of the business.

Euro closing exchange rates and euro average exchange rates used to translate foreign operations in the consolidated financial statements were as follows:

| | GBP | BRL | MXN | ARS | SEK | VEF | USD |
|---|---|---|---|---|---|---|---|
| Closing rate 2015 | 0.73 | 4.31 | 18.91 | 14.08 | 9.19 | 216.32 | 1.09 |
| **Closing rate 2016** | **0.86** | **3.43** | **21.77** | **16.74** | **9.55** | **709.32** | **1.05** |
| Average rate 2015 | 0.73 | 3.69 | 17.60 | 10.27 | 9.35 | 198.25 | 1.11 |
| **Average rate 2016** | **0.82** | **3.86** | **20.65** | **16.33** | **9.47** | **545.09** | **1.11** |

The impact on consolidated equity of change in currency translation reserve is €86 million between December 31, 2015 and December 31, 2016, as presented in 1.5 – Consolidated Statement in Changes in Equity. This favorable net exchange difference on foreign operations was mainly due to the appreciation of the Brazilian real €115 million, the devaluation of the Sterling pound €(13) million, the devaluation of Mexican peso €(8) million and the devaluation of Venezuelan bolivar €(7) million against the euro.

## 1.5 Basis of preparation of financial statements

As required by European Commission regulation 1606/2002/EC dated July 19, 2002, the Edenred consolidated financial statements for the year ended December 31, 2016, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union as of that date. They include comparative financial information for the year 2015, prepared in accordance with the same principles and conventions and the same standards.
IFRS are downloadable from the European Commission's website:
**http://www.ec.europa.eu/internal_market/accounting/ias/index_en.htm**

At December 31, 2016, the accounting standards and interpretations adopted by the European Union were the same as the International Financial Reporting Standards (including IFRSs, IASs and Interpretations) published by the International Accounting Standards Board ("IASB"), with the exception of IAS 39, which was only partially adopted.
This difference does not have a material impact on the Edenred consolidated financial statements because the application of the currently unadopted part of the standard has no impact on the Group's financial statements.
As a result, the Group's consolidated financial statements have been prepared in accordance with International Financing Reporting Standards as published by the IASB and adopted by the European Union.

## 1.6 Use of judgments and estimates

Edenred's management uses judgment and estimates in the preparation of Group financial statements. According with the evolution of used hypotheses and economic conditions different from those existing at closing date, amounts in Group's future financial statements could be significantly different from current estimations.

# NOTE 2 SCOPE OF CONSOLIDATION

In accordance with IFRS 10 – Consolidated Financial Statements, control over an entity has been determined based on a review of the criteria specified in the standard, which is not limited to the voting power held in the entity (more than 50%); an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. For this purpose, fair values are determined in the new subsidiary's local currency. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.

# EDENRED

## FRANCE

| | | | |
|---|---|---|---|
| Edenred France | France | Glob | 100,00% |
| Servicarte | France | Glob | 100,00% |
| Edenred Paiements | France | Glob | 100,00% |
| Conecs | France | Equity | 25,00% |
| Aqoba | France | Equity | 38,92% |
| PWCE Participations | France | Glob | 61,84% |
| Proweb CE | France | Glob | 61,84% |
| La Compagnie des Cartes Carburants | France | Glob | 69,17% |
| Fleet Pro | France | Equity | 34,60% |
| Edenred Corporate Payment | France | Glob | 100,00% |

## REST OF EUROPE

| | | | |
|---|---|---|---|
| Edenred Deutschland | Germany | Glob | 100,00% |
| Edenred Incentives & Rewards | Germany | Glob | 100,00% |
| Edenred Vouchers | Germany | Glob | 100,00% |
| Edenred Tankkarten* | Germany | Glob | 100,00% |
| Union Tank Eckstein SUBG | Germany | Equity | 34,00% |
| Edenred Austria | Austria | Glob | 100,00% |
| Edenred Belgium | Belgium | Glob | 100,00% |
| Luncheck | Belgium | Glob | 99,99% |
| Award Services | Belgium | Glob | 100,00% |
| Edenred Bulgaria | Bulgaria | Glob | 50,00% |
| Edenred Espana | Spain | Glob | 100,00% |
| Edenred Finland | Finland | Glob | 100,00% |
| Vouchers Services | Greece | Glob | 51,00% |
| Edenred Magyarorszag | Hungary | Glob | 100,00% |
| Edenred Italia | Italy | Glob | 100,00% |
| Edenred Italia Fin s.r.l | Italy | Glob | 100,00% |
| Edenred Luxembourg | Luxembourg | Glob | 100,00% |
| Cube Re | Luxembourg | Glob | 100,00% |
| Daripod Holding S.a.r.l | Luxembourg | Glob | 50,00% |
| Edenred Nederland | Netherlands | Glob | 100,00% |
| Edenred Polska | Poland | Glob | 100,00% |
| Edenred Portugal | Portugal | Glob | 50,00% |
| Edenred CZ | Czech Republic | Glob | 100,00% |
| Edenred Romania | Romania | Glob | 94,83% |
| Edenred (UK Group) | United Kingdom | Glob | 100,00% |
| Edenred (Incentives & Motivation) | United Kingdom | Glob | 100,00% |
| Edenred (Employee Benefits) | United Kingdom | Glob | 100,00% |
| Prepay Technologies | United Kingdom | Glob | 70,45% |
| Cleanway | United Kingdom | Glob | 100,00% |
| Luncheon Vouchers Catering Education Trust | United Kingdom | Glob | 100,00% |
| ChildCare Vouchers | United Kingdom | Glob | 100,00% |
| Edenred (Travel) | United Kingdom | Glob | 100,00% |
| Daripodarki | Russia | Glob | 50,00% |
| Edenred Slovakia | Slovakia | Glob | 100,00% |
| Edenred Sweden | Sweden | Glob | 100,00% |
| Delicard Group AB | Sweden | Glob | 100,00% |
| Edenred Suisse | Switzerland | Glob | 100,00% |

## NORTH AMERICA

| | | | |
|---|---|---|---|
| Edenred North America | United States of America | Glob | 100,00% |
| Edenred Commuter Benefits Solutions | United States of America | Glob | 100,00% |
| NutriSavings LLC | United States of America | Glob | 80,00% |

## LATIN AMERICA AND CARIBBEAN

| | | | |
|---|---|---|---|
| Edenred Argentina | Argentina | Glob | 100,00% |
| Soporte Servicios* | Argentina | Glob | 100,00% |
| GLOG Servicos De Gestao de distribuicao | Brazil | Glob | 99,99% |
| Ticket Serviços | Brazil | Glob | 100,00% |
| Ticketseg | Brazil | Glob | 100,00% |
| Edenred Brasil Participações* | Brazil | Glob | 100,00% |
| Accentiv' Serviços Tecnologica Da informaçao | Brazil | Glob | 100,00% |
| Ticket Serviços Participações* | Brazil | Glob | 100,00% |
| Ticket Log | Brazil | Glob | 65,00% |
| B2B Comercio Electronico de Paces | Brazil | Glob | 36,00% |
| Repom S.A | Brazil | Glob | 40,30% |
| Edenred Chile | Chile | Glob | 74,35% |
| Edenred Colombia | Colombia | Glob | 100,00% |
| Big Pass | Colombia | Glob | 100,00% |
| Edenred Mexico | Mexico | Glob | 100,00% |
| Servicios Accor | Mexico | Glob | 100,00% |
| Sedesa | Mexico | Equity | 20,00% |
| Opam | Mexico | Glob | 100,00% |
| Servicios Y Soluciones Empresariales Ticket Edenred | Mexico | Glob | 100,00% |
| Merchant Services de Mexico S.A. de C.V. | Mexico | Glob | 100,00% |
| Sinergel S.A. de C.V. | Mexico | Glob | 100,00% |
| Vales y Monederos Electronicos Puntoclave | Mexico | Glob | 100,00% |
| Accor Services Panama | Panama | Glob | 100,00% |
| Edenred Perou | Peru | Glob | 67,00% |
| Luncheon Tickets | Uruguay | Glob | 100,00% |
| Uniticket | Uruguay | Glob | 100,00% |
| Westwell Group* | Uruguay | Glob | 100,00% |
| Cestaticket Services | Venezuela | Glob | 57,00% |
| Inversiones Quattro Venezuela | Venezuela | Glob | 100,00% |
| Inversiones Cinq Venezuela | Venezuela | Glob | 100,00% |
| Inversiones Huit Venezuela | Venezuela | Glob | 100,00% |
| Inversiones Neuf | Venezuela | Glob | 100,00% |
| Inversiones Dix | Venezuela | Glob | 100,00% |
| Inversiones Onze 2040 | Venezuela | Glob | 100,00% |
| Inversiones Douze | Venezuela | Glob | 100,00% |
| Inversiones Quatorze | Venezuela | Glob | 100,00% |
| Inversiones Quinze 1090 | Venezuela | Glob | 100,00% |
| Inversiones Seize 30 | Venezuela | Glob | 100,00% |

## OTHER COUNTRIES

| | | | |
|---|---|---|---|
| Edenred SAL | Lebanon | Glob | 80,00% |
| Edenred Maroc | Morocco | Glob | 83,67% |
| Edenred South Africa | South Africa | Glob | 74,00% |
| Edenred Kurumsal Cozumler | Turkey | Glob | 100,00% |
| Network Servisleri | Turkey | Glob | 50,00% |
| Accentiv Hediye Ve Danismanlik Hizmetleri | Turkey | Glob | 100,00% |
| Accentiv Hediye Ve Danismanlik Hizmetleri | Turkey | Glob | 100,00% |
| C3 Card International Ltd | United Arab Emirates | Glob | 50,00% |
| C3 Card FZ LLC | United Arab Emirates | Glob | 50,00% |
| Beijing Surfgold Technology | China | Glob | 100,00% |
| Accentiv Shanghai Company | China | Glob | 100,00% |
| Edenred Hong-Kong | Hong Kong | Glob | 100,00% |
| SRI Ganesh Hosp.* | India | Glob | 100,00% |
| Edenred India | India | Glob | 100,00% |
| Surfgold.com India | India | Glob | 100,00% |
| CardTrend Systems Sdn Bhd | Malaisya | Glob | 88,00% |
| Edenred PTE | Singapour | Glob | 100,00% |
| Edenred PTE. Ltd., Taiwan Branch | Taiwan | Glob | 100,00% |
| Edenred Japan | Japan | Glob | 100,00% |
| Edenred Vietnam | Vietnam | Glob | 95,00% |

## WORLDWIDE STRUCTURES

| | | | |
|---|---|---|---|
| ASM* | France | Glob | 100,00% |
| Saminvest* | France | Glob | 100,00% |
| GABC | France | Glob | 100,00% |
| Veninvest Quattro* | France | Glob | 100,00% |
| Veninvest Cinq* | France | Glob | 100,00% |
| Veninvest Huit* | France | Glob | 100,00% |
| Veninvest Neuf* | France | Glob | 100,00% |
| Veninvest Onze* | France | Glob | 100,00% |
| Veninvest Douze* | France | Glob | 100,00% |
| Veninvest Quatorze* | France | Glob | 100,00% |
| Veninvest Quinze* | France | Glob | 100,00% |
| Veninvest Seize* | France | Glob | 100,00% |

*Glob : fully consolidated*

*Equity : accounted for by the equity method*

** Holding*

Changes in scope of consolidation compared to 2015 are mainly related to the integration in scope of La Compagnie des Cartes Carburant and to new entites linked to Embratec acquisition, as explained in the Note 2.1.

## 2.1 Main acquisitions and developments 2016

Since January 1, 2010, following the adoption of IFRS 3 (revised) – Business Combinations and IFRS 10 – Consolidated Financial Statements, the Group has accounted for business combinations and changes in percentage ownership without loss of control in accordance with these standards.
As part of certain acquisitions and/or business combinations, the Group has granted commitments to buy back minority shareholders' holdings. The exercise price of these options can be fixed or calculated following a predefined formula, and they can be exercised at any time or at a set date.
The Group records a financial liability at its present value for the puts granted to the minority shareholders of the concerned entities. Subsequent changes to the commitment's value are recognized with adjustments to the equity attributable to owners of the parent company.
All equity security transactions between controlling and non-controlling shareholders not involving a loss of control must be recognized directly in equity.

In accordance with the agreement signed in January, the Group Edenred finalized, **in the first semester of 2016**, the takeover of Embratec's activities in Brazil.

The combination of Edenred's Expense Management assets in Brazil with those of Embratec in a 65%-owned by Edenred and 35%-owned by Embratec's founding shareholders dedicated new entity creates a leading player in this fast-growing segment. As a result, the Group is stepping up its development in Expense Management and strengthening its fuel card and maintenance offering in Brazil by doubling its size in this promising market.

The entity created by the transaction will bring together Edenred's *Ticket Car*® and Repom assets and Embratec's fuel card and maintenance activities, operated under the Ecofrotas and Expers brands. These businesses will be regrouped under the new Ticket Log brand. This entity serves around 27,000 clients, representing more than one million active cards that can be used at more than 24,500 affiliated service stations and maintenance workshops, or 58% of Brazil's national network.

Thanks to this transaction, Edenred is doubling the size of its Expense Management business in Brazil to become the leading provider of fuel card and maintenance solutions for light vehicles and number two for heavy vehicles. With approximately 60 billion liters of fuel consumed in 2014 and a low penetration rate (between 15% and 20%), the Brazilian B2B fuel card segment holds significant potential for growth.

In accordance with IFRS 3 (revised) « Business Combinations », the Group has proceeded to the provisional allocation of acquisition prices to assets, liabilities and contingent liabilities identifiable as such according to IFRS 3 (revised) and to harmonize accounting and valuation methods.

The acquisition price for the 65% shares of Expense Management activities amounts to reais 1 153 million equivalent to € 290 million including reais 742 million cash (€ 187 million) translated at the acquisition date exchange rate (1 € = 3.9738 BRL). It breaks down as follows:

| *(in BRL millions)* | December 2016 |
|---|---|
| **Acquisition price of 65% Embratec Fleet Business** | **1,153** |
| including fair value of acquired 65% of Embratec's Expense Management activities | 742 |
| including reestimation to fair value of 35% of Ticket Car® activity sold | 341 |
| including 20.7%-dilution of Repom of which detention decreases from 62% to 40.3% | 51 |
| including fair value of acquired 65% of Embratec's Maintenance activities | 19 |

As the Group keeps control over *Ticket Car*® and Repom entities, the gain of disposal of 35% of *Ticket Car*® and the Group dilution in Repom have been booked in equity with balance in goodwill for respectively €91 million and €13 million.

The total difference between the cost of the business combination and the estimated acquisition date fair value of the net assets acquired has been allocated to customer list (before deferred tax) for reais 366 million (€92 million) and to licenses and software for reais 38 million (€10 million), the residual difference of reais 559 million (€140 million) being allocated to the goodwill.

Moreover, the Group has also finalized the acquisition of Embratec's Employee Benefits business, developed under the Ecobeneficios brand, which acquisition price amounts to reais 68 million (€17 million). In December 2016, the total difference between the cost of the business combination and the estimated acquisition date fair value of the net assets acquired has been allocated in goodwill.

The operation has been financed at the Group level only in Brazilian reais. Also, acquired cash related to the operation in new entity Ticket Log is amounting to €33 million.

Impacts of the combination of Expense Management activities on consolidated accounts as of December 31, 2016 can be detailed as follows:

| *(in € millions)* | Ticket Log December 2016 |
|---|---|
| Non Current Assets | 373 |
| Current Assets | 336 |
| **TOTAL ASSETS** | **709** |
| Non current Liabilities | 332 |
| Current Liabilities | 377 |
| **TOTAL LIABILITIES** | **709** |

| *(in € millions)* | Ticket Log December 2016 |
|---|---|
| Issue volume | 1,481 |
| Revenue | 84 |
| **EBIT** | **27** |
| Net result | 16 |
| **NET RESULT - GROUP SHARE** | **10** |

## 2.2 Investments in associates

In accordance with IFRS 12 – Disclosures of Interests in Other Equities, an entity must provide the information that enables users of financial statements to evaluate:

**(a)** the nature of, and risks associated with, its interests in other entities;

**(b)** the effects of those interests on its financial position, financial performance and cash flows.

As per IAS 28.R, exercising significant influence over a company consists in having the power to participate to decisions related to financial and operational policies of the Company, without controlling it (case of a fully integrated company) or having a joint control over these policies.

Since **February 27, 2015**, Edenred holds an investment of 34% interest in Union Tank Eckstein (UTA), a leading issuer of fuel cards for heavy vehicle fleets in Europe. The transaction, of €150 million of enterprise value, is a unique opportunity to accelerate the Group's development on the expense management market. The transaction is accompanied by an option to purchase an additional 17% interest, exercisable between 2017 and 2019, which will enable Edenred to increase its stake to 51% (see Note 3.4 "Post-closing events").

At December 31, 2016 the shares owned by Edenred gives a significant influence in UTA, which is being consolidated as investment in associates.

In 2015, the total difference between the cost of the business combination and the estimated acquisition date fair value of the net assets acquired has been allocated mainly to trademark and customer list (before deferred tax) for €46 million, the residual difference of €93 million being allocated to the goodwill. Share result of equity consolidated company is amounting €9 million as of end of December 2015.

### Impact of UTA integration on investments in associates in Group consolidated financial statements

#### Statement of income from investments in associates

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Share of Income (loss) from investments in associates | 9 | 9 |
| **TOTAL SHARE OF INCOME (LOSS) FROM INVESTMENTS IN ASSOCIATES** | **9** | **9** |

#### Statement of financial position from investments in associates

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Goodwill | 93 | 93 |
| Investment in associates | 58 | 57 |
| **TOTAL INVESTMENT IN ASSOCIATES** | **151** | **150** |

#### Changes in investments in associates

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **INVESTMENT IN ASSOCIATES BEGINNING OF PERIOD** | **150** | **-** |
| Acquisition of share in associates | - | 164 |
| Share of Income (loss) from investments in associates | 9 | 9 |
| Dividends received from investments in associates | (8) | (23) |
| **INVESTMENT IN ASSOCIATES END OF PERIOD** | **151** | **150** |

## Aggregated financial information of Group's share in associates

### Statement of income information

| (in € millions) | Amount before proportionalization and intercompany elimination | Amount after fair value adjustments linked to the acquisition | Amount of intercom-panies eliminations | Amounts before proportio-nalization | Dec. 2016 Calculation of share in investment in associate according to percentage of ownership * | Dec. 2015 Calculation of share in investment in associate according to percentage of ownership * |
|---|---|---|---|---|---|---|
| Issue volume | 2,605 | 2,605 | - | 2,605 | 886 | 885 |
| Revenue | 69 | 69 | - | 69 | 23 | 23 |
| EBIT | 20 | 13 | - | 13 | 4 | 4 |
| Net result before tax | 29 | 22 | - | 22 | 7 | 9 |
| **NET INCOME** | **32** | **25** | **-** | **25** | **9** | **9** |
| **COMPREHENSIVE INCOME** | **32** | **25** | **-** | **25** | **9** | **9** |

* *Amounting to 34% of UTA for each disclosed aggregate.*

### Statement of financial position information

| (in € millions) | Amount before proportionalization and intercompany elimination | Amount after fair value adjustments linked to the acquisition | Amount of intercompa-nies elimina-tions | Amounts before propor-tionalization | Dec. 2016 Calculation of share in investment in associate according to percentage of ownership * | Dec. 2015 Calculation of share in investment in associate according to percentage of ownership * |
|---|---|---|---|---|---|---|
| Non current assets | 27 | 150 | - | 150 | 51 | 53 |
| Current Assets | 351 | 351 | - | 351 | 119 | 111 |
| **TOTAL ASSETS** | **378** | **501** | **-** | **501** | **170** | **164** |
| Total equity | 49 | 172 | - | 172 | 58 | 56 |
| Non current liabilitites | - | - | - | - | - | 0 |
| Current liabilities | 329 | 329 | - | 329 | 112 | 108 |
| **TOTAL LIABILITIES** | **378** | **501** | **-** | **501** | **170** | **164** |

* *Amounting to 34% of UTA for each disclosed aggregate.*

## NOTE 3 SIGNIFICANT EVENTS

### 3.1 Payment of the 2015 dividend

At the Annual Meeting on **May 4, 2016**, Edenred shareholders approved the payment of a 2015 dividend of €0.84 per share, with the option of reinvesting 50% of the dividend in new shares.

The reinvestment period, which ran from May 12, 2016 to June 3, 2016, led to the issue of 2,862,997 new shares of Edenred common stock, representing 1.24% of the share capital which have been settled and traded on the NYSE Euronext Paris stock market on June 15, 2016.

The new shares carry dividend rights from January 1, 2016 and rank *pari passu* with existing shares of Edenred common stock. Following the issue, the Company's share capital comprises 233,679,845 shares.

The total cash dividend amounts to €149 million and has been paid on June 15, 2016.

The total dividend amounts to €192 million: dividend cash paid amounts to €149 million (this corresponds to 50% of directly cash paid dividend amounting to €96 million and €53 million paid to shareholders who decided to not reinvest) and dividend paid in new shares of Edenred common stock amounts to €43 million.

## 3.2 Change of the bolivar exchange rate in 2015 and 2016

### Significant events on the year 2015

**In February 2015,** the Venezuelan government amended exchange rate regulation by setting up a new foreign currency exchange rate system, SIMADI. The new law merged SICAD I and SICAD II systems, and created a new system SIMADI. Currency control has now three official exchange rates: CADIVI, SICAD and SIMADI. SIMADI substitutes SICAD II and is intended to compete with the black market by establishing a legal trading system based on supply and demand. This system is available to all companies and individuals willing to obtain dollars.

SIMADI first exchange rate was VEF 170 to the dollar and fluctuates on a daily basis. The official exchange rate is unchanged at VEF 6.3 to the dollar, under CADIVI system. Under SICAD exchange rate is at least VEF 12 to the dollar and fluctuates according to auctions, no official details have been communicated by public authorities regarding first auction under merged SICAD and its way of operating.

### Significant events on the year 2016

On **March 10, 2016**, the Venezualian government announced the implementation of a new currency exchange system. It decided to merge two systems that were coexisting until then, the CADIVI with a rate of 6.3 bolivars to the dollar, and the SICAD I with a rate of 11.3 bolivars fuerte to the dollar, and to create a new system called DIPRO, ensuring a fixed rate of 10 bolivars fuerte to the dollar. This new system is intended to rationalize the access to the dollar mainly for the industrial sector and importations as well as to struggle against inflation.

As a substitute to the SIMADI, the government also disclosed a second currency exchange system, the SIMADI / DICOM, for transactions that are not hedged by the fixed exchange system DIPRO. The SIMADI / DICOM fluctuates according to supply and demand and the first rate amounted to 206.92 bolivars fuerte to the dollar US.

The following table shows the official bolivar fuerte exchange rates to the US dollar:

| | Exchange rate system | 2016 | 2015 |
|---|---|---|---|
| Official bolvar fuerte exchange rate to the US dollar | CADIVI | - | 6.30 |
| | SICAD | - | 12.00 |
| | SIMADI/DICOM | floating ** | floating * |
| | DIPRO | 10.00 | - |

* *Since the settlement of SIMADI, Edenred had been able to get an unsignificant amount of bolivar fuerte with an average exchange rate at VEF 196.5 to the US dollar.*

** *Since the settlement of DICOM, Edenred has been able to get an unsignificant amount of bolivar fuerte with an average exchange rate at VEF 620.09 to the US dollar.*

### Edenred's position

Since SICAD II has no longer legal existence since February 12, 2015, the Group had chosen to apply rates under SIMADI systems for 2015, which are the most conservative ones.
For 2016, the Group decided to use SIMAD / DICOM bolivar fuerte exchange rates to the US dollar, as presented in the table below:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | TM *** | TC **** | TM * | TC ** |
| Bolivar fuerte exchange rate to US dollar used by Edenred translated to EUR | 545.09 | 709.32 | 198.25 | 216.32 |

* *Average of all exchange rates of bolivar fuerte against the US dollar of SICAD II until February 11, 2015 and the average of all exchange rates under SIMADI since the system had been set up (February 12, 2015), translated to EUR.*

** *Last SIMADI exchange rate of bolivar fuerte to the US dollar, published before the end of the month of December, translated to EUR.*

*** *Average of all exchange rates of bolivar fuerte against the US dollar of SIMADI / DICOM from January 1, 2016, translated to EUR.*

**** *Last SIMADI / DICOM exchange rate of bolivar fuerte to the US dollar, published before the end of the month of December 2016, translated to EUR.*

### Bolivar fuerte exchange rate sensitivity analysis

A 50% variation in the bolivar fuerte exchange rate to the US dollar, translated to euro, would have following impacts:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| *(in € millions)* | +/- 50% | +/- 50% |
| Issue volume | 102 | 102 |
| Revenue | 7 | 7 |
| EBIT | 3 | 3 |
| Net result | 2 | 2 |
| Net result - Group share | 1 | 1 |
| Net debt | (9) | (15) |

## 3.3 Renegociation of revolving credit facilities

On **July 21, 2016,** Edenred successfully signed with 14 banks an amendment agreement to its €700 million 5-year Revolving Credit Facility dated April 25, 2013, amended firstly on June 20, 2014. Thanks to this operation, the Group takes advantage of significantly more favorable financing conditions. It extends the maturity of the facility by 2 years from June 2019 to July 2021 whilst reducing significantly the spread. The amendment also reinstates the two one-year extension options exercisable at the request of Edenred and discretion of the banks.

## 3.4 Post closing events

On **January 20, 2017**, Edenred announced that it is exercising the call option enabling it to acquire, from the two founding families, 17% of the capital of Union Tank Eckstein (UTA), the number two Europe-wide player in multi-brand fuel cards, toll solutions and maintenance solutions. Edenred already held a 34% interest in the Company.

By increasing its stake in UTA to 51%, Edenred is taking a further step to speed up its growth in the expense management market. The Group intends to boost UTA's business in Europe by leveraging its expertise in fuel card solutions in Latin America and its own commercial presence in Europe.

The transaction has been approved by the relevant competition authorities and will be finalized in the next few days. UTA will be fully consolidated in Edenred's financial statements as of financial year 2017. The acquisition of an additional 17% of UTA's capital, for around €83 million, is expected to have an accretive impact of around 5% on 2017 net profit, Group share before depreciation of assets identified in purchase price allocation.

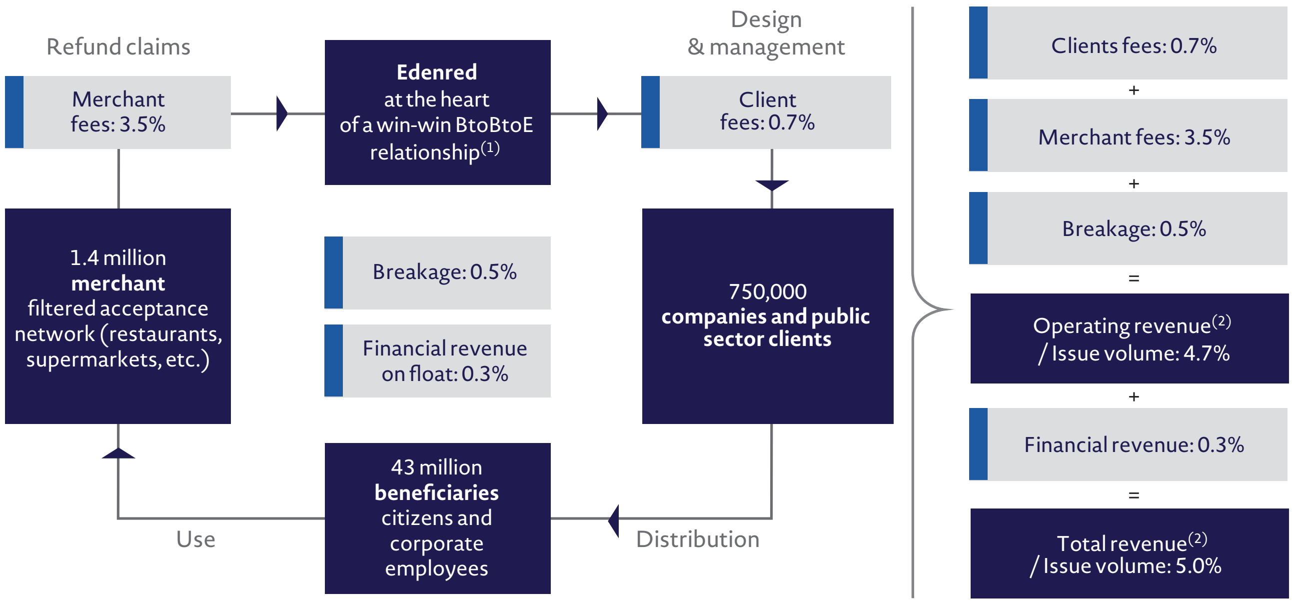
Once the transaction has been finalized, UTA's minority shareholders will have put options in Edenred's favor covering the remaining 49% of capital. As a result, Edenred will record a liability in the amount of around €200 million (gross) in its consolidated financial statements.

## NOTE 4 OPERATIONAL BUSINESS

### 4.1 The business model

SIMPLIFIED PRESENTATION OF EDENRED'S BUSINESS MODEL

A unique business model




(1) *Business to Business to Employees*
(2) *with issue volume*

### 4.2 Segment information

The presented segments are thus an aggregation of operating segments performed in accordance with IFRS 8 principles. The operating segments must reflect the groupings made by "the chief operating decision maker" when he allocates the resources and assesses the performance of the consolidated group.

In addition to the similarity of long-term economic characteristics, IFRS 8 requires that the 5 following aggregation criteria are respected:

**a)** the nature of the products and services;

**b)** the nature of the production processes;

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

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

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

### Chief operating decision maker

Edenred's chief operating decision maker is the Chief Executive Officer assisted by the Executive Management. They make decision about resources allocation towards the operating segments and asses their performances.

Executive Management decisions are based on data produced by the Group's internal reporting system. The internal reporting system presents information at country level. As a matter of fact, Edenred's activity is multi-located with operational decision taken at each homogenous geographic area level.

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

- France;
- Rest of Europe;
- Latin America;
- Rest of the World.

Except France, the presented segments are thus an aggregation of operating segments.

### Aggregation

The "Rest of Europe" and "Latin America" aggregations meet all the criteria mentioned above.
The "Rest of the World" segment aggregates the countries that are not included in "France", "Rest of Europe" and "Latin America".

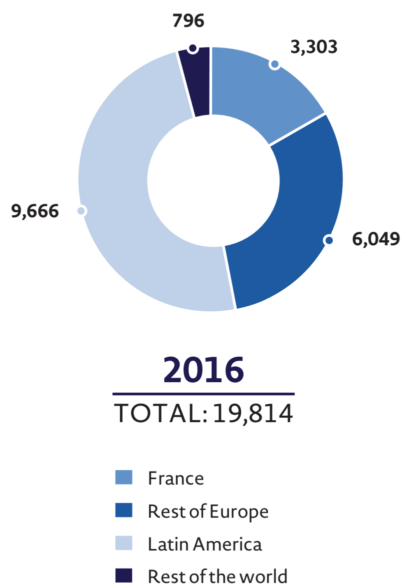
Finally, the "Worldwide structures" include the Edenred SA holding company, regional headquarters and companies with no operating activity.

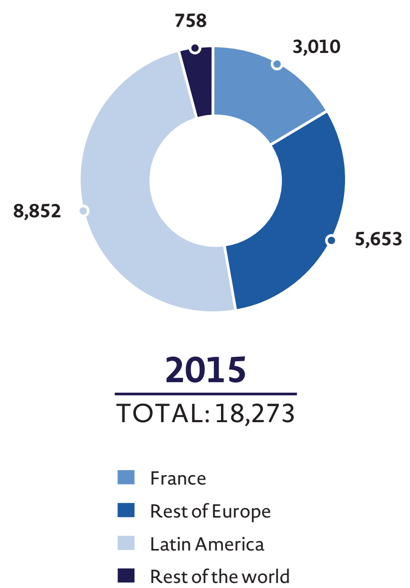
Transactions between segments are not material.

### Condensed financial statements

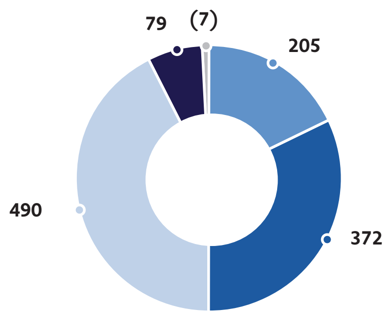
#### Income statement (in € millions)

ISSUE VOLUME



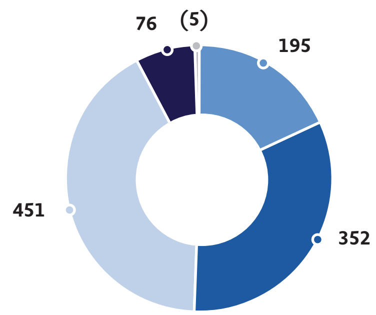
## TOTAL REVENUE FROM OPERATING SEGMENTS (INCLUDING INTER-SEGMENT REVENUE)




**2016**

TOTAL: 1,139

- France
- Rest of Europe
- Latin America
- Rest of the world
- Inter-segment eliminations

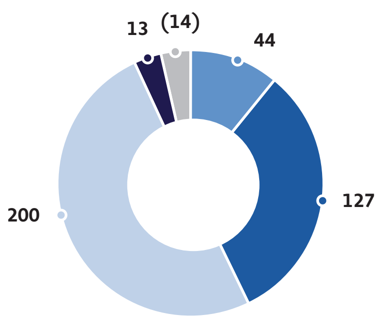



**2015**

TOTAL : 1,069

- France
- Rest of Europe
- Latin America
- Rest of the world
- Inter-segment eliminations

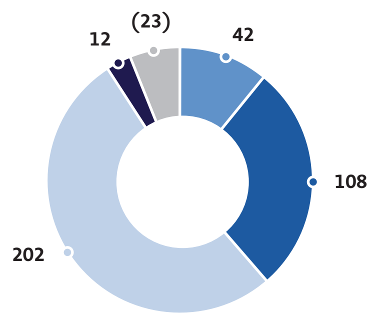
## EBIT




**2016**

TOTAL: 370

- France
- Rest of Europe
- Latin America
- Rest of the world
- Worldwilde Structures




**2015**

TOTAL: 341

- France
- Rest of Europe
- Latin America
- Rest of the world
- Worldwide Structures

## Balance sheet

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Eliminations | December 2016 |
|---|---|---|---|---|---|---|---|
| Goodwill | 142 | 187 | 524 | 51 | - | - | 904 |
| Intangible assets | 60 | 39 | 187 | 11 | 16 | - | 313 |
| Property, plant and equipment | 3 | 11 | 20 | 3 | 1 | - | 38 |
| Investments in associates and non-current financial assets | 1 | 152 | 7 | 3 | 29 | - | 192 |
| Deferred tax assets | 3 | 19 | 22 | 1 | 24 | - | 69 |
| **Non-current assets** | **209** | **408** | **760** | **69** | **70** | **-** | **1,516** |
| **Current assets** | **930** | **823** | **1,663** | **201** | **499** | **-** | **4,116** |
| **TOTAL ASSETS** | **1,139** | **1,231** | **2,423** | **270** | **569** | **-** | **5,632** |
| **Equity and non-controlling interests** | **225** | **604** | **772** | **78** | **(2,840)** | **-** | **(1,161)** |
| **Non-current liabilities** | **17** | **80** | **228** | **4** | **1,247** | **-** | **1,576** |
| **Current liabilities** | **897** | **547** | **1,423** | **188** | **2,162** | **-** | **5,217** |
| **TOTAL EQUITY AND LIABILITIES** | **1,139** | **1,231** | **2,423** | **270** | **569** | **-** | **5,632** |

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Eliminations | December 2015 |
|---|---|---|---|---|---|---|---|
| Goodwill | 142 | 194 | 191 | 48 | - | - | 575 |
| Intangible assets | 59 | 44 | 51 | 10 | 18 | - | 182 |
| Property, plant and equipment | 3 | 10 | 16 | 6 | 2 | - | 37 |
| Investments in associates and non-current financial assets | 2 | 152 | 4 | 2 | 22 | - | 182 |
| Deferred tax assets | 2 | 23 | 16 | 2 | 25 | - | 68 |
| **Non-current assets** | **208** | **423** | **278** | **68** | **67** | **-** | **1,044** |
| **Current assets** | **817** | **852** | **1,089** | **189** | **160** | **-** | **3,107** |
| **TOTAL ASSETS** | **1,025** | **1,275** | **1,367** | **257** | **227** | **-** | **4,151** |
| **Equity and non-controlling interests** | **242** | **653** | **413** | **77** | **(2,830)** | **-** | **(1,445)** |
| **Non-current liabilities** | **18** | **72** | **32** | **6** | **1,507** | **-** | **1,635** |
| **Current liabilities** | **764** | **550** | **921** | **174** | **1,552** | **-** | **3,961** |
| **TOTAL EQUITY AND LIABILITIES** | **1,024** | **1,275** | **1,366** | **257** | **229** | **-** | **4,151** |

## 4.3 Issue volume and revenue

As explained in Note 13 "Glossary", the organic growth corresponds to the like-for-like growth that is at constant scope of consolidation and exchange rates. This indicator represents the Group's commercial performance.

Change in issue volume and revenue between year 2016 and year 2015 break down as follows:

| | | | Δ December 2016 / December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Organic growth | | Changes in consolidation scope | | Currency effect | | Total change | |
| | December 2016 | December 2015 | In €M | In % | In €M | In % | In €M | In % | In €M | In % |
| **ISSUE VOLUME** | **19,814** | **18,273** | **+1,821** | **+10.0%** | **+1,068** | **+5.8%** | **(1,348)** | **(7.4)%** | **+1,541** | **+8.4%** |
| Operating revenue generated by issue volume | 918 | 848 | +71 | +8.3% | +56 | +6.6% | (57) | (6.7)% | +70 | +8.2% |
| Other operating revenue | 155 | 152 | +12 | +8.2% | (1) | (0.7)% | (8) | (5.1)% | +3 | +2.4% |
| Financial revenue - Unrestricted float | 58 | 59 | +3 | +4.7% | +0 | +0.7% | (4) | (7.5)% | (1) | (2.1)% |
| Financial revenue - Restricted cash | 8 | 10 | (3) | (28.4)% | +1 | +11.3% | (0) | (0.5)% | (2) | (17.6)% |
| **Financial Revenue** | **66** | **69** | **+0** | **+0.2%** | **+1** | **+2.1%** | **(4)** | **(6.5)%** | **(3)** | **(4.2)%** |
| **TOTAL REVENUE** | **1,139** | **1,069** | **+83** | **+7.8%** | **+56** | **+5.3%** | **(69)** | **(6.5)%** | **+70** | **+6.5%** |

### Segment information by indicator

#### Change in issue volume

Issue volume corresponds to the face value of prepaid vouchers issued during the period plus the amount loaded on prepaid cards.

Issue Volume is tracked for all vouchers and cards in circulation that are managed by Edenred.

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 Issue volume | 3,303 | 6,049 | 9,666 | 796 | - | 19,814 |
| 2015 Issue volume | 3,010 | 5,653 | 8,852 | 758 | - | 18,273 |
| Change | +293 | +396 | +814 | +38 | - | +1,541 |
| Reported change in % | +9.7% | +7.0% | +9.2% | +5.0% | - | +8.4% |
| **LIKE-FOR-LIKE CHANGE *** | **+139** | **+504** | **+1,100** | **+78** | **-** | **+1,821** |
| **LIKE-FOR-LIKE CHANGE IN %** | **+4.6%** | **+8.9%** | **+12.4%** | **+10.3%** | **-** | **+10.0%** |

* *Cf. Note 13 "Glossary" for like-for-like growth definition.*

## Change in revenue

### *Total revenue*

Total revenue is split by the revenue with IV, the revenue without IV and financial revenue.

In accordance with IAS 18 – Revenue, operating revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies.
It is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes, in compliance with IAS 18.
Operating revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. If there is significant uncertainty about the collectability of revenue, it is not recognized until the uncertainty is removed.

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 Total external revenue | 205 | 365 | 490 | 79 | - | 1,139 |
| 2015 Total external revenue | 195 | 347 | 451 | 76 | - | 1,069 |
| Change | +10 | +18 | +39 | +3 | - | +70 |
| Reported change in % | +5.4% | +5.0% | +8.6% | +4.2% | - | +6.5% |
| **LIKE-FOR-LIKE CHANGE *** | **+7** | **+26** | **+44** | **+6** | **-** | **+83** |
| **LIKE-FOR-LIKE CHANGE IN %** | **+3.4%** | **+7.3%** | **+9.9%** | **+8.7%** | **-** | **+7.8%** |

* *Cf. Note 13 "Glossary" for like-for-like growth definition.*

### *Operating revenue with issue volume*

Operating revenue generated by issue volume corresponds to operating revenue generated by prepaid vouchers managed by Edenred.

For all of these products, recognized revenue comprises:

- commissions received from client companies net of granted discounts on the sale of prepaid vouchers and cards and all related amounts billed to clients such as delivery costs, card sales and voucher customization costs. These amounts are recognized in revenue when the prepaid vouchers and cards are issued and delivered to clients;
- affiliate contributions ("Network fees"), corresponding to the margin deducted from the amount reimbursed to the affiliate that provides the service, and any related billings such as up-front payments, monthly subscription fees and electronic payment terminal sales or rentals. These contributions and billings are recognized in revenue when the vouchers or cards are issued to the extent that the processing transaction cannot be dissociated from the issuance transaction, and an accrual is booked for the future processing costs;
- profits on vouchers and cards that expire without being reimbursed. To take into account commercial practices in each country (refunds of expired service vouchers and other commercial gestures), these profits are recognized gradually once the vouchers have expired;
- revenue from advertisements printed on vouchers and cards. This revenue is recognized on the billing date to the advertiser.

