2

Financial review

AFR

2.1 Consolidated results

2.1.1 Introduction

Edenred, a unique intermediation platform, has demonstrated its resilience in the face of the health crisis and returned to growth in second-half 2020

- Operating revenue of €1,423 million, down just 1.6% like-for-like from the previous year, with Europe up 1.3%.
- Like-for-like growth in operating revenue of 1.1% in the second half of the year (+1.2% in the fourth quarter).
- Total revenue of €1,465 million, down 2.0% like-for-like and 9.9% as reported, reflecting unfavourable currency effects.

Edenred recorded a solid financial performance despite the global situation and unfavourable currency effects, demonstrating its agility and the robustness of its business model

- EBITDA of €580 million, down 4.6% like-for-like (-13.2% as reported) in 2020, in line with guidance (€550 million-€600 million) and up 2.5% like-for-like in the second half of the year
- EBITDA margin maintained at 39.6%, down 1.1 points like-for-like for the full year and up 0.8 points for the second half.
- Net profit, Group share of €238 million, down €74 million from the previous year, in line with the decrease in EBITDA.
- Strong free cash flow generation of €640 million, driven by the rebound in business in the second half, careful cash management and longer retention time for user-allocated funds as a consequence of the health crisis.
- Net debt/EBITDA ratio stable at 1.9x.
- Proposed dividend: €0.75 per share, an increase of 7.1%.

Edenred was able to rebound in 2020 and prepare for 2021, by increasing its investments and leveraging its agility and its strong sales momentum

- Faster digitalization of Employee Benefits in Europe (+9 points *vs.* 2019), driven notably by more widespread use of remote working.
- Development of earmarked funds solutions to provide targeted support to sectors hard hit by the crisis, such as restaurants and tourism.
- Launch and ramp-up of new offers (*e.g.*, fleet maintenance in Brazil, Ticket Mobilité in France and *Ticket Restaurant* in the United States).
- Acceleration of the Corporate Social Responsibility policy, with improvements in key indicators in the three areas: "People, Planet, Progress".

Edenred has all the assets necessary – innovation, business excellence and targeted M&A firepower – to step up the pace and generate sustainable and profitable growth in a post-Covid world

- Edenred is particularly well positioned to seize the opportunities created by a number of macro trends in the world of work, which have been accelerated by the health crisis:
  - a more connected, digital and mobile-first world,
  - amore remote-working world,
  - a world seeking socially and environmentally responsible solutions,
  - a world where B2B payments are increasingly automated and digital;
- While the first half of 2021 is likely to still be impacted by health restrictions, weighing on the Group's growth, the situation is expected to improve in the second half, supporting Edenred's growth.

Despite the uncertain health situation, Edenred intends to achieve like-for-like EBITDA growth in 2021 of minimum 6%.

The consolidated financial statements [1] for 2020 were approved for publication by the Board of Directors on March 1, 2021.

(1) *The audit has been completed and the auditors issued their opinion after having finalized the review of the management report and the due diligences on 2020 financial statements related to the ESEF electronic format.*

Key financial metrics for 2020:

(in € millions)	2020	2019	% CHANGE (LIKE-FOR-LIKE)	% CHANGE (REPORTED)
Operating revenue	1,423	1,570	-1.6%	-9.4%
Other revenue (A)	42	56	-11.9%	-25.0%
Total revenue	**1,465**	**1,626**	**-2.0%**	**-9.9%**
EBITDA	**580**	**668**	**-4.6%**	**-13.2%**
Operating EBIT (B)	413	489	-7.1%	-15.6%
EBIT (A + B)	**455**	**545**	**-7.6%**	**-16.5%**
Net profit, Group share	**238**	**312**		**-23.7%**
Free cash flow	*640*	*400*		*+60.0%*
Net debt	**1,115**	**1,290**		**-13.6%**
Leverage ratio (net debt/EBITDA)	*1.9x*	*1.9x*		

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2.1.2 Analysis of consolidated financial results

Total revenue: €1,465 million

Total revenue for 2020 amounted to €1,465 million, down 2.0% like-for-like compared with 2019. On a reported basis, an unfavourable currency effect (-8.1%) and a slightly positive scope effect (+0.2%) resulted in a decrease of 9.9%.

