

First-Half 2011 Results

Questions for Jacques Stern

On August 25, Jacques Stern, Edenred's Chairman and Chief Executive Officer, and Loïc Jenouvrier, Vice President, Finance, Information Systems and Legal Affairs, presented the Group's first-half 2011 results to financial analysts and the press.

Jacques Stern commented on the Group's performance over the first six months of the year.

What can we learn from the first-half results announcement?

The very high quality results we announced today are in line with our medium-term growth objectives, with: [Glossary on the last page](#)

- Issue volume up 10%, compared with a target of 6% to 14%
- Funds from operations (FFO) up 20.1%, compared with a target of at least 20%
- EBIT up 12.1% like-for-like, to €167 million.

In a turbulent global environment, these results attest to our business model's sustained robustness as well as to the initial benefits of deploying our EDEN corporate vision project.

These results reflect the Group's long-term strategy. Where do we stand today in terms of that strategy?

Our growth strategy has been organized into three phases.

The first phase – “**Win 2010**” – consisted of equipping our Group to operate on a standalone basis. Edenred was demerged from the Accor Group on June 29 and listed on the stock exchange on July 2, at an IPO price of €13. Known for 50 years as the inventor of Ticket Restaurant® employee meal vouchers, we became the leading provider of prepaid corporate services.

We are now working together on the second phase, to “**Conquer 2012**”. To this end, we plan to focus on growing issue volume in our core business. We also intend to accelerate the digital transition, so that paperless solutions account for around half of total issue volume by the end of next year. We’re well on the way to meeting this goal, as 34% of our programs are already paperless and countries such as Belgium and Sweden will transition to cards this year.

Looking further ahead, the third phase of our strategy is to “**Invent 2016**” by pursuing paths to open new growth territories.

How can we continue to expand issue volume and meet our objective of 6% to 14% growth per year?

We have several growth levers.

The first is to **increase penetration rates** in our existing markets. During the first half we recorded significant new sales, reflecting the outstanding success of marketing initiatives in many countries. For example, we added 20,000 beneficiaries in France and 35,000 in Brazil, as well as signing up some 16,000 new Childcare Voucher users in the United Kingdom.

The second lever is to **increase the face value** of our service vouchers. Of the 10% growth in issue volume recorded in the first half, 4.5 points were due to this lever. In Brazil, for example, the average face value rose 7.4% during the period.

The third lever is to **create and deploy new solutions**. Each year, we launch or roll out numerous innovations around the world. In Italy, for example, the Expendia Smart expense management solution, which combines the benefits of electronic payment with efficient expenditure controls, has a bright future ahead of it. In South Africa, Edenred has scored a market first with the launch of a multi-banner filtered loop incentive card, Ticket Compliments Exclusive. In Chile, our public social program conducted with Junaeb, the government agency responsible for distributing grants to underprivileged students, is being regularly enhanced. As these examples show, we’re constantly reinventing ourselves, which means that this growth lever is set to become even more powerful in the coming half-yearly periods.



Are you still planning to enter new markets? What about acquisitions?

These are still the other two growth levers available to us.

Our geographic footprint remained unchanged during the first half of 2011, covering 40 countries, but we are still committed to entering six to eight new countries by 2016. As far as acquisitions are concerned, bear in mind that our strategy is based primarily on organic expansion. Nonetheless, we have the necessary resources to finance an acquisition and remain on the lookout for possible targets.

Governments are currently struggling to reduce their deficits without triggering a double-dip recession. What's the Group's outlook in this difficult economic environment?

The first-half results presentation is also an opportunity to outline our full-year objectives. We announced today that we were aiming to report full-year EBIT of between €340 million and €360 million, representing a target of double-digit growth compared with 2010. During the second half, we should continue to benefit from the strong dynamism in Latin America, as well as from slightly improving trends in Europe.

Looking beyond 2011, while it's true that Western governments are currently stepping up their deficit-cutting efforts, our employee benefits solutions are in fact more akin to social benefits than to tax breaks. They help to create jobs. In other words, it's a win-win system.

As for the risk of another recession, this would obviously hit the entire corporate sector. The financial markets have been very volatile in recent weeks. However, our robust business model is largely recession-proof, as we demonstrated in 2009 when our issue volume grew by 5.7%. Moreover, our extensive presence in emerging markets, which accounted for 57% of first-half issue volume, provides added resilience, as these markets are still growing rapidly.

I'm therefore very confident in Edenred's future. We have an exciting road ahead.



GLOSSARY

The following definitions of certain key indicators will help you better understand our financial documents.

- **Issue volume** is the number of vouchers and cards issued during the year times their face value
- **Consolidated revenue** includes a) **operating revenue** generated by the business and b) **financial revenue** corresponding to the interest income earned by investing available cash from operations.
- **EBIT** (Earnings Before Interest and Taxes) corresponds to total revenue (operating and financial) less operating expenses, depreciation, amortization and provisions. EBIT provides a measure of the Group's underlying performance excluding the effects of any exceptional events.
- **Operating EBIT** corresponds to EBIT excluding financial revenue.
- **Funds from operations (FFO)** correspond to revenue less (i) operating expenses other than depreciation and amortization, (ii) net financial expense and (iii) income tax expense.

If you would like additional explanations, write to relations.actionnaires@edenred.com