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 Operating revenue with IV | 142 | 304 | 434 | 38 | - | 918 |
| 2015 Operating revenue with IV | 132 | 283 | 395 | 38 | - | 848 |
| Change | +10 | +21 | +39 | (0) | - | +70 |
| Reported change in % | +7.0% | +7.3% | +10.0% | (0.5)% | - | +8.2% |
| **LIKE-FOR-LIKE CHANGE *** | **+6** | **+25** | **+38** | **+2** | **-** | **+71** |
| **LIKE-FOR-LIKE CHANGE IN %** | **+4.1%** | **+8.9%** | **+9.7%** | **+4.8%** | **-** | **+8.3%** |

* *Cf. Note 13 "Glossary" for like-for-like growth definition.*

***Operating revenue without issue volume***

Other operating revenue corresponds essentially to revenue from value-added services such as incentive programs, human services and event-related services. The corresponding revenue is the amount billed to the client and is recognized on delivery of the solutions.

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 Operating revenue w/o IV | 53 | 44 | 22 | 36 | - | 155 |
| 2015 Operating revenue w/o IV | 50 | 45 | 23 | 34 | - | 152 |
| Change | +3 | (1) | (1) | +2 | - | +3 |
| Reported change in % | +7.7% | (3.0)% | (8.3)% | +9.3% | - | 2.4% |
| **LIKE-FOR-LIKE CHANGE *** | **+3** | **+2** | **+3** | **+4** | **-** | **+12** |
| **LIKE-FOR-LIKE CHANGE IN %** | **+7.7%** | **+3.5%** | **+12.3%** | **+12.5%** | **-** | **+8.2%** |

* *Cf. Note 13 "Glossary" for like-for-like growth definition.*

*Financial revenue*

This is interest generated by investing cash over the period between:

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

The interest represents a component of operating revenue and as such is included in the determination of revenue.

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 Financial revenue | 10 | 17 | 34 | 5 | - | 66 |
| 2015 Financial revenue | 13 | 19 | 33 | 4 | - | 69 |
| Change | (3) | (2) | +1 | +1 | - | (3) |
| Reported change in % | (20.1)% | (10.3)% | +4.2% | +5.7% | - | (4.2)% |
| **LIKE-FOR-LIKE CHANGE *** | **(2)** | **(1)** | **+3** | **+0** | - | **-** |
| **LIKE-FOR-LIKE CHANGE IN %** | **(20.1)%** | **(7.7)%** | **+11.0%** | **+13.3%** | **-** | **+0.2%** |

* *Cf. Note 13 "Glossary" for like-for-like growth definition.*

## 4.4 Operating expenses

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Employee benefit expense | (341) | (331) |
| Costs of sales | (139) | (135) |
| Business taxes | (38) | (30) |
| Rental expenses | (21) | (20) |
| Other operating expenses | (173) | (165) |
| **TOTAL OPERATING EXPENSES [(1)]** | **(712)** | **(681)** |

(1) *As of December 31, 2016 the currency effect impact the operating expenses for €34 million and €(31) million of scope impact in comparison with year ended on December 31, 2015.*

Other operating charges consist mainly in external fees, marketing expenses, increase / reversal of provisions for current assets, travel expenses and IT expenses.

## 4.5 EBIT

Change in EBIT between year 2016 and year 2015 break down as follows:

| | | | Δ December 2016 / December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Organic growth | | Changes in consolidation scope | | Currency effect | | Total change | |
| *(in € millions)* | December 2016 | December 2015 | *In €M* | *In %* | *In €M* | *In %* | *In €M* | *In %* | *In €M* | *In %* |
| **EBIT** | **370** | **341** | **+47** | **+13.8%** | **+15** | **+4.2%** | **(33)** | **(9.6)%** | **+29** | **+8.4%** |

EBIT by operating segment presentation is detailed in the table below:

| *(in € millions)* | France | Rest of Europe | Latin America | Rest of the World | Worldwide Structures | Total |
|---|---|---|---|---|---|---|
| 2016 EBIT | 44 | 127 | 200 | 13 | (14) | 370 |
| 2015 EBIT | 42 | 108 | 202 | 12 | (23) | 341 |
| Change | +2 | +19 | (2) | +1 | +9 | +29 |
| Reported change in % | +5.9% | +18.0% | (0.8)% | (0.1)% | (37.9)% | +8.4% |
| **LIKE-FOR-LIKE CHANGE *** | **+2** | **+22** | **+20** | **+0** | **+3** | **+47** |
| **LIKE-FOR-LIKE CHANGE IN %** | **+3.7%** | **+20.6%** | **+9.8%** | **+2.9%** | **(13.9)%** | **+13.8%** |

* *Cf. Note 13 “Glossary” for like-for-like growth definition.*

## 4.6 Net change in working capital

Considering Edenred's operations, net working capital mainly analysed components are service funds in circulation and restricted cash. These two aggregates are key indicators in order to manage the business.

### Change in working capital and funds to be redeemed

Funds to be redeemed are booked in current liabilities. They correspond to the face value of digital funds loaded on accounts but not yet used.

| *(in € millions)* | December 2016 | December 2015 | Change December 2016/ December 2015 |
|---|---|---|---|
| Inventories, net | 24 | 19 | 5 |
| Trade receivables, net | 1,415 | 973 | 442 |
| Other receivables and accruals, net | 302 | 272 | 30 |
| **Working capital requirments – assets** | **1,741** | **1,264** | **477** |
| Trade payables | 142 | 82 | 60 |
| Other payables | 229 | 172 | 57 |
| Vouchers in circulation | 4,182 | 3,564 | 618 |
| **Working capital requirements – liabilities** | **4,553** | **3,818** | **735** |
| **NEGATIVE WORKING CAPITAL** | **2,812** | **2,554** | **258** |
| Corporate tax liabilities | 13 | 13 | - |
| **NEGATIVE WORKING CAPITAL (INCL. CORPORATE TAX LIABILITIES)** | **2,825** | **2,567** | **258** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **Working capital at beginning of period** | **2,554** | **2,530** |
| Change in working capital (1) | 215 | 129 |
| Development Expenditure | 57 | 12 |
| Disposals | 0 | (17) |
| Provisions | 16 | 4 |
| Currency translation adjustment | (24) | (104) |
| Reclassification to other balance sheet items | (6) | - |
| **Net change in working capital** | **258** | **24** |
| **WORKING CAPITAL AT END OF PERIOD** | **2,812** | **2,554** |

*(1) See statement of cash flows table 1.4.*

## Change in restricted cash

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

The accreditation package submitted by our company in Brazil, Ticket Serviços, to the Brazilian Central Bank ("BACEN") is currently in the process of validation. As soon as the certification will occur, which is expected in 2017, BACEN regulation could make compulsory the reclassification of a part of the float of the benefits business to restricted cash. And this funds segregation could increase to 60% in 2017, 80% in 2018 and 100% in 2019. This accreditation package has no impact on consolidated accounts as of December 31, 2016.

Restricted cash corresponds mainly to service voucher reserved funds which use is regulated in the following countries: France (€638 million), United Kingdom (€176 million), Romania (€54 million), United-States (€29 million), Italy (€13 million), Uruguay (€12 million) and India (€10 millions).

| *(in € millions)* | December 2016 | December 2015 | Change December 2016/ December 2015 |
|---|---|---|---|
| **Restricted cash** | **942** | **858** | **84** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **Restricted cash at beginning of period** | **(858)** | **(797)** |
| Like-for-like change for the period (1) | (104) | (41) |
| Other variations | (3) | (12) |
| Currency translation adjustment | 23 | (8) |
| **Net change in restricted cash** | **(84)** | **(61)** |
| **RESTRICTED CASH AT END OF PERIOD** | **(942)** | **(858)** |

*(1) See statement of cash flows table 1.4.*

## 4.7 Trade and other receivables and payables

### Trade receivables

**Details of trade receivables and related depreciation**

Trade and other receivables are initially recognized at fair value. They are subsequently measured at amortized cost, net of any impairment losses recorded in the income statement. An impairment loss is recognized when the total amount of the receivable is not recoverable in accordance with the originally agreed terms.

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Gross | 1,478 | 1,004 |
| Provisions | (63) | (31) |
| **TRADE RECEIVABLES, NET** | **1,415** | **973** |

## Inventories, other receivables and accruals

### Accounting method of inventories

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

For Edenred, stocks are mainly including card and paper for vouchers printing.

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Inventories | 24 | 19 |
| VAT recoverable | 32 | 89 |
| Employee advances and prepaid payroll taxes | 5 | 3 |
| Other prepaid and recoverable taxes | 12 | 10 |
| Other receivables | 247 | 161 |
| Other prepaid expenses | 15 | 11 |
| **GROSS VALUE** | **335** | **293** |
| Provisions | (9) | (2) |
| **INVENTORIES AND OTHER RECEIVABLES AND ACCRUALS, NET** | **326** | **291** |

## Details of other payables and accruals

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| VAT payable | 34 | 29 |
| Wages and salaries and payroll taxes payable | 70 | 56 |
| Other taxes payable | 15 | 8 |
| Deferred income | 23 | 14 |
| Other payables | 87 | 65 |
| **TOTAL OTHER PAYABLES** | **229** | **172** |
| Current tax liabilities | 13 | 13 |
| **OTHER PAYABLES AND ACCRUALS** | **242** | **185** |

## NOTE 5 NON CURRENT ASSETS

### 5.1 Detail of amortization, provisions and depreciation

Depreciation, amortization and provision expenses reflect the operating costs of assets owned by Edenred.

| *(in € millions)* | December 2016 | December 2015 |
|---|---:|---:|
| Provisions and depreciations | (0) | 0 |
| Amortization | (57) | (47) |
| **TOTAL** | **(57)** | **(47)** |

Change in Amortization between 2015 and 2016 is related to the integration of new entities linked to Embratec acquisition in scope of consolidation (see Note 2.1 "Main acquisitions and developments in 2016").

### 5.2 Goodwill

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

#### Positive goodwill

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

In accordance with IFRS 3 (revised) – Business combinations, which is applicable to business combinations carried out on or after January 1, 2010, each time it acquires a less than 100% interest in an entity, the Group must choose whether to measure the non-controlling interest at fair value or as the non-controlling interest's proportionate share of the acquiree's identifiable net assets (with no change possible later in the event of an additional interest being acquired that does not transfer control). If the business is measured at its total fair value including non-controlling interests, goodwill attributable to non-controlling interests is also recognized.

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

Goodwill arising on the acquisition of subsidiaries is reported separately.

In accordance with IFRS 3, goodwill is not amortized but is tested for impairment at least once a year and more frequently if there is any indication that it may be impaired. If the carrying amount of goodwill exceeds its recoverable amount, an irreversible impairment loss is recognized in profit.

#### Negative goodwill

Negative goodwill, representing the excess of the Group's interest in the net fair value of the identifiable assets and liabilities acquired at the acquisition date over the cost of the business combination, is recognized immediately in profit during the acquisition period.

| *(in € millions)* | December 2016 | December 2015 |
|---|---:|---:|
| Goodwill | 1,063 | 734 |
| Less accumulated impairment losses | (159) | (159) |
| **GOODWILL, NET** | **904** | **575** |

| (in € millions) | December 2016 | December 2015 |
|---|---|---|
| Brazil (including Repom and Embratec) | 472 | 131 |
| France - Kadéos | 92 | 91 |
| France - ProwebCE | 49 | 49 |
| United Kingdom (including Prepay Technologies) | 45 | 53 |
| Mexico | 44 | 49 |
| Italy | 46 | 46 |
| Romania | 32 | 32 |
| Japan | 20 | 19 |
| Finland | 19 | 19 |
| Sweden | 18 | 19 |
| USA | 15 | 15 |
| Czech Republic | 12 | 12 |
| Dubaï | 9 | 9 |
| Portugal | 6 | 6 |
| Colombia | 5 | 5 |
| Other (individually representing less than €5 million) | 20 | 20 |
| **GOODWILL, NET** | **904** | **575** |

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

| (in € millions) | December 2016 | December 2015 |
|---|---|---|
| **NET GOODWILL AT BEGINNING OF PERIOD** | **575** | **570** |
| **Goodwill recognized on acquisitions for the period and other increases*** | **265** | **49** |
| • Brazil (Embratec acquisition) | 261 | - |
| • Brazil (Ecardes acquisition) | 3 | - |
| • France (LCCC consolidation) | 1 | - |
| • France (ProwebCE acquisition) | - | 49 |
| • Other acquisitions | - | - |
| **Goodwill written off on disposals for the period** | **-** | **-** |
| **Impairment losses** | **-** | **(2)** |
| **Currency translation adjustement** | **64** | **(42)** |
| **Put options on non-controlling interests recognized/remeasured during the period and other** | **-** | **(0)** |
| **NET GOODWILL AT END OF PERIOD** | **904** | **575** |

* *Cf. Note 2 for further details.*

## 5.3 Intangible assets

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

In accordance with IAS 38, incurred expenses related to internal projects are differentiated whether they are incurred during project research phase or development phase. This differentiation is essential as the financial treatment is different for the 2 categories.

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

Incurred expenses during research phase of an internal project are not capitalized but expensed in the Income Statement of the period during which they occurred.

Incurred expenses during development phase of an internal project are scrutinized in order to determine whether they can or cannot be capitalized. If criteria defined by IAS 38.57 are simultaneously met, capitalized expenses can be depreciated over the period defined by the category of assets in which they are included. If not, they are expensed in the Income Statement of the period during which they occurred.

As a reminder, according to IAS 38.57, the 6 criteria to meet for capitalizing expenses are the following:

- technical feasibility needed for the completion of the intangible asset with a view to use or sell it;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the existence of future economic benefits generated by the intangible asset;
- the availability of adequate resources (technical, financial and other) to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

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

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

- licenses: life of the license;
- customer list: 3 to 15 years;
- software: 2 to 7 years.

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

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

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **COST** | | |
| Kadéos brand | 19 | 19 |
| Other brands | 25 | 26 |
| Contractual customer relationships | 232 | 119 |
| Licenses and software | 258 | 186 |
| Other | 73 | 66 |
| **TOTAL COST** | **607** | **416** |
| **ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | | |
| Brands | (10) | (10) |
| Contractual customer relationships | (78) | (66) |
| Licenses and software | (163) | (112) |
| Other | (43) | (46) |
| **TOTAL ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | **(294)** | **(234)** |
| **INTANGIBLE ASSETS, CARRYING VALUE** | **313** | **182** |

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

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

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **CARRYING VALUE OF INTANGIBLE ASSETS AT BEGINNING OF PERIOD** | **182** | **160** |
| Intangible assets of newly-consolidated companies | 118 | 26 |
| Internally-generated assets | 29 | 27 |
| Additions | 15 | 13 |
| Amortization for the period | (42) | (32) |
| Impairment losses for the period | (12) | (1) |
| Disposals | - | (0) |
| Currency translation adjustement | 23 | (11) |
| Reclassifications | - | - |
| **CARRYING VALUE OF INTANGIBLE ASSETS AT END OF PERIOD** | **313** | **182** |

Intangible assets of newly-consolidated companies relate to Embratec acquisition in 2016, including €96 million in customer list and €20 million in licenses and software (cf. Note 2.1).

Impairment losses for the period concern mainly the depreciation of internally-developed software.

Net value of main intangible assets considered as having an indefinite useful life is the following:

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Kadéos brand | 19 | 19 |
| Rikskuponger brand | 3 | 3 |
| Prepay brand | 2 | 2 |

No internally-developed asset has an indefinite useful life.

## 5.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 – Property, Plant and Equipment. Assets under construction are measured at cost less any accumulated impairment losses. They are depreciated from the date when they are put in service.
In accordance with IAS 40 – Investment property, investment properties are properties held to earn rentals or for capital appreciation. Investment properties are measured at cost and net of cumulated depreciation and potential impairment.

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

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

Investment properties are depreciated on a straight-line basis over their estimated useful lives, determined by the components method. Buildings are depreciated over 40 years. Other components are depreciated over the same periods as other property, plant and equipment.

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Land | 0 | 0 |
| Buildings | 4 | 4 |
| Fixtures | 27 | 26 |
| Equipment and furniture | 116 | 105 |
| Assets under construction | 1 | 0 |
| **COST** | **148** | **135** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Buildings | (1) | (1) |
| Fixtures | (17) | (15) |
| Equipment and furniture | (92) | (82) |
| **ACCUMULATED DEPRECIATION** | **(110)** | **(98)** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | **(110)** | **(98)** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Land | 0 | 0 |
| Buildings | 3 | 3 |
| Fixtures | 10 | 11 |
| Equipment and furniture | 24 | 23 |
| Assets under construction | 1 | 0 |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | **38** | **37** |

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

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **NET PROPERTY, PLANT AND EQUIPMENT AT BEGINNING OF PERIOD** | **37** | **44** |
| Property, plant and equipment of newly-consolidated companies | 7 | 0 |
| Additions | 14 | 17 |
| Disposals | (1) | (1) |
| Depreciation for the period | (14) | (14) |
| Impairment losses for the period | (1) | (2) |
| Currency translation adjustement | (4) | (7) |
| Reclassifications | (0) | (0) |
| **NET PROPERTY, PLANT AND EQUIPMENT AT END OF PERIOD** | **38** | **37** |

## 5.5 Impairment tests

### Recoverable amount of assets

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

### Reversal of impairment losses

In accordance with IAS 36 – Impairment of Assets, impairment losses on goodwill are irreversible. Impairment losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.
Impairment tests are performed at the level of the Cash-Generating Unit (CGU).

### Cash-Generating Units

CGUs are homogeneous groups of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
All intangible assets, including goodwill, and all items of property, plant and equipment are allocated to CGUs.

Indications of impairment are as follows for active CGUs:

- a 15% drop in like-for-like operating revenue; or
- a 20% drop in like-for-like EBIT before depreciation, amortization and provisions; or
- any event or change in the economic environment indicating a current risk of impairment.

CGUs are identified by country. For the main countries, they are identified by type of solution (Employee Benefits, Expense Management and Incentive & Rewards) if there are very different activities with separated commercial teams and customer portfolios.

### Methods used to determine recoverable amounts

Impairment tests consist in comparing the carrying amount of a CGU with its recoverable amount.

Carrying amount corresponds to carrying value of capital employed.

For Edenred they include:

- goodwill;
- tangible and intangible assets;
- working capital excluding float but including current tax liability.

Float corresponds to operating working capital requirement, *i.e.* vouchers in circulation to be redeemed less trade receivables.

The method consists firstly in calculating the fair value (as per below), and then compare it to the carrying amount. The Group considers that a difference higher than 20% between the fair value and the carrying amount means a potential loss in value. When a loss in value is identified using this method or in case of changes in economic context of the country or related to local business, a test based on discounted cash flows method is applied in order to validate the potential loss in value compared with the carrying amount.

**Method used is the following:**

| Step 1: Fair value at selling costs | Step 2 *: Value in use |
|---|---|
| **Valuation by the EBITDA multiple method:**<br>This process is a method of fair value calculation less selling costs, and allows to get the best estimate of the price at which a CGU could be sold on the market on the valuation date.<br>This method consists in calculating the CGU's average EBITDA for the last two years and applying a multiple based on the CGU's geographic location and the specific country risk.<br>The multiples applied correspond to the average of transactions occuring on the market and within a range of multiples comparable to Edenred Group valuation.<br>If the recoverable amount is less than the carrying amount, it is recalculated using the discounted cash flows method (Step 2). | **Valuation by the discounted cash flows method**<br>The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end Group WACC (*weighted average cost of capital*), splited by geographic zone. The perpetuity growth rate is aligned with the economic outlook in each of the countries concerned. |

* *Only in two cases:*
- *If the first step demonstrates loss of value.*
- *If the country or the subsidiary is under specific economic circumstances.*

If as a result of this test the recoverable amount is less than the carrying amount, an impairment loss is recognized in an amount corresponding to the value in use method. Impairment losses are recognized in the income statement under "Other income and expenses" and it is irreversible.

The following CGU have been tested with the value in use method during the period 2016:

Brazil (Repom), United-Kingdom (Prepay Technologies), Finland, Sweden, Japan, Colombia, Portugal, Malaysia, Russia, Dubaï and India.
The following CGU have been tested with the value in use method during the period 2015:
Brazil (Repom), United-Kingdom (Prepay Technologies), Finland, Sweden, Japan, Colombia and Portugal.

Potential risks linked to Brexit and the economic and political crisis in Brazil have been taken into account in the process of fair-value testing and value in use as of December 31.2016.

Bolivar Fuerte devaluation and the impact of new American President election, Donald Trump, on the Mexican currency have been taken into account in fair-value testing of related CGUs on December 31, 2016. Despite those specific economic circumstances, results of Step 1 on those tests have presented that no test on value in use is necessary.

## Impairment losses

Cumulative impairment losses on property, plant and equipment and intangible assets amounted to € (202) million at December 31, 2016 (€ (173) million at December 31, 2015). An impairment loss amounting to € (15) million was recognized during the year (cf. Note 10.1) (€ (2) million in 2015).

Intangible and tangible assets of CGUs impacted by cumulated impairment losses are detailed as follows:

| | December 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | France – Kadéos | | | | Other countries | | | | Total | | | |
| *(in € millions)* | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value |
| Goodwill | 196 | - | (105) | **91** | 867 | - | (54) | **813** | 1,063 | - | (159) | **904** |
| Brands | 19 | - | - | **19** | 25 | (5) | (5) | **15** | 44 | (5) | (5) | **34** |
| Customer lists | 21 | (8) | (13) | **-** | 211 | (49) | (8) | **154** | 232 | (57) | (21) | **154** |
| Other intangible assets | 47 | (26) | (8) | **13** | 285 | (163) | (9) | **112** | 331 | (189) | (17) | **125** |
| Tangible assets | 20 | (17) | - | **3** | 128 | (93) | - | **35** | 148 | (110) | - | **38** |
| **TOTAL** | **303** | **(51)** | **(126)** | **126** | **1,516** | **(310)** | **(76)** | **1,129** | **1,818** | **(361)** | **(202)** | **1,255** |

| | December 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | France – Kadéos | | | | Other countries | | | | Total | | | |
| *(in € millions)* | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value | Gross value | Accumulated depreciation | Accumulated impairment losses | Net value |
| Goodwill | 196 | - | (105) | **91** | 538 | - | (54) | **484** | 734 | - | (159) | **575** |
| Brands | 19 | - | - | **19** | 26 | (5) | (5) | **16** | 45 | (5) | (5) | **35** |
| Customer lists | 21 | (8) | (13) | **-** | 98 | (37) | (8) | **53** | 119 | (58) | (8) | **53** |
| Other intangible assets | 46 | (27) | (8) | **11** | 206 | (123) | - | **83** | 252 | (157) | (1) | **94** |
| Tangible assets | 21 | (17) | - | **4** | 114 | (81) | - | **33** | 135 | (98) | - | **37** |
| **TOTAL** | **303** | **(59)** | **(119)** | **125** | **982** | **(259)** | **(54)** | **669** | **1,285** | **(318)** | **(173)** | **794** |

## Key assumptions

In 2016, the discount rate applied is based on the Group WACC (Weighted Average Cost of Capital) of 9.3% (9.4% in 2015). As the Group has operations in a very large number of countries, Edenred calculated an average rate for the Group and estimated a discount rate for each CGU in order to make the impairment test using the value in use method.

| | Discount rates | | Perpetuity growth rates | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 * | 2015 |
| Rest of Europe | 7,1% – 10,1% | 7,8% – 9,5% | 1,8% – 4,0% | 1,7% – 2,0% |
| Latin America | 13% – 18,1% | 13,2% – 18,6% | 3,0% – 4,5% | 3,0% – 4,6% |
| Rest of the World | 10,5% – 14,9% | 10.4% | 1,2% – 4,9% | 1.2% |

* *Source: IMF inflation forecast for 2021.*

## Sensitivity analysis

### Rate sensitivity

| | December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Discount rate sensitivity | | | | Perpetual growth rate sensitivity | | | |
| *(in € millions)* | +100 bp | +50 bp | -50 bp | -100 bp | -100 bp | -50 bp | +50 bp | +100 bp |
| Rest of Europe | - | - | - | - | - | - | - | - |
| Latin America | - | - | - | - | - | - | - | - |
| Rest of the World | (1) | (0) | - | - | (0) | - | - | - |

| | December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Discount rate sensitivity | | | | Perpetual growth rate sensitivity | | | |
| *(in € millions)* | +100 bp | +50 bp | -50 bp | -100 bp | -100 bp | -50 bp | +50 bp | +100 bp |
| Rest of Europe | (1) | (0) | - | - | (1) | - | - | - |
| Latin America | (1) | (0) | 0 | 1 | (1) | (0) | 0 | 1 |
| Rest of the World | - | - | - | - | - | - | - | - |

At December 31, 2016 variation upon WACC (Weighted Average Cost of Capital) and perpetuity growth rate would have had an impact only on Rest of the World.

Regarding WACC, impacts upon recognized impairment losses:

- 50 bps increase in the discount rate would have increased the recognized impairment losses by an amount less than €1 million on this zone;
- 100 bps increase in the discount rate would have increased the recognized impairment losses by an amount approximatively €1 million on this zone.

Regarding perpetual growth, impacts upon recognized impairment losses:

- 100 bps increase in the discount rate would have decreased the recognized impairment losses by an amount less than €1 million on this zone.

### Flow sensitivity

| | December 2016 | | | |
|---|---|---|---|---|
| | Business growth sensitivity | | Margin rate sensitivity | |
| *(in € millions)* | -10% | +10% | -100 bp | +100 bp |
| Rest of Europe | - | - | - | - |
| Latin America | - | - | - | - |
| Rest of the World | - | - | (0) | - |

Business growth is measured by like-for-like growth of Issue volume. Margin rate is defined as the ratio between EBIT before depreciation, amortization and provisions and operational revenue.

At December 31, 2016, a 100-bps fall in the margin rate would have increased the recognized impairment losses by about less than €1 million.

## NOTE 6 FINANCIAL ELEMENTS

### 6.1 Net financial result

Net financial result includes:

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

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Gross borrowing cost | (53) | (42) |
| Hedging instruments | 13 | 10 |
| Interests income from short term bank deposits and equivalent | (0) | 0 |
| **Net borrowing cost** | **(40)** | **(32)** |
| Net foreign exchange gains / (losses) | (2) | - |
| Other financial income and expenses, net | (16) | (15) |
| **NET FINANCIAL EXPENSE** | **(58)** | **(47)** |

Hedging instruments are related to expenses and income on interest rates swaps as presented in the Note 6.6 “Financial instruments and market risk management”.

“Other financial income and expenses, net” concerns mainly bank fees, banking charges and interests, deferred charges on bonds and issuance premiums, and financial provisions.

## 6.2 Current financial assets

Financial assets and liabilities are recognized and measured in accordance with IAS 39 – Financial Instruments, Recognition and Measurement, and its amendments.

Financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified between the three main categories defined in IAS 39, as follows:

- **"Loans and receivables"** mainly include term deposits and loans to non-consolidated companies. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss - corresponding to the difference between the carrying amount and the recoverable amount (*i.e.* the present value of expected cash flows discounted using the original effective interest rate) - is recognized in the income statement. It may be reversed if the recoverable amount increases in a subsequent period.
- **"Held-to-maturity investments"** mainly include bonds and other marketable securities intended to be held to maturity. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss - corresponding to the difference between the carrying amount and the recoverable amount (*i.e.* the present value of expected cash flows discounted using the original effective interest rate) - is recognized in the income statement. It may be reversed if the recoverable amount increases in a subsequent period.

For these three categories, initial fair value is equivalent to acquisition cost, because no material transaction costs are incurred.

| | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Gross value | Depreciation | Net value | Gross value | Depreciation | Net value |
| Other current financial assets | 4 | - | 4 | 4 | (1) | 3 |
| Receivables on disposal of assets | - | - | - | - | - | - |
| Derivatives | 45 | - | 45 | 37 | - | 37 |
| **CURRENT FINANCIAL ASSETS** | **49** | **-** | **49** | **41** | **(1)** | **40** |

Other current financial assets represent short-term loans with external counterparts, classified as "Loans and receivables" according to IAS 39.

Derivatives are accounted for according to IAS 39 standard – "Financial Instruments, Recognition and Measurement". Accounting method is detailed in the Note 6.6 "Financial instruments and market risk management".

## 6.3 Cash and cash equivalent and other marketable securities

### Cash and cash equivalents

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

### Other marketable securities

"Instruments that have initial maturities of more than three months and less than one year are reported under "Marketable securities". These instruments are highly liquid and are subject to an insignificant risk of changes in value due to interest rate and foreign exchange rate changes. However, they are no longer classified as cash and cash equivalents in line with the guidance of IAS 7. This line item also includes restricted cash, corresponding to cash and cash equivalents subject to restrictions due to regulations that are specific to a country (such as exchange rate control).

### Accounting method

"Cash and cash equivalents" and "Other marketable securities" are financial assets booked according to IAS 39 standard and its amendments.

Term deposits and loans to non-consolidated companies are presented in "Non-current financial assets". For initial booking, they are booked at fair value. For every closing, they are measured at amortized cost and they may be depreciated. This depreciation represents the difference between net book value and recoverable value (expected cash flows discounted with original effective interest rate) and is booked in income statement. It is reversible if recoverable value increases in following periods.

Bonds and other marketable securities which specificity is to be held to maturity are classified as "Held-to-maturity investments". They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss - corresponding to the difference between the carrying amount and the recoverable amount (*i.e.* the present value of expected cash flows discounted using the original effective interest rate) - is recognized in the income statement. It may be reversed if the recoverable amount increases in a subsequent period

Mutual fund units in cash are booked in **"Financial assets at fair value through profit and loss"**. Those assets are booked at fair value in balance sheet and fair value changes are booked in profit and loss account.

Both "Cash and cash equivalents" and "Marketable securities" are taken into account for the calculation of net debt.

| *(in € millions)* | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| | Gross value | Depreciation | Net value | Gross value | Depreciation | Net value |
| Cash at bank and on hand | 162 | - | 162 | 174 | - | 174 |
| Term deposits less than 3 months | 460 | - | 460 | 272 | - | 272 |
| Mutual fund units in cash less than 3 months | 27 | - | 27 | 21 | - | 21 |
| **CASH AND CASH EQUIVALENTS** | **649** | **-** | **649** | **467** | **-** | **467** |
| Term deposits more than 3 months | 734 | (3) | 731 | 476 | (3) | 473 |
| Bonds and other negociable debt securities | 3 | - | 3 | 2 | - | 2 |
| Mutual fund units in cash more than 3 months | 1 | - | 1 | 3 | - | 3 |
| **OTHER MARKETABLE SECURITIES** | **738** | **(3)** | **735** | **481** | **(3)** | **478** |
| **TOTAL CASH AND CASH EQUIVALENTS AND OTHER MARKETABLE SECURITIES** | **1,387** | **(3)** | **1,384** | **948** | **(3)** | **945** |

Other marketable securities include €17 million in investments denominated in Venezuelan bolivar fuerte (at the closing exchange rate of 672.92 bolivar fuerte per US dollar), of which €9 million are balanced in the liability side by the structural working capital of the Venezuelan subsidiaries.

## 6.4 Debt and other financial liabilities

### Debt

Non-banking debt (bonds, private placement as Schuldschein…) and bank borrowings set up as interest-bearing lines of credit and bank overdrafts are recognized for the amounts received, net of direct issuing costs.
Financial debts are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

| *(in € millions)* | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Bonds and private placements | 1,207 | 525 | 1,732 | 1,476 | - | 1,476 |
| Bank borrowings | 148 | 2 | 150 | - | 2 | 2 |
| **DEBT** | **1,355** | **527** | **1,882** | **1,476** | **2** | **1,478** |
| **BANK OVERDRAFTS** | **-** | **52** | **52** | **-** | **61** | **61** |
| Deposits | 8 | 5 | 13 | 9 | 3 | 12 |
| Purchase commitments | 40 | 3 | 43 | 26 | 1 | 27 |
| Derivatives | - | 19 | 19 | - | 30 | 30 |
| Other | 2 | 10 | 12 | 3 | 11 | 14 |
| **OTHER FINANCIAL LIABILITIES** | **50** | **37** | **87** | **38** | **45** | **83** |
| **DEBT AND OTHER FINANCIAL LIABILITIES** | **1,405** | **616** | **2,021** | **1,514** | **108** | **1,622** |

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

## Financial debts

### 1) Bonds and private placements

#### *a. Bonds*

As of December 31, 2016 the Group gross outstanding bound position amounts to €1,485 million with the following breakdown:

| Issue date | Amounts in M€ | Annual coupon | Maturity |
|---|---|---|---|
| 03/10/2015 | 500 | 1,375% | 10 years 03/10/2025 |
| 10/30/2013 | 250 | 2,625% | 7 years 10/30/2020 |
| 05/23/2012 | 225 | 3,750% | 10 years 05/23/2022 |
| 10/06/2010 | 510 | 3,625% | 7 years 10/06/2017 |
| **GROSS OUTSTANDING BOND POSITION** | **1,485** | | |

As of December 31, 2015, the gross outstanding bound position amounted to € 1,485 million.

#### *b. Private placement*

One **June 29, 2016**, Edenred successfully completed the issue of a Schuldschein loan – a German form of private placement – consisting of 5- and 7-year tranches with fixed- and floating-rate coupons, with an average maturity of 6.1 years and an average financial cost of approximately 1.2%. This operation allows the Group to reduce its average cost of debt and extend the average maturity.

As of December 31, 2016, €250 million private placement as Schuldschein operation presents different tranches for maturity and rates and can be detailed as follow:

| Rate | | Amounts in M€ | Maturity in years | Maturity date |
|---|---|---|---|---|
| Fixed | 1,05% | 45 | 5 | 06/29/2021 |
| Variable | Euribor 6 months * + 105 bp | 68 | 5 | 06/29/2021 |
| Fixed | 1,47% | 32 | 7 | 06/29/2023 |
| Variable | Euribor 6 months * + 130 bp | 105 | 7 | 06/29/2023 |
| | **TOTAL SCHULDSCHEIN LOAN** | **250** | | |

* *Euribor 6 months floor at 0%.*

### 2) Bank borrowings

Bank borrowings are mainly composed by a new debt in BRL to finance its general activity which has been put in place for a total amount of BRL 500 million (equivalent €146 million at closing exchange rate) of which 250 million matured in May 2019 and 250 million matured in June 2018.

### 3) Credit facility

As explained in Note 3.3, Edenred signed on **July 21, 2016** with 14 banks an amendment agreement to its €700 million 5-year Revolving Credit Facility.

As of December 31, 2016 Edenred has €700 million outstanding confirmed credit facilities extended to July 2021. This facility will be used for general corporate purposes and to support Group activities.

## Ageing analysis

### *a. At December, 31 2016*

| *(in € millions)* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and beyond | 2016 |
|---|---|---|---|---|---|---|---|
| Total debt and other financial liabilities | 616 | 83 | 97 | 266 | 113 | 846 | 2,021 |
| **TOTAL** | **616** | **83** | **97** | **266** | **113** | **846** | **2,021** |

### *b. At December, 31 2015*

| *(in € millions)* | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 and beyond | 2015 |
|---|---|---|---|---|---|---|---|
| Total debt and other financial liabilities | 108 | 535 | 15 | 5 | 261 | 698 | 1,622 |
| **TOTAL** | **108** | **535** | **15** | **5** | **261** | **698** | **1,622** |

## 6.5 Net debt and net cash

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Non-current financial debt | 1,355 | 1,476 |
| Other non-current financial liabilities | 50 | 38 |
| Current financial debt | 527 | 2 |
| Other current financial liabilities | 37 | 45 |
| Bank overdrafts | 52 | 61 |
| **TOTAL DEBT AND OTHER FINANCIAL LIABILITIES** | **2,021** | **1,622** |
| Current financial assets | (49) | (40) |
| Other marketable securities | (735) | (478) |
| Cash and cash equivalents | (649) | (467) |
| **TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS** | **(1,433)** | **(985)** |
| **NET DEBT** | **588** | **637** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **Net debt at beginning of period** | **637** | **268** |
| Increase (decrease) in non-current financial debt | (121) | 169 |
| Increase (decrease) in other non-current financial liabilities | 12 | (8) |
| Decrease (increase) in other marketable securities | (257) | 187 |
| Decrease (increase) in cash and cash equivalents, net of bank overdrafts | (191) | (9) |
| Increase (decrease) in other financial assets and liabilities | 508 | 30 |
| **Increase (decrease) in net debt** | **(49)** | **369** |
| **NET DEBT AT END OF PERIOD** | **588** | **637** |

Change in "other financial assets and liabilities" in 2016 is explained by the reclassification in "Current financial debt" of the bond issued in 2010 with maturity October 2017.

Net debt excluding net cash increases by €251 million between 2015 and 2016, as presented in 1.4 – Consolidated statement of cash flows. This variation is explained by new non-current borrowings for €384 million and by the increase in current financial debt by €3 million, partially offset by the increase in marketable securities and other current financial assets by €136 million.

## 6.6 Financial instruments and market risk management

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

In accordance with IAS 39, derivatives are initially recognized at cost. They are subsequently measured at fair value at each period-end. The intended use of the derivatives determines the IFRS designation and therefore the accounting treatment of changes in fair value.

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

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

### Financial instruments designated as hedging instruments

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

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

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

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

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

### Other derivatives

Derivatives not designated as hedging instruments are classified as "Fair value through profit and loss". Their fair value variations are booked in financial result.

### Rate risk: fixed / variable interest rate analysis

#### 1) Hedging impact

***Before hedging***

Debt without hedging breaks down as follows:

| | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Rate | % of total debt | Amount | Rate | % of total debt |
| Fixed rate debt (1) | 1,708 | 3.48% | 91% | 1,476 | 2.73% | 100% |
| Variable rate debt | 174 | 1.24% | 9% | 2 | 9.08% | 0% |
| **TOTAL DEBT** | **1,882** | **3.27%** | **100%** | **1,478** | **2.74%** | **100%** |

*(1) The rates mentioned for the fixed rate debt correspond to the contractual rates (that are 3.625%, 3.75%, 2.625% and 1.375%) applied among exact days of the year divided by 360.*

***After hedging***

Debt after interest rate hedging breaks down as follows:

| | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Rate | % of total debt | Amount | Rate | % of total debt |
| Fixed rate debt | 309 | 4.56% | 16% | 442 | 1.95% | 30% |
| Variable rate debt | 1,573 | 2.12% | 84% | 1,037 | 1.96% | 70% |
| **TOTAL DEBT** | **1,882** | **2.52%** | **100%** | **1,478** | **1.96%** | **100%** |

#### 2) Hedging of interest rate risk

Interest rate risk is hedged with swaps receiving fixed rate and paying floating rate to transform fixed rate into floating rate over a debt initially issued at fixed rate:

- swaps to hedge the bond debt in Euro: notional amount of €1,432 million relating to an underlying debt of €1,485 million and for a fair value of €27.9 million representing a financial asset;
- swaps to hedge the bank debt in BRL: notional amount of €73 million relating to an underlying debt of 250 million Brazilian Real and for a fair value of €2.1 million representing a financial asset;
- swaps to hedge marketable securities in BRL: notional amount of €367 million relating to an underlying debt of 1,260 million Brazilian Real and for a fair value of €6.0 million representing a financial asset.

Those swaps are classified as Fair Value Hedge according to IAS 39. These hedging operations have no material impact on the P&L as the efficiency ratio reaches almost 100%.

| *(in € millions)* | Notional amount | Fair value | 2017 | 2018 | 2019 | 2020 | 2021 and beyond |
|---|---|---|---|---|---|---|---|
| BRL: Receiving fixed-rate swaps [(1)] | 367 | 6 | 117 | 73 | 71 | 106 | - |
| EUR: Paying fixed-rate swaps | 50 | (2) | - | - | - | - | 50 |
| EUR: Paying variable-rate swaps | 1,382 | 30 | 500 | - | - | 125 | 757 |
| BRL: Paying variable-rate swaps [(2)] | 73 | 2 | - | - | 73 | - | - |
| **TOTAL** | **1,872** | **36** | **617** | **73** | **144** | **231** | **807** |

*(1) 1,260 million of Brazilian real (BRL) equivalent of €367 million.*
*(2) 250 million of Brazilian real (BRL) equivalent of €73 million.*

### 3) Interest rate risk sensitivity analysis

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

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

However, changes in the effective value portion of derivatives eligible for cash flow hedge accounting are recognized directly in equity and have no effect on profit or loss.

The analysis below has been prepared assuming that the amount of the debt and the notional amounts of derivative instruments at December 31, 2016 remains constant over one year.

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

| | Result | | Equity | |
|---|---|---|---|---|
| *(in € millions)* | decrease in interest rates of 100 bp * | increase in interest rates of 100 bp | decrease in interest rates of 100 bp * | increase in interest rates of 100 bp |
| Debt at variable rate after hedge accounting | 11 | (12) | - | - |
| Derivatives | (0) | (0) | - | - |
| **TOTAL** | **11** | **(12)** | **-** | **-** |

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

## Foreign exchange risk: Currency analysis

### 1) Hedging impact

***Before hedging***

Debt without hedging breaks down as follows:

| | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Rate | % of total debt | Amount | Rate | % of total debt |
| EUR | 1,732 | 2.51% | 92% | 1,476 | 2.73% | 100% |
| Other currencies | 150 | 12.08% | 8% | 2 | 9.21% | 0% |
| **TOTAL DEBT** | **1,882** | **3.27%** | **100%** | **1,478** | **2.74%** | **100%** |

***After hedging***

Debt after interest rate hedging breaks down as follows:

| | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Amount | Rate | % of total debt | Amount | Rate | % of total debt |
| EUR | 1,723 | 1.60% | 92% | 1,470 | 1.93% | 99% |
| Other currencies | 159 | 12.49% | 8% | 8 | 6.91% | 1% |
| **TOTAL DEBT** | **1,882** | **2.52%** | **100%** | **1,478** | **1.96%** | **100%** |

### 2) Currency hedges

For each currency, the "Notional amount" corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the amount of the currency sold (purchased) and the amount of the currency purchased (sold), converted in both cases at the period-end forward exchange rate.