Total revenue for the fourth quarter of 2020 was €412 million, a slight increase of 0.6% like-for-like and a decrease of 9.6% as reported, reflecting a negative currency effect (-10.1%) and a slightly negative scope effect (-0.1%).

Edenred demonstrated its capacity for robust growth early in the year, then limited the erosion of its revenues at the peak of the health crisis, thanks notably to its high proportion of digital solutions, before returning to growth as early as the third quarter.

In the fourth quarter, the Group's ongoing sales and marketing efforts in all its business lines resulted in operating revenue of €402 million, up 1.2% like-for-like (-8.7% as reported), representing a faster pace of growth than in the third quarter despite new lockdown measures in Europe.

Operating revenue: €1,423 million

For full-year 2020, operating revenue came to €1,423 million, down 1.6% like-for-like and 9.4% as reported, including a negative currency effect (-8.0%) and a positive scope effect (+0.3%).

(in € millions)	2020	2019	% CHANGE (LIKE-FOR-LIKE)	% CHANGE (REPORTED)
Employee Benefits	874	975	-4.4%	-10.3%
Fleet & Mobility Solutions	355	409	-1.2%	-13.2%
Complementary Solutions	194	186	+11.8%	+4.2%
TOTAL	**1,423**	**1,570**	**-1.6%**	**-9.4%**

Operating revenue for the **Employee Benefits** business line was €874 million in 2020, representing 61% of the consolidated total, and €255 million in the fourth quarter. Operating revenue fell by 4.4% like-for-like (-10.3% as reported) over the full year. In the fourth quarter, operating revenue returned to growth, with a like-for-like increase of 0.6% (-6.7% as reported), representing an improvement over the third quarter (-1.4%).

With the global health crisis making the digitalization of its solutions even more relevant, Edenred continued to innovate to enhance its portfolio of services for clients and merchants. For example, the Group now has more than 100 online partners in 16 countries, primarily meal delivery platforms connected *via* the app-to-app payment service. Thanks to this expansion, Edenred has the most comprehensive and the most flexible ecosystem in the workplace meals segment today. The equivalent of a virtual canteen, its solution gives users access to more than one million partner restaurants, allowing them to enjoy meals anytime, anywhere, dining in or from home, whether they're working in the office or remotely. More satisfying for users and more economical for employers, this offer enables Edenred to support companies such as Spotify in the United States, Siemens in Belgium and Orange in France as they transition to new ways of working.

Edenred also took the shift to digital even further in 2020 by launching a 100% virtual *Ticket Restaurant* solution, which uses no paper or plastic cards, in Spain and Finland, and more recently in France.

Thanks to these services, which make the Group's virtual offering more attractive, the portion of digital solutions in the Employee Benefits portfolio in Europe was up 9 points *versus* 2019. As a result, digital solutions accounted for 86% of total Group volume in 2020.

In the **Fleet & Mobility Solutions** business line, which accounts for 25% of the Group's business, like-for-like operating revenue decreased by 1.2% in 2020 (-13.2% as reported) to €355 million. This limited drop reflects the business line's stronger resilience, despite lower fuel prices than in 2019. Operating revenue dipped by just 0.6% like-for-like (-16.2% as reported) in the fourth quarter, confirming the rebound observed in the third quarter (-1.5%). This improvement was driven by the dynamic performances of the sales and marketing teams and the success of the Beyond Fuel strategy, which sets Edenred's offering apart and generates cross-selling opportunities, while also reducing its exposure to fuel price fluctuations. Combined with the impact of exchange rate variations and the drop in crude oil prices, these developments have enabled Edenred to reduce the sensitivity to fuel prices of its total revenue by 20%.

The **Complementary Solutions** business line, which represents 14% of the Group's business, encompasses Corporate Payment Services, Incentive & Rewards Solutions, and Public Social Programs. In 2020, it recorded operating revenue of €194 million, up 11.8% like-for-like and 4.2% as reported. The business continued to grow in the fourth quarter, with operating revenue up 8.3% like-for-like (-3.1% as reported). The increase stems from the earmarked funds programs implemented during the year to support vulnerable people and sectors and from the strong sales performance in Incentive & Rewards programs.

Edenred's Corporate Payment Services business in North America, which is operated by its CSI subsidiary, was impacted in 2020 by the fall-off in transactions carried out by its clients, particularly in the hospitality and media industries. Despite the crisis, the volume of new client wins was in line with the Group's ambitions, thanks to a differentiated and constantly evolving portfolio of services and to the gradual ramp-up of indirect distribution agreements, including those signed with leading financial institutions. In addition, Sage expanded its partnership with CSI to provide US clients with a comprehensive accounts payable solution, fully integrated into its cloud-based Sage Intacct offering, starting in first-quarter 2021.

Operating revenue by region

(in € millions)	2020	2019	% CHANGE (LIKE-FOR-LIKE)	% CHANGE (REPORTED)
Europe	900	884	+1.3%	+1.9%
Latin America	406	559	-6.7%	-27.4%
Rest of the World	117	127	-0.2%	-8.3%
TOTAL	**1,423**	**1,570**	**-1.6%**	**-9.4%**

In **Europe**, operating revenue rose by 1.3% like-for-like (+1.9% as reported) to €900 million, representing 63% of consolidated operating revenue in 2020. In fourth-quarter 2020, operating revenue came to €265 million, up 4.5% on a like-for-like basis and as reported. Fourth-quarter growth was weaker than in the third quarter (+7.3%) because of the additional health-related restrictions imposed by countries in the region starting in late October 2020.

In **France**, operating revenue amounted to €253 million for the year, down 4.0% like-for-like and as reported. In the fourth quarter, operating revenue increased by 1.4% like-for-like and as reported, despite the second wave of lockdown measures. Edenred recorded a sharp upturn in business after being hit hard by lockdown and short-time working measures in the second quarter. The rebound was notably due to a renewed sales and marketing drive in all business lines and to the efforts made by restaurants to maintain business continuity, through take-away and delivery services.

Operating revenue in **Europe excluding France** rose by 3.6% like-for-like in 2020 (+4.4% as reported) to €647 million. In the fourth quarter, growth in operating revenue came to 5.9% like-for-like and as reported. More resilient than the rest of the Group during the year, this region rebounded sharply thanks to the digitalization of its solutions and the energy of its sales and marketing teams, as demonstrated by the end-of-year gift card campaign, as well as to the development of new products, such as value-added services for trucking companies.

Operating revenue in **Latin America** amounted to €406 million, down 6.7% like-for-like and 27.4% as reported, reflecting the sharp drop in the value of the Brazilian real and the Mexican peso (-25% and -12%, respectively). The region accounted for 29% of Edenred's consolidated operating revenue in 2020. In the fourth quarter, operating revenue for the region came to €108 million, down 3.3% like-for-like (-28.5% as reported), representing an improvement over the third quarter (-7.6% like-for-like).

In **Brazil**, on a like-for-like basis, operating revenue was down 5.8% for the year and 2.9% for the fourth quarter alone, which was an improvement compared to the previous quarter (-4.4%). This performance reflects the health-related restrictions still in place, although not as strict as during the first lockdown, and notably the closure of restaurants in certain areas. By swiftly developing partnerships with meal delivery platforms, Edenred has enabled restaurants and users to continue to benefit from its platform despite the unfavourable conditions. After demonstrating resilience at the height of the crisis, the Fleet & Mobility Solutions business line continued to build on the solid performance posted in the third quarter, notably thanks to the success of maintenance management solutions.

Hispanic Latin America was particularly impacted by the health crisis in 2020, notably due to the implementation of health-related restrictions for a longer period of time than in other regions. Operating revenue for the year was down 8.8% like-for-like. However, following the gradual and partial lifting of lockdown measures in various countries, operating revenue only fell by 4.2% in the fourth quarter, representing a sharp improvement over the previous quarter (-15.4%). Mexico, Edenred's main market in the region, continued to be heavily impacted by the crisis, notably due to the economic downturn, increased unemployment and lower fuel prices compared with the prior-year period.

Operating revenue in the **Rest of the World** region, which accounted for 8% of consolidated operating revenue in 2020, came to €117 million, down 0.2% year-on-year on a like-for-like basis (-8.3% as reported). In the fourth quarter, operating revenue contracted by 2.9% like-for-like (-18.0% as reported), representing an improvement over the third quarter (-4.1%). This performance reflects the resilience of Edenred's operations in this region, with the exception of North America, which continued to be heavily impacted by the crisis.