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

At December 31, 2016, currency derivatives had an aggregate negative fair value of €(10) million, as:

| *(in € millions)* | Notional amount | Fair value | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and beyond |
|---|---|---|---|---|---|---|---|---|
| GBP | 206 | (9) | (9) | - | - | - | - | - |
| MXN | 41 | (1) | (1) | - | - | - | - | - |
| CZK | 39 | (0) | (0) | - | - | - | - | - |
| JPY | 21 | 0 | 0 | - | - | - | - | - |
| RON | 10 | (0) | (0) | - | - | - | - | - |
| HUF | 4 | 0 | 0 | - | - | - | - | - |
| SEK | 4 | (0) | (0) | - | - | - | - | - |
| CHF | 3 | 0 | 0 | - | - | - | - | - |
| USD | 2 | 0 | 0 | - | - | - | - | - |
| **FORWARD PURCHASES AND CURRENCY SWAPS** | **330** | **(10)** | **(10)** | **-** | **-** | **-** | **-** | **-** |
| RUB | 4 | (0) | (0) | - | - | - | - | - |
| ZAR | 3 | (0) | (0) | - | - | - | - | - |
| HKD | 2 | (0) | (0) | - | - | - | - | - |
| USD | 0 | (0) | (0) | - | - | - | - | - |
| **FOWARD SALES AND CURRENCY SWAPS** | **9** | **(0)** | **(0)** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **339** | **(10)** | **(10)** | **-** | **-** | **-** | **-** | **-** |

### 3) Foreign exchange risk sensitivity analysis

A change of 10% in currency exchange rates of the major currencies would have the following impact on the EBIT: Brazil (BRL) €15 million, Mexico (MXN) €3 million and Venezuela (VEF) €1 million.

## Liquidity risk

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

Future cash flows relating to interest rates are calculated using market interest rates at December 31, 2016. Variable rates are estimated by reference to forecast rates and fixed rates are known in advance. Future cash flows represented by debt repayments are estimated based on the assumption that the facilities will not be rolled over at maturity.

### At December 31, 2016

| *(in € millions)* | Dec. 2016 Carrying amount | Contractual flows | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and beyond |
|---|---|---|---|---|---|---|---|---|
| Non-banking debt | 1,732 | 1,732 | 525 | - | - | 256 | 113 | 838 |
| Bank borrowings | 150 | 150 | 2 | 73 | 75 | - | - | - |
| Future interests | N/A | (192) | (55) | (36) | (28) | (25) | (18) | (30) |
| **DEBT** | **1,882** | **1,690** | **472** | **37** | **47** | **231** | **95** | **808** |
| Bank overdrafts | 52 | 52 | 52 | - | - | - | - | - |
| Other financial liabilities | 87 | 88 | 37 | 10 | 22 | 10 | 0 | 9 |
| Future interests | N/A | 26 | 13 | 8 | 7 | 6 | 2 | (10) |
| **BANK OVERDRAFTS AND OTHER FINANCIAL LIABILITIES** | **139** | **166** | **102** | **18** | **29** | **16** | **2** | **(1)** |
| **TOTAL DEBT AND OTHER FINANCIAL LIABILITIES** | **2,021** | **1,856** | **574** | **55** | **76** | **247** | **97** | **807** |

### At December 31, 2015

| *(in € millions)* | Dec. 2015 Carrying amount | Contractual flows | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 and beyond |
|---|---|---|---|---|---|---|---|---|
| Non-banking debt | 1,476 | 1,476 | - | 522 | - | - | 261 | 693 |
| Bank borrowings | 2 | 2 | 2 | - | - | - | - | - |
| Future interests | N/A | 182 | 40 | 36 | 22 | 22 | 21 | 41 |
| **DEBT** | **1,478** | **1,660** | **43** | **558** | **22** | **22** | **282** | **733** |
| Bank overdrafts | 61 | 61 | 61 | - | - | - | - | - |
| Other financial liabilities | 83 | 82 | 45 | 12 | 15 | 5 | - | 5 |
| Future interests | N/A | (26) | (12) | (11) | (5) | (4) | (2) | 8 |
| **BANK OVERDRAFTS AND OTHER FINANCIAL LIABILITIES** | **144** | **117** | **94** | **2** | **9** | **1** | **(2)** | **13** |
| **TOTAL DEBT AND OTHER FINANCIAL LIABILITIES** | **1,622** | **1,777** | **137** | **560** | **31** | **23** | **280** | **746** |

## Credit and counterparty risk

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

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

With several tens of thousands of corporate and public authority customers at December 31, 2016, the Group has a highly diversified customer base. Moreover, they include all types of entities, ranging from large and medium-sized corporates to national, regional and local public authorities.

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

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

## Financial instruments

### Market value of financial instruments

| *(in € millions)* | Carrying value December 2016 | Fair value | Financial assets at fair value through profit and loss | Available-for-sale financial assets | Financial assets carried | Financial liabilities at amortized cost | Loans and receiva-bles | Derivative instru-ments |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Non-current financial assets | 41 | 41 | - | - | - | - | 41 | - |
| Trade receivables, net | 1,415 | 1,415 | - | - | - | - | 1,415 | - |
| Employee advances and prepaid payroll taxes | 5 | 5 | - | - | - | - | 5 | - |
| Other receivables, net | 238 | 238 | - | - | - | - | 238 | - |
| Restricted cash | 942 | 942 | - | - | - | - | 942 | - |
| Current financial assets | 49 | 49 | - | - | - | - | 4 | 45 |
| Other marketable securities | 735 | 735 | 1 | - | - | - | 734 | - |
| Cash and cash equivalents | 649 | 649 | 27 | - | 460 | - | 162 | - |
| **TOTAL** | **4,074** | **4,074** | **28** | **-** | **460** | **-** | **3,541** | **45** |
| **LIABILITIES** | | | | | | | | |
| Non-current debt | 1,355 | 1,373 | - | - | - | 1,373 | - | - |
| Other non-current financial liabilities | 50 | 50 | - | - | - | 50 | - | - |
| Current debt | 527 | 525 | - | - | - | 525 | - | - |
| Bank overdrafts | 52 | 52 | - | - | - | 52 | - | - |
| Other current financial liabilities | 37 | 37 | - | - | - | 18 | - | 19 |
| Vouchers in circulation | 4,182 | 4,182 | - | - | - | - | 4,182 | - |
| Trade payables | 142 | 142 | - | - | - | - | 142 | - |
| Wages and salaries and payroll taxes payable | 70 | 70 | - | - | - | - | 70 | - |
| Other payables | 87 | 87 | - | - | - | - | 87 | - |
| **TOTAL** | **6,502** | **6,518** | **-** | **-** | **-** | **2,018** | **4,481** | **19** |

## Fair value analysis of financial assets and liabilities

The fair value hierarchy comprises the following levels:

- **level 1:** fair value assessed by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **level 2:** fair value assessed by reference to quoted prices included within Level 1 that are observable for the asset or liability, either directly (*i.e.* as prices) or indirectly (*i.e.* derived from prices);
- **level 3:** fair value assessed by reference to inputs related to the asset or liability that is not based on market data (unobservable inputs).

| *(in € millions)* | Fair value December 2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current financial assets | 45 | - | 45 | - |
| Other marketable securities | 1 | 1 | - | - |
| Cash and cash equivalents | 27 | 27 | - | - |
| **TOTAL** | **73** | **28** | **45** | **-** |
| **LIABILITIES** | | | | |
| Non-current debt | - | - | - | - |
| Other non-current financial liabilities | - | - | - | - |
| Current debt | - | - | - | - |
| Bank overdrafts | - | - | - | - |
| Other current financial liabilities | 19 | - | 19 | - |
| **TOTAL** | **19** | **-** | **19** | **-** |

## Derivative financial instruments

| | | December 2016 | | | December 2015 | | |
|---|---|---|---|---|---|---|---|
| *(in € millions)* | IFRS classification | Fair value | Notional amount | Face value | Fair value | Notional amount | Face value |
| **Derivative financial instruments – asset position** | | | | | | | |
| Interest rate instruments | *Cash-Flow Hedge* | 6 | 367 | - | - | - | - |
| Interest rate instruments | *Fair Value Hedge* | 33 | 1,103 | - | 29 | 800 | - |
| Interest rate instruments | *Trading* | 4 | 50 | - | 4 | 50 | - |
| Currency intruments | *Fair Value Hedge* | 2 | - | 81 | 4 | - | 105 |
| Currency intruments | *Cash-Flow Hedge* | - | - | 2 | - | - | - |
| **Derivative financial instruments – liability position** | | | | | | | |
| Interest rate instruments | *Cash-Flow Hedge* | - | - | - | (19) | 235 | - |
| Interest rate instruments | *Fair Value Hedge* | (5) | 302 | - | (6) | 230 | - |
| Interest rate instruments | *Trading* | (2) | 50 | - | (1) | 50 | - |
| Currency intruments | *Fair Value Hedge* | (12) | - | 257 | (5) | - | 241 |
| **NET DERIVATIVE FINANCIAL INSTRUMENTS** | | **26** | **1,872** | **340** | **6** | **1,365** | **346** |

Derivative instruments were measured at December 31, 2016 by applying a Credit Valuation Adjustment (CVA) in accordance with IFRS 13.

The CVA for a given counterparty is calculated by calculating the result of: (i) Exposure (*i.e.* the market value of the derivative instruments purchased from the counterparty, if positive), (ii) Probability of Default and (iii) Loss Given Default. Credit Valuation Adjustments at December 31, 2016 were not material.

### Cumulative fair value of financial instruments

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

| *(in € millions)* | December 2015 | New operations | Change in Fair Value change | P&L recycling result | December 2016 |
|---|---|---|---|---|---|
| Financial instruments in Cash-Flow Hedge (after tax) | (14) | 2 | 14 | 1 | 3 |

## NOTE 7 TAXES

### 7.1 Income tax

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

Edenred decided that french CVAE had characteristics of an income tax. Therefore, income tax expense includes also expense amount related to French CVAE.

### Income tax expense for the period

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Current taxes | (107) | (112) |
| Provisions for tax risks | - | 4 |
| **SUB-TOTAL: CURRENT TAXES** | **(107)** | **(108)** |
| Deferred taxes on temporary differences arising or reversing during the period | 5 | 7 |
| Deferred taxes arising from changes in tax rates or rules | - | 3 |
| **SUB-TOTAL: DEFERRED TAXES** | **5** | **10** |
| **TOTAL INCOME TAX ENPENSE** | **(102)** | **(98)** |

In 2016:

- income tax expense includes the 3% surtax on distributed earnings, for € (5) million;
- income tax expense includes € (2) million related to French CVAE.

## Tax proof

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **Operating profit before tax** | **294** | **280** |
| Share of associate net profit | 8 | 9 |
| **Operating profit before tax without Share of associate Net profit (a)** | **286** | **271** |
| Non-deductible impairment losses | - | 2 |
| Elimination of intercompany capital gains | - | - |
| Other | 7 | 11 |
| **TOTAL PERMANENT DIFFERENCES (NON-DEDUCTIBLES EXPENSES) (B)** | **7** | **13** |
| **Untaxed profit and profit taxed at a reduced rate (c)** | **9** | **10** |
| **Profit taxable at the standard rate (d) = (a) + (b) + (c)** | **302** | **294** |
| **Standard tax rate in France (e)** | **34.43%** | **34.43%** |
| **Theoretical tax at standard rate (f) = (d) x (e)** | **(104)** | **(101)** |
| Adjustments for: | | |
| • Differences in foreign tax rates | 14 | 14 |
| • Unrecognized tax losses for the period | (1) | (2) |
| • Utilisation of previously unrecognised tax losses | - | 3 |
| • Effect of changes in future tax rates | (3) | 3 |
| • Net change in provision for tax risks | - | 4 |
| • Other items | (6) | (17) |
| **TOTAL ADJUSTMENTS (G)** | **4** | **5** |
| **Actual tax at standard rate (h) = (f) + (g)** | **(100)** | **(96)** |
| **Tax at reduced rate (i)** | **(2)** | **(2)** |
| **INCOME TAX EXPENSE (J) = (H) + (I)** | **(102)** | **(98)** |
| **EFFECTIVE TAX RATE (K) = (J) / (D)** | **33.9%** | **33.4%** |

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Operating profit before tax | 286 | 271 |
| Adjustment related to the other income and expenses | 26 | 23 |
| **Operating profit before tax and other income and expenses** | **312** | **294** |
| Income tax expense | (102) | (98) |
| Tax adjustement related to the other income and expenses | (8) | (5) |
| Adjustment of other unusual items | 6 | 7 |
| **Standard Group Income tax expense** | **(104)** | **(96)** |
| **STANDARD INCOME TAX** | **33.3%** | **32.8%** |

## 7.2 Deferred taxes

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

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

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

A deferred tax asset is recognized for ordinary and evergreen tax loss carry forwards only when it is probable that the asset will be recovered in the foreseeable future.
Deferred taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related deferred tax is also recorded in equity.
Since January 1, 2010, adjustments to deferred tax assets acquired in a business combination are recognized in profit or loss without a corresponding adjustment to goodwill.
In accordance with IAS 12, deferred taxes are not discounted.

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

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

### Details of recognized deferred tax assets and liabilities

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Temporary differences between taxable and book profit of the individual entities | 22 | 20 |
| Temporary differences arising from consolidation adjustments | 14 | 11 |
| Recognized deferred tax assets on tax losses | 33 | 36 |
| **SUB-TOTAL: DEFERRED TAX ASSETS** | **69** | **67** |
| Temporary differences between taxable and book profit of the individual entities | 17 | 14 |
| Temporary differences arising from consolidation adjustments | 112 | 71 |
| **SUB-TOTAL: DEFERRED TAX LIABILITIES** | **129** | **84** |
| **NET DEFERRED TAX ASSET (LIABILITY)** | **(60)** | **(17)** |

Unrecognized deferred tax assets at December 31, 2016 amounted to € 23million, in which €11 million related to Worldwide structures (Edenred SA), €2 million related to UK and €2 million related to Singapore.

In December 31, 2016, unrecognized deferred tax assets corresponded to tax losses in the amount of €23 million, including €3 million expiring between N+1 and N+4, €3 million expiring N+5 and beyond and €17 million without temporal limit.

In December 31, 2015, unrecognized deferred tax assets amounted to €23 million.

## NOTE 8 SHAREHOLDERS' EQUITY

### Preamble regarding negative value of Group retained earnings

As of December 31, 2016, total equity – Group share amounts to € (1.230) million, this negative value is mainly due to the inheritage of accounts established for the demerger on July 2010.

In these financial statements, equity represented a negative amount of €1,137 million at December 31, 2008, €1,187 million at December 31, 2009 and €1,044 million at December 31, 2010. This was due to the recognition of assets contributed or sold by Accor in Contribution-Demerger transactions at their historical cost.

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

## 8.1 Shareholder's equity

### Share capital

At December 31, 2016, the Company's capital was made up of 233,679,845 shares with a par value of €2 (two) each, all fully paid.

The 233,679,845 shares are ordinary shares with rights to all distributions of interim and final dividends, reserves or equivalent amounts.

### Change in capital in number of shares

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| **AT JANUARY 1** | **230,816,848** | **228,811,546** |
| Capital increase linked to the dividends payments | 2,862,997 | 2,005,302 |
| Shares issued on conversion of performance share rights | 501,513 | 602,422 |
| Shares issued on exercise of stock options * | 309,017 | 1,010,261 |
| Shares cancelled during the period | (810,530) | (1,612,683) |
| **AT DECEMBER 31** | **233,679,845** | **230,816,848** |

* *Before the exercise of 8,500 options between December 15 and December 31, 2016, validated by the Board of Directors after the closing*

## Treasury stock

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

| *(in shares number)* | December 2016 | December 2015 |
|---|---|---|
| **Detentions at the opening** | **3,008,056** | **2,187,913** |
| ***Shares purchases*** | | |
| Repurchase agreements | - | 2,600,542 |
| Liquidity contracts * | (180,712) | 91,000 |
| ***Shares Sales*** | | |
| Disposals | - | - |
| Purchase option exercise, bonus shares and capital allocations | (211,440) | (258,716) |
| Shares cancellation | (810,530) | (1,612,683) |
| **DETENTIONS AT THE CLOSING** | **1,805,374** | **3,008,056** |

* *Cf. Detail of numbers bought and sold below.*

Edenred SA shares held by the Company are measured at cost and recorded as a deduction from equity under “Treasury stock”. As of December 31, 2016, a total of 1 805 374 shares were held in treasury: no share has been purchased under the liquidity contract.

At December 31, 2015, a total of 3 008 056 shares were held in treasury, including 250 000 shares purchased under the liquidity contract.

| | | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Sold | | Purchased | | Sold | | Purchased | |
| **Entity whom the custody of the liquidity contract [(1)] has been assigned** | **Period** | **Nb** | **Total €M** | **Nb** | **Total €M** | **Nb** | **Total €M** | **Nb** | **Total €M** |
| **Oddo Corporate Finance** | **11/2014 – 09/23/2016** | 2,722,165 | 48 | 2,472,165 | 43 | 6,074,561 | 139 | 6,165,561 | 142 |
| **Exane BNP Paribas** | **Since 10/03/2016** | 1,020,186 | 20 | 1,089,474 | 22 | - | - | - | - |

(1) *In accordance with the code of ethics published by the Association française des marchés financiers (AMAFI) on March 8, 2011 and is recognized by France’s securities regulator, Autorité des marchés financiers on March 21, 2011.*

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

## Dividends

### 2016 dividends

At the Edenred Shareholders’ Meeting called to approve the financial statements for the fiscal year ended December 31, 2016, the Board of Directors recommended paying a dividend of €0.62 per share, representing a total pay-out of €144 million.

Subject to approval by the Shareholders’ Meeting, this dividend will be granted during the first half of 2017. The dividend was not recognized under liabilities in the financial statements at December 31, 2016 as these financial statements are presented before appropriation of profit

## 8.2 Earnings per share

### Net earnings per share

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

### Diluted earnings per share

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

### Net earnings per share

At December 31, 2016, the Company's share capital was made up of 233,679,845 ordinary shares.

At December 31, 2016, the average number of ordinary shares outstanding breaks down as follows:

| *(in shares)* | December 2016 | December 2015 |
|---|---|---|
| **EDENRED'S SHARE CAPITAL AT CLOSING *** | **233,679,845** | **230,816,848** |
| **Outstanding shares at beginning of period** | **227,808,792** | **226,623,633** |
| Number of shares issued for dividend paid | 2,862,997 | 2,005,302 |
| Number of shares issued from performance plans | 501,513 | 602,422 |
| Number of shares from exercised of stock-options plans ** | 309,017 | 1,010,261 |
| Number of shares cancelled | (810,530) | (1,612,683) |
| **Issued shares at period-end excluding treasury shares** | **2,862,997** | **2,005,302** |
| Treasury shares not related to the liquidity contract | 1,021,970 | (729,143) |
| Treasury shares under the liquidity contract | 180,712 | (91,000) |
| **Treasury shares** | **1,202,682** | **(820,143)** |
| **OUTSTANDING SHARES AT PERIOD-END** | **231,874,471** | **227,808,792** |
| Adjustment to calculate weighted average number of issued shares | (1,290,695) | (873,543) |
| Adjustment to calculate weighted average number of treasury shares | (470,720) | 837,286 |
| **Total weighted average adjustment** | **(1,761,415)** | **(36,257)** |
| **WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE PERIOD** | **230,113,056** | **227,772,535** |

* *On December 15, 2016 for the purposes of financial flows statement related to capital at 2016 closing*

** *Before the exercice of 8,500 options between December 15 and December 31, 2016.*

In addition, stock options representing 1,830,251 ordinary shares (number at closing date after the exercise of 8,500 options between December 15 and December 31, 2016) and 3,805,065 performance shares were granted to employees between 2010 and 2016. Conversion of all of these potential shares would increase the number of shares outstanding to 237,509,787.

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

- from January 1, 2016 to December 31, 2016 for Plans 1, 2, 3, 4,5 6 and 7 (€18.31); and
- from May 4, 2016 to December 31, 2016 for Plan 8 (€19.17).

The diluted weighted average number of shares outstanding at December 31, 2016 was 230,113,056.

| | December 2016 | December 2015 |
|---|---|---|
| **Net Profit – Group share** *(in € millions)* | **180** | **177** |
| Weighted average number of issued shares *(in thousands)* | 232,389 | 229,944 |
| Weighted average number of shares held in treasury *(in thousands)* | (2,276) | (2,171) |
| **Number of shares used to calculate basis earnings per share** *(in thousands)* | **230,113** | **227,773** |
| **BASIC EARNINGS PER SHARE** *(in €)* | **0.78** | **0.78** |
| Number of shares resulting from the exercise of stock options *(in thousands)* | 301 | 1,284 |
| Number of shares resulting from performance shares grants *(in thousands)* | 2,327 | 2,549 |
| **Number of shares used to calculate diluted earnings per share** *(in thousands)* | **232,741** | **231,606** |
| **DILUTED EARNINGS PER SHARE** *(in €)* | **0.77** | **0.76** |

## Recurring profit after tax – Group share

Recurring profit after tax corresponds to:

- operating profit before tax and non-recurring items, and
- tax adjustment of the period related to the other income and expenses. It is stated net of minority interests.

The recurring profit after tax and the recurring profit after tax per share break down as follows:

| | December 2015 |
|---|---|
| **Net profit, Group share** *(in € millions)* | **182** |
| Other income and expenses adjustement, net *(in € millions)* | 22 |
| Net Profit, Non-controlling interests adjustment *(in € millions)* | (5) |
| **Recurring profit after tax, Group share** *(in € millions)* | **199** |
| **Number of shares used to calculate basic earnings per share** *(in thousands)* | **227,773** |
| **NET PROFIT AFTER TAX. GROUP SHARE PER SHARE** *(in €)* | **0.87** |

## Net result – Group share

Since 2016, the Group has changed the calculation method of Result per share, now based on Net result – Group share, as presented below:

| | December 2016 |
|---|---|
| **Net profit, Group share** *(in € millions)* | **180** |
| **Number of shares used to calculate basic earnings per share** *(in thousands)* | **230,113** |
| **NET PROFIT GROUP SHARE PER SHARE** *(in €)* | **0.78** |

## 8.3 Non-controlling interests

| *(in € millions)* | |
|---|---|
| **At December 31, 2014** | **23** |
| Non-controlling interests in profit for the period | 5 |
| Dividends paid to non-controlling interests | (3) |
| Capital increase by issued shares | 0 |
| Currency translation adjustment | (3) |
| Changes in consolidation scope | (10) |
| **At December 31, 2015** | **12** |
| Non-controlling interests in profit for the period | 12 |
| Dividends paid to non-controlling interests | (4) |
| Capital increase by issued shares | 0 |
| Currency translation adjustment | 6 |
| Changes in consolidation scope | 43 |
| **AT DECEMBER 31, 2016** | **69** |

As separate items, non-controlling interests are not material for consolidating entity.

Changes in consolidation scope between 2015 and 2016 are linked to the combination of Edenred's Expense Management assets in Brazil with those of Embratec in a 65%-owned by Edenred and 35%-owned by Embratec's founding shareholders entity (see Note 2.1 "Main acquisitions and developments 2016").

# NOTE 9 SOCIAL BENEFITS

## 9.1 Share based payments

### Stock option plans

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

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

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

The main characteristics of the current stock option plan at December 31, 2016 are summarized in the table below:

| | Plan 1 | Plan 2 | Plan 3 |
|---|---|---|---|
| Date of Shareholders' Meeting authorization | May 10, 2010 | May 10, 2010 | May 10, 2010 |
| Grant date by the Board of Directors | August 6, 2010 | March 11, 2011 | February 27, 2012 |
| Duration of the plan | 8 years | 8 years | 8 years |
| Starting date of the exercise period | August 7, 2014 | March 12, 2015 | February 28, 2016 |
| Expiry date of the exercise period | August 6, 2018 | March 11, 2019 | February 27, 2020 |
| Expected life of the options | 2.7 years | 3.3 years | 4.3 years |
| Exercise price | €13.69 | €18.81 | €19.03 |
| Number of grantees at the grant date | 455 | 58 | 18 |
| Number of options at the grant date | 4,235,500 | 611,700 | 382,800 |
| Number of options at closing date (*) | 1,024,001 | 456,450 | 349,800 |

* *After the exercise of 8,500 options between December 15 and December 31, 2016 validated by Board of Directors after the closing.*

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

| | Plan 1 | Plan 2 | Plan 3 |
|---|---|---|---|
| Grant date by the Board of Directors | August 6, 2010 | March 11, 2011 | February 27, 2012 |
| **Data at the grant date** | | | |
| Number of options | 4,235,500 | 611,700 | 382,800 |
| Edenred share price | €13.45 | €20.04 | €20.36 |
| Exercise price | €13.69 | €18.81 | €19.03 |
| Duration of the plan | 8 years | 8 years | 8 years |
| Expected volatility | 27.20% | 28.8% | 26.5% |
| Risk-free interest rate | 1.79% | 2.73% | 1.72% |
| Expected dividend yield | 2.55% | 2.43% | 2.81% |
| **OPTION FAIR VALUE** | **€2.62** | **€5.07** | **€4.25** |
| **PLAN FAIR VALUE** | **€11.1M** | **€3.1M** | **€1.6M** |

### Maturity of stock options

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

- 35% of options exercised after 4 years;
- 20% of options exercised after 5 years;
- 35% of options exercised after 6 years;
- 5% of options exercised after 7 years;
- 5% of options exercised after 8 years.

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

### Share price volatility

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

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

### Risk-free interest rate

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

Movements in 2016 of stock option subscription plans as of December 31, 2016 are detailed below:

| | December 2016 | | December 2015 | |
|---|---|---|---|---|
| | Number of options | Weighted Average exercise price | Number of options | Weighted Average exercise price |
| **OPTIONS OUTSTANDING AT THE BEGINING OF PERIOD** | **2,144,618** | **€15.79** | **3,155,279** | **€15.30** |
| Options granted | - | - | - | - |
| Options cancelled or expired | - | - | - | - |
| Options exercised * | (315,117) | €14.67 | (1,010,261) | €14.23 |
| Correction from last year | 750 | - | (400) | - |
| **OPTIONS OUTSTANDING AT THE BEGINING OF PERIOD** | **1,830,251** | **€15.98** | **2,144,618** | **€15.79** |
| **OPTIONS EXERCISABLE AT THE END OF PERIOD** | **1,830,251** | **€15.98** | **1,773,818** | **€15.11** |

* *After the exercise of 8,500 options between December 15 and December 31, 2016.*

Weighted average exercise price is €15.98 in 2016 and was €15.79 in 2015.

| *(in € millions)* | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **THE TOTAL COST ACCOUNTED* FOR SHARE-BASED PAYMENTS GRANTED TO THE EDENRED EMPLOYEES** | **2.80** | **3.30** | **3.70** | **1.10** | **1.20** | **0.50** | **0.10** |

* *With balancing entry in equity.*

## Performance share plans

IFRS 2 – Share-based Payment also applies to the performance share plans set up by the Board of Directors on August 6, 2010, March 11, 2011, February 27, 2012, February 18, 2013 , February 17, 2014, February 20, 2015, December 9, 2015 and May 4, 2016.

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

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

### Main characteristics

Edenred's Boards Directors of August 6, 2010, March 11, 2011, February 27, 2012, February 18, 2013 and February 17, 2014 and February 20, 2015, December 9, 2015 and May 4, 2016 carried to the conditional attribution of performance shares.

The duration of 2010 to 2015 plans is five years. Performance shares granted to French tax residents are subject to a three-year vesting period followed by a two-year lock-up and shares granted to residents of other countries are subject to five-year vesting period without any lock-up. During the two-year lock-up, shares cannot be disposed.

Performance share are granted definitively after the vesting period on a *pro rata temporis* basis even in the event of a departure within the vesting period. Those shares definitively acquired can't exceed 100% of the initial amount granted.

Depending on the actual percentage of fulfilment of each of the plan's three performance conditions, this proportion will be reduced or increased, by up to 1.25 times the initial grant for the objective concerned.

The performance objectives are as follows:

| Plan 1 | | Plan 2 | | Plan 3 | | Plan 4 | |
|---|---|---|---|---|---|---|---|
| **August 6, 2010 plan** | | **March 11, 2011 plan** | | **February 27, 2012 plan** | | **February 18, 2013 plan** | |
| **912,875 Shares** | | **805,025 Shares** | | **867,575 shares** | | **845,900 shares** | |
| **Weight** | **Conditions** | **Weight** | **Conditions** | **Weight** | **Conditions** | **Weight** | **Conditions** |
| 50% of the shares granted | Like-for-like growth in issue volume for the years 2010, 2011 and 2012 | 50% of the shares granted for 2011 & 2012 plan | Like-for-like growth in issue volume for the years 2011, 2012 and 2013. | 50% of the shares granted for 2011 & 2012 plan | Like-for-like growth in issue volume for the years 2012, 2013 and 2014. | 80% of the shares granted | Two internal performance targets, they concern Like-for-like growth in Issue volume and Funds From Operations before non-recurring items (FFO). |
| 33% of the shares granted | Like-for-like growth in Funds From Operations for the years 2011 and 2012 | | | | | | |
| 17% of the shares granted | The 2010 consolidated EBIT target | 50% of the shares granted for 2011 & 2012 plan | Like-for-like growth in Funds From Operations for the years 2011, 2012 and 2013. | 50% of the shares granted for 2011 & 2012 plan | Like-for-like growth in Funds From Operations for the years 2012, 2013 and 2014. | 20% of the shares granted | One market performance target, which concerns Edenred's total shareholder return (TSR) compared with the average TSR of the companies included in the SBF 120 index. |
| Performance objectives were met for Plan 1. | | Performance objectives were met for Plan 2. | | Performance objectives were met for Plan 3. | | Performance objectives were partially met for Plan 4. | |

| Plan 5 | | Plan 6 | | Plan 7 | | Plan 8 | |
|---|---|---|---|---|---|---|---|
| February 17, 2014 plan | | February 20, 2015 plan | | December 9, 2015 plan | | May 4, 2016 plan | |
| 824,000 shares | | 800,000 shares | | 137,363 shares | | 990,080 shares | |
| Weight | Conditions | Weight | Conditions | Weight | Conditions | Weight | Conditions |
| 80% of the shares granted | Two internal performance targets, they concern Like-for-like growth in Issue volume and Funds From Operations before non-recurring items (FFO). | 80% of the shares granted | Two internal performance targets, they concern Like-for-like growth in Issue volume and Funds From Operations before non-recurring items (FFO). | 75% of the shares granted | Two internal performance targets, they concern Like-for-like growth in Issue volume and Funds From Operations before non-recurring items (FFO). | 75% of the shares granted | Two internal performance targets, they concern Like-for-like growth in Issue volume and Funds From Operations before non-recurring items (FFO). |
| 20% of the shares granted | One market performance target, which concerns Edenred's total shareholder return (TSR) compared with the average TSR of the companies included in the SBF 120 index. | 20% of the shares granted | One market performance target, which concerns Edenred's total shareholder return (TSR) compared with the average TSR of the companies included in the SBF 120 index. | 25% of the shares granted | One market performance target, which concerns Edenred's total shareholder return (TSR) compared with the average TSR of the companies included in the SBF 120 index. | 25% of the shares granted | One market performance target, which concerns Edenred's total shareholder return (TSR) compared with the average TSR of the companies included in the SBF 120 index. |
| Performance objectives were met for year 2015 and partially for year 2016 for Plan 5. | | Performance objectives were partially met for year 2016 for Plan 6. | | Performance objectives were partially met for year 2016 for Plan 7. | | Performance objectives were partially met for year 2016 for Plan 8. | |

### Fair value of performance share plans

The fair value of performance shares corresponds to the share price on the day of the granting, net of the expected dividends payment during the vesting period. To be noticed that for plans 1 to 7 and for French tax residents, the two-year lock-up period lead to a valuation of an illiquidity risk based on a loan to employee interest rate. The latest is equal to the interest rate applied by a credit institution to a private client with average financial capacities.

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| **Fair value of benefits for french residents** | 18.65 | 18.69 | 19.72 | 14.12 | 16.08 | 16.995 |
| **Fair value of benefits for non residents** | 17.78 | 17.61 | 19.18 | 14.58 | 15.91 | 16.995 |
| **Costs * in € millions related to performance share plans recognized** | 4.30 | 9.10 | 9.80 | 13.40 | 11.20 | 8.92 |

* *With balancing entry in equity*

## 9.2 Provisions for pensions and other post-employment benefits

### IAS 19R

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

The fair value of the plan asset intended to hedge retirement obligation and other long-term employee benefits is used in order to evaluate the amount of the liability related to them.

Pension and other retirement benefit obligation recognized in the balance sheet correspond to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent future economic benefits available for the Group, for instance in the form of refunds from the plan or reductions in future contributions to the plan.

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

For defined benefit plans, current and past service costs are recognized in "Operating expenses".

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

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

Group employees receive 3 kinds of advantages:

1) **Short-term benefits:** paid vacation, paid sick leave and profit-shares;
2) **Long-term benefits:** long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses;
3) **Post-employment benefits**:
   a. Provided under defined contribution: Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The external organization is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined contribution pension schemes in other countries.

      Contributions to these plans are recognized in the period to which they relate,
   b. Defined benefit plans (end-of-career compensation, pension funds). For defined benefits plans, the Group evaluates its obligation following IAS 19R "Employee Benefits" standards". These plans are characterized by the employer obligation toward the employees. If there are not entirely pre-funded, they must be provided for.

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

- length-of-service awards in the Worldwide Structures (28% of the obligation at December 31, 2016) and in France (8% of the obligation at December 31, 2016):
  - these are lump-sum payments made to employees on retirement they are determined by reference to the employee's years of service and final salary,
  - the calculation is based on parameters defined by Corporate Finance and Human Resources of each year,
  - the related obligation is covered by a provision in the balance sheet;
- length-of-service awards in Italy (5% of the obligation in 2016):
  - these are lump-sum payments made to employees when they retire, resign or are laid off. They are determined by reference to the employee's years of service and final salary,
  - the related obligation is covered by a provision in the balance sheet;
- pensions: the main defined benefit pension plans are for employees in the United Kingdom (51% of the obligation in 2016), in the Worldwide Structures (17% of the obligation in 2016) and in Belgium (14% of the obligation in 2016). Pension benefit obligations are determined by reference to employees' years of service and final salary. They are funded by payments to external organizations that are legally separate from Edenred;
- the Edenred Group's pension obligations are funded under insured plans or by external funds. Plan assets therefore consist mainly in the classes of assets held in insurers' general portfolios managed according to conservative investment strategies.

### Actuarial assumptions

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

| | | Rest of Europe | | | | |
|---|---|---|---|---|---|---|
| **2016** | **France** | **United Kingdom** | **Belgium** | **Italy** | **Worldwide Structures** | **Other countries** |
| Rate of futur salary increase | 2.8% | 5.0% | 2.8% | 2.0% | 2.8% | 2% - 6% |
| Discount rate | 1.3% | 2.8% | 1.3% | 1.3% | 1.3% | 2% - 7.2% |

| | | Rest of Europe | | | | |
|---|---|---|---|---|---|---|
| **2015** | **France** | **United Kingdom** | **Belgium** | **Italy** | **Worldwide Structures** | **Other countries** |
| Rate of futur salary increase | 3.0% | 5.0% | 3.0% | 2.0% | 3.0% | 2% - 3.6% |
| Discount rate | 2.0% | 3.9% | 2.0% | 2.0% | 2.0% | 2% - 7% |

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

In order to make the reading of the tables easier, Edenred decided to present only the non-zero and/or significant aggregates.

#### At December, 31 2016

| *(in € millions)* | Pension plans | Other defined benefit plans * | Total |
|---|---|---|---|
| Present value of funded obligation | 24 | - | 24 |
| Fair value of plan assets | (17) | - | (17) |
| **(Surplus)/Deficit** | **7** | **-** | **7** |
| Present value of unfunded obligation | - | 20 | 20 |
| **LIABILITIES RECOGNIZED IN THE BALANCE SHEET** | **7** | **20** | **27** |

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

#### At December, 31 2015

| *(in € millions)* | Pension plans | Other defined benefit plans * | Total |
|---|---|---|---|
| Present value of funded obligation | 22 | - | 22 |
| Fair value of plan assets | (17) | - | (17) |
| **(Surplus)/Deficit** | **5** | **-** | **5** |
| Present value of unfunded obligation | - | 17 | 17 |
| **LIABILITIES RECOGNIZED IN THE BALANCE SHEET** | **5** | **17** | **22** |

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

## Funded status of post-employment defined benefit plans by region

| (in € millions) | Pension plans 2016 France | Pension plans 2016 Rest of Europe United Kingdom | Pension plans 2016 Rest of Europe Belgium | Pension plans 2016 Rest of Europe Italy | Pension plans 2016 Worldwide Structures * | Pension plans 2016 Other countries | Pension plans 2016 Total | Other plans | 2016 Total | 2015 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Projected benefit obligation at beginning of period** | **3** | **15** | **5** | **2** | **11** | **2** | **39** | **3** | **42** | **47** |
| Service costs | 0 | - | 1 | - | 1 | 0 | 2 | 0 | 2 | 1 |
| Interest costs | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 1 |
| Past service costs | - | - | - | - | - | - | - | (1) | (1) | - |
| Acquisitions/(Disposals) | - | - | - | - | - | - | - | - | - | 1 |
| Benefits paid | (0) | (1) | (0) | - | - | 0 | (1) | (0) | (1) | (2) |
| Acturial (gains) losses | (0) | 4 | 0 | 0 | (1) | 0 | 3 | (0) | 3 | (8) |
| Currency translation adjustment | - | (2) | - | - | - | (0) | (2) | 0 | (2) | - |
| Total other | - | (0) | - | 0 | - | 0 | (0) | - | (0) | 1 |
| **PROJECTED BENEFIT OBLIGATION AT END OF PERIOD** | **3** | **17** | **6** | **2** | **11** | **2** | **42** | **2** | **44** | **42** |

* *Impact on actuariel gains and losses mainly due to experience effect due to change in governance and financial impacts driven by discount rate decrease.*

| (in € millions) | France | Rest of Europe United Kingdom | Rest of Europe Belgium | Rest of Europe Italy | Worldwide Structures | Other countries | Total | Other plans | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fair value of plan assets at beginning of period** | **-** | **11** | **5** | **1** | **-** | **1** | **18** | **-** | **18** | **13** |
| Financial income | - | 1 | 0 | - | - | (0) | 1 | - | 1 | 1 |
| Actual return on plan assets | - | - | - | - | - | - | - | - | - | 1 |
| Employer contributions | - | 0 | 0 | - | - | - | 0 | - | 0 | 2 |
| Benefits paid | - | (0) | (0) | - | - | - | (0) | - | (0) | 1 |
| Currency translation adjustment | - | (2) | - | - | - | (0) | (2) | - | (2) | 1 |
| **FAIR VALUE OF PLAN ASSETS AT END OF PERIOD** | **-** | **10** | **5** | **1** | **-** | **1** | **17** | **-** | **17** | **18** |

| (in € millions) | France | Rest of Europe United Kingdom | Rest of Europe Belgium | Rest of Europe Italy | Worldwide Structures | Other countries | Total | Other plans | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Plan deficit at beginning of period * | 3 | 4 | 1 | 2 | 11 | 1 | 22 | 2 | 24 | 32 |
| Provision at end of period | 3 | 6 | 1 | 2 | 11 | 2 | 25 | 2 | 27 | 24 |
| **PLAN DEFICIT AT END OF PERIOD** | **3** | **6** | **1** | **2** | **11** | **2** | **25** | **2** | **27** | **24** |

* *Including retirement benefits and loyalties bonus.*

| (in € millions) | France | Rest of Europe | | | Worldwide Structures | Other countries | Total | Other plans | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | United Kingdom | Belgium | Italy | | | | | | |
| **Service costs** | **1** | **-** | **0** | **-** | **1** | **0** | **2** | **1** | **3** | **1** |
| Net interest income | 0 | 0 | 0 | (0) | 1 | (0) | 1 | (2) | (1) | 1 |
| **COST OF THE PERIOD** | **1** | **0** | **0** | **(0)** | **2** | **0** | **3** | **(1)** | **2** | **2** |
| **Actuarial gains and losses recognized in equity** | **(0)** | **4** | **(0)** | **0** | **(1)** | **0** | **3** | **(0)** | **3** | **(8)** |

## Charges in pension liabilities (including loyalty) between January 1, 2015 and December 31, 2016

| (in € millions) | Amount |
|---|---|
| **Liability at January 1, 2015** | **32** |
| Cost for the year | 2 |
| Benefits paid | (1) |
| Actuarial gains and losses for the period recognized in equity | (8) |
| Effect of changes in consolidation scope | - |
| Currency translation adjustment | (0) |
| **Liability at December 31, 2015** | **24** |
| Cost for the year | 2 |
| Benefits paid | (1) |
| Actuarial gains and losses for the period recognized in equity | 3 |
| Effect of changes in consolidation scope | 0 |
| Currency translation adjustment | (1) |
| **LIABILITY AT DECEMBER 31, 2016** | **27** |

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

| (in € millions) | December 2016 | December 2015 |
|---|---|---|
| Actuarial (gains) and losses - experience adjustments | (2) | (8) |
| Actuarial (gains) and losses - changes in demographical assumptions | 0 | (0) |
| Actuarial (gains) and losses - changes in financial assumptions | 5 | 0 |
| **Fair value of plan assets** | **3** | **(8)** |

## Sensitivity analysis

At December 31, 2016, a 0.5-point increase (decrease) in the discount rate would lead to a € 3 million decrease (increase) in the projected benefit obligation.

# NOTE 10 OTHER PROVISIONS AND OBLIGATIONS

## 10.1 Other income and expenses

The transactions concerned are not directly related to the management of continuing operations.
Other income and expenses can be analysed as follows:

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Movements on restructuring provisions | (5) | 4 |
| Restructuring costs and reorganization | (14) | (11) |
| **Restructuring expenses** | **(19)** | **(7)** |
| Impairment of goodwill | - | (2) |
| Impairment of assets | (15) | - |
| **Total impairment losses** | **(15)** | **(2)** |
| Others capital gains and losses | (0) | 3 |
| Provisions movments | (10) | (2) |
| Non-reccuring gains and (losses), net | 18 | (15) |
| **Other non-recurring income and expenses, net** | **8** | **(14)** |
| **TOTAL OTHER INCOME AND EXPENSES** | **(26)** | **(23)** |

### Restructuring costs

Restructuring costs correspond to all the costs incurred in connection with Group restructuring operations as part of the implementation of "Fast Forward" strategy presented by the Group on October 19, 2016.

Restructuring costs in 2016 correspond mainly to reorganization costs in several subsidiaries.

### Impairment losses

Impairment losses are recorded in this section in accordance with IAS 36 – Impairment of Assets.

In 2016, impairment of assets corresponds for € (7) million to impairment of an internally-developed IT platform and write-off of assets for € (8) million.

### Other non-recurring income and expenses

Other non-recurring income and expenses were as follows:

- in 2016, mainly development fees related to acquisitions of the year for € (6) million, estimated impact of arbitration of ICSID dispute for €22 million (see Note 10.3), consulting fees for €(3) million and other non-recurring costs in subsidiaries;
- in 2015, mainly development fees for € (5) million, write-off of intangible assets for € (2) million and other non-recurring costs in subsidiaries.

## 10.2 Provisions

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation.
Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it.

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

Movements in non-current provisions between January 1, 2016 and December 31, 2016 can be analysed as follows:

| *(in € millions)* | December 2015 | Impact on equity | Additions | Utilizations | Reversals of unused amounts | Currency translation adjustment | Reclassifications and changes in scope | December 2016 |
|---|---|---|---|---|---|---|---|---|
| • Provisions for pensions and loyalty bonuses | 24 | 3 | 3 | (1) | (1) | (0) | (0) | 27 |
| • Provisions for claims and litigation and other contingencies * | 10 | - | 3 | (1) | (0) | 2 | 0 | 15 |
| **TOTAL NON-CURRENT PROVISIONS** | **34** | **3** | **6** | **(2)** | **(1)** | **2** | **0** | **42** |

* *Including provision for non-current fiscal litigations.*

| *(in € millions)* | December 2014 | Impact on equity | Additions | Utilizations | Reversals of unused amounts | Currency translation adjustment | Reclassifications and changes in scope | December 2015 |
|---|---|---|---|---|---|---|---|---|
| • Provisions for pensions and loyalty bonuses | 32 | (8) | 3 | (2) | (1) | - | (0) | 24 |
| • Provisions for claims and litigation and other contingencies * | - | - | 3 | (0) | (1) | (3) | 9 | 10 |
| **TOTAL NON-CURRENT PROVISIONS** | **32** | **(8)** | **6** | **(2)** | **(2)** | **(3)** | **9** | **34** |

* *Including provision for non-current fiscal litigations.*

Movements in current provisions between January 1, 2016 and December 31, 2016 can be analysed as follows:

| *(in € millions)* | December 2015 | Impact on equity | Additions | Utilizations | Reversals of unused amounts | Currency translation adjustment | Reclassifications and changes in scope | December 2016 |
|---|---|---|---|---|---|---|---|---|
| • Provisions for tax litigations | 1 | - | 0 | - | - | 0 | 0 | 1 |
| • Restructuring provisions | 1 | - | 7 | (0) | (0) | 0 | - | 7 |
| • Provisions for claims and litigation and other contingencies | 20 | - | 13 | (4) | (1) | 0 | (1) | 27 |
| **TOTAL CURRENT PROVISIONS** | **22** | **-** | **20** | **(4)** | **(1)** | **0** | **(1)** | **35** |

| *(in € millions)* | December 2014 | Impact on equity | Additions | Utilizations | Reversals of unused amounts | Currency translation adjustment | Reclassifications and changes in scope | December 2015 |
|---|---|---|---|---|---|---|---|---|
| • Provisions for tax litigations | 15 | - | 0 | (8) | (0) | (0) | (6) | 1 |
| • Restructuring provisions | 5 | - | 1 | (4) | (0) | - | - | 1 |
| • Provisions for claims and litigation and other contingencies | 20 | - | 6 | (3) | (1) | 0 | (3) | 20 |
| **TOTAL CURRENT PROVISIONS** | **40** | **-** | **7** | **(15)** | **(1)** | **(0)** | **(10)** | **22** |

Taken individually, there is no significant litigation, with the exception of those presented in the Note 10.3 "Claims and litigations".

Net provision expense - corresponding to increases in provisions less reversals of used and unused provisions set up in prior periods - is reported under the following income statement captions:

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| EBIT | (7) | (0) |
| Net financial expense | (1) | (1) |
| Restructuring costs and impairment losses | (10) | 5 |
| Income tax provisions | - | 4 |
| **TOTAL** | **(18)** | **7** |

## 10.3 Claims and litigation

### Tax litigation in France

Following a tax audit of Accor Services France (now Edenred France) for the 2003 and 2004 fiscal years, the tax authorities notified the Company of a penalty for failure to produce a statement tracking capital gains subject to tax deferral as well as VAT-related penalties.

A collection procedure was initiated and the penalties, which totaled €21.8 million, were paid by the Company in April 2008. This amount was recognized as a result in the financial statements for the year ended December 31, 2008.

On December 10, 2009, the Company applied to the Montreuil Administrative Court for recourse on the matter.

The Montreuil Administrative Court rejected Edenred France's recourse in a decision handed down on December 2, 2010.

The Company appealed the decision on February 16, 2011 before the Versailles Administrative Court of Appeal.

On March 6, 2014, the Versailles Administrative Court of Appeal rendered a decision partially granting the Company's motion. The Court ordered an abatement of the VAT-related penalties for a principal amount of €2.3 million but maintained that the Company was responsible for paying the fine for failure to produce the statement tracking capital gains subject to tax deferral.

The Company was therefore reimbursed the sum of €3.1 million, including €0.7 million in late payment interest, which was recognized as income after the abandonment of the tax authorities' appeal. The Company has also formed an appeal before the Supreme Court against the tax administration's position consisting in maintaining the fine for failure to produce the statement tracking capital gains subject to tax deferral, to the Council of State.

The case is still pending; a ruling is expected during 2017.

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

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

The dispute is divided into three steps: the summary procedure, proceedings on the merits and arbitration.

In the summary procedure, Accentiv' Kadéos requested and obtained a court order from the Paris Court of Appeals on December 1, 2010, and then from the Court of Cassation on November 15, 2011, requiring Fnac to stop distributing its single-brand card immediately. A similar order was issued against Conforama on December 3, 2010. The total amount of the penalties is €11.7 million.

The proceedings are ongoing pending the decision on the merits.

Regarding the merits, on January 28, 2011, Fnac and Conforama filed an application to have Accentiv' Kadéos summoned before the Paris Commercial Court to obtain the retroactive removal of the exclusivity clauses and compensation for damages sustained as a result of the continued existence of this exclusivity. Fnac and Conforama estimated the damages at approximately €11.7 million. On June 22, 2012, the Paris Commercial Court, without expressing an opinion on the merits, ruled that it was not competent to hear the case and referred the parties to an arbitral tribunal, given the existence of an arbitration clause in the Kadéos assignment agreement. Accentiv' Kadéos appealed the decision (dispute note). Following a decision by the Court of Appeals, which Kering and Conforama appealed in cassation, the Court of Cassation denied their appeal and referred the parties to the Paris Commercial Court in a ruling handed down on February 12, 2014.

At the same time, based on the Paris Commercial Court's decision of June 22, 2012, Kering (formerly PPR which replaced Fnac in the procedure) and Conforama had submitted a request for arbitration to the International Chamber of Commerce. Each party had appointed its own arbitrator.

Given the decision of the Court of Cassation on February 12, 2014, the arbitral tribunal ruled on April 15, 2014 that it was not competent to hear the case submitted to it. The arbitral proceedings are now closed.

The parties were therefore referred back to the Paris Commercial Court to rule on the merits of the dispute. In a decision handed down on March 14, 2016, the Court sentenced Kering and Conforama to pay Edenred France an additional €6.6 million for damages sustained as well as €100,000 as compensation for the lawsuit brought by Kering, which was considered abuse of process. Kering made it known that it would appeal this decision.

As legal proceedings are still ongoing, the cash received amounting to €11.7 million and additional received €6.6 million have been booked in Net Income and then depreciated, pending the final decision not open to appeal.

As Edenred believes that Kering's claims are without merit, no provision has been set up in the Group's financial statements.

## Antitrust disputes (France)

On October 9, 2015, the French company Octoplus filed a complaint with the Competition Authority against several French companies in the paperless meal voucher sector, including Edenred France. The case is currently being reviewed by the Competition Authority, whose Board met on April 5, 2016 and on July 7, 2016 to hear all the parties concerned as well as the Investigation Departments. On October 6, 2016, the Competition Authority decided to pursue their investigations without passing provisional measures against Edenred France. This decision in no way prejudges the Authority's final decision on the merits of the case.

## ICSID dispute

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

The procedure being closed, the amount to be received is considered as certain according to IAS 37. As a consequence and pending the completion of the arbitral award, an estimation considered as reasonable of income and related receivable for a net amount of €22 million has been booked in "Other income and expenses" in the Group financial statements as of December 31, 2016.

## Tax litigation in Brazil

### Municipal tax – Ticket Serviços

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

For this period, the principal amount of the reassessment was Brazilian reais 7.7 million (€2.2 million), plus Brazilian reais 62.9 million €18.4 million) in penalties and interest at December 31, 2016.

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

For this second period, the principal amount of the reassessment was Brazilian reais 28.1 million, plus Brazilian reais 226.2 million in penalties and interest at December 31, 2016. The Company's motion before the Brazilian courts was denied in the first trial and an appeal was filed.

In addition to the reassessments mentioned above, government lawyers and Court fees may be supported by the Company for a total of Brazilian reais 32.7 million.

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

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

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

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

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

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

A first instance decision is expected at the end of 2017 or at the latest at the beginning of 2018.

### Municipal tax – Accentiv

In December 2015 and May 2016, the municipality of São Paulo notified the Brazilian Accentiv company of a reassessment of municipal tax (ISS – *Imposto Sobre Serviços*) for the period from January 2010 to September 2015, challenging the calculation modalities of the taxable basis.

For this period, the principal amount of the reassessment was Brazilian reais 53.7 million (€15.6 millions), plus Brazilian reais 128.5 million (€37.5 million) in penalties and interest at December 31, 2016.

The litigation is currently under the administrative phase.

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

### Tax allowance for goodwill amortization

In January 2012, the Brazilian federal tax authorities notified Ticket Serviços of a reassessment of corporate income tax and the additional contribution (IRPJ and CSLL) for the fiscal years spanning from 2007 to 2010. The principal amount of the reassessment was Brazilian reais 81.7 million, plus Brazilian reais 271.7 million in penalties and interest at December 31, 2016.

During 2016, the administration issued 2 new reassessments, in line with the previous reassessment, for the following periods:

- for 2011: The reassessment was Brazilian reais 24.5 million, plus Brazilian reais 54.2 million in penalties and interest at December 31, 2016;
- for 2012: The reassessment was Brazilian reais 16.3 million, plus Brazilian reais 34 million in penalties and interest at December 31, 2016.

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

Based on the opinion of its tax advisers, the Company believes that the chance of a favorable outcome is good.

Therefore, no expense has been recognized in Edenred's financial statements.

Moreover, in the normal course of its business, the Group is subject to various existing, pending or future lawsuits, disputes and legal proceedings. To the Company's knowledge, as of the date of this document, there are no lawsuits threatening the Company and/or any of its subsidiaries that could have a material effect on the Group's business, results or financial position.

### Slovakian Competition Litigation

Following an investigation in August 2014 of Slovakia's five vouchers' issuers by that country's competition authorities, the Slovak Competition Authority notified Edenred of an €850,000 fine. All the other issuers were notified of similar decisions. According to the procedure under Slovak competition law, Edenred appealed the decision before the administrative courts and the Supreme Court, contesting the lawfulness of the competition authorities' investigation procedure. An initial decision is expected in the first half of 2017. The amount of the fine was recognized in the Slovak entity's financial statements.

## NOTE 11 ADDITIONAL INFORMATION

### 11.1 Additional information about jointly controlled entities

Nothing.

### 11.2 Related parties transactions

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

- all members of the Executive Committee and the members of their direct families;
- all companies in which a member of the Executive Committee holds material voting rights;
- Accor SA.

#### All accounted for by the equity method

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

#### Members of the Executive Committee

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

#### Members of the Board of Directors

The only wages paid to the members of the Board of Directors as compensation are the attendance fees. The total amount of attendance fees paid to the members of the Board of Directors for 2016 period amounts to €0.5 million. Chief Executive Officer does not receive any attendance fees, their wages being disclosed in Note 11.3.

#### Accor SA.

Transactions with Accor SA. during each of the two periods presented were not material.

## 11.3 Compensation paid to corporate officers

| *(in € millions)* | December 2016 | December 2015 |
|---|---|---|
| Short-term benefits | 11 | 13 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Termination benefits | 3 | - |
| Share-based payments | 6 | 4 |
| **TOTAL COMPENSATION** | **20** | **18** |

## 11.4 Auditor's fees

The table below shows the total fees billed by the auditors that were recognized in the income statement for the periods presented:

| | Deloitte & Associés | | | | Ernst & Young | | | | Didier Kling & Associés | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | | % | | Amount | | % | | Amount | | % | |
| *(in € millions)* | Dec. 2016 | Dec. 2015 | Dec. 2016 | Dec. 2015 | Dec. 2016 | Dec. 2015 | Dec. 2016 | Dec. 2015 | Dec. 2016 | Dec. 2015 | Dec. 2016 | Dec. 2015 |
| **Audit Fees related to accounts certification** | | | | | | | | | | | | |
| • Issuer | (0.5) | (0.6) | 26% | 16% | (0.3) | N/A | 23% | N/A | N/A | (0.2) | N/A | 100% |
| • Fully consolidated subsidiaries | (1.4) | (2.1) | 71% | 61% | (0.8) | N/A | 65% | N/A | N/A | - | N/A | - |
| **SUB-TOTAL** | **(1.9)** | **(2.7)** | **97%** | **77%** | **(1.1)** | **N/A** | **88%** | **N/A** | **N/A** | **(0.2)** | **N/A** | **100%** |
| **Fees related to other services provided** | | | | | | | | | | | | |
| • Issuer | (0.1) | (0.3) | 3% | 9% | - | N/A | 0% | N/A | N/A | - | N/A | - |
| • Fully consolidated subsidiaries | (0.0) | (0.5) | 0% | 14% | (0.1) | N/A | 12% | N/A | N/A | - | N/A | - |
| **SUB-TOTAL** | **(0.1)** | **(0.8)** | **3%** | **23%** | **(0.1)** | **N/A** | **12%** | **N/A** | **N/A** | **-** | **N/A** | **-** |
| **TOTAL** | **(2.0)** | **(3.5)** | **100%** | **100%** | **(1.2)** | **N/A** | **100%** | **N/A** | **N/A** | **(0.2)** | **N/A** | **100%** |

## 11.5 Off balance-sheet commitments

### Granted off balance-sheet commitments

Off-balance sheet commitments granted to third parties amount to €187 million as of December 31, 2016 and to €161 million as of December 31, 2015.

December 31, 2016 amount breaks down as follows:

| | December 2016 | | | | |
|---|---|---|---|---|---|
| | < 1 year | > 1 year <5 years | > 5 years | Total | December 2015 |
| Voucher sale guarantees given to public sector | 23 | 21 | 6 | 50 | 42 |
| Bank bonds issued in Brazil | 7 | 2 | 6 | 15 | 19 |
| Bail bond issued within tax litigation on municipal tax in Brasil (ISS) | - | 89 | - | 89 | 71 |
| Capital commitments given to the Partech VI investment fund | 4 | 7 | - | 11 | 9 |
| Buying commitment | - | - | - | - | 10 |
| Bid bond issued in Venezuela | - | - | - | - | 1 |
| **SUB-TOTAL** | **34** | **119** | **12** | **165** | **152** |
| Others * | 14 | 5 | 3 | 22 | 10 |
| **TOTAL COMMITMENT GIVEN** | **48** | **124** | **15** | **187** | **161** |

* *Mainly including rental commitment and deposits*

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

### Off balance-sheet commitments received

Off-balance sheet commitments received from third parties as of December 31, 2016 amounted to €5 million. They consisted mainly in guarantees received from clients in Brazil in exchange for post-payment facilities granted by Repom for the same amount.

## NOTE 12 UPDATE ON ACCOUNTING STANDARDS

### 12.1 Standards, amendments and interpretations adopted in the European Union and mandatory from January 1, 2016

Standards, amendments and interpretations adopted by the European Union with mandatory application on January 1, 2016 came into effect on January 1, 2016 and were adopted for use in the European Union as of that date.

| Standard | Name of amendement | Summary | Edenred Impact |
|---|---|---|---|
| IAS 1 | IAS 1 - Amendment by “Disclosure initiative” | The amendment is intended to clarify the note provisions regarding the concept of materiality and the application of professional judgment. | Edenred started a process of improvment. |
| IAS 16 & IAS 38 | Clarification of acceptable methods of depreciation and amortisation | The amendment precises that a depreciation method that is based on revenue is not appropriate. | Non applicable to Edenred. |
| IAS 16 & IAS 41 | “Bearer plants” | Those amendments modify financial information for bearer plants such as vines, rubbers and palm oil plantations. | Non applicable to Edenred. |
| IFRS 11 | Accounting for acquisition of interests in a joint operations | This amendment defines how to account for an interest acquisition in a joint operation in which activity constitutes a business, as defined in IFRS 3 – Business combinations. | No material impact identified. |
| IAS 27 | Application of equity method in separate financial statements | This amendment allows an entity to use equity method as described in IAS 28 to account for investments in subsidiaries, jointly controlled entities, and associates in separate financial statements. | No material impact identified. |
| IFRS 10, IFRS 12 and IAS 28 | Amendment - Investment Entities: Applying the Consolidation Exception | The amendment clarify some points that have arisen in the context of applying the consolidation exception for investment entities. | Non applicable to Edenred. |
| Annual IFRS Improvements | 2012-2014 Cycle | Four standards are concerned:<br>1) IFRS 5 – Non-current assets held for sale;<br>2) IFRS 7 – Financial instruments: disclosure;<br>3) IAS 19 – Employee benefits;<br>4) IAS 34 – Interim financial reporting. | No material impact identified. |

The application of these texts had no significant effects on the presented periods.

## 12.2 Standards, amendments and interpretations adopted in the European Union that are applicable in future periods

Edenred has not chosen to early adopt the following standards, amendments and interpretations that had been adopted by the European Union as of December 31, 2016 and are applicable for annual periods beginning after January 1, 2016.

| Standard | Substance | Name of amendement | European application expected on | Summary | Edenred Impact |
|---|---|---|---|---|---|
| IFRS 9 | New standard | Financial instruments – classification and measurement | 01/01/2018 | IFRS 9 finalised the first of the three steps in IASB project related to financial instruments to replace IAS 39 – Financial instruments: recognition and measurement. | No material impact expected. |
| IFRS 14 | New standard | Regulatory deferral accounts | N/A ** | IFRS 14 has the objective to improve comparison of financial information for entities who provides good or services to customers at a price or rate that is subject to rate regulation. | Since the Group already apply IFRS standards it is not in the scope of IFRS 14. |
| IFRS 15 | New standard and clarification | Revenue from ordinary activities from contracts with customers | 01/01/2018 | IFRS 15 introduces a single model of revenue recognition from customer's contracts. | The Group has started the analysis of the standard in order to define an action plan able to reach requirements and challenges.<br>For now, potential impacts are not identified. |
| IFRS 16 | New standard | Lease | 01/01/2019 | IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. | The standard and potential impacts are under analysis. |
| IFRS 10 & IAS 28 | Amendment | Sale or contribution of assets between an investor and its associate or Joint venture | Reported | The amendment narrows the discrepancy between the two standards and clarifies that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business as defined in IFRS 3R. | Non applicable to Edenred. |
| IAS 7 *** | Amendment | Disclosure initiative | 01/01/2017 | The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities, wether it is link to cash-flow statment or not. | Edenred's cash-flow statment disclose a separate category named «financing activity». |
| IAS 12 *** | Amendment | «Recognition of deferred tax assets for unrealised losses « | 01/01/2017 | The emendment clarifies how to evaluate if a deferred tax asset should be recognised for unrealised losses. | The standard and potential impacts are under analysis. |
| IFRS 2 | Amendment | Classification and Measurement of Share-based Payment Transactions | 01/01/2018 | The amendment adds a guidance about:<br>1) Effects of vesting conditions on the measurement of a cash-settled share-based payment;<br>2) Accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled;<br>3) Classification of share-based payment transactions with net settlement features. | As settled Edenred's plan are not impacted by the scope of the amendement. |

| Standard | Substance | Name of amendement | European application expected on | Summary | Edenred Impact |
|---|---|---|---|---|---|
| IFRS 4 | Amendment | Applying IFRS 9 – Financial Instrument with IFRS 4 – Insurance Contracts | 01/01/2018 | The amendement provides two options for entities that issue insurance contracts within the scope of IFRS 4 – Overlay approach and – Deferral approach. | Edenred does not issue insurance contract, thus this amendement does not apply to Edenred. |
| IAS 40 | Amendment | Transfert of investment property | 01/01/2018 * | The amendement provides a guidance for applying the pragraph 57 regarding transfert of real estate good «to» or «from» investment properties. | No material impacts identified. |
| Annual IFRS Improve-ments | Amendment | 2014-2016 Cycle | 01/01/2017 * | Only one standard is in the scope, IFRS 12 – Disclosure of interests in other entities. | No material impacts identified. |
| Annual IFRS Improve-ments | Amendment | 2014-2016 Cycle | 01/01/2018 * | Two standards are in the scope:<br>1) IFRS 1 – First-time adoption of IFRS<br>2) IAS 28 – Investments in associates and Joint Venture | No material impacts identified. |
| IFRIC 22 | Interpretation | Foreign currency transaction and Advance consideration | 01/01/2018 * | The interpretation clarifies which exchange rate should be applied for accounting transactions that include the receipt or payment of advance consideration in a foreign currency. | Group standards of Edenred follow the interpretation. |

* *Not yet approved by EU.*

** *EU consider this standard as transitory, thus it has been decided to not enter into an approbation process.*

*** *Applicable by anticipation.*

### Focus IFRS 15

The Group applied a project methodology to analyze differences between the new standard IFRS 15 – Revenue from ordinary activities from contracts with customers and the existing standard IAS 18 – Revenue. The project had been designed with three phases:

- phase 1: Gaap analysis and identification of main issues;
- phase 2: Local investigations and contracts analysis;
- phase 3: Impacts evaluation and decision of an option for transition disclosure.

As of today the phase two is under completion.

## NOTE 13 GLOSSARY

### 13.1 Operating profit before tax

Operating profit before tax corresponds to profit after income and expenses that are unusual in terms of their amount and frequency that do not relate directly to the Group's ordinary activities.

### 13.2 Operating profit before tax and non recurring items

Operating profit before tax and non-recurring items corresponds to the results of operations of the Group's businesses less the related financing cost. Net financial expense represents an integral part of operating profit before tax and non-recurring items, as it contributes to the performance indicator used by Edenred in its investor communications.

## 13.3 Statement of cash flows

The statement of cash flows is presented on the same basis as the management reporting schedules used internally to manage the business. It shows cash flows from operating, investing and financing activities.

Cash flows from operating activities include:

- funds from ordinary activities, before non-recurring items;
- cash received and paid on non-recurring transactions;
- changes in working capital;
- changes in restricted cash.

Cash flows from investing activities comprise:

- recurring expenditure to maintain in a good state of repair operating assets held at January 1 of each year;
- development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries;
- proceeds from disposals of assets.

Cash flows from financing activities include:

- changes in equity;
- changes in debt;
- dividend payments;
- purchases/sales of treasury shares;
- acquisition of non-controlling interests.

## 13.4 Other non-current financial assets

Investments in non-consolidated companies are classified as "Available-for-sale financial assets" and are therefore measured at fair value. If their fair value can be reliably estimated, they are measured at fair value through equity.

If no reliable estimate can be made, they are measured at historical cost, corresponding to the acquisition price plus transaction costs.

When there is objective evidence that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognized in the income statement. If the recoverable amount subsequently represents more than the carrying amount, the impairment loss may be reversed.

## 13.5 Like-for-like growth

The organic growth corresponds to the like-for-like growth that is at constant scope of consolidation and exchange rates. This indicator represents the Group's commercial performance.

Activity variation represents the difference between published current period and et comparative period amounts, restated from exchange impacts, as well as acquisitions and/or disposals.

In case of an acquisition, the impact of the acquisition is neutralized in the published amount of the current period and the activity variation is calculated by using this restated amount of the current period.

In case of a disposal, the impact of the disposal is neutralized in the published amount of the comparative period and the activity variation is calculated by using this restated amount of the comparative period.

Activity variation thus calculated is translated by using the comparative period exchange rate and divided by the restated amount of the comparative period.

# 6.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2016

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Edenred;
- the justification of our assessments;
- the specific verifications and disclosures required by law.

These 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.

## I. OPINION ON THE 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our conclusion, we draw your attention to the matter set out in Notes 1.2 and 2 to the year ended financial statements which describes the impacts on balance sheet resulting from the application, as at January 1st 2016, of ANC 2015-06 standard (France's national accounting standards body) relating to accounting treatment of loss on cancelled shares.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matter:

- investments have been valued in accordance with the accounting methods described in Note 1.2 to the Company's financial statements "Summary of significant accounting policies – Investments". As part of our audit, we have reviewed the appropriateness of the methods used and assessed the assumptions used.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.

## III. SPECIFIC VERIFICATIONS AND DISCLOSURES

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the management's report contains the appropriate disclosures as to the acquisition of equity and controlling interests and the identity of and percentage interests and votes held by shareholders.

Paris-La Défense and Neuilly-sur-Seine, March 14, 2017
The Statutory Auditors

| | |
|---|---|
| ERNST & YOUNG Audit<br>Philippe DIU | DELOITTE & ASSOCIÉS<br>Patrick E. SUISSA |

# 6.4 PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

## 6.4.1 BALANCE SHEET AT DECEMBER 31, 2016

Assets

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| **Fixed assets** | | | |
| *Intangible assets* | | | |
| Licenses, trademarks and rights of use | (2-3) | 1 | 2 |
| Other intangible assets | (2-3) | 14 | 50 |
| **TOTAL INTANGIBLE ASSETS** | | **15** | **52** |
| *Property and equipment* | | | |
| Machinery and equipment | | - | - |
| Other property and equipment | (2-3) | 1 | 1 |
| Assets under construction | | - | - |
| **TOTAL PROPERTY AND EQUIPMENT** | | **1** | **1** |
| *Investments* | | | |
| Shares in subsidiaries and affiliates | (2-6-7-17-24) | 2,382 | 2,302 |
| Loans and advances to subsidiaries and affiliates | (2-5-7-16-17) | 1,712 | 1,712 |
| Other investments | (2) | 51 | 27 |
| **TOTAL INVESTMENTS** | | **4,145** | **4,041** |
| **TOTAL FIXED ASSETS** | | **4,161** | **4,094** |
| **Current assets** | | | |
| *Inventories* | | | |
| Prepayments to suppliers | | - | - |
| *Receivables* | | | |
| Trade receivables | (4-7-16-17) | 10 | 9 |
| Other receivables | (4-7-16) | 147 | 25 |
| *Cash and cash equivalents* | | | |
| Marketable securities | (8) | 137 | 74 |
| Cash and cash equivalents | | 203 | 51 |
| **TOTAL CURRENT ASSETS** | | **497** | **159** |
| **Accruals and other assets** | | | |
| Prepaid expenses | (9-16) | 1 | 1 |
| Deferred charges | (9) | 29 | 31 |
| Bond redemption premiums | (9) | 5 | 6 |
| Conversion differences | (10) | 48 | 39 |
| **TOTAL ACCRUALS AND OTHER ASSETS** | | **83** | **77** |
| **TOTAL ASSETS** | | **4,741** | **4,330** |

## Liabilities and shareholders' equity

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 467 | 462 |
| Additional paid-in capital | | 682 | 655 |
| Legal reserve | | 46 | 46 |
| Untaxed reserves | | - | - |
| Others reserves | | - | - |
| Retained earmings | | 153 | 208 |
| Net profit for the year | | 207 | 137 |
| Untaxed provisions | | 2 | 1 |
| **TOTAL SHAREHOLDERS' EQUITY** | **(13)** | **1,557** | **1,509** |
| **Provisions** | | | |
| Provisions for contingencies | (7) | 26 | 26 |
| Provisions for charges | (7) | 20 | 20 |
| **TOTAL PROVISIONS** | | **46** | **46** |
| **Liabilities** | | | |
| Bonds | (15) | 1,743 | 1,494 |
| Bank borrowings | (15) | 1 | 5 |
| Other borrowings | (15-17) | 1,349 | 1,241 |
| Trade payables | (15) | 9 | 6 |
| Accrued taxes and payroll costs | (15) | 10 | 10 |
| Due to suppliers of fi xed assets | (15) | - | - |
| Other liabilities | (15) | 1 | 2 |
| **TOTAL LIABILITIES** | **(15)** | **3,113** | **2,758** |
| **Accruals and other liabilities** | | | |
| Deferred income | (15) | - | 1 |
| Conversion differences | (10) | 25 | 16 |
| **TOTAL ACCRUALS AND OTHER LIABILITIES** | | **25** | **17** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **4,741** | **4,330** |

## 6.4.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| **Operating revenue** | | | |
| Sales of goods and services | | 30 | 30 |
| **Net revenue** | **(18)** | **30** | **30** |
| Own work capitalized | | 7 | 6 |
| Reversals of depreciation, amortization and provisions and expense transfers | | 13 | 51 |
| Other income | | 32 | 30 |
| **TOTAL OPERATING INCOME** | | **82** | **117** |
| **Operating expenses** | | | |
| Purchases of goods for resale | | - | - |
| Purchases of raw materials and supplies | | - | - |
| Other purchases and external charges | | 46 | 74 |
| Taxes other than on income | | 4 | 4 |
| Wages and salaries | | 21 | 22 |
| Payroll taxes | | 13 | 17 |
| Depreciation, amortization and provision expense | | | |
| Depreciation and amortization of fixed assets | (3) | 4 | 3 |
| Additions to provisions for impairment of fixed assets | (7) | - | - |
| Additions to provisions for impairment of current assets | (7) | 5 | 4 |
| Additions to provisions for contingencies and charges | (7) | 12 | 11 |
| Other expenses | (7) | 1 | 1 |
| **TOTAL OPERATING EXPENSES** | | **106** | **136** |
| **OPERATING LOSS** | | **(24)** | **(19)** |
| **Financial income** | (20) | | |
| Income from investments in subsidiaries and affiliates | (17) | 224 | 239 |
| Income from investment securities and long-term loans | | - | - |
| Other interest income | (17) | 10 | 8 |
| Financial provision reversals and expense transfers | | 47 | 66 |
| Foreign exchange gains | | 4 | 1 |
| **TOTAL FINANCIAL INCOME** | **(20)** | **285** | **314** |
| **Financial expenses** | | | |
| Additions to financial amortization and provisions | | 11 | 59 |
| Interest expense | (17) | 58 | 61 |
| Foreign exchange losses | | 3 | 4 |
| **TOTAL FINANCIAL EXPENSES** | **(20)** | **72** | **124** |
| **NET FINANCIAL INCOME** | | **213** | **190** |
| **RECURRING PROFIT BEFORE TAX** | | **190** | **171** |
| **Non-recurring income** | | | |
| Non-recurring income on revenue transactions | | - | - |
| Non-recurring income on capital transactions | | 31 | 19 |
| Non-recurring provision reversals and expense transfers | | 4 | 10 |
| **TOTAL NON-RECURRING INCOME** | | **35** | **29** |
| **Non-recurring expenses** | | | |

| *(in € millions)* | Notes | December 2016 | December 2015 |
|---|---|---|---|
| Non-recurring expense on revenue transactions | | - | - |
| Non-recurring expense on capital transactions | | 6 | 60 |
| Non-recurring additions to depreciation, amortization and provisions | | 14 | 2 |
| **TOTAL NON-RECURRING EXPENSES** | | **20** | **62** |
| **NET NON-RECURRING INCOME** | **(21)** | **15** | **(33)** |
| Income tax | (22) | (2) | 1 |
| **TOTAL INCOME** | | **402** | **460** |
| **TOTAL EXPENSES** | | **196** | **323** |
| **NET PROFIT** | | **207** | **137** |

Financial statements are presented in million euros.

The notes below relate to the balance sheet as of December 31, 2016 before appropriation of profit for the year, which shows total assets of €4,741 million, and to the 2016 income statement, which shows a net profit for the year of €207 million.

The financial statements cover the 12-month period from January 1 to December 31, 2016.

Edenred SA's individual financial statements are included in the consolidated financial statements of the Edenred Group.

The preparation of financial statements requires the use of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgments used by management in the preparation of these financial statements relate to the valuation and useful lives of intangible assets and investments, as well as the amount of provisions for claims, litigation and contingencies and the assumptions underlying the calculation of pension obligations.

The main assumptions applied by the Company are presented in the relevant notes to the financial statements.

## Significant events

### Payment of the dividend

At the Annual Meeting on May 4, 2016, Edenred shareholders approved the payment of a 2015 dividend of €0.84 per share, with the option of reinvesting 50% of the dividend paid in new shares.

The open period for exercising the option of reinvesting 50% of the dividend in new shares ran from May 12 to June 3, 2015.

This led to the issue of 2,862,997 new shares of Edenred common stock, representing 1.24% of the share capital, which were settled and traded on the Euronext Paris stock market on June 15, 2016.

These new shares available since January 1, 2016, are immediately integrated as ordinary shares of Edenred's share capital. Following the completion of the operation, total shares of the share capital amount to 233 679 845 units.

The total cash dividend, which amounts to €149 million, has been paid on June 15, 2016, this corresponds to 50% of directly cash paid dividend amounting to €96 million and €53 million paid to shareholders who decided not to reinvest.

To sum up, the total dividend for 2015 amounts to € 192 million, it has been paid cash for a total amount for €149 million and paid in new shares of Edenred common stock for a total amount of €43 million.

### Operation of Schuldschein loan

On June 29, 2016, Edenred successfully completed the issue of a Schuldschein loan – a German form of private placement – consisting of 5- and 7-year tranches with fixed- and floating-rate coupons, with an average maturity of 6.1 years.

The issue was significantly oversubscribed in order to meet investor demand. The initial launch amount was raised from €125 million to €250 million (See the different tranches in Note 6.4).

At an average financing cost of approximately 1.2%, the funds were raised in particularly favorable conditions, allowing the Group to reduce its average cost of debt and extend the average maturity. It also helps Edenred to diversify its sources of financing and expand its investor base.

### Renegociation of revolving credit facilities

On July 21, 2016, Edenred successfully signed with 14 banks an amendment agreement to its €700 million 5-year Revolving Credit Facility dated April 25, 2013, amended initially on June 20, 2014. The operation allows better financing conditions for the Group, which shows the market's trust towards Edenred and its financial strength. It extends the maturity of the facility by 2 years from June 2019 to July 2021 whilst significantly reducing the spread. The amendment also establishes the two one-year extension options exercisable at the request of Edenred and at the banks discretion.

As of December 31, 2016 the gross debt amounts to €1,735 million.

## ICSID dispute

Following a change in the Hungarian regulatory and tax framework related to the issue conditions of meal and food vouchers, the Company filed a request in August 2013 for arbitration against the Hungarian government before the International Centre for Settlement of Investment Disputes (ICSID). The hearing was held before the arbitral tribunal in November 2015, and on December 13, 2016, the tribunal sentenced the Hungarian Government to pay Edenred a benefit approx. €23 million, excluding interests (5% per year starting January 1, 2012, which represents approx. €6 million). This decision represents an important step in the settlement of this dispute. A new step is now expected in order to obtain the execution of the ICSID's decision.

Following ICSID's decision, the receivable amount is assumed certain. A revenue and the corresponding receivable which net amount is €22 million, have been booked in the Edenred's financial statements as of the end of December 2016

## 6.4.3 NOTES TO THE FINANCIAL STATEMENTS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## NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with ANC Regulation No. 2014-03. There have been no changes in the accounting methods used for the periods presented compared to the previous year.

The significant accounting policies used are as follows:

### 1.1 Intangible assets, property and equipments

Intangible assets, property and equipment are stated at cost (including incidental expenses) or contributed value.

They are amortized or depreciated on a straight-line basis over their estimated useful lives, as follows:

- software is amortized over two to five years;
- licenses are amortized over three to five years;
- office and computer equipment are depreciated over three to ten years.

Software development costs are recognized as intangible assets in accordance with the recommended method (PCG, art. 361-1). They are amortized over their period of use, ranging from 5 to 10 years, depending on the number of Group units that use the application. Complementary amortization due to a fiscal declining balance method is accounting for by way of derogation as a non-reccuring expense.

### 1.2 Investments

Shares in subsidiaries and affiliates are stated at cost or contributed value. Transaction costs on these assets are recorded in the income statement.

At each year-end, the Company determines whether there are any indications that the investments are impaired. The main indications are:

- below-budget performances;
- a steep fall in revenue and profit.

If there is any indication of a loss of value, the asset is impaired in order to aline its acquisition cost or its transfert value with the actual value. The actual value is the highest value between the value in use and the venal value.

The value in use takes into account the investee's current and forecast earning's performance and the proportion of shareholder's net assets held. When a business plan has been drawn up for impairment tests carried out for the consolidated financial statements, enterprise value is used.

The venal value corresponds to the amount that could be obtained for the sale of the asset at the closing date with normal market conditions.

In such case, shares book value is depreciated and then receivables linked to financial interest, loans and advances to the investee and, when necessary, a provision for contingencies is also recorded to cover the Company's share of the investee's negative net worth.

Impairment losses may be reversed in subsequent periods if the investee's financial position improves. The carrying amount of the investee's share should be limited to its acquisition cost.

In the event of a partial sale of a portfolio of securities carrying the same rights, the acquisition cost of the retained securities is estimated by the weighted average cost method or by the FIFO method which presumes that the retained securities were acquired after those that were sold.

In accordance with the French regulation ANC 2015-06 published on November 29, 2015; the technical losses on merger is booked in the balance sheet by asset class. It follows the same treatment of evaluation and amortization described above.

### 1.3 Receivables

Receivables are stated at their nominal value. They are written down when it is likely that their carrying amount will not be recovered in full.

### 1.4 Marketable securities

Marketable securities are booked for their acquisition cost. In the event of a loss of value, a depreciation is calculated based on the market value at the end of the period.

### 1.5 Revenue

Revenues correspond to fees invoiced to subsidiaries under the Master Services Agreement. Other service revenues correspond to fees invoiced to subsidiaries for the secondment of staff and loan guarantees.

### 1.6 Other income

Other income corresponds to brand license fees invoiced to subsidiaries.

## 1.7 Provisions for retirement

Managers and employees are paid a length-of-service award on retirement and various long-service awards during their career with the Company.

A provision is recorded for the Company's liability for these awards, based on the vested rights of managers and employees at the balance sheet date, in accordance with CNC recommendation 2013 R-02.

The provision is determined by the projected unit credit method and includes payroll taxes.

Actuarial gains and losses on retirement benefit obligations are recognized directly in the income statement.

## 1.8 Debt

Debt issuance costs are initially recognized in deferred charges and are amortized over the life span of the debt by the effective interest method. Debt issue premiums are also amortized over the life span of the debt.

If all or part of the debt is repaid early, the issue premiums are written off on an accelerated basis.

## 1.9 Foreign currency transactions

Income and expenses in foreign currencies are converted into euros at the exchange rate prevailing on the transaction date.

Foreign currency receivables, payables and cash balances are converted at the year-end rate.

Conversion differences are recognized in assets or liabilities.

A provision is recorded for unrealized conversion losses that are not hedged.

## 1.10 Currency risks

Currency risks that arise when converting euro cash reserves into foreign currencies, in order to meet part of the financing needs of foreign subsidiaries, are hedged by swaps with the same maturities as the loans to subsidiaries. Unrealized exchange gains and losses are recorded in the balance sheet under "Conversion differences".

## 1.11 Stock option plans and performance share plans

### Stock option plans

In application of France's *Plan Comptable Général* statutory chart of accounts, the Company recognizes a liability to cover the amount of probable outflow of economic resources when obligations under the plan will be satisfied by allocating existing shares. No cost is recognized as newly issued shares are allocated under these plans.