Other revenue: €42 million

In 2020, other revenue came to €42 million, down 11.9% like-for-like (-25.0% as reported), reflecting the adverse impact of a generalized decrease in interest rates worldwide and a significantly negative currency effect. In the fourth quarter, other revenue fell by 18.1% like-for-like and 34.8% as reported.

EBITDA: €580 million

EBITDA amounted to €580 million in 2020, a decrease of 4.6% like-for-like and 13.2% as reported, with growth of 2.5% and a margin improvement of 0.8 points like-for-like in the second half of the year.

This performance was made possible thanks notably to the implementation, at the end of the first quarter, of a plan to reduce costs by €100 million compared with the 2020 budget. Ultimately, Edenred managed to exceed this objective while preserving its capacity for technological innovation and development, pursuing its efforts in the areas of employer appeal and employee engagement, and continuing to roll out its Corporate Social Responsibility policy.

In Europe, EBITDA was up 3.9% like-for-like, reflecting the rebound in revenue growth in this region. In Latin America, EBITDA remained lower than in 2019 for the full year (-8.3% like-for-like) despite a sharp improvement in the second half (-0.9% like-for-like).

EBITDA margin came in at 39.6% for the year, down 1.1 points like-for-like and 1.5 points as reported.

Net profit, Group share: €238 million

Net profit, Group share amounted to €238 million in 2020, down €74 million from 2019, in line with the decrease in EBITDA.

Further progress in CSR

In 2020, Edenred continued to implement its "People, Planet, Progress" Corporate Social Responsibility policy, which is aimed at improving quality of life, protecting the environment and creating value ethically and responsibly. In addition to tying one of its financing instruments to its CSR performance in 2020, Edenred also made progress during the year on its objectives for 2022 and 2030, despite the pandemic. For example, women now hold 29% of the Group's executive positions, representing an increase of 2 points *versus* the prior year, for a target of 40% by 2030.

Through its solutions, which enable more responsible behaviour, and its own initiatives, Edenred is contributing to 12 of the United Nations' 17 Sustainable Development Goals. In particular, thanks to its earmarked funds platform, Edenred is creating virtuous ecosystems that contribute to the fight against the informal economy, fraud, food insecurity, inequality and climate change.

2.1.3 Dividend and payout ratio

The Group recommends a dividend of €0.75 in respect of the fiscal year 2020. Consistent with the Group's growth profile, performance and solid financial position, the dividend is up 7.1% from last year. Shareholders may opt to receive the dividend 100% in cash or 100% in shares, with a 10% discount. The dividend will be submitted to the shareholders' approval at Edenred's Annual General Meeting to be held on May 11, 2021.

For more information on the capital allocation policy, see the Introduction, page 14.

	2020	2019
Net profit, Group share	238	312
Weighted average number of shares outstanding *(in millions)*	245	242
Earnings per share, Group share *(in €)*	0.97	1.29
Ordinary dividend per share *(in €)*	0.75[1]	0.70
Ordinary dividend payout *(in € millions)*	169	206

(1) To be recommended at the General Meeting on May 11, 2021.

2.1.4 Liquidity and financial resources

Cash flows[1]

(in € millions)	**2020**	2019
Net cash from (used in) operating activities	744	498
Net cash from (used in) operating activities including other income and expenses	718	465
Net cash from (used in) investing activities	(294)	(869)
Net cash from (used in) financing activities	(286)	30
Effect of changes in exchange rates and fair values	(74)	10
Net increase (decrease) in cash and cash equivalents	**64**	**(364)**
Cash and cash equivalents at beginning of period	952	1,316
Cash and cash equivalents at end of period	1,016	952
Net increase (decrease) in cash and cash equivalents	**64**	**(364)**

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

Restricted cash corresponds mainly to voucher reserve funds subject to special regulations in the following countries: the United Kingdom (€985 million), France (€880 million), Belgium (€377 million), Romania (€120 million), the United States (€88 million), Brazil (€40 million), Mexico (€25 million), Italy (€19 million), Taiwan (€13 million), the United Arab Emirates (€11 million), Bulgaria (€11 million) and Uruguay (€7 million).