### Performance share plans

Since 2013, Edenred SA has been buying back on the market the number of shares to be allocated to French tax resident's employees under each stock grant plan. A provision for the cost of the plans was recorded in the financial statements of December 31, 2016.

## 1.12 Non-recurring income and expenses

This item corresponds mainly to:

- restructuring costs, *i.e.* costs arising on restructuring operations initiated by the Company;
- gains and losses on disposals of fixed assets, and non-operating provisions, gains and losses.

Non-recurring items are elements that are not directly related to the Company's ordinary operations.

## 1.13 Income tax

Edenred SA pays taxes under the Group relief system introduced in the French Act of December 31, 1987. Under certain circumstances, it allows the tax losses of tax group members to be set off against the taxable profits of other members. The applicable tax rules are set out in Articles 223 A *et seq.* of the French General Tax Code.

Under this system, each tax group member records the tax that it would have paid if it had been taxed on a stand-alone basis. The benefit or expense arising from applying the Group relief system is recorded in full in the accounts of Edenred SA.

## NOTE 2 FIXED ASSETS AT DECEMBER 31, 2016

| Items *(in € millions)* | Cost at December 31, 2015 | Acquisitions and inter-item transfers | Retirements and disposals and inter-item transfers | Other | Cost at December 31, 2016 |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Trademarks and rights of use | 0 | | | | - |
| Licences, purchased software | 18 | | (1) | - | 17 |
| Other intangible assets [(1)] | 48 | 8 | (36) | - | 20 |
| Intangible assets in process | 5 | 3 | (5) | - | 3 |
| **TOTAL INTANGIBLE ASSETS** | **71** | **11** | **(42)** | **-** | **40** |
| **Property and equipment** | | | | | |
| Machinery and equipment | - | | | | - |
| Other property and equipment | 4 | | | - | 4 |
| Assets under construction | - | | | - | - |
| Prepayments | - | | | - | - |
| **TOTAL PROPERTY AND EQUIPMENT** | **4** | **-** | **-** | **-** | **4** |
| **Investments** | | | | | |
| Shares in subsidiaries and affiliates [(2) (3)] | 2,463 | 54 | (10) | - | 2,507 |
| Loans and advances to subsidiaries and affiliates [(4)] | 1,714 | 6 | (6) | - | 1,714 |
| Other investment securities [(5)] | 13 | 5 | | - | 18 |
| Other loans | - | | | - | - |
| Other investments [(1) (6)] | 16 | 36 | (16) | - | 36 |
| **TOTAL INVESTMENTS** | **4,206** | **101** | **(32)** | **-** | **4,275** |
| **TOTAL FIXED ASSETS** | **4,281** | **112** | **(74)** | **-** | **4,319** |

*(1) Including €36 million corresponding to technical losses from the merger, of which €5 million are related to ASH merger and €31 million to the Edenred Participations merger. In line with the new french regulation ANC N° 2015-06, the amount was allocated out of the book in 2016 to other financial assets.*
*(2) See Note 6 for details.*
*(3) Including €28 million following the capital increase of Edenred Belgium.*
*(4) See Note 5 for details.*
*(5) Related to investment in Partech VI and Partech II investment funds and Partech international venture VII.*
*(6) The decrease of €16 million is related to the exercise of options granted for 2010, 2011 and 20012 plans.*

## NOTE 3 AMORTIZATION AND DEPRECIATION AT DECEMBER 31, 2016

| Items *(in € millions)* | Cost at December 31, 2015 | Increase | Decrease | Cost at December 31, 2016 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| Trademarks and rights of use | - | | | - |
| Licenses, purchased software | 16.4 | 1.0 | (1.0) | 16.4 |
| Other intangible assets | 3.0 | 2.0 | - | 5.0 |
| **TOTAL AMORTIZATION** | **19.4** | **3.0** | **(1.0)** | **21.4** |
| **Property and equipment** | | | | |
| Machinery and equipment | | | | - |
| Other property and equipment | 2.5 | 0.5 | - | 3.0 |
| **TOTAL DEPRECIATION** | **2.5** | **0.5** | **-** | **3.0** |
| **TOTAL AMORTIZATION AND DEPRECIATION** | **21.9** | **3.5** | **(1.0)** | **24.4** |

## NOTE 4 RECEIVABLES AT DECEMBER 31, 2016

| *(in € millions)* | Cost at December 31, 2016 | Cost at December 31, 2015 |
|---|---|---|
| **Prepayments to suppliers** | | |
| **Trade receivables** | **10** | **9** |
| **Other receivables** | **156** | **26** |
| *Supplier-related receivables* | *-* | *-* |
| *Recoverable VAT and other taxes* | *5* | *3* |
| *Currrent accounts with subsidiaries* | *119* | *20* |
| *Other* | *32* | *3* |
| **TOTAL** | **166** | **35** |

## NOTE 5 LOANS AND ADVANCES TO SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2016

| *(in € millions)* | Cost at December 31, 2015 | Increase | Decrease | Other | Cost at December 31, 2016 |
|---|---|---|---|---|---|
| Edenred España | 65 | - | - | - | 65 |
| Edenred Belgium | 664 | - | - | - | 664 |
| Edenred France | 467 | - | - | - | 467 |
| Edenred Italia | 295 | - | - | - | 295 |
| Edenred South Africa | 3 | - | - | - | 3 |
| Edenred Tankkarten | - | - | - | - | 168 |
| PWC participation | 48 | - | (3) | - | 45 |
| C3 Card | - | - | - | | - |
| Daripodarki | - | 3 | - | - | 4 |
| Surfgold | 2 | - | (2) | - | - |
| Global reward | - | 3 | - | - | 3 |
| **TOTAL** | **1,714** | **6** | **(6)** | **-** | **1,714** |

## NOTE 6 CHANGE IN INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

| | At December 31, 2015 | | | Business acquisitions and purchases of newly issued shares, mergers | | Disposals | | At December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company | Number of shares | Amount (in € millions) | % interest | Number of shares | Amount (in € millions) | Number of shares | Amount (in € millions) | Number of shares | Amount (in € millions) | % interest | Provisions (in € millions) |
| Servicarte SAS | 39,998 | 3 | 100.00% | | | | | 39,998 | 3 | 100.00% | |
| Edenred France SAS | 29,060,432 | 642 | 100.00% | | | | | 29,060,432 | 642 | 100.00% | |
| Veninvest Quattro | 644,380 | 7 | 100.00% | | | (424,726) | | 219,654 | 7 | 100.00% | 6 |
| Veninvest Cinq | 738,131 | 7 | 100.00% | | | | | 738,131 | 7 | 100.00% | 7 |
| Veninvest Huit | 678,947 | 7 | 100.00% | | | | | 678,947 | 7 | 100.00% | 5 |
| GABC | 600 | 1 | 100.00% | | | (397) | | 203 | 1 | 100.00% | |
| LCCC | 831 | 1 | 44.32% | | | | | 831 | 1 | 44.32% | |
| ASM | 19,141,709 | 306 | 100.00% | | | | | 19,141,709 | 306 | 100.00% | |
| Saminvest | 12,000 | 277 | 60.00% | | | | | 12,000 | 277 | 60.00% | |
| Veninvest Neuf | 559,366 | 6 | 100.00% | | | | | 559,366 | 6 | 100.00% | 5 |
| Edenred Corporate Payment | | | | 498,500 | 5 | 1,500 | | 500,000 | 5 | 100.00% | |
| Veninvest Onze | 548,487 | 5 | 100.00% | | | (436,228) | | 112,259 | 5 | 100.00% | 4 |
| Veninvest Douze | 945,388 | 9 | 100.00% | | | | | 945,388 | 9 | 100.00% | 7 |
| Veninvest Quinze | 456,953 | 5 | 100.00% | | | (441,449) | | 15,504 | 5 | 100.00% | 4 |
| Veninvest Seize | 1,238,791 | 12 | 100.00% | | | (1,049,483) | | 189,308 | 12 | 100.00% | 11 |
| Veninvest Quatorze | 456,953 | 5 | 100.00% | | | | | 456,953 | 5 | 100.00% | |
| ZEN CHEF | 12,176 | 2 | 15.27% | | | | | 12,176 | 2 | 15.27% | |
| Edenred AUSTRIA GmbH (Austria ) | 15,677 | 2 | 100.00% | | | | | 15,677 | 2 | 100.00% | |
| Edenred BELGIUM | 3,538,030 | 865 | 100.00% | | 28 | | | 3,538,030 | 893 | 100.00% | |
| Edenred Portugal SA | 101,477,601 | 7 | 50.00% | | | | | 101,477,601 | 7 | 50.00% | |
| Edenred DEUTSCHLAND GMBH (Germany ) | 16,662,810 | 27 | 100.00% | | | | | 16,662,810 | 27 | 100.00% | |
| Edenred ESPANA SA (Spain) | 90,526 | 53 | 99.99% | | | | | 90,526 | 53 | 99.99% | |
| Edenred BULGARIA AD (Bulgaria) | 16,960 | 1 | 50.00% | | | | | 16,960 | 1 | 50.00% | |
| WESTWELL GROUP SA (URUGUAY) | 1,864,040 | 2 | 100.00% | | | | | 1,864,040 | 2 | 100.00% | |
| Edenred Finland OY | 101 | 7 | 33.56% | | | | | 101 | 7 | 33.56% | |
| Edenred Peru SA (PERU) | 603,000 | 1 | 67.00% | | | | | 603,000 | 1 | 67.00% | 1 |
| Edenred Panama sa | 1,250,000 | 1 | 100.00% | | | | | 1,250,000 | 1 | 100.00% | 1 |
| Edenred Maroc | - | - | | 10,833 | 3 | 56,100 | | 66,933 | 3 | 83.67% | 2 |
| Edenred India PVT LTD (India) | 23,358,174 | 14 | 94.90% | | | | | 23,358,174 | 14 | 94.90% | 4 |
| Edenred Singapore Pte Ltd (Singapor) | 38,592,589 | 37 | 100.00% | | | | | 38,592,589 | 37 | 100.00% | 24 |

| | At December 31, 2015 | | | Business acquisitions and purchases of newly issued shares, mergers | | Disposals | | At December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company | Number of shares | Amount *(in € millions)* | % interest | Number of shares | Amount *(in € millions)* | Number of shares | Amount *(in € millions)* | Number of shares | Amount *(in € millions)* | % interest | Provisions *(in € millions)* |
| Edenred s.a.l (Lebanon) | 2,599,997 | 1 | 80.00% | | | | | 2,599,997 | 1 | 80.00% | 1 |
| Surgold India PVT LVD | 21,589,860 | 11 | 100.00% | | | | | 21,589,860 | 11 | 100.00% | 8 |
| Accentiv' Shanghai Company (China) | 650,000 | 1 | 100.00% | | | | | 650,000 | 1 | 100.00% | |
| Edenred Colombia SA | 2,315,968 | 3 | 96.70% | 120,000 | | | | 2,435,968 | 3 | 97.12% | 3 |
| Cestaticket Services C.A. (Venezuela) | 3,420,000 | 16 | 57.00% | | | | | 3,420,000 | 16 | 57.00% | |
| Inversiones Dix Venezuela SA | 3,885,514 | 20 | 100.00% | | 1 | | | 3,885,514 | 21 | 100.00% | 19 |
| BIG PASS (Colombia) | 151,444 | 13 | 100.00% | | | | | 151,444 | 13 | 100.00% | 5 |
| Edenred Brasil Participacoes SA (Brésil) [b] | 228,718 | 3 | 7.04% | 196,367 | 17 | | | 425,085 | 20 | 8.46% | |
| Edenred Suisse SA | 2,500 | 3 | 100.00% | | | | | 2,500 | 3 | 100.00% | 1 |
| Barclay Vouchers CO LTD | 10,100 | 30 | 100.00% | | | | | 10,100 | 30 | 100.00% | |
| Edenred Polska SP ZO.O | 18,183 | 4 | 5.00% | | | | | 18,183 | 4 | 5.00% | 4 |
| Savingstar | 1,098,443 | 4 | 6.88% | | | | | 1,098,443 | 4 | 6.88% | |
| Izicard | 48,800 | 1 | 41.27% | | | | | 48,800 | 1 | 41.27% | |
| Launchpad | 2,689 | 1 | 11.10% | 1,677 | | | | 4,366 | 1 | 13.16% | |
| Edenred Partners Capital | 50,510 | 3 | 10.00% | | | | | 50,510 | 3 | 10.00% | |
| Edenred Italia SRL | 101,300 | 17 | 1.70% | | | | | 101,300 | 17 | 1.70% | |
| Edenred UK Group Limited | 227,692 | 3 | 1.70% | | | | | 227,692 | 3 | 1.70% | |
| Edenred Sweden AB | 1,696 | 1 | 1.70% | | | | | 1,696 | 1 | 1.70% | |
| Edenred Romania SRL | 11,411 | 5 | 1.70% | | | | | 11,411 | 5 | 1.70% | 2 |
| Edenred Servicos Participacoes AS [b] | 1,965,553 | 10 | 1.70% | | | (1,965,553) | (10) | - | - | 0.00% | |
| Edenred CZ | 230 | 1 | 1.70% | | | | | 230 | 1 | 1.70% | |
| ProwebClub | - | - | | | | | | - | - | | |
| Other investments (less than 1 million) [a] | 1,958,667 | 2 | | 1,283 | | (136,176) | | 1,823,774 | 2 | | 2 |
| **TOTAL** | **282,343,925** | **2,463** | | **828,660** | **54** | **(4,396,412)** | **(10)** | **278,776,173** | **2,507** | | **126** |

*(a) Other investments include all the investments that weigh less than €1 million.*

*(b) Link to the merger of Edenred Servicios by Edenred Brazil, as part of restructuring from the Embratec acquisition.*

## NOTE 7 PROVISIONS AND ASSET IMPAIRMENTS AT DECEMBER 31, 2016

| Items<br>*(in € millions)* | At December 31, 2015 | Increases | Decreases: Surplus provisions | Decreases: Utilized provisions | At December 31, 2016 |
|---|---|---|---|---|---|
| **Untaxed provisions** | | | | | |
| Excess tax depreciation | 1 | 1 | | | 2 |
| **TOTAL UNTAXED PROVISIONS** | **1** | **1** | **-** | **-** | **2** |
| **Provisions for contingencies** | | | | | |
| Claims and litigation | - | | | | - |
| Foreign exchange losses (1) | 23 | | | | 23 |
| Other | 3 | 2 | (2) | | 3 |
| **TOTAL PROVISIONS FOR CONTINGENCIES** | **26** | **2** | **(2)** | **-** | **26** |
| **Provisions for charges (2)** | | | | | |
| Pension and other post-retirement benefit obligations | 11 | 2 | (1) | | 12 |
| Taxes | - | | | | - |
| Other | 11 | 8 | (5) | (6) | 8 |
| **TOTAL PROVISIONS FOR CHARGES** | **22** | **10** | **(6)** | **(6)** | **20** |
| **TOTAL PROVISIONS** | **48** | **12** | **(8)** | **(6)** | **46** |
| **Impairments** | | | | | |
| Intangible assets | 1 | 5 | | | 6 |
| Property and equipment | - | | | | - |
| Investments * (3) | 165 | 9 | (44) | | 130 |
| Trade receivables | - | | | | - |
| Other receivables * | 1 | 7 | | | 8 |
| **TOTAL IMPAIRMENTS** | **167** | **21** | **(44)** | **-** | **144** |
| **TOTAL PROVISIONS AND IMPAIRMENTS** | **216** | **34** | **(52)** | **(6)** | **192** |

| Income statement impact of movements in provisions | Increases | Decreases |
|---|---|---|
| Operating income and expenses | 10 | (12) |
| Financial income and expenses | 11 | (46) |
| Non-recurring income and expenses | 13 | - |
| Movements with no income statement impact | | |
| **TOTAL** | **34** | **(58)** |

* *Raised in accordance with methods described in Note 1.2.*

(1) *The provision for loss of change is mainly due to the devaluation of the bolivar fuerte.*

(2) *The final position of provisions for contingencies is composed as follow:*

*€12 million of provisions for post-employment benefit obligations; €8 million of provisions for the buyback of gratuity shares performance attributed to french tax residents. The increase amounting to €10 million mainly corresponds to the provisions for gratuity shares performance buyback (€8 million).*

*The decrease of €10 million is due to:*

*the reversal of the expired plan in February 2016; the reversal of the 2015 plan's final balance revaluated as of December 31, 2016; the cancellation of shares for the 2015 plan; reversal of provisions for post-employment benefits for an amount of €1 million.*

(3) *The final balance of provisions for asset depreciations is mainly composed of share depreciations. The most significant ones are related to Surfgold Singapore (€24 millions), Inversiones 10 Venezuela (€19 million) Veninvest seize Venezuela (€11 million) and Surfgold India (€8 million).*

Movements throughout the year were as follows:

- €9 million in impairment losses on shares in subsidiaries and affiliates, including €2 million related to Edenred Maroco, €2 million related to Veninvest Quattro and €1,5 million related to Surfgold Inversiones dix;
- €44 million in reversals of impairment losses on shares in subsidiaries and affiliates, consisting mainly of €22 million for Edenred France, €9 million on Surgold Singapor and €3 million on Veninvest Quattro.

### Pension and other post-employment benefit obligations and underlying actuarial assumptions

| | At December 31, 2016 |
|---|---|
| Discount rate | 1.3% |
| Mortality tables | TGH -TGF05 |
| Rate of future salary increases | 3% |
| Retirement age | 65 |
| Voluntary or compulsory retirement | Voluntary |
| Payroll tax rate | 46% |

| | At December 31, 2016 |
|---|---|
| Provisions for pensions and other post-retirement benefit obligations at December 31, 2015 | 10.6 |
| Service cost | 1.3 |
| Interest cost | 0.2 |
| Benefit payments for the period | (0.2) |
| Actuarial (gains)/losses | (0.6) |
| Plan amendments | - |
| Provisions for pensions and other post-retirement beneft obligations at December 31, 2016 | 11.5 |

## NOTE 8 MARKETABLE SECURITIES PORTFOLIO

| *(in € millions)* | At December 31, 2016 costs | At December 31, 2015 costs |
|---|---|---|
| Term deposits | 95 | 5 |
| Term accounts | | |
| Retail certificates of deposit | 5 | 25 |
| Money market funds – Liquidity contract | 6 | 5 |
| Edenred SA shares – Liquidity contract | 31 | 39 |
| Accrued interest | | |
| **TOTAL** | **137** | **74** |

Term deposits, accounts and retail certificates of deposit are classified as held-to-maturity investments.

The €31 million balance of Edenred SA shares includes €1 million worth of shares held under the liquidity contract and €30 million in shares acquired for French Tax resident employees' stock option plans.

No impairments were recorded on these shares because they are specifically intended for allocation to employees.

A provision for contingencies related to the share buyback plan was recorded as of December 31, 2016 (see Note 7).

## NOTE 9 ACCRUALS AND OTHER ASSETS AT DECEMBER 31, 2016

| *(in € millions)* | At December 31, 2015 net | Increases | Decreases | At December 31, 2016 net |
|---|---|---|---|---|
| **Deferred charges** | | | | |
| Debt issuance costs | - | | | - |
| Bond issuance costs [1] | 31 | 2 | (4) | 29 |
| **TOTAL** | **31** | **2** | **(4)** | **29** |
| **Bond issue premiums** | | | | |
| Issue premiums | 6 | | (1) | 5 |
| **TOTAL** | **6** | **-** | **(1)** | **5** |
| **Prepaid expenses** | | | | |
| IT maintenance fees – Insurance premiums – Other fees | 1 | | | 1 |
| **TOTAL** | **1** | **-** | **-** | **1** |

*1) The increase is due to issuing fees on:*
*Schuldschein for €250 million issued on June 29, 2016;*
*the new revolving credit facility of €700 million issued on July 21 , 2016.*
*The decrease corresponds to the amortization of loan issuing fees over the period.*

## NOTE 10 CONVERSION DIFFERENCES

| *(in € millions)* | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Decrease in receivables [1] | 45 | 35 |
| Increase in payables [2] | 3 | 4 |
| **TOTAL** | **48** | **39** |
| **Conversion differences in liabilities** | | |
| Increase in receivables [2] | 12 | 11 |
| Decrease in payables [2] | 13 | 6 |
| **TOTAL** | **25** | **17** |

*(1) Translation differences on currency swaps and bank balances following the devaluation of the bolivar fuerte (see «Significant Events»).*
*(2) Translation differences on loans and borrowings with foreign subsidiaries, bank balances and currency swaps.*

## NOTE 11 ACCRUED INCOME

| Accrued income is included in the following balance sheet items (in € millions) | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| Loans and advances to subsidiaries and affiliates | - | - |
| Trade receivables | 1 | 1 |
| Marketable securities | - | - |
| Cash | 2 | 1 |
| **TOTAL** | **3** | **2** |

## NOTE 12 ACCRUED EXPENSES

| Accrued expenses are included in the following balance sheet items (in € millions) | At December 31, 2016 | At December 31, 2015 |
|---|---|---|
| Bonds | 8 | 9 |
| Bank borrowings | 1 | 1 |
| Other borrowings | 6 | 7 |
| Trade payables | 7 | 4 |
| Accrued taxes and payroll costs | 8 | 7 |
| Other liabilities | 1 | 1 |
| **TOTAL** | **31** | **29** |

## NOTE 13 CHANGES IN SHAREHOLDERS' EQUITY

| Items (in € millions) | At December 31, 2015 | Appropriation of 2015 net profit [2] | Shares issued/ (canceled) | Other | 2016 Net profit | At December 31, 2016 |
|---|---|---|---|---|---|---|
| **Number of shares outstanding [1]** | **230,816,848** | | **2,862,997** | | | **233,679,845** |
| Share capital | 462 | | 5 | | | 467 |
| Additional paid-in capital | 655 | | 27 | | | 682 |
| Legal reserve | 46 | | | | | 46 |
| Untaxed reserves | - | | | | | - |
| Other reserves | - | | | | | - |
| Retained earnings | 208 | (55) | | | | 153 |
| Net profit for the year | 137 | (137) | | | 207 | 207 |
| Untaxed provisions | 1 | | | 1 | | 2 |
| **TOTAL SHAREHOLDERS' EQUITY** | **1,509** | **(192)** | **32** | **1** | **207** | **1,557** |

*(1) Shares with a par value of €2.*

*As of December 31, 2016 Edenred SA holds 1,805,374 own shares, which represents 0,77% composing the total share capital as of December 31, 2016, in line with the liquidity contract and shares attributed to each plan (Note 8).*

*(2) Dividends for €192 million were paid as of June 15, 2016.*

## NOTE 14 STOCK OPTION AND PERFORMANCE SHARE PLANS

| Stock option plan | 2010 Plan | 2011 Plan | 2012 Plan | 2013 Plan | 2014 Plan | 2015 plan | 2015 plan (CEO) | 2016 plan |
|---|---|---|---|---|---|---|---|---|
| Grant date | August 6, 2010 | March 11, 2011 | Feb. 27, 2012 | - | - | - | - | - |
| Vesting date | August 7, 2014 | March 12, 2015 | Feb. 28, 2016 | - | - | - | - | - |
| Expiry date | August 6, 2018 | March 11, 2019 | Feb. 27, 2020 | - | - | - | - | - |
| Exercise price *(in €)* | 13.69 | 18.81 | 19.03 | - | - | - | - | - |
| Value used for calculating the 10% contribution sociale surtax *(in €)* | 2.62 | 5.07 | 4.25 | - | - | - | - | - |
| Vesting conditions | Continued presence within the Group as of August 6, 2014 (except in the specific circumstances provided for in the plan rules) | Continued presence within the Group as of March 11, 2015 (except in the specific circumstances provided for in the plan rules) | Continued presence within the Group as of February 27, 2016 (except in the specific circumstances provided for in the plan rules) | - | - | - | - | - |
| Number of options granted at the plan launch | 4,235,500 | 611,700 | 382,800 | - | - | - | - | - |
| Number of options cancelled since the plan launch | 426,750 | 10,350 | 12,000 | - | - | - | - | - |
| Number of options exercised since the plan launch | 2,784,749 | 144,900 | 21,000 | - | - | - | - | - |
| Number of options outstanding at December 31 * | 1,024,001 | 456,450 | 349,800 | - | - | - | - | - |

* *After the exercise of 8,500 option between December 15 and December 31, 2016, following decision taken by Board of Directors after closing period.*

| Performance option plan | 2010 Plan | 2011 Plan | 2012 Plan | 2013 Plan | 2014 Plan | 2015 plan | 2015 plan (CEO) | 2016 plan |
|---|---|---|---|---|---|---|---|---|
| Grant date | August 6, 2010 | March 11, 2011 | Feb. 27, 2012 | Feb. 18, 2013 | Feb. 17, 2014 | Feb. 21, 2015 | Dec. 9, 2015 | May 4, 2016 |
| Vesting date | August 7, 2013 (1) | March 12, 2014 (2) | Feb. 28, 2015 (3) | Feb. 19, 2016 (4) | Feb. 18, 2017 (5) | Feb. 21, 2018 (6) | Dec. 10, 2018 | May 4, 2019 (7) |
| IFRS 2 fair value for French tax residents *(in €)* | 12.46 | 18.65 | 18.69 | 19.72 | 14.12 | 16.08 | 8.19 | 15.04 |
| IFRS 2 fair value for non French tax residents *(in €)* | 11.82 | 17.78 | 17.61 | 19.18 | 14.58 | 15.91 | - | 15.04 |
| Vesting conditions | 1/3 based on 2010 EBIT and issue volume targets 1/3 based on 2011 FFO and issue volume targets 1/3 based on 2012 FFO and issue volume targets | 1/3 based on 2011 FFO and issue volume targets 1/3 based on 2012 FFO and issue volume targets 1/3 based on 2013 FFO and issue volume targets | 1/3 based on 2012 FFO and issue volume targets 1/3 based on 2013 FFO and issue volume targets 1/3 based on 2014 FFO and issue volume targets | 40% FFO 2013-2015, 40% Issue volume 2013-2015, 20% TSR relative performance 2013-2015 | 40% FFO 2014-2016, 40% Issue volume 2014-2016, 20% TSR relative performance 2014-2016 | 40% FFO 2015-2017, 40% Issue volume 2015-2017, 20% TSR relative performance 2015-2017 | 37.5% FFO 2015-2017, 37.5% Issue volume 2015-2017, 25% TSR relative performance 2015-2017 | 37.5% FFO 2016-2018, 37.5% Issue volume 2016-2018, 25% TSR relative performance 2016-2018 |
| Number of performance shares granted at the plan launch | 912,875 | 805,025 | 867,575 | 845,900 | 824,000 | 800,000 | 137,363 | 990,080 |
| Number of performance shares vested since the plan launch | 857,988 | 747,313 | 259,716 | 211,940 | 600 | - | - | - |
| Number of performance shares cancelled since the plan launch | 54,887 | 57,712 | 81,061 | 251,990 | 176,175 | 167,084 | - | 12,800 |
| Number of performance shares outstanding at December 31, 2016 | - | - | 526,798 | 381,970 | 647,225 | 632,916 | 137,363 | 977,280 |

(1) *Delivery of the shares on August 7, 2013 for French tax residents and August 7, 2015 for non-residents.*
(2) *Delivery of the shares on March 12, 2014 for French tax residents and March 12, 2016 for non-residents.*
(3) *Delivery of the shares on February 28, 2015 for French tax residents and February 28, 2017 for non-residents.*
(4) *Delivery of the shares on February 19, 2016 for French tax residents and February 19, 2018 for non-residents.*
(5) *Delivery of the shares on February 18, 2017 for French tax residents and February 18, 2019 for non-residents.*
(6) *Delivery of the shares on February 21, 2018 for French tax residents and February 21, 2020 for non-residents.*
(7) *Delivery of the shares on May 4, 2019 for all the beneficiaries, French tax residents and non-residents.*
* *After the exercise of 8,500 option between December 15 and December 31, 2016, following decision taken by Board of Directors after closing period.*

## NOTE 15 MATURITIES OF DEBT AND PAYABLES AT DECEMBER 31, 2016

| *(in € millions)* | Total | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years |
|---|---|---|---|---|
| **Financial debts** | | | | |
| Bonds (1) (3) | 1,743 | 518 | 363 | 862 |
| Bank borrowings (1) (3) | 1 | 1 | | |
| Other borrowings (2) (3) | 1,349 | 1,199 | 150 | |
| **Operating payables** | | | | |
| Trade payables (3) | 9 | 9 | | |
| **Other payables** | | | | |
| Accrued taxes and payroll costs (3) | 10 | 10 | | |
| Due to suppliers of fixed assets | | | | |
| Other liabilities (3) | 1 | 1 | | |
| Deferred income (3) | | | | |
| **TOTAL** | **3,113** | **1,738** | **513** | **862** |

*(1) Bonds issued in 2010, 2012, 2013, 2015 and the Schuldschein loan issued in 2016 for €250 million.*

*(2) Current account advances and loans from subsidiaries.*

*(3) Breakdown by currency ( in € millions):*

| Debt by currency | |
|---|---|
| EUR | 2,732 |
| GBP | 194 |
| MXN | 72 |
| CZK | 54 |
| JPY | 22 |
| SEK | 10 |
| HUF | 4 |
| USD | 11 |
| RON | 10 |
| CHF | 4 |
| **TOTAL** | **3,113** |

## NOTE 16 MATURITIES OF RECEIVABLES AT DECEMBER 31, 2016

| *(in € millions)* | Total | Due within 1 year | Due beyond 1 year |
|---|---|---|---|
| **Receivables included in fixed assets** | | | |
| Loans and advances to subsidiaries and affiliates | 1,714 | 10 | 1,704 |
| Other loans | | | |
| Other investments | 53 | | 53 |
| **Receivables included in current assets** | | | |
| Trade receivables | 10 | 6 | 4 |
| Other receivables | 156 | 126 | 30 |
| Accrued expenses | 1 | 1 | |
| **TOTAL** | **1,934** | **143** | **1,791** |

Breakdown by currency (in € millions):

| **Receivables by currency** | |
|---|---|
| EUR | 1,882 |
| HUF | 30 |
| PLN | 6 |
| RUB | 4 |
| USD | 3 |
| ZAR | 3 |
| HKD | 3 |
| Autres devises | 3 |
| **TOTAL** | **1,934** |

## NOTE 17 RELATED PARTY TRANSACTIONS (1)

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Shares in subsidiaries and affiliate | 2,500 | 2,477 |
| Loans and advances to subsidiaries and affiliates | 1,714 | 1,714 |
| Other investment securities | 3 | 3 |
| Trade receivables | 10 | 10 |
| Other receivables | 119 | 22 |
| **Liabilities** | | |
| Other borrowings | 1,347 | 1,239 |
| Trade payables | 4 | 2 |
| **Income and expenses** | | |
| Income from investments in subsidiaries and affiliates | 224 | 239 |
| Other financial income | 1 | 1 |
| Financial expenses | 24 | 26 |

*(1) Companies that are fully consolidated in the Edenred Group consolidated financial statements are deemed to be related parties.*

## NOTE 18 BREAKDOWN OF NET REVENUE

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| France | 7 | 7 |
| **TOTAL FRANCE** | **7** | **7** |
| International | 23 | 23 |
| **TOTAL INTERNATIONAL** | **23** | **23** |
| **TOTAL NET REVENUE** | **30** | **30** |

## NOTE 19 MANAGEMENT COMPENSATION AND EMPLOYEE INFORMATION

Compensation paid to members of the Company's administrative and supervisory bodies

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| Members of the Executive Committee (excluding payroll taxes) and the Board of Directors | 8 | 7 |
| **Number of employees** | | |
| **Employee category** | | |
| Managers | 166 | 179 |
| Supervisors | 5 | 6 |
| Administrative staff (interns) | 6 | 10 |
| Apprentices | 5 | 5 |
| **TOTAL** | **182** | **199** |

The Company has a total of 182 employees, including 6 seconded to subsidiaries.

French tax credit for competitiveness "CICE" has been recognized for a total amount of €49 thousand, it corresponds to the 2016 civil year compensation which are eligible. In accordance with the "Recommendation" issued by the Task Force of the French National Accounting Board, this amount has been recorded into account "649 – Personal costs". Gains from CICE for this period, on its own as a company, compensate the costs of goods sold and is set off from the Company's income taxes for this period.

This tax credit has been used for financing a recruitment with the introduction of a new job position.

## NOTE 20 NET FINANCIAL INCOME

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| **Income from investments in subsidiaries and affiliates** | **224** | **239** |
| Dividends received from subsidiaries | 188 | 194 |
| Interest received on intra-group loans and receivables | 36 | 45 |
| **Other interest income** | **10** | **8** |
| Interest income on current accounts advances | 1 | 1 |
| Interest income on interest rate and currency swaps | 6 | 5 |
| Other interest income | 3 | 2 |
| **Reversals of provisions for financial items** | **47** | **66** |
| Reversals of provisions for impairment of shares in subsidiaries and affiliates | 44 | 41 |
| Reversals of provisions for impairment of other receivables | 1 | 8 |
| Reversals of provisions for contingencies and charges | 2 | 17 |
| **Foreign exchange gains** | **4** | **1** |
| **FINANCIAL INCOME** | **285** | **314** |
| **Interest expense** | **(58)** | **(61)** |
| Interest paid on bonds | (42) | (41) |
| Interest paid on bank borrowings | | |
| Interest paid on other borrowings | 8 | 6 |
| Interest paid on current accounts advances | (4) | (3) |
| Interest paid on loans from subsidiaries | (20) | (23) |
| **Amortization and provisions – financial assets** | **(11)** | **(59)** |
| Additions to provisions for impairment of shares in subsidiaries and affiliates | (10) | (54) |
| Additions to provisions for impairment of loans | | |
| Additions to provisions for impairment of current assets | | |
| Amortization of bond issue premiums | (1) | |
| Additions to provisions for contingencies and charges | | (5) |
| **Foreign exchange losses** | **(3)** | **(4)** |
| **FINANCIAL EXPENSES** | **(72)** | **(124)** |
| **NET FINANCIAL INCOME** | **213** | **190** |

## NOTE 21 NON-RECURRING ITEMS

In 2016, total non-recurring items represented net income of €15 million before tax, breaking down as follows:

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| Gains (losses) on disposals of capital operation | (1) | (36) |
| Gains (losses) on disposals and liquidations of investments | (1) | |
| Other non-reccuring gains | 32 | 2 |
| Other non-reccuring charges | (1) | (1) |
| Non -reccuring charges to financial provisions | | |
| Non-reccuring charges to provision for contingencies and charges | (14) | (2) |
| Additions to provisions for subsidiaries' losses | | |
| Reversals of provisions for contingencies and charges | | 4 |
| Reversals of provisions for risks related to subsidiaries | | |
| **NET NON-RECURRING INCOME** | **15** | **(33)** |

## NOTE 22 INCOME TAX AND CONSOLIDATION

### A. Income tax expense of Edenred SA

The Company recorded a tax income of €5 million (*i.e.* excluding the contribution of companies in the Edenred SA tax group).

The income tax benefit for the year breaks down as follows:

| *(in € millions)* | 2016 | 2015 |
|---|---|---|
| Tax on reccuring profit | (7) | (5) |
| Tax on non-reccuring items | 10 | (3) |
| Income tax exepense (benefit) (1) | (2) | 1 |

*(1) This includes: the additional contribution tax of 3% related to the amount distributed and paid since September 2016, for a total amount of €4,5 million, €(6) millions of tax grouping surplus,and (0,5) million of tax relief related to a tax control.*

Potential deferred taxes arising from deductible and taxable temporary differences, including tax loss carry-forward, represented a net asset of €61 million on December 31, 2016.

### B. Tax group members

Edenred SA and its eligible French subsidiaries were elected for the Group relief system governed by Article 223A of the French General Tax Code on March 18, 2011. The election applies as of the tax year beginning January 1, 2011.

A group relief agreement between Edenred SA and the other members of the tax group was also signed in 2011.

The tax group members in 2016 were:

- Saminvest
- ASM
- Edenred France
- Veninvest Quatro
- Veninvest Cinq
- Veninvest Huit
- Servicarte
- Veninvest Neuf
- Veninvest Dix
- Veninvest Onze
- Veninvest Douze
- Veninvest Quatorze
- Veninvest Quinze
- Veninvest Seize
- GABC
- Edenred payment
- Edenred Corporate Payment

### C. Group relief benefit

In 2016, Edenred SA recorder a net group relief benefit of €6 million including tax credits.

The Group's tax charge for the year amounted to €2 million. Tax credits related to withholding tax have been allocated to it. Without fiscal integration the theoretical tax due by Edenred SA would have amounted to €0,7 million.

## D. Consolidation

The role of the entity Edenred SA is to be the consolidating entity of the Group Edenred.

## NOTE 23 OFF-BALANCE SHEET COMMITMENTS GIVEN AND RECEIVED

Other off-balance sheet commitments.

Off-balance sheet commitments given at December 31, 2016 break down as follows:

| At December 31<br>*(in € millions)* | Within 1 year | 1 to 5 years | Beyond 5 years | At December 31, 2016 | At December 31, 2015 |
|---|---|---|---|---|---|
| **Total renovation commitments** | | | | | |
| Guarantees given [(1)] | 10 | 11 | | 21 | 9 |
| Guarantees for bank borrowings [(2)] | 11 | 81 | | 92 | 12 |
| **TOTAL GUARANTEE COMMITMENTS** | **21** | **92** | **-** | **113** | **21** |

*(1) Related to bonds given to banks on behalf of subsidiaries for €10 million and capital commitments of €11 million given to the Partech international VI, the Partech VII and the PartechII investment fund.*

*(2) Linked to guarantees for bank loans given on behalf of subsidiaries.*

## Hedging instruments

### Currency hedges

The following tables analyze the notional amount of currency hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2016:

| *(in € millions)* | At December 31, 2016 Notional amount | Expiring 2017 |
|---|---|---|
| **Forward sales and currency swaps** | | |
| ZAR | 3 | 3 |
| USD | 1 | 1 |
| RUB | 4 | 4 |
| HKD | 2 | 2 |
| **FORWARD SALES** | **10** | **10** |
| **Forward purchases and currency swaps** | | |
| GBP | 204 | 204 |
| MXN | 41 | 41 |
| CZK | 39 | 39 |
| RON | 10 | 10 |
| JPY | 21 | 21 |
| SEK | 4 | 4 |
| HUF | 4 | 4 |
| CHF | 3 | 3 |
| USD | 2 | 2 |
| **FORWARD PURCHASES** | **328** | **328** |
| **TOTAL CURRENCY HEDGES** | **338** | **338** |

For each currency, the notional amount corresponds to the euro equivalent of the amount of currency sold or purchased forward. The fair value corresponds to the difference between the amount of currency sold (purchased) in the foreign currency and the amount of currency purchased (sold) in the exchanged currency (applying the closing rate).

All the currency instruments listed above are used for hedging purposes.

They are designated and documented fair value hedges of intra-group loans and borrowings that qualify for hedge accounting.

At December 31, 2016, currency instruments had a positive fair value of €10 million.

## Interest rate hedges

The following tables analyze the notional amount of interest rate hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2016:

| **At December 31** *(in € millions)* | **2016 Notional amount** | **2015** | **2016** | **Beyond** |
|---|---|---|---|---|
| Interest rate swaps where Edenred is the fixed rate borrower | 50 | - | - | 50 |
| EUR Euribor/Fixed rate | | | | |
| Interest rate hedges where Edenred is the variable rate borrower | 1,382 | 500 | | 882 |
| EUR Euribor/Fixed rate | | | | |
| **TOTAL INTEREST RATE HEDGES** | **1,432** | **500** | **-** | **932** |

The notional amount corresponds to the amount covered by the interest rate hedge. The fair value represents the amount that would be receivable or payable if the positions were unwound on the market.

All the interest rate instruments listed above are used for hedging purposes.

At December 31, 2016, interest rate instruments had a positive fair value of €28 million.