(1) See the consolidated statement of cash flows on page 223 and Note 4.6 to the consolidated financial statements, page 240.

Working capital requirement

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

(in € millions)	DEC. 31, 2020	DEC. 31, 2019	CHANGE DEC. 31, 2020/DEC. 31, 2019
Inventories, net	43	32	11
Trade receivables, net	1,743	2,073	(330)
Other receivables, net	283	327	(44)
Working capital – assets	**2,069**	**2,432**	**(363)**
Trade payables	(669)	(261)	(408)
Other payables	(1,439)	(1,072)	(367)
Funds to be redeemed	(4,874)	(5,161)	287
Working capital – liabilities	**(6,982)**	**(6,494)**	**(488)**
NEGATIVE WORKING CAPITAL	**(4,913)**	**(4,062)**	**(851)**
Corporate income tax liabilities	(11)	(33)	22
Negative working capital (incl. corporate income tax liabilities)	(4,924)	(4,095)	(829)

Negative working capital requirement at December 31, 2020 was up €829 million compared with December 31, 2019.

Debt

Net debt analysis

Edenred had net debt of €1.12 billion at December 31, 2020 (*versus* €1.29 billion a year earlier), resulting in a net debt to EBITDA ratio of 1.9x, which is stable compared with end-2019. The change in net debt reflects strong free cash flow generation, the €101 million returned to shareholders over the previous 12 months and the negative €333 million impact of currency effects and nonrecurring items[1].

(in € millions)	DEC. 31, 2020	DEC. 31, 2019
Non-current debt	2,928	2,421
Other non-current financial liabilities	99	139
Current debt	157	374
Other current financial liabilities	98	177
Bank overdrafts	109	52
Debt and other financial liabilities	**3,391**	**3,163**
Current financial assets	(130)	(136)
Other marketable securities	(1,021)	(733)
Cash and cash equivalents	(1,125)	(1,004)
Cash and cash equivalents and other current financial assets	**(2,276)**	**(1,873)**
NET DEBT	**1,115**	**1,290**

At end-2020, the cost of the Group's debt had improved to 0.8% and its average debt maturity had increased to more than five years.

In May 2020, Standard & Poor's confirmed the Group's BBB+ Strong Investment Grade rating with a stable outlook.

On June 18, 2020, Edenred issued €600 million worth of nine-year bonds maturing on June 18, 2029 and paying a coupon of 1.375%. The bond issuance enabled the Group to strengthen its financial resources and extend the average maturity of its debt under favourable conditions.

(1) This amount does not include the €157 million fine issued by France's antitrust authority, which will be paid in first-quarter 2021.

(in € millions)	DEC. 31, 2020 CARRYING AMOUNT	CONTRACTUAL FLOWS	2021	2022	2023	2024	2025	2026 AND BEYOND
Convertible bonds	500	500	-	-	-	500	-	-
Bonds	2,382	2,382	-	233	-	-	492	1,657
Schuldschein	145	145	113	-	32	-	-	-
Neu CP	-	-	-	-	-	-	-	-
Bank borrowings	58	58	44	9	4	1	-	-
Future interest	N/A	216	42	37	34	34	28	41
Bank overdrafts	109	109	109	-	-	-	-	-
DEBT	3,194	3,410	308	279	70	535	520	1,698
Other financial liabilities	197	197	98	43	18	11	8	19
Future interest	N/A	(87)	(21)	(18)	(16)	(15)	(11)	(6)
OTHER FINANCIAL LIABILITIES	197	110	77	25	2	(4)	(3)	13
DEBT AND OTHER FINANCIAL LIABILITIES	**3,391**	**3,520**	**385**	**304**	**72**	**531**	**517**	**1,711**

The maturity of financial investments (see Note 6.3, page 253, and Note 4.7 "Change in restricted cash" to the consolidated financial statements, page 241) breaks down as follows:

- maturity > 1 year: 22%;
- maturity < 1 year: 78%.

Other marketable securities include €764 million worth of term deposits and equivalents with maturities of more than three months and €257 million worth of money market securities and bonds, as well as UCITS.