## NOTE 24 MAIN SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2016

| | | *(in thousands of local currency units)* | | | Carrying amount of shares | | |
|---|---|---|---|---|---|---|---|
| **Subsidiaries and affiliates** | **Currency** | **Share capital** | **Reserves** | **% interest** | **Cost** | **Net** | **Provisions** |
| **A- Subsidiaries and affi liates with a carrying amount in excess of 1% of Edenred SA's capital** | | | | | | | |
| **1- Subsidiaries (at least 50%-owned)** | | | | | | | |
| ***a) French subsidiaries*** | | | | | | | |
| EDENRED France<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 464,967 | 18,250 | 100.00% | 641,997 | 641,997 | |
| VENINVEST QUATTRO<br>166 - 180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 2,197 | | 100.00% | 6,444 | 521 | 5,923 |
| VENINVEST CINQ<br>166 - 180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 7,381 | (6,640) | 100.00% | 7,381 | 303 | 7,078 |
| VENINVEST HUIT<br>166 - 180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 6,789 | (5,208) | 100.00% | 6,789 | 2,325 | 4,464 |
| ASM<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 306,267 | 1,213 | 100.00% | 306,267 | 306,267 | |
| SAMINVEST<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 3,060 | 306 | 60.00% | 276,760 | 276,760 | |
| VENINVEST NEUF<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 5,594 | (4,096) | 100.00% | 5,594 | 857 | 4,737 |
| EDENRED CORPORATE PAYMENT<br>166- 180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 5,000 | (15) | 100.00% | 5,000 | 5,000 | |
| VENINVEST ONZE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 1,123 | | 100.00% | 5,485 | 1,133 | 4,352 |
| VENINVEST DOUZE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 9,454 | (6,187) | 100.00% | 9,454 | 2,647 | 6,807 |
| VENINVEST SEIZE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 1,893 | | 100.00% | 12,388 | 1,256 | 11,132 |

*(in € thousands)*

| Outstanding loans and advances granted by Edenred SA | Guarantees given by Edenred SA | Last reported revenue (local currency) | Last reported revenue | Last reported profit (loss) *(local currency)* | Last reported profit (loss) | Dividends received by Edenred SA during the year | Average 2016 exchange rate |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| 466,742 | | 151,175 | 151,175 | 63,180 | 63,180 | 39,454 | 1.00000 |
| | | - | - | (1,680) | (1,680) | - | 1.00000 |
| | | - | - | (440) | (440) | - | 1.00000 |
| | | - | - | 741 | 741 | - | 1.00000 |
| | | - | - | 16,775 | 16,775 | 7,243 | 1.00000 |
| | | - | - | 1,592 | 1,592 | 33,485 | 1.00000 |
| | | - | - | (645) | (645) | - | 1.00000 |
| | | - | - | (8) | (8) | - | 1.00000 |
| | | - | - | (5) | (5) | - | 1.00000 |
| | | - | - | (616) | (616) | - | 1.00000 |
| | | - | - | (643) | (643) | - | 1.00000 |

| Subsidiaries and affiliates | Currency | Share capital (in thousands of local currency units) | Reserves (in thousands of local currency units) | % interest | Carrying amount of shares – Cost | Carrying amount of shares – Net | Provisions |
|---|---|---|---|---|---|---|---|
| ***b) Foreign subsidiaries*** | | | | | | | |
| EDENRED BELGIUM<br>Av Herrmann Debroux 44<br>1160 Bruxelles | EUR | 36,608 | 192,335 | 100.00% | 893,415 | 893,415 | |
| Edenred Portugal SA<br>Edificio Adamastor, Torre B Av D. Joao II<br>1990-077 Lisoa | EUR | 2,030 | 6,111 | 50.00% | 6,765 | 6,765 | |
| EDENRED DEUTSCHLAND GmbH (Allemagne) | EUR | 1,520 | 7,099 | 100.00% | 26,651 | 26,651 | - |
| EDENRED ESPANA SA (Espagne) | EUR | 11,544 | 26,216 | 100.00% | 53,141 | 53,141 | |
| EDENRED INDIA PVT LTD (Inde) (1) | INR | 246,131 | 278,003 | 94.90% | 14,001 | 9,786 | 4,215 |
| EDENRED SINGAPORE Pte Ltd (Singapour) | SGD | 48,000 | (32,199) | 100.00% | 36,335 | 11,967 | 24,368 |
| SURGOLD INDIA PVT LTD (Inde) (1) | INR | 215,898 | (40,068) | 100.00% | 10,437 | 2,797 | 7,640 |
| CESTATICKET SERVICES C.A. (Venezuela) | VEF | 6,000 | 1,019,848 | 57.00% | 16,309 | 16,309 | |
| INVERSIONES DIX VENEZUELA SA | VEF | 1,235,593 | 65,584 | 100.00% | 20,861 | 1,900 | 18,961 |
| BIG PASS (Colombie) | COP | 1,514,440 | 1,416,692 | 100.00% | 12,759 | 8,056 | 4,703 |
| BARCLAYS VOUCHERS CO LTD<br>10F, Hulic Kandabashi bldg, Tokyo | JPY | 100,000 | 313,239 | 100.00% | 29,624 | 29,624 | - |
| **2- Affiliates (10% to 50%-owned by Edenred SA)** | | | | | | | |
| ***a) French companies*** | | | | | | | |
| ***b) Foreign companies*** | | | | | | | |
| **3- Other (less than 10%-owned by Edenred SA)** | | | | | | | |
| ***a) French companies*** | | | | | | | |
| ***b) Foreign companies*** | | | | | | | |
| EDENRED POLSKA Sp Zo.o. (Pologne) | PLN | 18,170 | (9,789) | 5.00% | 4,682 | 243 | 4,439 |
| EDENRED Italie SRL Via GB Pirelli 19 Milano Italia | EUR | 5,959 | 39,942 | 1.70% | 16,717 | 16,368 | 349 |
| EDENRED BRESIL PARTICIPACOES SA<br>Av. Das Nacoes Unidas,<br>7815 Sao Paulo Brazil | BRL | 872,477 | 732,031 | 8.46% | 20,130 | 20,130 | |

*(in € thousands)*

| Outstanding loans and advances granted by Edenred SA | Guarantees given by Edenred SA | Last reported revenue (local currency) | Last reported revenue | Last reported profit (loss) *(local currency)* | Last reported profit (loss) | Dividends received by Edenred SA during the year | Average 2016 exchange rate |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 664,458 | | 41,349 | 41,349 | 102,845 | 102,845 | 93,050 | 1.00000 |
| | - | 7,100 | 7,100 | (95) | (95) | - | 1.00000 |
| | | 10,970 | 10,970 | 1,590 | 1,590 | - | 1.00000 |
| 65,078 | | 15,405 | 15,405 | 15,477 | 15,477 | 9,422 | 1.00000 |
| | | 357,783 | 4,812 | 8,348 | 112 | - | 74.34990 |
| | | 10,902 | 7,136 | (893) | (585) | - | 1.52770 |
| | - | 2,776,572 | 37,345 | (28,363) | (381) | - | 74.34990 |
| | | 5,852,403 | 10,737 | 1,182,949 | 2,170 | 789 | 545.08590 |
| | | - | - | 62,229 | 114 | - | 545.08590 |
| | | 10,881,516 | 3,222 | 951,062 | 282 | | 3,377.27570 |
| | | 601,317 | 4,997 | 1,090 | 9 | - | 120.32560 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | 9,430 | 2,161 | (6,086) | (1,395) | - | 4.36290 |
| 295,000 | | 1,102,313 | 1,102,313 | 88,197 | 88,197 | 888 | 1.00000 |
| | - | - | - | 425,599 | 110,233 | | 3.86090 |

| Subsidiaries and affiliates | Currency | *(in thousands of local currency units)* Share capital | Reserves | % interest | Carrying amount of shares Cost | Net | Provisions |
|---|---|---|---|---|---|---|---|
| **B- Investments with a carrying amount of less than 1% of Edenred SA's capital** | | | | | | | |
| **a) French companies** | | | | | | | |
| SERVICARTE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 610 | 61 | 100.00% | 2,799 | 2,799 | |
| GABC<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 20 | | 100.00% | 760 | 760 | |
| LCCC 32 Ter Bld Ornano<br>93200 Saint Denis | EUR | 188 | 9 | 44.32% | 1,141 | 1,141 | |
| VENINVEST QUINZE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 155 | | 100.00% | 4,570 | 158 | 4,412 |
| VENINVEST QUATORZE<br>166-180 Bld Gabriel Péri<br>92240 Malakoff | EUR | 4,570 | (3,284) | 100.00% | 4,570 | 4,424 | 146 |
| ACTIVITIZ<br>4 bis rue Saint Saveur<br>75002 PARIS (1) | EUR | 49 | (21) | 9.89% | 250 | - | 250 |
| Lucky Cart SAS | EUR | 389 | 544 | 13.04% | 475 | 475 | - |
| Invex | EUR | 126 | 877 | 9.73% | 360 | 90 | 270 |
| Tim Talent | EUR | 2 | 1,016 | 24.99% | 354 | 354 | - |
| Zen Chef | EUR | 1 | 4,309 | 15.27% | 2,400 | 2,400 | |
| **b) Foreign companies** | | | | | | | |
| EDENRED AUSTRIA GmbH Am Euro<br>Platz 1, A-1120 Wien (Autriche) | EUR | 1,600 | 110 | 100.00% | 1,589 | 1,589 | |
| EDENRED NORTH AMERICA INC | USD | 15,616 | 17,275 | 100.00% | 333 | 333 | |
| EDENRED BULGARIA AD 137<br>Tzarigradsko Shausse Blvd Sofia<br>1784, Bulgaria | BGN | 2,841 | | 50.00% | 1,272 | 1,272 | - |
| WESTWELL GROUP SA José<br>Enrique Rodo 2123, Montevideo<br>Uruguay | USD | 1,864 | (62) | 100.00% | 2,209 | 2,209 | |
| EDENRED FINLAND OY<br>Elimaenkatu15<br>00510 Helsinki | EUR | 6,536 | (4,998) | 33.55% | 6,502 | 6,502 | |
| EDENRED PERU SA (Perou) | PEN | 940 | (468) | 67.00% | 1,729 | 1,118 | 611 |
| EDENRED PANAMA SA | PAB | 1,250 | (1,438) | 100.00% | 1,024 | - | 1,024 |
| EDENRED South Africa (Proprietary)<br>Ltd (Afrique du Sud) | ZAR | 5,000 | (45,560) | 74.00% | 424 | 424 | |
| EDENRED MAROC SAS 110 BD<br>Zerktouni Casablanca | MAD | 8,000 | (5,550) | 83.67% | 2,521 | 509 | 2,012 |
| EDENRED s.a.l (Liban)<br>Sid El Bauchrieh Beyrouth | LBP | 3,250,000 | (3,939,497) | 80.00% | 1,559 | 274 | 1,285 |

*(in € thousands)*

| Outstanding loans and advances granted by Edenred SA | Guarantees given by Edenred SA | Last reported revenue (local currency) | Last reported revenue | Last reported profit (loss) *(local currency)* | Last reported profit (loss) | Dividends received by Edenred SA during the year | Average 2016 exchange rate |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | 11,998 | 11,998 | (1,196) | (1,196) | 760 | 1.00000 |
| | | - | - | 195 | 195 | | 1.00000 |
| | | 144,865 | 144,865 | 1,332 | 1,332 | 355 | 1.00000 |
| | | - | - | (5) | (5) | - | 1.00000 |
| | | - | - | 2,851 | 2,851 | - | 1.00000 |
| | | 1,926 | 1,926 | 105 | 105 | - | 1.00000 |
| | | 1,779 | 1,779 | (1,398) | (1,398) | | 1.00000 |
| | | 51 | 51 | (439) | (439) | | 1.00000 |
| | | 185 | 185 | (207) | (207) | | 1.00000 |
| | | 1,898 | 1,898 | (1,906) | (1,906) | - | 1.00000 |
| | | | | | | | |
| | - | 1,527 | 1,527 | 66 | 66 | | 1.00000 |
| | - | 1,231 | 1,112 | (917) | (829) | - | 1.10660 |
| | - | 3,481 | 1,780 | 206 | 105 | - | 1.95580 |
| | - | - | - | 2,799 | 2,529 | 1,570 | 1.10660 |
| | | 12,839 | 12,839 | 965 | 965 | - | 1.00000 |
| | - | - | - | 19 | 5 | - | 3.73430 |
| | - | - | - | - | - | - | 1.10660 |
| 2,885 | - | 26,628 | 1,636 | 6,043 | 371 | - | 16.27530 |
| | - | 4,660 | 429 | (1,600) | (147) | - | 10.85080 |
| 250 | - | 1,126,769 | 673 | (23,094) | (14) | - | 1,673.34250 |

| | | (in thousands of local currency units) | | | Carrying amount of shares | | |
|---|---|---|---|---|---|---|---|
| Subsidiaries and affiliates | Currency | Share capital | Reserves | % interest | Cost | Net | Provisions |
| ACCENTIV' SHANGHAI COMPANY (Chine) | CNY | 7,041 | (5,838) | 100.00% | 650 | 650 | |
| EDENRED COLOMBIA S.A.S Calle 72# 10-07 Edificio Liberty Piso 2 Bogota Colombia | COP | 250,818 | 1,577,876 | 97.12% | 3,165 | 444 | 2,721 |
| EDENRED Suisse SA | CHF | 2,500 | (606) | 100.00% | 2,456 | 1,627 | 829 |
| SAVINGSTAR | USD | 27,646 | (29,368) | 6.88% | 3,887 | 3,887 | |
| IZICARD [(1)] | EUR | 118 | 765 | 41.27% | 699 | 433 | 266 |
| LAUNCHPAD | GBP | 0 | 2,320 | 13.16% | 1,060 | 1,060 | |
| EDENRED PARTNERS CAPITAL | GBP | 5 | 2,035 | 10.00% | 2,677 | 2,677 | |
| EDENRED MAGYARORSZAG KFT (Hongrie) | HUF | 89,000 | 244,491 | 1.69% | 373 | - | 373 |
| VOUCHERS SERVICES SA 33 Avenue Galatsiou 11141 Athens Greece | EUR | 500 | 167 | 1.70% | 0 | 0 | |
| EDENRED UK GROUP LIMITED 50 Vauxhall Bridge Road, London SW1V 2RS UK | GBP | 13,394 | 50,344 | 1.70% | 3,117 | 3,117 | |
| EDENRED SWEDEN Liljeholmsstranden 3 105 40 Stockholm | SEK | 9,974 | 10,751 | 1.70% | 897 | 897 | - |
| LUNCHEON TICKETS SA José Enrique Rodo 2123, Montevideo Uruguay | UYU | 5,236 | 4,443 | 1.74% | 231 | 231 | |
| EDENRED ROMANIA SRL CAL. Serban Voda nr.133 Bucarest | RON | 73,162 | 7,843 | 1.70% | 4,426 | 2,630 | 1,796 |
| EDENRED SLOVAKIA (Slovaquie) | EUR | 664 | 96 | 1.70% | 309 | 309 | |
| EDENRED KURUMSAL COZ.A.S (Turquie) | TRY | 2,980 | 7,859 | 1.70% | 55 | 55 | |
| G LOG SERVICOS DE GESTAO DE DISTRIBUICAO LTDA (Brésil) | BRL | 10 | 934 | 1.70% | 1 | 1 | |
| TICKETSEG - CORRETORA DE SEGUROS S/A (Brésil) | BRL | 2,526 | 189 | 0.43% | 8 | 8 | |
| ACCENTIV SERVICOS TECNOLOGIA DA INFORMACOA S/A | BRL | 21,114 | (2,755) | 0.31% | 387 | 32 | 355 |
| EDENRED CZ S.R.O Na Porici 5, Praha 1, Czech Republic | CZK | 13,500 | 335,140 | 1.70% | 725 | 725 | |

*(1) Balance sheet as of March 31, 2016.*

*(in € thousands)*

| Outstanding loans and advances granted by Edenred SA | Guarantees given by Edenred SA | Last reported revenue (local currency) | Last reported revenue | Last reported profit (loss) *(local currency)* | Last reported profit (loss) | Dividends received by Edenred SA during the year | Average 2016 exchange rate |
|---|---|---|---|---|---|---|---|
| | - | 33,271 | 4,527 | (2,053) | (279) | - | 7.34940 |
| | - | - | - | (2,347,911) | (695) | - | 3,377.27570 |
| | - | 261 | 239 | 60 | 55 | - | 1.09010 |
| | | 6,866 | 6,205 | (4,422) | (3,996) | | 1.10660 |
| | - | 32 | 32 | (450) | (450) | - | 1.00000 |
| | | 1,367 | 1,669 | (1,684) | (2,056) | | 0.81890 |
| | | 367 | 448 | 20 | 24 | 57 | 0.81890 |
| | - | 614,157 | 1,972 | (53,307) | (171) | | 311.47720 |
| | - | 8,986 | 8,986 | 3,488 | 3,488 | 39 | 1.00000 |
| | - | 14,711 | 17,964 | 9,956 | 12,158 | 131 | 0.81890 |
| | - | 91,758 | 9,693 | 8,474 | 895 | 11 | 9.46660 |
| | - | 367,328 | 11,017 | 167,752 | 5,031 | 70 | 33.34100 |
| | | 80,650 | 17,959 | 26,504 | 5,902 | 42 | 4.49080 |
| | - | 9,973 | 9,973 | 2,432 | 2,432 | 55 | 1.00000 |
| | - | 42,717 | 12,781 | 28,816 | 8,622 | 107 | 3.34230 |
| | - | 5,113 | 1,324 | 525 | 136 | - | 3.86090 |
| | - | 1,205 | 312 | 1,267 | 328 | 1 | 3.86090 |
| | - | 32,973 | 8,540 | (9,128) | (2,364) | | 3.86090 |
| | - | 468,247 | 17,320 | 119,165 | 4,408 | 142 | 27.03440 |

| Subsidiaries and affiliates | Currency | Share capital (in thousands of local currency units) | Reserves (in thousands of local currency units) | % interest | Carrying amount of shares: Cost | Carrying amount of shares: Net | Provisions |
|---|---|---|---|---|---|---|---|
| **3- Other investments** | | | | | | | |
| *A - Subsidiaries and affiliates with a carrying amount in excess of 1% of Edenred SA's capital* | | | | | | | |
| a) French subsidiaries (aggregate) | | | | | 1,283,559 | 1,239,066 | 44,493 |
| b) Foreign subsidiaries (aggregate) | | | | | 1,161,827 | 1,097,152 | 64,675 |
| *B - Investments with a carrying amount of less than 1% of Edenred SA's capital* | | | | | | | |
| a) French subsidiaries (aggregate) | | | | | 17,679 | 12,601 | 5,078 |
| b) Foreign subsidiaries (aggregate) | | | | | 44,286 | 33,014 | 11,272 |
| **TOTAL (NOTE 24)** | | | | | **2,507,351** | **2,381,833** | **125,518** |

*(in € thousands)*

| Outstanding loans and advances granted by Edenred SA | Guarantees given by Edenred SA | Last reported revenue (local currency) | Last reported revenue | Last reported profit (loss) *(local currency)* | Last reported profit (loss) | Dividends received by Edenred SA during the year | Average 2016 exchange rate |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| 466,742 | - | | | | | 80,182 | |
| 1,024,536 | - | | | | | 104,149 | |
| | | | | | | | |
| - | - | | | | | 1,115 | |
| 3,135 | - | | | | | 2,225 | |
| **1,494,413** | **-** | | | | | **187,671** | |

## NOTE 25 FIVE-YEAR FINANCIAL SUMMARY

| Description *(in € millions)* | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **1 – Capital at December 31** | | | | | |
| Share capital | 467 | 462 | 458 | 452 | 452 |
| Number of shares in issue (1) | 233,679,845 | 230,816,848 | 228,811,546 | 225,897,396 | 225,897,396 |
| Number of convertible bonds | | | | | |
| **2 – Results of operations** | | | | | |
| Net revenues | 30 | 30 | 29 | 31 | 26 |
| Profit before tax, depreciation, amortization and provision expense | 225 | 156 | 64 | 356 | 68 |
| Income tax | 2 | (1) | 5 | 8 | 10 |
| Net profit | 207 | 137 | 41 | 414 | 56 |
| Total dividend (2) | 144 | 191 | 191 | 185 | 185 |
| **3 – Per share data** *(in €)* | | | | | |
| Earnings/(loss) per share after tax, before depreciation, amortization and provision expense | 0.96 | 0.68 | 0.28 | 1.58 | 0.30 |
| Earnings/(loss) per share | 0.89 | 0.59 | 0.18 | 1.83 | 0.25 |
| Dividend per share | 0.62 | 0.84 | 0.83 | 0.82 | 0.82 |
| **4 – Employee information** | | | | | |
| Number of employees (3) | 171 | 195 | 179 | 174 | 160 |
| Total payroll | (21) | (22) | (19) | (29) | (18) |
| Total benefits | (14) | (17) | (15) | (11) | (10) |

*(1) On December 15, 2016 for the purposes of financial flows statement related to capital at 2016 closing.*
*(2) The recommended dividend amount to €0,62 per share giving right, payable on 231,882,971 shares.*
*(3) Average number of employees as of December 31, 2016.*

7

# INFORMATION ABOUT THE COMPANY AND ITS CAPITAL


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# 7.1 INFORMATION ABOUT THE COMPANY

## 7.1.1 COMPANY NAME

The Company's name is Edenred.

## 7.1.2 REGISTRATION DETAILS AND APE CODE

The Company is registered in Nanterre under no. 493 322 978. Its APE business identifier code is 6420Z.

## 7.1.3 INCORPORATION DATE AND TERM

The Company was incorporated on December 14, 2006 for a 99-year term as a *société par actions simplifiée*. It was converted into a *société anonyme* on April 9, 2010.

## 7.1.4 REGISTERED OFFICE, LEGAL FORM AND GOVERNING LAW

The Company's registered office is at 166 to 180 boulevard Gabriel Péri, 92240 Malakoff, France.

Phone: +33 (0)1 74 31 75 00.

Edenred is a *société anonyme* with a Board of Directors governed by the laws of France, mainly the provisions of the French Commercial Code (*Code de commerce*).

## 7.1.5 CORPORATE PURPOSE

The corporate purpose is set out in Article 3 of the bylaws, which are obtainable on request from the Company's headquarters and may be consulted at www.edenred.com/en/investors-shareholders.

The Company's corporate purpose is to engage in the following activities, in France and abroad, for its own account and on behalf of third parties:

- the design, development, promotion, marketing and management of paper and paperless service vouchers and, more generally, of all employee and public benefits, incentive and rewards, and expense management services;
- the development, promotion and operation of any and all information systems needed to support the development and implementation of the voucher and other activities described above, including related consulting services, and the management of associated financial transactions;
- the provision of consulting services, analyses and expertise in assessing the administrative, technical and financial resources needed to develop and implement service voucher policies and policies related to the above activities;
- the acquisition, by any method, of interests in any and all companies and ventures in France or abroad that have a similar or related purpose;
- the deployment of all public relations and communication initiatives related to the above service activities, including the organization of symposia, seminars, meetings, conventions, shows and other events;
- the provision of short, medium and long-term financing and cash management services for subsidiaries and sister companies. To this end, the Company may (i) obtain any and all loans in France or abroad, in euros or in foreign currencies, (ii) make loans and

advances in euros or in foreign currencies, and (iii) carry out any and all treasury, short-term investment and hedging transactions;

- generally, the carrying out of any and all commercial, industrial, financial, securities and real estate transactions that are related directly or indirectly to the corporate purpose and all similar or related purposes or that facilitate the fulfillment of said purpose.

To fulfill its corporate purpose, the Company may carry out actions or transactions of any type and size and in any location, including the creation of new companies, the acquisition of shares or rights in existing companies, through a capital increase or otherwise, a company acquisition or a merger, that (i) contribute or may contribute to, or facilitate or may facilitate the conduct of the activities defined above or (ii) directly or indirectly preserve the commercial, industrial or financial interests of the Company, its subsidiaries or its business partners.

# 7.2 INFORMATION ABOUT THE COMPANY'S SHARES

## 7.2.1 DESCRIPTION OF THE COMPANY'S SHARES

### 7.2.1.1 Type, class and listing – ISIN

At December 31, 2016, the Company's capital was made up of 233,688,345 shares with a par value of €2 each, all fully paid.

The 233,688,345 shares are ordinary shares with rights to all distributions of interim and final dividends, reserves or equivalent amounts.

All of the shares are listed on Euronext Paris (Compartment A) under ISIN FR0010908533 (ticker symbol: EDEN).

### 7.2.1.2 Governing law and competent courts

The Company's shares are governed by the laws of France.

The courts of the district where the Company has its registered office have jurisdiction over disputes where the Company is defendant. In disputes where the Company is plaintiff, the court of jurisdiction will be designated depending on the type of dispute, unless otherwise specified in France's Civil Procedure Code (*Code de procédure civile*).

### 7.2.1.3 Form of the shares and procedures for recognizing ownership

The Company's shares may be held in registered or bearer form, at the choice of the shareholder.

In application of Article L.211-3 of the French Monetary and Financial Code (*Code monétaire et financier*), ownership of the Company's shares is not evidenced by certificates but by an entry in a securities account kept by the Company or an authorized intermediary. The rights of shareholders are evidenced by an entry in their name in the books kept by:

- the Company's registrar, Société Générale (32 rue du Champ-de-Tir, BP 81236 – 44312 Nantes Cedex 3, France), for registered shares;
- a bank or broker chosen by the shareholder and recognized by the Company's registrar, Société Générale (32 rue du Champ-de-Tir, BP 81236 – 44312 Nantes Cedex 3, France), for administered registered shares;
- a bank or broker chosen by the shareholder, for bearer shares.

Settlement/delivery of transactions in the Company's shares is carried out through Euroclear France, as a central securities depository.

Shares are transferred by book entry and the transfer of title results from their being recorded in the buyer's securities account, in accordance with Articles L.211-15 and L.211-17 of France's Monetary and Financial Code.

Securities services are provided by the Company's registrar, Société Générale (32 rue du Champ-de-Tir, BP 81236 – 44312 Nantes Cedex 3, France).

### 7.2.1.4 Rights attached to the Company's shares

From the time of issue, the Company's shares are subject to all of the provisions of the Company's bylaws. Based on current French law and the Company's bylaws, the main rights attached to the shares are as follows:

#### Dividend rights

Each year, at least 5% of profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve until such time as the legal reserve represents one-tenth of the share capital. The process resumes if, for whatever reason, the legal reserve subsequently falls to below one-tenth of the share capital.

The balance, plus any retained earnings brought forward from prior years, is available for distribution to shareholders in the form of dividends, in accordance with the applicable laws and regulations.

The Annual Shareholders Meeting called to approve the financial statements may decide to pay a dividend to all shareholders.

The Shareholders Meeting may decide to offer shareholders the option of reinvesting all or part of any interim or final dividend in shares of the Company, in accordance with the applicable laws and regulations. Dividends not claimed within five years of the payment date will be time-barred and will be paid over to the French State.

The Shareholders Meeting may decide, before paying a dividend, to deduct from distributable profit any amounts that it thinks fit to be credited to retained earnings or to one or more general or special reserve accounts to be used for any purposes decided by shareholders.

The Shareholders Meeting may also decide to distribute unrestricted reserves, as allowed by law, in which case the related resolution will specify the reserve accounts from which the dividend is to be deducted.

However, except in the case of a capital reduction, no such distribution may be made to shareholders if the Company's equity represents less than the sum of its share capital and restricted reserves, or would represent less than that amount as a result of the distribution.

Dividends paid to non-residents are subject to French withholding tax (see section 7.2.1.8, page 280).

## Voting rights

The voting rights attached to shares are proportionate to the portion of capital they represent. All shares have the same par value and therefore one voting right is attached to each share.

However, Article 24 of the Company's bylaws states that, under certain circumstances, shares may be attributed double voting rights.

As a result, paid-up shares registered in the name of the same holder for at least two years have double voting rights.

In the case of a share issue paid up by capitalizing reserves, profits or additional paid-in capital, the new shares allocated in respect of shares with double voting rights also have double voting rights from the time of issue.

Registered shares converted into bearer shares or sold to a different shareholder lose their double voting rights. However, transfers through inheritance, liquidation of marital assets or an *inter vivos* transfer to a spouse or heir do not result in the loss of double voting rights or a break in the qualifying period. The merger of the Company has no impact on double voting rights, provided that the bylaws of the surviving company allow for their exercise.

Article 24 of the Company's bylaws stipulates that voting rights attached to shares held by beneficial and non-beneficial owners are exercisable at Ordinary and Extraordinary Shareholders Meetings by the beneficial owner, except that the non-beneficial owner may also vote in his or her own name when the resolution requires a unanimous vote of all of the shareholders.

Details of the number of voting rights at December 31, 2016 are presented in section 7.3.

## Pre-emptive right to subscribe for securities in the same class

Under current French law, shareholders have a pre-emptive right to subscribe for any new shares issued for cash (including shares issued upon exercise of rights), proportionately to their stake in the Company's capital.

The Shareholders Meeting that decides or authorizes a share issue may decide to cancel shareholders' pre-emptive rights for the entire issue or for one or several tranches of the issue, in which case the meeting may decide as an alternative to set a fixed period during which shareholders may subscribe on a priority basis. For issues offered to the public or carried out on a private placement basis as governed by Article L.411-2-II of France's Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders, the issue price must be determined in compliance with Article L.225-136 of the French Commercial Code. Any such issues may not represent more than 20% of the capital per year.

The Shareholders Meeting may decide to restrict participation in a share issue to certain named persons or to certain categories of persons with specified characteristics, in accordance with Article L.225-138 of the French Commercial Code.

The Shareholders Meeting that decides or authorizes a share issue may also decide to restrict participation to the shareholders of another company that is the target of a public stock-for-stock offer initiated by Edenred in application of Article L.225-148 of the French Commercial Code. Shares issued in payment for contributed assets are subject to the specific procedure provided for in Article L.225-147 of the French Commercial Code.

During the subscription period, the pre-emptive rights may be stripped from the underlying shares and traded separately. Alternatively, they may be sold with and on the same terms as the underlying shares. Shareholders may individually waive their pre-emptive subscription rights in application of Articles L.225-132 and L.228-91 of the French Commercial Code.

## Right to a share of the Company's profits

Shareholders are entitled to a share of the Company's profits on the basis defined in Articles L.232-10 *et seq.* of the French Commercial Code.

### Right to a share of any liquidation surplus

Shares in all classes entitle their holders to a share of the Company's net assets and, if applicable, the liquidation surplus equal to the portion of the share capital that they represent, taking into account any returns of capital and any unpaid portion of the par value.

From the Company's point of view, all shares are indivisible.

### Buyback clause – conversion clause

The bylaws do not include any share buyback or conversion clauses.

### Identification of shareholders

The Company uses the methods provided for by French legislation to obtain information about the identity of holders of current or future rights to vote at Shareholders Meetings.

### Disclosure thresholds

Any shareholder, acting alone or in concert with other shareholders, that becomes the owner of (or ceases to own) a number of shares representing a percentage of the capital or voting rights corresponding to a statutory disclosure threshold is required to notify the Company on the basis required by the applicable laws and regulations. Failure to comply with this obligation will expose the shareholder to the sanctions provided for in the applicable laws and regulations.

In addition, Article 9 of the Company's bylaws requires any shareholder or any group of shareholders acting alone or in concert, that acquires or raises its interest to 1% of the capital or voting rights to disclose its interest to the Company by registered letter with return receipt requested sent to the registered office, within four trading days of the transaction date or the signature of any agreement resulting in the disclosure threshold being crossed, whatever the date on which the shares are recorded in the holder's account. The notification must include details of the total number of shares and/or share equivalents held and the number of voting rights held.

The same disclosure rules apply to any increase in a shareholder's interest by any multiple of 0.5% of the capital or voting rights beyond 1% and to any reduction in a shareholder's interest by any multiple of 1% of the capital or voting rights. In the case of failure to comply with the applicable disclosure rules, at the request of one or several shareholders representing at least 3% of the Company's capital or voting rights, as duly recorded in the minutes of the Shareholders Meeting, the undisclosed shares will be stripped of voting rights at all Shareholders Meetings held in the two years following the date when the omission is remedied.

In addition, as well as making the statutory disclosures, any shareholder, or group of shareholders acting in concert, that becomes the owner of a number of shares representing more than one-twentieth of the Company's capital or voting rights is required to include in its disclosure to the Company details of its intentions regarding the shares over the next twelve months, covering in particular the information referred to in Article L.233-7-VII, paragraph 2, of the French Commercial Code.

At the end of each successive twelve-month period following the initial disclosure, if the shareholder continues to hold a number of shares representing more than one-twentieth of the Company's capital or voting rights, it is required to notify the Company of its intentions for the following twelve months.

The Company will have the right to inform the public and shareholders of the said shareholder's disclosed intentions, or of the shareholder's failure to comply with this requirement.

For the application of the above disclosure provisions of the bylaws, disclosable interests include the shares or voting rights referred to in Article L.233-9-I of the French Commercial Code.

## 7.2.1.5 Restrictions on the sale of the shares

The bylaws do not include any restrictions on the sale of the Company's shares. A detailed description of the commitments given by the Company and some of its shareholders is provided in section 7.3.1, page 288.

## 7.2.1.6 French regulations governing public tender offers

The Company is subject to French laws and regulations governing compulsory public tender offers, public buyout offers and squeeze-out procedures.

### Compulsory public tender offers

The situations in which a public tender offer must be made for all of the shares and share equivalents of a company listed on a regulated market are specified in Article L.433-3 of the Monetary and Financial Code and Articles 234-1 *et seq.* of the General Regulation of the Autorité des marchés financiers (AMF).

### Public buyout offer and squeeze-out procedure

The procedure for filing a buyout offer and the compulsory buyout of minority shareholders in a company whose shares are listed on a regulated market is specified in Article L.433-4 of the French Monetary and Financial Code, and Articles 236-1 *et seq.* (public buyout offer), 237-1 *et seq*. (squeeze-out procedure following a public buyout offer) and 237-14 *et seq*. (squeeze-out procedure following a public tender offer) of the AMF's General Regulation.

### 7.2.1.7 Public offer for the Company's shares made during the current or previous financial year and items that could have an impact in the event of a public tender offer

No public offer for the Company's shares has been made during the current or previous financial year.

The following items could have an impact in the event of a public tender offer for the Company's shares (information disclosed in application of Article L.225-100-3 of the French Commercial Code):

- **capital structure**: see section 7.3.1, page 288;
- **voting right restrictions**: see section 7.2 on disclosure thresholds, page 278;
- **direct or indirect equity interests in the Company that have been disclosed**: see section 7.3.1, page 288;
- **agreements providing for the payment of compensation for loss of office or other termination benefits to members of the Board of Directors or to employees if they stand down, resign, are removed from office or terminated other than for gross misconduct or if their employment ends due to a change of control**: see section 5.4, page 134;
- **employee share ownership system when the employee does not exercise the control rights**: in accordance with Article L.214-40 of France's Monetary and Financial Code, the decision to tender to a public purchase or exchange offer for Edenred shares held in a corporate mutual fund set up in connection with an employee share ownership system is made by the fund's Supervisory Board;
- **rules for appointing and replacing members of the Board of Directors and amending the bylaws**: see section 5.2.2.1, page 118. No specific rules apply to amending the bylaws;
- **agreements entered into by the Company that would alter or terminate upon a change of control**: bonds for a total of €1,275 million excluding accrued interest could become immediately repayable in the event of a change of control, by decision of any individual bond holder (Article 4 c "Redemption at the option of the Bond Holders" of the Prospectuses for the bond issues dated October 4, 2010, May 21, 2012 and October 23, 2013).

### 7.2.1.8 Tax regime applicable to the Company's shares

This section outlines the rules governing French withholding tax applicable to the Company's dividends, based on current French legislation. It does not take into account the effects of any international tax treaties that may apply to individual shareholders. Shareholders are encouraged to seek advice from their tax adviser concerning their specific situation. Shareholders that are not resident in France for tax purposes are required to also comply with the tax rules in force in their country of residence. French tax residents are required to comply with applicable French tax laws.

#### (a) Withholding tax on dividends distributed to shareholders not domiciled in France for tax purposes

In principle, dividends paid by the Company are subject to withholding tax deducted by the paying agent, when the shareholder's tax domicile or registered office is located outside France. Except as specified below, withholding tax is deducted at the rate of (i) 21% when the shareholder is an individual and is resident in a member State of the European Union or a European Economic Area country that has signed a tax treaty with France containing a clause providing for administrative assistance in combating tax fraud and evasion, (ii) 15% when the shareholder is a non-profit organization headquartered in such a country, that would be taxed under Article 206-5 of the French General Tax Code if it were headquartered in France and meets the criteria set out in paragraphs 580 *et seq*. of Instruction BOI-IS-CHAMP-10-50-10-40, and (iii) 30% in all other cases.

Withholding tax is not deducted from dividends distributed to foreign investment funds that are tax residents of a member State of the European Union or a country or territory that has signed a tax treaty with France containing a clause providing for administrative assistance in combating tax fraud and evasion and stipulating that the French tax authorities are entitled to obtain from the country where the fund is established the information necessary to verify that the funds (i) raise capital from a number of investors with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and (ii) have similar characteristics to the French investment funds governed by section 1, paragraphs 1, 2, 3, 5 and 6 of subsection 2, subsection 3 or subsection 4 of section 2 in chapter IV, part I, book II of France's Monetary and Financial Code.

The withholding tax may be reduced or canceled in application of international tax treaties or of Article 119 *ter* of the French General Tax Code, which applies in some circumstances to corporate shareholders resident in the European Union.

In addition, provided that they meet the conditions set out in Instruction BOI-RPPM-RCM-30-30-20-40, corporate shareholders that hold at least 5% of the Company's capital may, under certain circumstances, be exempt from withholding tax if their seat of management is located in a member State of the European Union or a European Economic Area country that has signed a double taxation agreement with France containing a clause providing for administrative assistance in combating tax fraud and evasion.

However, since January 1, 2013, dividends paid by the Company are subject to 75% withholding tax, whatever the shareholder's tax residence (unless an international tax treaty applies that provides for a lower rate), if they are paid outside France to an "uncooperative country or territory" within the meaning of Article 238-0 A of the French General Tax Code. The list of uncooperative countries and territories is published by ministerial order and updated annually.

Shareholders should seek advice from their tax adviser, in order to determine whether the new legislation on uncooperative countries and territories applies to them and/or whether they qualify for withholding tax relief or exemption. Shareholders are also invited to seek advice about the procedure to be followed to apply international tax treaty provisions, in particular as provided for in Instruction BOI-INT-DG-20-20-20-20, which describes the standard and simplified procedures for claiming withholding tax relief or exemption.

#### (b) Withholding tax on dividends distributed to individual shareholders domiciled in France for tax purposes

With some exceptions, dividends distributed by the Company to individual shareholders domiciled in France will be subject to a 21% withholding tax that will be deductible from the income tax due by them for that year. If the paying agent is based in France, the withholding tax will be deducted at source. However, if the paying agent is based outside France, the shareholder will be responsible for declaring the dividend income and paying the corresponding withholding tax within 15 days of the month during which the dividend is received. If the paying agent is based in a member State of the European Union or a European Economic Area country that has signed a tax treaty with France containing a clause providing for administrative assistance in combating tax fraud and evasion, the withholding tax is paid either by the paying agent designated by the shareholder at the tax office for non-residents, or by the shareholder himself.

The withholding tax will not apply to dividends received on shares held in a French PEA personal equity plan.

Individual shareholders will be able to apply for an exemption from this withholding tax under certain conditions if they belong to a tax household (*foyer fiscal*) whose reference taxable income (as defined in Article 1417-IV-1 of the French General Tax Code) for the last year but one was less than €50,000 for single taxpayers or less than €75,000 for joint taxpayers.

In addition, regardless of whether the 21% withholding tax applies or not, all dividends paid to individuals domiciled in France are subject to (*prélèvements sociaux*) social welfare surtaxes at the aggregate rate of 15.5%. These levies are withheld at source and are in addition to the individual's personal income tax liability.

The shareholders concerned are encouraged to seek advice from their tax adviser about personal income tax rules.

Dividends are subject to personal income tax at the graduated rate, after deducting the 40% rebate. The flat-rate withholding tax is deductible from this income tax or refunded in the event of a surplus.

## 7.2.2 SHARE BUYBACK PROGRAM

This section presents the share buyback program in accordance with Articles 241-1 *et seq*. of the AMF's General Regulation.

### 7.2.2.1 Authorizations granted by the Annual Shareholders Meeting

#### Authorizations to buy shares

The Shareholders Meeting of May 4, 2016 gave the Board of Directors an eighteen-month authorization to buy back a number of shares that may not exceed 10% of the total number of shares outstanding, as allowed by Articles L.225-209 *et seq*. of the French Commercial Code.

The maximum purchase price was set at €30 per share. It may be adjusted to reflect the impact of any corporate actions.

The purposes of this share buyback program are provided in the program description published on the Company's website in accordance with Articles 241-1 *et seq*. of the AMF [(1)]'s General Regulation.

(1) *Autorité des marchés financiers*

The characteristics of the buyback program are as follows:

| Type of security | Shares |
|---|---|
| Maximum percentage of capital purchased into treasury | 10% (the number of Edenred shares purchased into treasury and subsequently remitted in connection with a merger, demerger or asset contribution may not exceed 5% of the Company's share capital) |
| Maximum number of shares that may be purchased | 20,073,628 shares, representing 10% of the capital at December 31, 2015 |
| Maximum total amount allocated to the program | €602,208,840 |
| Maximum purchase price per share | €30 |
| Validity | 18 months until November 3, 2017 |

At the Shareholders Meeting scheduled for May 4, 2017, the Board will submit a proposal to approve a new eighteen-month authorization that would override the authorization granted at the Shareholders Meeting of May 4, 2016 to buy a number of shares that may not exceed 10% of the total number of shares outstanding (*i.e.* 21,563,460 shares, or 9.23% of the shares outstanding at December 31, 2016, provided Edenred held 1,805,374 of its own shares at that date, representing 0.77% of the capital at December 31, 2016) at a maximum purchase price of €30 per share. The total amount allocated to this buyback program cannot exceed €646,903,800. If the authorization is approved by the Shareholders Meeting of May 4, 2017, the share buybacks will be used for the following purposes:

- to cancel all or some of the acquired shares in connection with a capital reduction decided or authorized by the Company's shareholders in an Extraordinary Meeting;
- to allocate shares upon exercise of stock options granted under plans governed by Articles L.225-177 *et seq*. of the French Commercial Code or any similar plan;
- to allocate shares to employees in settlement of amounts due under the statutory profit-sharing scheme or to sell shares to employees through any employee savings, stock ownership or similar plan in accordance with Articles L.3332-1 *et seq*. of the French Labor Code;
- to grant shares under plans governed by Articles L.225-197-1 *et seq*. of the French Commercial Code;
- to fulfill any obligations associated with stock option plans or other allocations of shares to employees or Executive Directors of the Company or any related company;
- to allocate shares upon the exercise of rights attached to securities conferring entitlement, through redemption, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of shares in the Company;
- to make a market or ensure liquidity of the Company's shares under a liquidity contract entered into with an independent investment services provider that complies with the Code of Conduct recognized by the AMF;
- to implement any market practices authorized by the AMF as part of a share buyback program and, more generally, to carry out any transactions in relation to such programs that are authorized under the laws and regulations in force.

The program may also be used for any other purpose currently authorized or that may be authorized at a future date under the applicable laws or regulations, provided that the Company issues a press release notifying shareholders of said use.

The maximum purchase price may be adjusted as necessary to reflect the impact of any corporate actions.

The purchase, sale or transfer of shares may be carried out and settled by any method, on the basis and within the limits prescribed by the laws and regulations in force on the transaction date, in one or several transactions *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, including through block purchases or sales, through public offers of purchase or exchange, through the use of options or derivatives – but excluding the sale of put options – traded *via* regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, through the allocation of shares on conversion, redemption, exchange or exercise of share equivalents or by any other means either directly or *via* an investment services provider. The entire buyback program may be implemented through a block trade.

Shares may be bought back, sold or otherwise transferred at any time for a period of 18 months from the date of the Shareholders Meeting of May 4, 2017 until November 3, 2018, except when a takeover bid for the Company is in progress, in accordance with the applicable regulations.

## Authorization to cancel shares

The Shareholders Meeting of May 4, 2016 authorized the Board of Directors to cancel shares bought back under the provisions of Article L.225-209 *et seq*. of the French Commercial Code, for a 24-month period. The number of shares canceled in any given 24-month period may not exceed 10% of the total shares outstanding.

Pursuant to this authorization, the Board of Directors decided:

- on February 10, 2016, to cancel 503,913 shares, representing approximately 0.2% of the capital, purchased under the 2015 share buyback program authorized by the Shareholders Meeting of April 30, 2015 and set aside for cancellation;
- on July 21, 2016, to cancel 45,886 shares, representing approximately 0.02% of the capital, purchased under the 2015 share buyback program authorized by the Shareholders Meeting of April 30, 2015 and set aside for cancellation;
- on December 15, 2016, to cancel 260,731 shares, representing approximately 0.1% of the capital, purchased under the 2015 and 2016 share buyback programs authorized by the Shareholders Meetings of April 30, 2015 and May 4, 2016 respectively, and set aside for cancellation.

### 7.2.2.2 Implementation of the share buyback program in 2016

The authorizations given at the Annual Shareholders Meetings of April 30, 2015 and May 4, 2016 were used by the Company during 2016.

At December 31, 2016, 1,805,374 shares, representing 0.77% of the total number of shares making up the Company's capital, were held directly or indirectly by the Company.

#### (a) Transactions carried out excluding the liquidity contract

During 2016, the Company:

- allocated 211,440 shares to be delivered under the performance share plan of February 18, 2013 reserved for certain employees and Executive Directors who are French tax residents;
- canceled 810,530 Edenred shares totaling €15,831,433.71 to offset the stock dilution following the share issue as a result of (i) the exercise of options vested under stock option plans, and (ii) the stock grant plan of March 11, 2011 for beneficiaries who are not French tax residents.

During 2016, the Company did not purchase any shares for cancellation or for allocation under plans governed by Articles L.225-197-1 *et seq*. of the French Commercial Code.

#### (b) Transactions carried out under the liquidity contract

On November 2, 2014, the Company signed a liquidity contract with Oddo Corporate Finance to maintain a liquid market for its shares on the Euronext Paris stock exchange. The contract, which complied with the AMAFI Code of Conduct approved by the Autorité des marchés financiers (AMF) on March 21, 2011, ended on September 30, 2016.

On October 3, 2016, the Company signed a new liquidity contract with Exane BNP Paribas that complies with the AMAFI Code of Conduct approved by the AMF on March 21, 2011. During 2016, under the liquidity contract, the Company:

- purchased 3,561,639 shares at an average price of €18.16 per share, for a total outlay of €64,696,904; and
- sold 3,742,351 shares at an average price of €18.33 per share, for total proceeds of €68,579,223.

At December 31, 2016, the Company held 69,288 shares under the liquidity contract with Exane BNP Paribas, acquired at an average price of €18.82 per share, for a total of €1.304 million or 0.03% of the capital.

In addition, the Company's balance sheet at December 31, 2016 included €5.617 million in marketable securities held under the liquidity contract.

### (c) Utilization of authorizations granted by the Annual Shareholders Meeting

| Type of authorization | Maximum nominal amount authorized | Duration | Utilization in 2016 |
|---|---|---|---|
| **Share buyback program** | | | |
| Shareholders Meeting of April 30, 2015 (6th resolution) | up to the equivalent of 10% of the capital at the completion date<br>Total amount: 724,263,435<br>Maximum purchase price: €35 | 18 months | Purchase for allocation to performance share plans: 0 shares<br>Purchase for cancellation: 0 shares<br>Purchase under the Oddo liquidity contract 3,195,285 shares |
| Shareholders Meeting of May 4, 2016 (20th resolution) | up to the equivalent of 10% of the capital at the completion date<br>Total amount: 602,208,840<br>Maximum purchase price: €30 | 18 months | Purchase for allocation to performance share plans: 0 shares<br>Purchase for cancellation: 0 shares<br>Purchase under the Exane BNP liquidity contract: 1,089,474 shares<br>Purchase under the Oddo liquidity contract 2,472,165 shares |
| **Cancellation of shares** | | | |
| Shareholders Meeting of April 30, 2015 (7th resolution) | up to the equivalent of 10% of the capital at the cancellation date for each 24-month period | 18 months | Cancellation of 1,532,905 shares as decided by the Board of Directors on July 23, 2015<br>Cancellation of 79,778 shares as decided by the Board of Directors on December 18, 2015 |
| Shareholders Meeting of May 4, 2016 (21st resolution) | up to the equivalent of 10% of the capital at the cancellation date for each 24-month period | 18 months | Cancellation of 503,913 shares as decided by the Board of Directors on February 10, 2016<br>Cancellation of 45,886 shares as decided by the Board of Directors on July 21, 2016<br>Cancellation of 260,731 shares as decided by the Board of Directors on December 15, 2016 |

The Shareholders Meeting of May 4, 2017 will decide whether to renew the authorization to buy back the Company's shares and the authorization to reduce the capital by canceling shares, under the terms defined in section 8.1.

## 7.2.2.3 Overview of the share buybacks carried out in 2016

The number of shares and percentage of capital held by the Company at December 31, 2016 are summarized below (information disclosed pursuant to Instruction 2005-06 issued by the AMF on February 22, 2005):

| | |
|---|---|
| Number of Edenred shares canceled over the last twenty-four months | 2,423,213 |
| Number of Edenred shares held in treasury at December 31, 2016, of which | 1,805,374 |
| • shares held following buyback for cancellation | 1,723 |
| • shares held for allocation under performance share plans | 1,734,363 |
| • shares held under the liquidity contract with Oddo Corporate Finance | 69,288 |
| Percentage of capital held by the Company directly and indirectly at December 31, 2016 | 0.77% |
| Book value of treasury shares | €31.537 million |
| Market value of treasury shares at December 31, 2016 | €34.004 million |

As no share buybacks were carried out by the Company in 2016, total related transaction fees excluding tax amounted to €0.

The Company held no open long or short positions in derivatives at December 31, 2016.

## 7.2.3 FINANCIAL AUTHORIZATIONS

At the Annual Shareholders Meeting of May 4, 2016, shareholders granted the Board of Directors the following authorizations.

| Type of authorization | Date of authorization | Nominal amount authorized | Duration and expiry date | Utilization | Financial authorization to be recommended at the Annual Shareholders Meeting of May 4, 2017 |
|---|---|---|---|---|---|
| **Issue of shares** | | | | | |
| Issue with pre-emptive subscription rights | Shareholders Meeting of May 4, 2016 22nd resolution | Equity securities: €152 million Debt securities: €1,523 million | 26 months July 4, 2018 | | |
| Public offering without pre-emptive subscription rights | Shareholders Meeting of May 4, 2016 23rd resolution | Equity securities: €23 million (1) Debt securities: €230 million (2) These maximum amounts are deducted from the maximum amounts authorized in the 22nd resolution | 26 months July 4, 2018 | | |
| Private placement without pre-emptive subscription rights | Shareholders Meeting of May 4, 2016 24th resolution | Equity securities: €23 million Debt securities: €230 million These maximum amounts are deducted from the maximum amounts authorized in the 22nd resolution | 26 months July 4, 2018 | | |
| Increase in the amount of any issues that are oversubscribed | Shareholders Meeting of May 4, 2016 25th resolution | 15% of the amount of the initial issue | 26 months July 4, 2018 | | |
| In payment for contributed assets | Shareholders Meeting of May 4, 2016 26th resolution | Equity securities: €45 million These maximum amounts are deducted from the maximum amounts authorized in the 22nd resolution | 26 months July 4, 2018 | | |
| Issuance of new shares by capitalizing reserves, retained earnings, additional paid-in capital or any other eligible amounts | Shareholders Meeting of May 4, 2016 27th resolution | Equity securities: €152 million (3) | 26 months July 4, 2018 | | |

*(1) Maximum amount applicable to the 23rd, 24th and 26th resolutions adopted at the Annual Shareholders Meeting of May 4, 2016.*
*(2) Maximum amount applicable to the 23rd and 24th resolutions adopted at the Annual Shareholders Meeting of May 4, 2016.*
*(3) Maximum amount applicable to the 22nd, 23rd, 24th, 25th, 26th and 27th resolutions adopted at the Annual Shareholders Meeting of May 4, 2016.*

| Type of authorization | Date of authorization | Nominal amount authorized | Duration and expiry date | Utilization | Financial authorization to be recommended at the Annual Shareholders Meeting of May 4, 2017 |
|---|---|---|---|---|---|
| **Employee savings plans** | | | | | |
| Issue without pre-emptive subscription rights reserved for members of an employee stock ownership plan | Shareholders Meeting of May 4, 2016 28th resolution | 2% of the capital as at the close of the Shareholders Meeting of May 4, 2016 | 26 months July 4, 2018 | | |
| **Stock option and performance share plans** | | | | | |
| Performance share plans | Shareholders Meeting of April 30, 2015 8th resolution | 1.5% of the capital as at the award date Annual maximum amount of 0.06% of the capital as at the award date for the Executive Director | 26 months June 30, 2017 | Board meeting of December 9, 2015 awarded 137,363 performance share rights | |
| | Shareholders Meeting of May 4, 2016 29th resolution | 1.5% of the capital as at the award date Annual maximum amount of 0.1% of the capital as at the award date for the Executive Director | 26 months July 4, 2018 | Board meeting of May 4, 2016 awarded 990,080 performance share rights Board meeting of February 23, 2017 awarded 794,985 performance share rights | |

In addition to these authorizations to issue shares, the Shareholders Meeting authorized the Board of Directors to cancel shares bought back by the Company. This authorization was used by the Board of Directors in 2016 (see paragraph 7.2.2.2 (c) Utilization of authorizations granted by the Annual Shareholders Meeting above).

## 7.2.4 SHARE EQUIVALENTS

The Company has not issued any share equivalents.

However, it should be noted that:

- up to 1,830,251 new shares may be issued upon exercise of stock options;
- up to 4,098,537 new or existing shares may be awarded to holders of performance share rights that have not yet vested.

Stock option plans and performance share plans are described from page 136.

## 7.2.5 SHARES NOT REPRESENTING CAPITAL

The Company has not issued any shares not representing capital. There are no other potential ordinary shares.

## 7.2.6 CHANGES IN CAPITAL

### Table showing changes in capital as at December 31, 2016

The Company's capital has changed over the past seven years as follows:

| | | Amount of the change in capital | | | | |
|---|---|---|---|---|---|---|
| **Transaction date** | **Transaction** | **Number of shares** | **Par value** *(in €)* | **Premium** *(in €)* | **New capital** *(in €)* | **Total number of shares** |
| Dec. 14, 2006 | Initial capital | 370 | 37,000 | | 37,000 | 370 |
| April 9, 2010 | Cancellation of shares | 119 | 11,900 | | 25,100 | 251 |
| April 9, 2010 | Issue of shares | 119 | 11,900 | 100 | 37,000 | 370 |
| April 9, 2010 | 50-for-1 stock-split | 18,500 | 37,000 | | 37,000 | 18,500 |
| May 11, 2010 | Shares issued in payment for assets contributed by Accor S.A. | 225,878,896 | 451,757,792 | 647,427,593.63 | 451,794,792 | 225,897,396 |
| July 23, 2013 | Cancellation of shares | 259,066 | 518,132 | 4,149,941 | 451,276,660 | 225,638,330 |
| Aug. 7, 2013 | Issue of shares after vesting of shares granted | 259,066 | 518,132 | (518,132) | 451,794,792 | 225,897,396 |
| June 16, 2014 | Issue of shares after dividend reinvestment | 2,914,150 | 5,828,300 | 55,223,142 | 457,623,092 | 228,811,546 |
| Dec. 16, 2014 | Issue of shares after exercise of stock options | 1,622,871 | 3,245,742 | 18,971,362 | 454,377,350 | 227,188,675 |
| Dec. 16, 2014 | Cancellation of shares | 1,622,871 | 3,245,742 | (33,990,695) | 457,623,092 | 228,811,546 |
| Feb. 11, 2015 | Issue of shares after exercise of stock options | 52,975 | 105,950 | 619,278 | 457,729,042 | 228,864,521 |
| June 4, 2015 | Issue of shares after dividend reinvestment | 2,005,302 | 4,010,604 | 38,040,578 | 461,739,646 | 230,869,823 |
| July 23, 2015 | Cancellation of shares | 1,532,905 | 3,065,810 | (30,222,379.86) | 458,673,836 | 229,336,918 |
| Aug. 7, 2015 | Issue of shares after vesting of shares granted | 602,422 | 1,204,844 | (1,204,844) | 459,878,680 | 229,939,340 |
| Aug. 7, 2015 | Issue of shares after exercise of stock options | 877,508 | 1,755,016 | 10,708,628 | 461,633,696 | 230,816,848 |
| Dec. 18, 2015 | Issue of shares after exercise of stock options | 79,778 | 159,556 | 1,026,300.82 | 461,793,249 | 230,896,626 |
| Dec. 18, 2015 | Cancellation of shares | 79,778 | 159,556 | (1,557,421.93) | 461,633,696 | 230,816,848 |

| Transaction date | Transaction | Amount of the change in capital | | | New capital | Total number |
|---|---|---|---|---|---|---|
| | | Number of shares | Par value *(in €)* | Premium *(in €)* | *(in €)* | of shares |
| Feb. 10, 2016 | Issue of shares after exercise of stock options | 2,400 | 4,800 | 28,056 | 461,638,496 | 230,819,248 |
| Feb. 10, 2016 | Cancellation of shares | 503,913 | 1,007,826 | (9,215,133.48) | 460,630,670 | 230,315,335 |
| March 12, 2016 | Issue of shares after vesting of shares granted | 501,513 | 1,003,026 | (1,003,026) | 461,633,696 | 230,816,848 |
| June 15, 2016 | Issue of shares after dividend reinvestment | 2,862,997 | 5,725,994 | 37,619,780.58 | 467,359,690 | 233,679,845 |
| July 21, 2016 | Issue of shares after exercise of stock options | 45,886 | 91,772 | 536,407.34 | 467,451,462 | 233,725,731 |
| July 21, 2016 | Cancellation of shares | 45,886 | 91,772 | (741,882.29) | 467,359,690 | 233,679,845 |
| Dec. 15, 2016 | Issue of shares after exercise of stock options | 260,731 | 521,462 | 3,357,717.39 | 467,881,152 | 233,940,576 |
| Dec. 15, 2016 | Cancellation of shares | 260,731 | 521,462 | (4,253,357.94) | 467,359,690 | 233,679,845 |

# 7.3 OWNERSHIP STRUCTURE

## 7.3.1 OWNERSHIP OF SHARES AND VOTING RIGHTS

In accordance with the declaration made on January 4, 2017 pursuant to Article L.233-8-II of the French Commercial Code and Article 223-16 of the General Regulation of the Autorité des marchés financiers, at December 31, 2016, the Company's capital was made up of 233,688,345 shares representing a total of 257,005,272 voting rights, of which 255,200,898 were exercisable.

At December 31, 2016, the Company had 2,465 registered shareholders representing 12.3% of the Company's capital and 19.9% of exercisable voting rights.

The Company's ownership structure over the last three years was as follows:

| | At November 30, 2016 [3] | | | At November 30, 2015 [3] | | | At November 30, 2014 [3] | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % capital | % voting rights | Number of shares | % capital | % voting rights | Number of shares | % capital | % voting rights |
| **ColDay (Colony Capital) [1]** | 25,848,944 | 11.05% | 16.85% | 25,848,944 | 11.20% | 17.00% | 25,506,869 | 11.08% | 14.67% |
| **The Capital Group Companies, Inc.** | 46,392,499 | 19.83% | 18.03% | 46,282,803 | 20.05% | 18.15% | 26,608,781 | 11.58% | 10.75% |
| **Morgan Stanley IM** | - | - | - | - | - | - | - | - | - |
| **Véritas AM LLP** | - | - | - | 11,307,070 | 4.90% | 4.43% | 11,307,070 | 4.91% | 4.56% |
| **Other institutional investors** | 147,350,814 | 62.99% | 57.27% | 131,417,293 | 56.92% | 51.53% | 150,216,361 | 65.28% | 60.67% |
| **Individual shareholders** | 12,302,127 | 5.26% | 7.05% | 12,817,382 | 5.55% | 7.63% | 12,712,005 | 5.52% | 7.83% |
| **Edenred (treasury stock) [2]** | 2,045,792 | 0.87% | 0.80% | 3,212,834 | 1.39% | 1.26% | 3,753,784 | 1.63% | 1.52% |
| **TOTAL** | **233,940,176** | **100%** | **100%** | **230,886,326** | **100%** | **100%** | **230,104,870** | **100%** | **100%** |

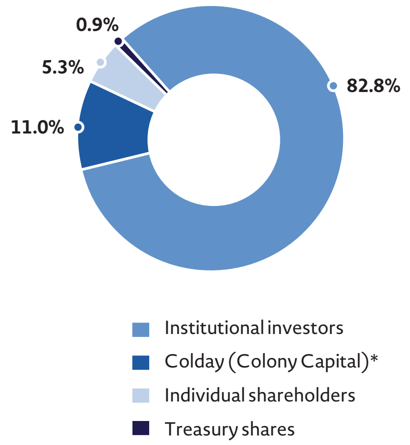
*Sources: Euroclear France, Edenred share register, additional survey and disclosures made to the Autorité des marchés financiers.*

*(1) On January 20, 2017, ColDay (Colony Capital) disclosed that it had sold its interest in Edenred (AMF reference no. 217C0254).*

*(2) At December 31, 2016, 1,805,374 shares, representing 0.77% of the total number of shares making up the Company's capital, were held by the Company. The voting rights associated with shares held in treasury are not exercisable.*

*(3) Date of the most recent shareholder survey.*

### THE COMPANY'S OWNERSHIP STRUCTURE IS AS FOLLOWS:




** On January 20, 2017, Colday announced that it no longer held any Edenred shares.*

The free float represents 88.1% of outstanding shares.

During the past three years, the following registered intermediaries and fund managers notified the Autorité des marchés financiers of changes in their interests, in accordance with disclosure threshold rules:

| Registered intermediary or fund manager | Disclosure date | AMF reference no. | Increase or decrease in interest | Number of shares held | % capital | Number of voting rights held | % voting rights |
|---|---|---|---|---|---|---|---|
| The Capital Group Companies, Inc. | September 12, 2014 | 214C1884 | Increase | 12,522,526 | 5.45% | 12,522,526 | 5.07% |
| Morgan Stanley Investment Management | September 18, 2014 | 211C1920 | Decrease | 9,070,152 | 3.95% | 9,070,152 | 3.67% |
| The Capital Group Companies, Inc. | October 24, 2014 | 214C2220 | Increase | 23,485,133 | 10.22% | 23,485,133 | 9.50% |
| The Capital Group Companies, Inc. | October 29, 2014 | 214C2255 | Increase | 26,608,781 | 11.58% | 26,608,781 | 10.76% |
| The Capital Group Companies, Inc. | December 17, 2014 | 214C2658 | Increase | 35,052,654 | 15.23% | 35,052,654 | 14.16% |
| The Capital Group Companies, Inc. | December 18, 2014 | 214C2666 | Increase | 37,509,500 | 16.30% | 37,509,500 | 15.15% |
| ColDay SARL | April 9, 2015 | 215C0421 | Increase | 25,508,736 | 11.13% | 43,355,313 | 17.44% |
| ColDay SARL | April 9, 2015 | 215C0421 | Increase | 25,374,596 | 11.06% | 43,355,313 | 17.36% |
| ColDay SARL | October 22, 2015 | 215C1482 | Increase | 25,848,944 | 11.20% | 43,355,313 | 17.00% |
| The Capital Group Companies, Inc. | October 26, 2015 | 215C1501 | Increase | 46,282,803 | 20.05% | 46,282,803 | 18.14% |
| The Capital Group Companies, Inc. | January 13, 2016 | 216C0126 | Increase | 51,180,473 | 22.17% | 51,180,473 | 20.08% |
| Deutsche Bank AG | February 19, 2016 | 216C0539 | Increase | 11,550,796 | 5.00% | 11,550,796 | 4.53% |
| Deutsche Bank AG | February 23, 2016 | 216C0552 | Decrease | 11,060,015 | 4.79% | 11,060,015 | 4.34% |
| Veritas Asset Management LLP | April 21, 2016 | 216C0958 | Decrease | 10,418,089 | 4.51% | 10,418,089 | 4.08% |
| Capital Group | October 17, 2016 | 216C2360 | Decrease | 51,501,110 | 22.03% | 51,501,110 | 19.99% |
| Oppenheimer Funds | December 5, 2016 | 216C2724 | Increase | 11,887,931 | 5.08% | 11,887,931 | 4.62% |
| Capital Group | December 20, 2016 | 216C2862 | Decrease | 46,392,499 | 19.83% | 46,392,499 | 18.03% |
| ColDay (Colony Investors) | January 20, 2017 | 217C0254 | Decrease | 0 | 0 | 0 | 0 |
| BlackRock Inc. | January 27, 2017 | 217C0306 | Increase | 11,781,391 | 5.04% | 11,781,391 | 4.58% |
| BlackRock Inc. | January 30, 2017 | 217C0320 | Decrease | 11,673,401 | 4.99% | 11,673,401 | 4.54% |
| BlackRock Inc. | February 15, 2017 | 217C0468 | Increase | 11,710,013 | 5.01% | 11,710,013 | 4.73% |
| BlackRock Inc. | February 24, 2017 | 217C0534 | Hausse | 12,625,924 | 5.40% | 12,625,924 | 5.10% |

## Shareholders' pacts

None.

## Voting rights of the main shareholders

As of December 31, 2016, each Edenred share entitled its holder to one vote.

However, Article 24 of the Company's bylaws states that, under certain circumstances, shares may be attributed double voting rights.

As a result, paid-up shares registered in the name of the same holder for at least two years have double voting rights (see section 7.2.1.4 "Voting rights", page 278).

In accordance with the declaration made on January 4, 2017 pursuant to Article L.233-8-II of the French Commercial Code and Article 223-16 of the General Regulation of the Autorité des marchés financiers, at December 31, 2016, the Company's capital was made up of 233,688,345 shares representing a total of 257,005,272 voting rights, of which 255,200,898 were exercisable.

## Agreements that may lead to a change of control

None.

### 7.3.2 DIVIDENDS

Edenred made the following dividend payments in the past three years:

| Year | Shares outstanding at December 31 | Dividend per share *(in €)* | Total dividend paid *(in €)* | Paid on | Share price *(in €)* | | | Yield based on year-end price |
|---|---|---|---|---|---|---|---|---|
| | | | | | High | Low | Year-end | |
| 2015 | 233,688,345 | 0.84 | 191,975,172 | June 15, 2016 | 27.15 | 14.19 | 17.45 | 4.81% |
| 2014 | 228,864,521 | 0.84 | 191,332,462 | June 8, 2015 | 25.10 | 19.27 | 22.96 | 3.66% |
| 2013 | 225,897,396 | 0.83 | 185,294,847 | June 18, 2014 | 27.10 | 22.50 | 24.33 | 3.41% |

No interim dividend was paid during the year. Dividends are paid by Euroclear France.

Dividends not claimed within five years from the date of payment are forfeited, as provided for by law. The dividend policy set out in the bylaws is described in section 7.2.1.4.

At the Annual Shareholders Meeting of May 4, 2017, the Board of Directors will recommend setting the 2016 dividend at €0.62 per share. Shareholders will be paid half of the 2016 dividend in cash. They may opt to receive the other half of the dividend in cash or reinvest it in new shares at a 10% discount.

## 7.4 MARKET FOR EDENRED SECURITIES

### MARKET FOR EDENRED SHARES

Edenred shares are traded on the Euronext Paris stock exchange (Compartment A). They are included in the following stock market indices: SBF 120, SBF 250, CAC High Dividend, CAC All-Share, Euronext 100, MSCI Standard Index Europe, FTSE4GOOD and DJSI.

The shares were initially listed at a reference price of €11.40. On the first day of trading (July 2, 2010), the shares opened at €13 and closed at €14.80.

On the last day of trading in 2016, the shares closed at €18.84, giving the Company a market capitalization of €4.4 billion.

## EDENRED SHARE PRICES AND TRADING VOLUMES (ISIN: FR0010908533)

| *(in €)* | Average closing price | High | Low | Trading volume |
|---|---|---|---|---|
| **2016** | | | | |
| January | 16.12 | 17.64 | 14.90 | 23,221,045 |
| February | 15.54 | 17.40 | 13.22 | 29,124,511 |
| March | 16.99 | 18.32 | 15.92 | 20,995,992 |
| April | 17.57 | 19.05 | 16.21 | 18,011,930 |
| May | 16.77 | 17.58 | 16.08 | 14,891,926 |
| June | 16.79 | 18.55 | 15.70 | 19,851,908 |
| July | 19.78 | 21.33 | 18.31 | 17,708,335 |
| August | 19.94 | 21.95 | 19.06 | 13,237,260 |
| September | 20.37 | 21.30 | 19.60 | 12,931,964 |
| October | 20.99 | 22.45 | 18.97 | 19,223,710 |
| November | 19.58 | 21.38 | 18.47 | 19,721,284 |
| December | 19.04 | 20.48 | 18.40 | 18,582,135 |
| **2017** | | | | |
| January | 19.94 | 21.00 | 18.68 | 21,160,852 |
| February | 20.74 | 21.50 | 20.00 | 13,620,541 |

*Source: Euronext.*

## SHAREHOLDER SERVICES

Shareholder services are provided by:

Société Générale Securities Services

SGSS/SBO/CSS/BOC

32, rue du Champ-de-Tir

BP 81236 – 44312 Nantes Cedex 3, France

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# 8.1 PRESENTATION OF PROPOSED RESOLUTIONS

## 8.1.1 APPROVAL OF THE FINANCIAL STATEMENTS, APPROPRIATION OF PROFIT AND DIVIDEND PAYMENT

The purpose of the **first resolution** is to approve the annual financial statements of Edenred SA for the year ended December 31, 2016, which show net profit of €206,620,521. In application of Article 223 *quater* of the French General Tax Code (*Code général des impôts*), the shareholders are also invited to approve the aggregate amount of non-deductible costs and expenses referred to in Article 39, paragraph 4 of said Code, which amounted to €161,483 for 2016, and the tax paid thereon, which was €55,599.

The purpose of the **second resolution** is to approve the consolidated financial statements of the Edenred Group for the year ended December 31, 2016, which show attributable net profit of €180 million, as well as the transactions reflected in the financial statements or described in the Board of Directors' Management Report.

The **third resolution** concerns the appropriation of profit and payment of a dividend. The Board of Directors recommends appropriating distributable earnings as follows:

- legal reserve: €572,600, which increases the total to €46,735,969;
- retained earnings: €61,890,921, which increases the total to €215,166,004;
- dividends: €144,157,000 (based on 231,882,971 shares carrying dividend rights at December 31, 2016).

Shareholders are invited to set the 2016 dividend at €0.62 per share.

Dividends per share for the previous three years were as follows:

- 2013: €0.83;
- 2014: €0.84;
- 2015: €0.84.

The **fourth resolution** provides for the option of payment in new Company shares. Under this option, shareholders can choose to receive half of their 2016 dividend in Edenred shares, as follows:

- €0.31 per share in cash only; and
- €0.31 per share in cash or in new Edenred shares.

The option of payment in shares allows the Company to increase its equity capital while preserving its cash reserves. Shareholders that choose to reinvest their dividends help to finance Edenred's future investments, which in turn will contribute to driving future earnings growth.

The new shares allocated to shareholders that choose to reinvest part of their dividends will be issued at a price equal to 90% of the average opening price quoted for Edenred shares during the twenty trading days preceding the Annual Shareholders Meeting of May 4, 2017, rounded up to the nearest euro cent. They will carry the same rights as existing shares, including rights to all dividends distributed after their issue date. If the amount of dividends for which the reinvestment option is exercised does not correspond to a whole number of shares, the shareholder will receive the lower whole number of shares and the balance in cash.

The dividend reinvestment option will be exercisable between May 12, 2017 and the close of business on June 2, 2017. Shareholders that do not exercise the option by June 2, 2017 will receive the total dividend in cash. For shareholders that do not opt to reinvest part of their dividend, the cash dividend will be paid as from June 15, 2017. For shareholders that opt to reinvest part of their dividend, the shares will be delivered as from the same date, *i.e.*, June 15, 2017.

## 8.1.2 ADVISORY VOTE ON THE COMPENSATION DUE OR AWARDED TO THE EXECUTIVE DIRECTOR FOR 2016 AND APPROVAL OF THE REMUNERATION POLICY OF THE EXECUTIVE DIRECTOR

The Say-on-Pay provision introduced in 2013 in the AFEP-MEDEF Corporate Governance Code, to which the Company refers, recommended that the compensation awarded to the Executive Director be submitted to an advisory vote by the shareholders. At the end of 2016, these arrangements were amended by the Sapin II Act on transparency, anti-corruption and business reform and codified in Article L.225-37-2 of the French Commercial Code *(Code de commerce)*. The new Say-on-Pay arrangements now require executive compensation to be submitted to two binding votes (ex- post vote and ex-ante vote) by the shareholders, on the following basis:

- an *ex post* vote on the amounts of fixed, variable and exceptional components of the total compensation and benefits paid in the previous year. This binding *ex post* vote will apply for the first time at the 2018 Annual Shareholders Meeting. However, the advisory *ex post* vote recommended in Article 26 of the AFEP-MEDEF Corporate Governance Code will still apply this year for the last time, and is the purpose of the **fifth resolution**.

- An ex ante vote on the principles and criteria for setting, allocating and awarding fixed, variable and exceptional components comprising the total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer. Shareholders will be asked to vote for the first time at the 2017 Annual Shareholders Meeting and every year thereafter. A vote will also be required each time the Chairman and Chief Executive Officer's term of office is renewed. This is the purpose of the **sixth resolution**, as explained hereinafter page 299.

Accordingly, as recommended by the AFEP-MEDEF Corporate Governance Code, the following components of the compensation due or awarded to the Executive Director during the year are submitted to the advisory vote of the shareholders:

- salary;
- annual performance bonus and any long-term incentive, together with details of the related objectives;
- any exceptional bonuses;
- stock options, performance shares and any other deferred compensation;
- signing bonus or compensation for loss of office;
- supplementary pension plans;
- other benefits.

In the **fifth resolution**, shareholders are invited to issue a favorable opinion on the components of the compensation due or awarded for the year ended December 31, 2016 to Bertrand Dumazy, Chairman and Chief Executive Officer.

## Compensation due or awarded to Bertrand Dumazy, Chairman and Chief Executive Officer, for 2016, submitted to an advisory vote by shareholders

### Compensation due or awarded for the year ended December 31, 2016

| Compensation components | Amount | Comments |
|---|---|---|
| Salary | €750,000 | Gross annual salary of €750,000 approved by the Board of Directors on February 10, 2016 based on the recommendation of the Compensation and Appointments Committee. |
| Annual bonus | €1,226,550 | ***General principle:***<br>The bonus may range from 0% to 120% of Bertrand Dumazy's annual fixed salary and may be increased to a maximum of 180% if the financial and operational targets are exceeded, as follows:<br>• a bonus of up to 65% of annual fixed salary based on financial targets, including 50% based on EBIT and 15% based on earnings per share. In the event that the financial targets are exceeded, as approved by the Board of Directors, the bonus may reach 105% of annual fixed salary;<br>• a bonus of up to 30% of annual fixed salary based on three operational targets related to the Group's strategy, each representing 10% of annual fixed salary. The targets relate to the Group's transformation rate, expense management solutions issue volumes and sales via digital channels. In the event that the operational targets are exceeded, as approved by the Board of Directors, the bonus may reach 50% of annual fixed salary;<br>• a bonus of up to 25% of annual fixed salary based on managerial targets related to the Group's strategy, such as the successful integration of Embratec.<br>***2016***<br>Bertrand Dumazy's 2016 bonus was determined during the Board meeting held on February 22, 2017, based on the recommendation of the Compensation and Appointments Committee and after the relevant financial performance data had been validated by the Audit & Risks Committee, as follows:<br>• the bonus based on financial targets amounted to 101.54% of annual fixed salary;<br>• the bonus based on operational targets amounted to 37% of annual fixed salary;<br>• the bonus based on managerial targets amounted to 25% of annual fixed salary;<br>Making a total of 163.54% of annual fixed salary. |

| Compensation components | Amount | Comments |
|---|---|---|
| Deferred compensation | €0 | Bertrand Dumazy was not awarded any deferred compensation. |
| Long-term incentive | €0 | Bertrand Dumazy was not awarded any long-term incentive. |
| Exceptional bonus | €0 | Bertrand Dumazy was not awarded any exceptional bonus. |
| Directors' fees | €0 | Bertrand Dumazy does not receive any directors' fees. |
| Stock options and/or performance shares | 149,600 performance share rights awarded, valued at €2,250,000 based on the method used in the consolidated financial statements | On May 4, 2016, the Board of Directors used the authorization granted at the Annual Shareholders Meeting of May 4, 2016 to award Bertrand Dumazy 149,000 performance shares.<br>Three performance criteria apply for the definitive allocation of performance shares, measured over a period of three consecutive financial years, and the performance shares will vest as follows:<br>• 37.5% if the target for like-for-like issue volume growth is met;<br>• 37.5% if the target for like-for-like growth in funds from operations (FFO) is met;<br>• 25% if the stock market performance target is met, corresponding to Edenred's total shareholder return (TSR) compared with the average TSR for companies included in the SBF 120 index.<br>The Chairman and Chief Executive Officer must hold 15% of the performance shares granted for as long as he remains in office. Executive Directors are banned by the Company from hedging the related equity risk until the end of the lock-up period for shares set by the Board of Directors.<br>No stock options were granted to Bertrand Dumazy during 2016. |
| Signing bonus | €500,000 | In order to align the interests of the Chairman and Chief Executive Officer to those of the shareholders and to compensate for certain benefits to which Bertrand Dumazy would have been entitled had he remained in his previous position, the Board of Directors, at its meeting of September 10, 2015, on the recommendation of the Compensation and Appointments Committee, awarded Bertrand Dumazy a signing bonus of €1,000,000, of which €500,000 was paid when he took up office and €500,000 in March 2016. |
| Other benefits | €3,648 | Bertrand Dumazy is entitled to a company car. |

## Compensation due or awarded for the year ended December 31, 2016 which will be or has already been put to the vote at the Shareholders Meeting in accordance with the procedure governing related-party agreements and commitments

| Compensation components | Amount | Comments |
|---|---|---|
| Termination benefits | No benefits due or paid | Termination benefits would be payable to Bertrand Dumazy should he be forced to stand down for any reason whatsoever. This compensation would not exceed two years' total gross annual compensation (1) and would be subject to performance criteria assessed over a three-year period.<br>If Bertrand Dumazy is forced to stand down less than two years after his appointment, he would be entitled to receive a settlement in an amount equal to two years' salary and bonus. If he is forced to stand down more than two years but less than three years after his appointment, the reference period used to determine the performance criteria would be reduced to the last two elapsed years.<br>For further details, see page 131 of the 2016 Registration Document.<br>In accordance with the procedure governing related-party agreements and commitments, this commitment was authorized by the Board of Directors on February 10, 2016 and approved by the Annual Shareholders Meeting of May 4, 2016. |
| Non-compete indemnity | N/A | Bertrand Dumazy has not signed a non-compete clause. |
| Supplementary pension plan | No benefits due or paid | Bertrand Dumazy participates in the Edenred defined contribution and defined benefit pension plans on the same basis as other senior executives of the Company.<br>Under the defined benefit plan, the Company is committed to paying an annuity to plan participants when they retire, provided that they are still on the Company's payroll at that date and the performance criteria related to the achievement of targets for the calculation of variable compensation are met. For further details, see page 132 of the 2016 Registration Document. A waiting period of one year from the date of appointment is required before an Executive Director is entitled to Article 83 benefits and a period of six months for Article 39 benefits. Edenred's annual contribution to the defined contribution plan on Bertrand Dumazy's behalf represented 0.23% of his gross annual compensation for 2016, i.e., €1,750.<br>Benefits paid under the two plans may not represent a replacement rate of more than 30% of the final gross annual compensation. The overall replacement rate represented by all benefits paid under compulsory plans and Edenred supplementary pension plans is capped at 35% of the average reference compensation for the best highest paid years out of Bertrand Dumazy's last ten years before retirement.<br>In accordance with the procedure governing related-party agreements and commitments, these commitments were authorized by the Board of Directors on September 10, 2015 and February 10, 2016, and approved by the Annual Shareholders Meeting of May 4, 2016. |
| Death/disability and health insurance plan | No benefits due or paid | Bertrand Dumazy is covered by the death/disability and health insurance plan set up for employees, which has been extended to include the Executive Director. Premiums paid by the Company for this extended cover in 2016 amounted to €5,450.<br>In accordance with the procedure governing related-party agreements and commitments, this commitment was authorized by the Board of Directors on September 10, 2015 and approved by the Annual Shareholders Meeting of May 4, 2016. |
| Unemployment insurance | No benefits due or paid | In 2016, Bertrand Dumazy was covered under an insurance plan set up with Association GSC, entitling him to unemployment benefits equal to 70% of his contractual income for a period of up to 18 months. The total annual cost of the plan for Edenred was €13,231. As of January 1, 2017, Bertrand Dumazy is covered under an insurance plan set up with Association GSC entitling him to unemployment benefits equal to 70% of his contractual income for a period of 24 months, as stipulated in Association GSC's terms and conditions, which also require a waiting period of one year after taking office before Bertrand Dumazy can benefit from the 24-month coverage. The total annual cost of the plan for Edenred will be €31,245.<br>In accordance with the procedure governing related-party agreements and commitments, this new commitment was authorized by the Board of Directors on December 15, 2016, and will be submitted to shareholders for approval at this Shareholders Meeting, in a separate resolution. |

*(1) Gross annual compensation corresponds to the participant's fixed salary and bonus, excluding any exceptional bonuses.*

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, the **sixth resolution** is subject to an ex ante vote by the shareholders on the principles and criteria for setting, allocating and awarding the fixed, variable and exceptional components comprising the total compensation and benefits of any kind which could be awarded to the Chairman and Chief Executive Officer by the Company.

Full details of the executive compensation policy, the process for determining this policy and the components thereof are provided in section 5.4.1 "Fixed and variable compensation policy and components of any kind attributable to the Chairman and Chief Executive Officer", pages 127 to 129 of this Registration Document.

Shareholders are reminded that, in accordance with the provisions of Article L.225-37-2 of the French Commercial Code, the amounts paid in the previous year in implementation of this policy will be subject to an *ex post* vote at the 2018 Annual Shareholders Meeting.

## 8.1.3 RE-ELECTION OF DIRECTORS

In the **seventh, eighth and ninth resolutions**, shareholders are invited to re-elect Anne Bouverot, Sylvia Coutinho and Françoise Gri as directors for the four-year term specified in the articles of association.

The attendance rates at Board meetings of the directors standing for re-election are as follows:

- Anne Bouverot: 71% (1);
- Sylvia Coutinho: 100% ;
- Françoise Gri: 86%.

Provided they are re-elected, the Board plans to confirm:

- Anne Bouverot's appointment as member of the Audit & Risks Committee;
- Françoise Gri's appointment as Chairman of the Compensation and Appointments Committee.

Sylvia Coutinho, a Brazilian citizen, and Anne Bouverot and Françoise Gri, both French citizens, are all independent directors pursuant to the criteria set out in the AFEP-MEDEF Corporate Governance Code.

Detailed information about Anne Bouverot, Sylvia Coutinho and Françoise Gri is provided in section 5.2 pages 107, 108, 109, 110, 113.

Following Philippe Citerne's decision not to stand for re-election at the next Annual Shareholders' Meeting, the Board of Directors will vote on his replacement as Vice-Chairman of the Board of Directors, lead Independent Director, Chairman of the Audit & Risks Committee and member of the Compensation and Appointments Committee, and will submit its decisions to the Shareholders Meeting.

*(1) The Board would like to point out that Anne Bouverot has had a very full business calendar in the past 18 months due to the sale of Safran's biometric subsidiary, Safran Identity & Security (formerly Morpho), of which she is Chairman, to the Oberthur Group. She nonetheless managed to attend the five Board meetings initially scheduled but was unable to make the two additional meetings, which were called at very short notice to approve financial information that had already been reviewed by the Audit & Risks Committee, of which she is a member and for which her attendance rate was 80% this year. The Board would also like to point out that Anne Bouverot's attendance rate since she became a director on June 29, 2010 is 85%.*

## 8.1.4 RELATED-PARTY AGREEMENTS AND COMMITMENTS

In the **tenth resolution**, shareholders are invited to approve the related-party agreement governed by Article L.225-38 of the French Commercial Code, as authorized by the Board of Directors during 2016, in favor of Bertrand Dumazy in his capacity as Chairman and Chief Executive Officer, relating to the extension to his private unemployment insurance plan covering him for a period of 24 months subject to a waiting period of one year as of taking up office. For further details, see the «Say-on-Pay» tables above and the section on the compensation due to Bertrand Dumazy, on page 130. This information as well as the related-party agreements and commitments governed by Article L.225-38 of the French Commercial Code, previously approved by the shareholders in prior years and having continuing effect during the year, are covered in the Statutory Auditor's special report on page 309 of the 2016 Registration Document, and submitted for approval of the shareholders in the **eleventh resolution**.

## 8.1.5 SETTING OF DIRECTOR'S FEES

In the **twelfth resolution**, the shareholders are invited to increase the aggregate amount of directors' fees to be allocated among the members of the Board of Directors in order to anticipate the arrival of new directors and to take account of the election of an employee-representative director in 2018. The Board of Directors proposes an aggregate amount of directors' fees of €590,000 as of January 1, 2017. We would remind you that the aggregate amount of directors' fees has not been increased since the Company's initial public offering.

## 8.1.6 AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

### 8.1.6.1 Authorization to trade in the Company's shares

The purpose of the **thirteenth resolution** is to authorize the Board of Directors to trade in Edenred SA shares on the Company's behalf, subject to compliance with the applicable laws. This authorization is being sought for a period of 18 months from the date of this Shareholders Meeting. It will supersede the authorization granted by the Annual Shareholders Meeting of May 4, 2016 in its twentieth resolution.

The authorization could be used for the following purposes:

- canceling all or some of the shares acquired as part of a capital reduction or any other resolution to the same effect that supersedes said resolution while this authorization is still valid;
- implementing a stock option plan or similar plan;
- allocating shares to employees in settlement of amounts due under the statutory profit-sharing scheme or selling shares to employees through any employee savings, stock ownership or similar plan;
- granting shares under plans governed by Articles L.225-197-1 *et seq.* of the French Commercial Code;
- fulfilling any obligations associated with stock option plans or other allocations of shares to employees or Executive Directors of the Company or any related company;
- purchasing shares for remittance in payment, exchange or otherwise, in connection with external growth transactions;
- allocating shares on conversion, redemption, exchange or exercise of securities with rights to the Company's shares;
- making a market and ensuring the liquidity of the Company's shares under a liquidity contract entered into with an independent investment services provider that complies with the Code of Conduct recognized by the *Autorité des marchés financiers* (AMF);
- implementing any market practices authorized by the AMF as part of a share buyback program and, more generally, carrying out any transactions in relation to such programs that are authorized under the laws and regulations in force.

The Board of Directors may not, without prior authorization from the Shareholders Meeting, make use of this authorization as of the submission by a third party of a public bid for the Company's securities and through until the end of the offer period.

The maximum purchase price is set at €30 per share.

Pursuant to Article L.225-210 of the French Commercial Code, the number of shares held by Edenred at any moment in time cannot exceed 10% of its share capital on that date.

On December 31, 2016, Edenred held 1,805,374 treasury shares, equivalent to 0.77% of the Company's share capital. The maximum number of Company shares that it could potentially buy back would therefore be equivalent to 9.23% of Edenred's share capital on

December 31, 2016, *i.e.*, 21,563,460 Edenred shares, equivalent to a maximum purchase value of €646,903,800.

The authorizations to the same effect granted by the Shareholders Meeting of April 30, 2015 and May 4, 2016 were not used by the Board of Directors during 2016.

### 8.1.6.2 Authorization to reduce the share capital by canceling shares

In the **fourteenth resolution**, the Board of Directors is seeking authorization to reduce the Company's share capital, on one or several occasions, by canceling all or some of the shares bought back or held by the Company, provided that the number of shares canceled in any 24-month period does not exceed 10% of the total shares outstanding.

This authorization would be valid for a period of 18 months and is the subject of a special report by the Statutory Auditors. It will supersede the authorization granted by the Annual Shareholders Meeting of May 4, 2016 in its twenty-first resolution.

The previous authorization for the same purpose granted by the Annual Shareholders Meeting of May 4, 2016 was used during the year:

- 503,913 shares were canceled on February 10, 2016 to offset stock dilution following the share issue as a result of (i) the exercise of options awarded under the stock option plans of August 6, 2010 and March 11, 2011, and in anticipation of (ii) the free share plan of March 11, 2011 for beneficiaries who are not French tax residents;
- 45,886 shares were canceled on July 21, 2016 to offset stock dilution following the share issue as a result of the exercise of options awarded under the stock option plans of August 6, 2010, March 11, 2011 and February 27, 2012;
- 260,731 shares were canceled on December 15, 2016 to offset stock dilution following the share issue as a result of the exercise of options awarded under the stock option plans of August 6, 2010, March 11, 2011 and February 27, 2012.

Over the past 24 months, Edenred has canceled 2,423,213 shares representing 1.03% of the share capital on December 31, 2016.

This authorization would be valid for a period of 18 months from the Shareholders Meeting.

## 8.1.7 AUTHORIZATIONS TO CARRY OUT FORMALITIES

The purpose of the **fifteenth resolution** is to authorize the bearer of an original, extract or copy of the minutes of this Shareholders Meeting to carry out any and all filing and other formalities required by law.

# 8.2 RESOLUTIONS COMING UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

## FIRST RESOLUTION (APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the financial statements for the year ended December 31, 2016 as well as the Report of the Chairman of the Board of Directors, the Management Report of the Board of Directors and the Statutory Auditors' reports, approves the financial statements for the year ended December 31, 2016, as well as the transaction reflected in these financial statements or summarized in these reports and which show net profit of €206,620,521.

In application of the provisions of Article 223 *quater* of the French General Tax Code, the Shareholders Meeting approves the aggregate amount of non-deductible costs and expenses referred to in Article 39, paragraph 4 of the French General Tax Code which amounted to €161,483 for 2016, and the tax paid thereon, which was €55,599.

## SECOND RESOLUTION (APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the Report of the Chairman of the Board of Directors, the Board of Directors' Group Management Report on management of the Group included in the Management Report in accordance with Article L.233-26 of the French Commercial Code, and the Statutory Auditors' reports on the consolidated financial statements, approves the consolidated financial statements for the year ended December 31, 2016, as well as the transactions reflected in these financial statements or summarized in the Group Management Report, and which show a consolidated net profit of €180 million.

## THIRD RESOLUTION (APPROPRIATION OF PROFIT FOR THE YEAR ENDED DECEMBER 31, 2016 AND SETTING OF THE DIVIDEND)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, notes that net profit for the year ended December 31, 2016 amounted to €206,620,521. Given the retained earnings of €153,275,083, distributable profit available for appropriation comes to €359,895,604.

The Shareholders Meeting, in line with the Board of Directors' recommendation, decides to allocate the distributable profit as follows:

- dividend: €144,157,000 (1)
- legal reserve: €572,600;
- retained earnings: €61,890,921.

The dividend is set at €0.62 per share and paid on or after June 15, 2017, with an ex-dividend date of May 12, 2017. It is specified that the dividend corresponding to the treasury shares or those which have been the subject of a cancellation on the date of payment will be allocated to retained earnings.

The Shareholders Meeting decides that if the number of shares actually conferring entitlement to a dividend on the ex-dividend date is lower or higher than 231,882,971, the amount allocated to this dividend distribution will be adjusted and the amount allocated to retained earnings modified accordingly.

The dividend of €0.62 per share will be eligible for the 40% allowance under Article 158.3.2 of the French General Tax Code for individuals domiciled for tax purposes in France.

In accordance with Article 243 *bis* of the French General Tax Code, it is recalled that the dividend payments for the last three financial years were as follows:

- €191,975,172 paid on June 15, 2016, in respect of the year ended December 31, 2015, representing a dividend per share of €0.84;
- €190,363,851 paid on June 8, 2015, in respect of the year ended December 31, 2014, representing a dividend per share of €0.84;
- €185,294,847 paid on June 18, 2014, in respect of the year ended December 31, 2013, representing a dividend per share of €0.83.

Distributions in respect of the financial years ended December 31, 2013, December 31, 2014 and December 31, 2015 were eligible for a 40% allowance for individuals domiciled for tax purposes in France, under Article 158.3.2 of the French General Tax Code.

Dividends paid to individuals domiciled for tax purposes in France are subject to (i) the compulsory 21% deduction at source in respect of income tax in accordance with Article 117 *quater* of the French General Tax Code, and (ii) the 15.5% deduction at source in respect of social security charges provided for in Article L.136, I-1° of the French Social Security Code.

Individuals who are part of a tax household whose reference taxable income for the year before last is less than €50,000 (single taxpayer) or €75,000 (taxpayers subject to joint taxation) may apply for a waiver of the 21% compulsory deduction at source provided for in Article 117 *quater* of the French General Tax Code. It is the taxpayers' responsibility to apply for the waiver before November 30 of the year preceding the year of payment.

*(1) The total amount of the distribution described above is calculated on the basis of the number of shares conferring entitlement to a dividend on December 31, 2016, i.e., 231,882,971 shares and may vary if the number of shares actually conferring entitlement to the dividend changes between January 1, 2017 and the ex-dividend date, depending in particular on changes in the number of treasury shares, as well as the definitive allocations of performance shares and the exercise of stock options (if the beneficiary is entitled to a dividend in accordance with the provisions of the plans in question).*

## FOURTH RESOLUTION (OPTION FOR PAYMENT OF THE DIVIDEND IN NEW SHARES)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the report of the Board of Directors and noting that the capital is fully paid up, decides, in accordance with Article L.232-18 *et seq*. of the French Commercial Code and Article 26 of the articles of association, to offer each shareholder the option to receive half of the dividend discussed in the third resolution to which they are entitled in Company shares. Each shareholder may opt for payment of 50% of the dividend in cash or in new Company shares pursuant to this resolution.

Should this option be taken up, the new shares will be issued at a price equal to 90% of the average opening price on the regulated market of Euronext Paris during the twenty trading days preceding the date of this Shareholders Meeting less the net amount of the dividend covered by the third resolution and rounded up to the nearest euro cent. The issued shares will bear rights as of January 1, 2017 and will rank *pari passu* with other shares comprising the capital of the Company.

Shareholders may opt for payment in cash or in new shares between May 12, 2017 and the close of business on June 2, 2017, by sending their request to the financial intermediaries authorized to pay the said dividend or, for shareholders registered with the Company, to its agent (Société Générale, Département des titres et bourse, CS 30812 – 44308 Nantes Cedex 3 – France). Shareholders who have not exercised their options by June 2, 2017 inclusive, will be paid in cash only.

Shareholders who have not opted for the payment of that part of the dividend in shares, will be paid on or after June 15, 2017 after expiry of the option period. Shareholders who have opted for payment of that portion of the dividend in shares, will be issued the shares as of the same date.

If the amount of dividends for which the option is exercised does not correspond to a whole number of shares, the shareholder will receive the lower whole number of shares, and a balancing payment made by the Company and corresponding to the difference between the dividend amount for which the option is exercised and the subscription price of the shares received.

The Shareholders Meeting grants all powers to the Board of Directors, with the possibility of sub-delegating to the Chairman of the Board under the conditions provided for in law, to ensure implementation of the payment of the dividend in new shares, while specifying the mode of application and implementation, to record the number of new shares issued pursuant to this resolution and make any necessary changes to the articles of association relating to the share capital and to the number of shares comprising the share capital and, more generally, to do all that is useful or necessary.

## FIFTH RESOLUTION (ADVISORY VOTE ON THE COMPENSATION PACKAGE DUE OR ALLOCATED TO BERTRAND DUMAZY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2016)

The Shareholders Meeting, consulted in accordance with paragraph 26 of the AFEP-MEDEF Corporate Governance Code for Listed Companies of November 2016, voting under the quorum and majority conditions required for Ordinary General Meetings, approves the compensation package due or allocated to Bertrand Dumazy, Chairman and Chief Executive Officer, in 2016, as presented to the Shareholders Meeting in the report of the Board of Directors shown in section 5.4.2 “Fixed and variable compensation of the Chairman and Chief Executive Officer” of the 2016 Reference Document.

## SIXTH RESOLUTION (APPROVAL OF THE PRINCIPLES AND CRITERIA FOR SETTING, ALLOCATING AND AWARDING FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS COMPRISING THE TOTAL COMPENSATION AND BENEFITS OF ANY KIND ATTRIBUTABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, in accordance with Article L.225-37-2 of the French Commercial Code, approves the principles and criteria for setting, allocating and awarding fixed, variable and exceptional components comprising the total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer, as set out in the report of the Board of Directors shown in section 5.4.1 “Fixed and variable compensation policy and components of any kind attributable to the Chairmand and Chief Executive Officer” of the 2016 Reference Document.

## SEVENTH RESOLUTION (RE-ELECTION OF ANNE BOUVEROT)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, re-elects Anne Bouverot, whose current term of office expires at the close of this Shareholders Meeting, as a director for a term of four years. Her new term of office will expire at the close of the Shareholders Meeting called to approve the financial statements for the year ending December 31, 2020.

## EIGHTH RESOLUTION (RE-ELECTION OF SYLVIA COUTINHO)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, re-elects Sylvia Coutinho, whose current term of office expires at the close of this Shareholders Meeting, as a director for a term of four years. Her new term of office will expire at the close of the Shareholders Meeting called to approve the financial statements for the year ending December 31, 2020.

## NINTH RESOLUTION (RE-ELECTION OF FRANÇOISE GRI)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, re-elects Françoise Gri, whose current term of office expires at the close of this Shareholders Meeting, as a director for a term of four years. Her new term of office will expire at the close of the Shareholders Meeting called to approve the financial statements for the year ending December 31, 2020.

## TENTH RESOLUTION (APPROVAL OF A RELATED-PARTY AGREEMENT ON A PRIVATE UNEMPLOYMENT INSURANCE PLAN FOR BERTRAND DUMAZY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the Statutory Auditors' special report on related-party agreements and commitments covered in Articles L.225-38 *et seq*. of the French Commercial Code and noted the conclusions of this report, approves, under the conditions of Article L.225-40 of the French Commercial Code, the agreement reached with Bertrand Dumazy on the subscription of a private unemployment insurance plan.

This agreement cancels and supersedes the agreement to the same effect authorized by the Annual Shareholders Meeting of May 4, 2016 in its fourteenth resolution.

## ELEVENTH RESOLUTION (STATUTORY AUDITORS' SPECIAL REPORT: APPROVAL OF THE RELATED-PARTY AGREEMENTS AND COMMITMENTS COVERED IN ARTICLES L.225-38 *ET SEQ.* OF THE FRENCH COMMERCIAL CODE)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the Statutory Auditors' special report on related-party agreements and commitments covered in Articles L.225-38 *et seq*. of the French Commercial Code, approves this report in all of its provisions as well as the new agreements mentioned therein, approved by the Board of Directors during the year ended December 31, 2016.

## TWELFTH RESOLUTION (SETTING OF DIRECTORS' FEES)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the report of the Board of Directors, sets the aggregate amount of directors' fees to be allocated to the Board of Directors for each financial year at €590,000 as of January 1, 2017 and until a new resolution is passed. The Board of Directors shall be responsible for deciding on the allocation of the fees between the Board members.

## THIRTEENTH RESOLUTION (AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO TRADE IN THE COMPANY'S SHARES)

The Shareholders Meeting, voting under the quorum and majority conditions required for Ordinary General Meetings, having considered the report of the Board of Directors, authorizes the Board of Directors, with the right to sub-delegate as provided for by law, to purchase, have purchased or sell shares in the Company pursuant to the provisions of Articles L.225-209 *et seq.* of the French Commercial Code, European regulation no. 594/2014 of April 16, 2014 and the General Regulations of the AMF, in particular with a view to the following:

- canceling all or part of the shares acquired as part of a capital reduction, subject to adoption by the Extraordinary General Meeting of the fourteenth resolution below or any resolution to the same effect that should supersede said resolution while this authorization is still valid;
- implementing any Company stock option plan under the provisions of Articles L.225-177 *et seq.* of the French Commercial Code or any similar plan;
- allocating shares to employees in settlement of amounts due under the statutory profit-sharing scheme or selling shares to employees through any employee savings, stock ownership or similar plan, pursuant to Articles L. 3332-1 *et seq.* of the French Labor Code;
- granting shares under plans governed by Articles L.225-197-1 *et seq.* of the French Commercial Code;
- in a general manner, fulfilling any obligations associated with stock option plans or other allocations of shares to employees or Executive Directors of the Company or any related company;
- allocating shares upon the exercise of rights attached to securities conferring entitlement, through redemption, conversion, exchange, presentation of a warrant or in any other manner, to the allocation of shares in the Company;
- making a market and ensuring the liquidity of the Edenred shares under a liquidity contract entered into with an independent investment services provider that complies with the Code of Conduct recognized by the AMF [1].

This program is also intended to allow the Company to trade in Company shares for any other purpose authorized or that may be authorized by the law or regulations in force. In such cases, the Company will inform its shareholders through a press release.

Shares may be bought back, sold or otherwise transferred at any time except when a third party has submitted a public bid for the Company's securities, in accordance with the applicable regulations.

The maximum purchase price is set at €30 per share (or the corresponding value of this amount on the same date in any other currency), it being specified that the maximum price is only applicable to acquisitions decided after the date of this Shareholders Meeting and not to transactions concluded under an authorization granted by a previous Shareholders Meeting providing for acquisitions of shares subsequent to the date of this Shareholders Meeting.

In the event of a transaction affecting shareholders' equity, the Shareholders Meeting delegates to the Board of Directors, the authority to adjust the maximum price in order to take into account the impact of said transactions on the value of the share.

Pursuant to Article L.225-209 of the French Commercial Code, the Shareholders Meeting decides that purchases of the Company's shares may involve a number of shares, such that:

- the number of shares bought back by the Company during the share buyback program does not exceed 10% of the shares comprising the share capital of the Company, *i.e.*, as an indication, 23,368,834 shares at December 31, 2016, it being specified that (i) the maximum number of shares acquired to be retained and subsequently allocated as part of a merger, demerger or asset transfer may not exceed 5% of its share capital and (ii) when the shares are purchased to favor liquidity under the conditions defined by the General Regulations of the AMF, the number of shares used for the calculation of the 10% limit indicated in the first paragraph corresponds to the number of shares purchased less the number of shares sold during the term of the authorization;
- the number of shares that the Company may hold at any given time may not exceed 10% of the shares comprising the capital of the Company.

The Shareholders Meeting decides that (i) the purchase, sale or transfer of shares may be carried out and paid for by any means, under the conditions and limits provided for in the regulations in force on the date of the transactions in question, on one or more occasions, on regulated markets, multilateral trading systems, with systematic internalizers or concluded over the counter, including by acquisition or sale of blocks, by public bid or exchange offer, or by use of options, derivative financial instruments (but excluding the sale of put options) traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over the counter or by allotment of shares following the issuance of securities giving rights to shares in the Company by conversion, exchange, redemption, exercise of warrants or otherwise, either directly or indirectly via an investment service provider, and that (ii) the maximum amount of share capital that can be transferred in the form of blocks of shares may equal the total of the share buyback program.

Based on the maximum purchase price of €30 per share authorized above, the total amount allocated to this share buyback program cannot exceed €647,083,020.

The Shareholders Meeting grants all powers to the Board of Directors, with the right to sub-delegate as provided for by law, to implement this authorization, particularly for the placing of any orders on or off the market, concluding all agreements particularly with a view to registering the purchase and sale of shares, carrying out all formalities and declarations to all organizations, and generally doing whatever is necessary.

The Shareholders Meeting terminates, with immediate effect, the authorization granted by the Combined General Meeting of May 4, 2016 in its twentieth resolution and decides that this present authorization is granted for a period of eighteen (18) months as of the date of this Shareholders Meeting.

*(1) Autorité des marchés financiers*

# 8.3 RESOLUTIONS COMING UNDER THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

## FOURTEENTH RESOLUTION (AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO REDUCE THE COMPANY'S SHARE CAPITAL BY CANCELING SHARES)

The Shareholders Meeting, voting under the quorum and majority conditions required for Extraordinary General Meetings, having considered the report of the Board of Directors and the Statutory Auditors' special report, and acting in accordance with Articles L.225-209 *et seq.* of the French Commercial Code:

1. authorizes the Board of Directors to reduce the Company's share capital, on one or several occasions, by canceling all or some of the shares bought back or held by the Company, provided that the number of shares canceled in any 24-month period does not exceed 10% of the total shares outstanding, as part of any share buyback programs authorized by the thirteenth resolution or before the date of this Shareholders Meeting;
2. grants all powers to the Board of Directors, with the right to sub-delegate as provided for by law, to:
   - proceed with this or these capital reductions,
   - set the final amount, define the relevant methods and record the completion,
   - charge the difference between the book value of the canceled shares and their nominal value against any available reserves and premiums,
   - proceed with the corresponding modification of the articles of association, carry out all formalities, all procedures and declarations with any agencies and, more generally, do whatever is necessary, and
   - generally do everything necessary to implement the present authorization, amend, as a consequence, the articles of association and carry out all formalities,

all in accordance with the legal provisions in force when using this authorization.

This authorization is granted for a period of eighteen (18) months from the date of this Shareholders Meeting. It supersedes, as of that same date, the authorization granted by the Annual Shareholders Meeting of May 4, 2016 in its twenty-first resolution.

# 8.4 RESOLUTIONS COMING UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

## FIFTEENTH RESOLUTION (AUTHORIZATIONS TO CARRY OUT FORMALITIES)

The Shareholders Meeting authorizes the bearer of an original, extract or copy of the minutes of this Shareholders Meeting to carry out any and all filing and other formalities required by law.

# 8.5 STATUTORY AUDITORS' SPECIAL REPORTS

## 8.5.1 STATUTORY AUDITORS' REPORT ON THE SHARE CAPITAL DECREASE

Combined Shareholders' Meeting of May 4, 2017

14th resolution

*This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of Edenred and pursuant to the provisions of Article L.225-209 of the French Commercial Code (Code de commerce) concerning capital share decreases by cancellation of shares, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decrease.

Shareholders are requested to confer all necessary powers to the Board of Directors, during a period of 18 months starting from the Shareholders' Meeting of May 4, 2017, to cancel, on one or more occasions, and up to a maximum of 10% of the share capital in any twenty-four month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares under the provisions of Article L.225-209 of the French Commercial Code.

We performed the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale Des Commissaires aux Comptes*) applicable to this engagement. Those procedures consisted in examining whether the reasons for and the terms and conditions of the proposed share capital decrease, which does not interfere with the equal treatment of shareholders, are due and proper.

We have no matters to report on the reasons for or terms and conditions of the proposed capital decrease.

Paris-La Défense and Neuilly-sur-Seine, March 14, 2017
The Statutory Auditors

| | |
|---|---|
| ERNST & YOUNG Audit<br>Philippe DIU | DELOITTE & ASSOCIÉS<br>Patrick E. SUISSA |

## 8.5.2 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

Annual Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2016

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company (hereinafter referred to as "the Company"), we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

### Agreements and commitments submitted for Shareholders' approval

In accordance with Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments that were authorized in advance by the Board of Directors.

***Extension of the duration of benefits of private unemployment insurance for Mr. Bertrand Dumazy, CEO***

**Nature and Purpose:**

On December 15, 2016, the Board of Directors authorized the extension of the period for which Mr. Bertrand Dumazy could be entitled to a compensation for termination of service within a private unemployment insurance subscribed by your Company with GSC in 2015, as indicated in the second part of the report.

**Terms and Conditions:**

This modification extends the duration of the eligibility of the compensation payment equal to 70% of contractual income, over a period of 18 months to 24 months, to the insured person. It is specified that the contributions are totally absorbed by your Company.

The new arrangement of this commitment becomes effective on January 1, 2017

### Reasons justifying that this commitment is in the Company's interest:

Your board has justified this commitment this way: Mr. Bertrand Dumazy benefits, since his assumption of duty, of an agreement contracted with GSC, to a payment of the compensation equal to 70% of contractual income over a period of 18 months. It was agreed, upon assumption of duty, this insurance would give eligibility of the compensation payment over a period of 24 months. The underwriting conditions with GSC have a waiting period of one year starting from the assumption of duty of the executive director in order to benefit from this extension. The waiting period being expired, it was agreed to modify the agreement to allow Mr. Bertrand Dumazy to benefit from this extension.

### Agreements and commitments already approved by the Shareholders

***a) agreements and commitments approved in prior years that were implemented during 2016***

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements and commitments, previously approved by the shareholders in prior years and having continuing effect during the year:

### With Mr. Bertrand Dumazy, CEO

#### 1. Subscription of private unemployment insurance for Mr. Bertrand Dumazy

**Nature and purpose:**

On September 10, 2015, the Board of Directors authorized the subscription by the Company of private unemployment insurance for Mr. Bertrand Dumazy under the following conditions:

This commitment subscribed with GSC confers entitlement to the payment of compensation equal to 70% of contractual income, over a period of 18 months, to the insured person. It is specified that the contributions are paid in full by the Company.

This commitment was approved by the shareholders during the shareholders' meeting on May 4, 2016.

**Terms and conditions:**

For fiscal 2016, the Company paid contributions of €13,231 (€18,572 including social contributions). As indicated in the first part of this report, this commitment was modified by a decision of the Board of Directors in December 2016, with an effective date of January 1, 2017.

### 2. Extension to the CEO of the health insurance plan applicable to employees of the Company

**Nature and purpose:**

On September 10, 2015, the Board of Directors authorized the extension to the Chief Executive Officer of the health insurance plan applicable to employees. The Company's health insurance plan comprises two collective contracts concluded with Uniprévoyance for healthcare and death and disability insurance and long-term care coverage.

**Terms and conditions:**

For fiscal 2016, the Company paid €5,450 for death, disability and healthcare cost insurance coverage.

### 3. Participation of the CEO in the new supplementary pension plans in force in the Company

**Nature and purpose:**

On September 10, 2015, the Board of Directors authorized this commitment to enable the Chief Executive Officer to participate in the supplementary pension plans set up within the Company (defined contribution and defined benefit plans), under the same conditions as certain senior executives of the Company.

The supplementary pension plan refers to a category of Group executives who meet certain criteria of compensation and job classification. This plan is comprised of a defined contribution plan («Article 83 «) and a defined benefit plan («Article 39 «):

- the defined contribution plan (Article 83) consists of a payment of an annual fee by the Company which amounts to 5% of five Social Security annual ceilings;
- the defined benefit plan (Article 39) sets up the amount of a fixed annuity whose principles comply with the AFEP/MEDEF code recommendations:
  - to benefit from the defined benefit plan, the Chairman and CEO shall (i) complete his career within the company, (ii) justify at least 5 years of inclusion in this pension plan, (iii) fulfil, in accordance with the article L. 225-42-1 of the French Commercial Code, some of the performance conditions used to determine his variable compensation. Hence, the CEO shall receive 100% of the annual annuity under Article 39, if he fulfils at least 60% of the objectives defined to determine his annual variable compensation; should Mr. Bertrand Dumazy not fulfil 60% of the objectives defined to determine his annual variable compensation, the Company shall not make any payments under Article 39 for the given year. The annuity paid by this plan shall therefore be reduced by the aforementioned defined contribution plan benefits;
  - the reference period taken into account for the computation of benefits relates to the period of inclusion in the plan (at least 5 years);
  - potential rights are vested gradually by year of inclusion, the amount of additional annual pension being calculated annually on the basis of the gross annual compensation of participants;
  - the replacement rate may not exceed the following two thresholds;
  - the replacement rate of the supplementary plan (defined contribution and defined benefit plans) is limited to 30% of the last gross annual compensation; if the last gross annual compensation exceeds 12 Social Security annual ceilings, the overall replacement rate for all plans (Edenred compulsory and supplementary pension plans) is then capped at 35% of the average of the three highest annual reference salaries observed over a period of 10 years before retirement.

In event of departure from the group before the liquidation of the pension under the general plan, the participant loses the rights from the defined benefit plan and retains only those relating to the defined contribution plan.

The Chief Executive Officer shall participate in the supplementary pension plan of the group under the same terms and conditions as any other participant in the plan, as described above.

This defined benefit plan is taken into account in the global determination of his remuneration.

**Terms and conditions:**

Under the defined contribution plan (article 83), the Company paid an amount of €1,750.

Under the defined benefit plan (article 39), the potential rights shall represent each year on average 1% of his annual gross compensation as from his entry into the plan. These rights shall be limited by two replacement rate thresholds defined in the general supplementary pension plan.

#### *b) agreements and commitments approved in prior years but not implemented in 2016*

We were also informed of the following agreements and commitments that were approved by the shareholders but were not implemented during 2016.

### 1. Allocation of compensation for termination of duties to Mr. Bertrand Dumazy

**Nature and purpose:**

On September 10, 2015, the Company's Board of Directors authorized the signature of a commitment to determine the compensation for termination of Mr. Bertrand Dumazy's duties as a CEO. This commitment was subject to an amendment authorized by the Board of Directors on February 10, 2016 and approved at the shareholders' meeting on May 4, 2016.

**Terms and conditions:**

Compensation for termination of duties may be paid only if the termination of Mr. Bertrand Dumazy's duties as CEO results from a forced departure prior to the end of his terms of office, regardless of the form of this departure.

No amount shall be payable in respect of compensation for termination of duties should Mr. Bertrand Dumazy have the possibility, within twelve months after the date of his final departure from the Company, of asserting his rights to retirement, allowing him to receive a pension under the supplementary pension plan set up in your Company.

The amount of compensation for termination of duties shall be equal to a maximum of twice the amount of the total annual gross compensation of Mr. Bertrand Dumazy as a Chief Executive Officer, defined as the sum of:

- the fixed portion of the compensation on an annual basis as a Chief Executive Officer on the date of termination of his duties, and
- the average of the variable portion of the annual compensation as a Chief Executive Officer received or to be received for the last two years during which he served as a Chief Executive Officer, prior to the date of termination of his duties.

The compensation for termination of duties shall be subject to the fulfillment of performance conditions.

The benefit of this compensation for termination of duties is subjected to the respect of the serious and demanding performance conditions. The criteria chosen by the board allow to evaluate the operational and financial performance of your Company, in line with the key indicators of the Group communicated to the financial markets, and the stock performance. The conditions have been fixed taking into account: the 3-year evaluation period, the past long-term performance of your Company and the external risks to which your Company can be submitted (as presented in section 3 of the 2015 registration document, page 53).

The criteria chosen by the Board is as follows:

- increase by 5% (on a like-for-like basis) of the issue volume as compared to the previous year;
- increase by 2% (on a like-for-like basis) of operating revenue as compared to the previous year;
- increase by 5% (on a like-for-like basis) of Funds from Operations as compared to the previous year;
- increase in the share price of the Company at least equal to 85% of the Euronext Paris SBF 120 index for the Reference Period, it being specified that if the change in this index for the Reference Period is negative, the decrease in the Company's share price should not exceed 125% of the fall in the index over the Reference Period.

The fulfilment of each of these four conditions shall be measured over a period of three years preceding the date of termination of duties (the «Reference Period»), provided that each of the first three conditions shall be deemed fulfilled when the related condition shall be achieved in at least two of the three years. It is specified that in the event of departure before the end of the third year, the share performance will be considered only after the date of assumption of duty.

The payment of the maximum amount of compensation for termination of duties shall be subject to the fulfillment of at least three of the four performance conditions, determined by the Board as prescribed by the legislation in force at the date of termination of duties. If only two conditions are met, compensation for loss of duties actually paid shall represent 50% of the maximum amount. If only one condition is fulfilled or if no condition is met, no amount shall be paid as compensation for termination of duties.

It is specified that Mr. Bertrand Dumazy's compensation for termination of duties may not, in any case, exceed two years' total annual gross compensation.

Furthermore, if Mr. Bertrand Dumazy's duties as a Chief Executive Officer were to be terminated before the end of two fiscal years on account of forced dismissal, he shall be entitled to receive, as part of a transaction including a waiver of recourse, settlement compensation, the amount of which shall equal to two years' target fixed and variable compensation.

In case of a non-voluntary departure after two years following his nomination, but before three financial years have elapsed, the Reference Period taken into account for the satisfaction of the performance conditions mentioned above, shall be reduced to the last two years ended.

### 2. Tax matters agreement entered into with the Accor Group

**Persons involved:**

Messrs. Jean-Paul Bailly, Philippe Citerne, Bertrand Méheut, Nadra Moussalem, common directors of your Company and Accor group.

**Nature and purpose:**

In connection with a reassessment of the registration fees decided by the Italian tax authorities, following the demerger operations of the Accor Group covering a total of €27.4 million, jointly and severally against a subsidiary of the Accor Group and four member entities of the Edenred Group, the two groups, contesting the reassessment, concluded on December 19, 2011 an agreement to equally share the risk and potential cost.

The Court of first instance of Milan ruled in favor of Accor and your Company on March 11, 2014, and the tax authorities appealed this decision.

Following the appeal court's decision of September 9, 2015 which ruled against the Italian tax authorities, the latter reimbursed the disputed sums and the interest on arrears and did not file an appeal.

**Terms and conditions:**

No income was recorded for the year 2016 to the extent that your Company did not record an expense originally in 2011. This commitment terminated on February 2, 2016.

Paris-La Défense and Neuilly-sur-Seine, March 14 2017
The Statutory Auditors

| ERNST & YOUNG Audit | DELOITTE & ASSOCIÉS |
|---|---|
| Philippe DIU | Patrick E. SUISSA |

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# 9.1 INVESTOR RELATIONS AND DOCUMENTS AVAILABLE TO THE PUBLIC

In addition to the Annual Shareholders Meeting and the events organized to present the annual results, Edenred keeps both individual and institutional shareholders informed of the latest developments on a highly responsive on a regular basis. This information is tailored to the specific needs of different types of shareholders and financial analysts while constantly complying with the principle of equal access to information.

The Company's press releases and historical financial information are available on the Edenred website (www.edenred.com) and the website of the *Autorité des marchés financiers* (www.amf-france.org). Copies may also be obtained from the Company's headquarters, 166-180 boulevard Gabriel Péri – 92240 Malakoff, France. The bylaws and the minutes of Shareholders Meetings, the financial statements of the Company and the Group, the Statutory Auditors' Reports and all other corporate documents are available for consultation in paper format at the Company's headquarters.

## MEETINGS WITH INVESTORS

In 2016, Edenred met some 800 representatives of 330 financial institutions, held 24 roadshows in Europe, the United States and Canada, participated in eight investor conferences in France, the UK, the United States and Spain, and organized an Investor Day in London.

The Group also met with individual shareholders at shareholder events in Rouen, Montpellier and Toulouse (France) during the year and held six breakfasts for them at Edenred's headquarters.

## INVESTOR AND SHAREHOLDER PUBLICATIONS

Since October 19, 2016, the Edenred website has been optimized for viewing on smartphones and tablets through responsive design.

All of the Group's financial news and publications are available in the "Investors/Shareholders" section, which is organized into 10 topics:


Statutory documents are available for consultation at Edenred SA's administrative headquarters, 166-180 boulevard Gabriel Péri – 92240 Malakoff, France.

Regulatory filings are issued electronically through a professional disclosure service that complies with the criteria set out in the *Autorité des marchés financiers'* General Regulation. The filings are also available on the corporate website.

## CONTACTS

### Institutional investors/analysts

Aurélie Bozza
Investor Relations manager
E-mail: investor.relations@edenred.com
Phone: +33 1 74 31 86 26

### Individual shareholders

Élisabeth Pascal
Regulated Information Distribution and shareholder Relations manager
E-mail: relations.actionnaires@edenred.com

# 9.2 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE AUDIT OF THE ACCOUNTS

## 9.2.1 PERSONS RESPONSIBLE

### 9.2.1.1 Person responsible for the Registration Document

Bertrand Dumazy, Chairman and Chief Executive Officer of Edenred

### 9.2.1.2 Statement by the person responsible for the Registration Document

"I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I declare that, to the best of my knowledge, (i) the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Edenred and the consolidated companies, and (ii) the management report presented from page 37 represents a fair view of the business, results and financial position of Edenred and its consolidated companies and provides a description of the main risks and uncertainties to which they are exposed.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have examined the information about the financial position and the accounts contained in the Registration Document and have read the whole of the document."

Bertrand Dumazy

Chairman and Chief Executive Officer of Edenred

Paris, March 17, 2017

## 9.2.2 STATUTORY AUDITORS

### Statutory Auditors

#### Deloitte & Associés

Patrick E. Suissa

185, avenue Charles de Gaulle
BP 136
92203 Neuilly-sur-Seine Cedex France

Appointed for six years at the May 15, 2012 Annual Shareholders Meeting.

#### Ernst & Young Audit

Philippe Diu

La Défense 1
1-2 place des Saisons
92400 Courbevoie France

Appointed for six years at the May 4, 2016 Annual Shareholders Meeting.

### Alternate auditors

#### BEAS

195, avenue Charles de Gaulle
92200 Neuilly-sur-Seine France

Appointed on the same basis and for the same period as Deloitte & Associés.

#### Auditex

La Défense 1
1-2 place des Saisons
92400 Courbevoie France

Appointed on the same basis and for the same period as Ernst & Young Audit.

## 9.3 FEES PAID TO THE STATUTORY AUDITORS

The table of fees paid by the Group for 2015 and 2016 is available chapter 6, Note 11.4 pag 23.

## 9.4 INFORMATION ON HOLDINGS

Information relating to the undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses is provided in the notes to the consolidated financial statements (see Note 2 "Scope of consolidation" at December 31, 2016, page 168.

## 9.5 THIRD PARTY INFORMATION

Not applicable.

## 9.6 INFORMATION INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission Regulation (EC) 809/2004, the Registration Document incorporates by reference the following information:

### 2015 Registration Document

The 2015 Registration Document was filed on March 25, 2016 with the *Autorité des marchés financiers* (D.16-0209 registration). It concerns:

- the consolidated financial statements and corresponding Statutory Auditors' Report presented on pages 164 to 240 of Edenred's 2015 Registration Document;
- the financial review presented on pages 37 to 52 of Edenred's 2015 Registration Document;
- sections of these documents that are not mentioned above are either not applicable to investors or are covered in another part of the Registration Document.

### 2014 Registration Document

The 2014 Registration Document was filed on March 18, 2015 with the *Autorité des marchés financiers* (D.15-0153 registration). It concerns:

- the consolidated financial statements and corresponding Statutory Auditors' Report presented on pages 150 to 214 of Edenred's 2014 Registration Document;
- the financial review presented on pages 30 to 44 of Edenred's 2014 Registration Document;
- sections of these documents that are not mentioned above are either not applicable to investors or are covered in another part of the Registration Document.

# 9.7 REGULATORY FILINGS

The following information was published or announced by Edenred during the past twelve months (between February 29, 2016 and February 28, 2017):

- disclosure of number of shares and voting rights at February 29, 2016;
- press release dated March 14, 2016 announcing the dividend recommended for 2015 at the Annual Shareholders Meeting;
- press release dated March 25, 2016 announcing the publication of the Registration Document;
- 2015 Annual Financial Report, published as part of the Registration Document on March 25, 2016;
- fees paid to the Statutory Auditors for 2015, disclosed in the Registration Document on March 25, 2016;
- 2015 report on corporate governance and internal control, published in the Registration Document on March 25, 2016;
- press release dated March 30, 2016 announcing an appointment to the Board of Directors;
- disclosure of number of shares and voting rights as of March 31, 2016;
- press release dated April 8, 2016 announcing that proxy documents for the 2016 Annual Shareholders Meeting have been made available to shareholders;
- press release dated April 14, 2016 announcing first-quarter 2016 revenue;
- disclosure of number of shares and voting rights as of April 30, 2016;
- press release dated May 4, 2016 on the 2016 Annual Shareholders Meeting;
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- press release dated June 1, 2016 announcing the finalization of Edenred's alliance with Embratec in Brazil;
- press release dated June 13, 2016 on the results of the 2015 dividend reinvestment plan;
- press release dated June 14, 2016 announcing Apple Pay, available as of summer 2016 for *Ticket Restaurant®* card beneficiaries in France;
- press release dated June 29, 2016 announcing a €250 million Schuldschein loan;
- disclosure of number of shares and voting rights as of June 30, 2016;
- press release concerning liquidity contract transactions in the six months ended June 30, 2016;
- press release dated July 1, 2016 announcing an appointment to Edenred's Executive Committee;
- press release dated July 22, 2016 announcing the Group's first-half 2016 results and second-quarter 2016 revenue;
- press release dated July 22, 2016 announcing the publication of the 2016 half-year Financial Report;
- disclosure of number of shares and voting rights as of July 31, 2016;
- disclosure of number of shares and voting rights as of August 31, 2016;
- press release dated September 19, 2016 announcing an appointment to Edenred's Executive Committee;
- disclosure of number of shares and voting rights as of September 30, 2016;
- press release dated October 3, 2016 on a new liquidity contract;
- press release dated October 13, 2016 announcing third-quarter 2016 revenue;
- press release dated October 19, 2016 on the 2016 Investor Day;
- disclosure of number of shares and voting rights as of October 31, 2016;
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- press release dated December 16, 2016 on the arbitration ruling from the ICSID delivered in Edenred's favor in Hungary;
- disclosure of number of shares and voting rights as of December 31, 2016;
- press release concerning liquidity contract transactions in the six months ended December 31, 2016;
- press release dated January 20, 2017 on Edenred increasing its stake in UTA to 51% by exercising its call option on 17% of the Company's capital;
- disclosure of number of shares and voting rights as of January 31, 2017;
- press release dated February 23, 2017 announcing 2016 annual results and fourth-quarter 2016 revenue;
- disclosure of number of shares and voting rights as of February 28, 2017.

# 9.8 CONCORDANCE TABLE

The table below provides cross references between the pages in the Registration Document and the key information required under Annex I of European Commission Regulation (EC) 809/2004 dated April 29, 2004.

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