Cash and cash equivalents break down as €628 million in cash and €497 million in money market securities and bonds, as well as UCITS.

Funds from operations and free cash flow

Despite the pandemic, Edenred's business model enabled it to generate funds from operations before other income and expenses (FFO) of €475 million in 2020, an increase of 2.7% like-for-like and a decrease of 9.4% as reported.

Despite the negative currency effect, the float increased by €685 million over the period thanks to the upturn in business in the second half and the extension of retention times for prepaid funds by about one and a half weeks. This phenomenon is due to lesser usage of solutions during lockdown periods and is expected to gradually dissipate in 2021.

At December 31, 2020, Edenred had a float of €3.7 billion.

Thanks to the high level of cash generated from operations, combined with an increase in the structurally negative working capital requirement, the Group generated €640 million in free cash flow in 2020, while continuing to invest in its technology assets, notably in the areas of cybersecurity and compliance. Recurring capital expenditure totalled €104 million in 2020, *versus* €98 million in 2019, representing an increase of 6%.

(in € millions)	2020	2019
+ Net profit, Group share	238	312
+ Non-controlling interests	28	34
- Share of net profit from equity-accounted companies	(13)	(14)
- Depreciation, amortization and changes in operating provisions	130	126
- Expenses related to share-based payments	14	16
- Non-cash impact of other income and expenses	36	14
- Difference between income tax paid and income tax expense	(2)	(8)
- Dividends received from equity-accounted companies	16	9
= Funds from operations including other income and expenses	**447**	**489**
- Other income and expenses (including restructuring costs)	28	35
+ Funds from operations before other income and expenses (FFO)	**475**	**524**
+ Decrease (increase) in working capital	1,039	369
+ Decrease (increase) in restricted cash	(770)	(395)
+ Recurring expenditure	(104)	(98)
= Free cash flow	*640*	*400*

Equity

Equity represented a negative amount of **€1,230 million** at December 31, 2020 and €1,193 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 225 of the consolidated financial statements.

Off-balance sheet commitments

Off-balance sheet commitments amounted to €430 million at December 31, 2020, *versus* €475 million a year earlier. For more details, see Note 11.5 to the consolidated financial statements, page 286.

2.1.5 Management indicators

Key ratios and indicators

	2020	2019
Like-for-like growth in operating revenue	-1.6%	+13.9%
EBITDA margin	39.6%	41.1%
EBIT margin	31.0%	33.5%
Like-for-like growth in FFO[(1)]	+2.7%	+16.5%
Adjusted FFO/adjusted net debt[(2)]	**32.6%***	**33.5%***

* *The Group's estimated ratio of adjusted funds from operations to adjusted net debt was 32.6% at December 31, 2020, above the 30% threshold forming one of the main ratios for the "Strong Investment Grade" rating based on Standard & Poor's criteria, compared with a ratio of 33.5% at December 31, 2019 (figures reported in the rating published by S&P Global Ratings on May 11, 2020).*

(1) FFO = Funds from operations before other income and expenses: the calculation appears in the table above the key ratios and indicators table.

(2) Adjusted FFO/adjusted net debt and Adjusted net debt/EBITDA (estimated) ratios: see table below.

Adjusted FFO/adjusted net debt and Adjusted net debt/EBITDA (estimated) ratios

(in € millions)	**2020**	2019
Net debt (cash) at December 31	1,115	1,290
Standard & Poor's adjustment:	302	288
Adjusted net debt (cash)	1,417	1,578
EBITDA	580	668
Standard & Poor's adjustment:	5	(8)
Adjusted EBITDA	585	660
Adjusted net debt/adjusted EBITDA (estimated)	2.4	2.4
Net debt/EBITDA	1.9	1.9
Adjusted FFO	462	499
Adjusted FFO/adjusted net debt	**32.6%***	**33.5%***

* *The Group's estimated ratio of adjusted funds from operations to adjusted net debt was 32.6% at December 31, 2020, above the 30% threshold forming one of the main ratios for the "Strong Investment Grade" rating based on Standard & Poor's criteria, compared with a ratio of 33.5% at December 31, 2019 (figures reported in the rating published by S&P Global Ratings on May 11, 2020).*

2.1.6 Material contracts

The Group did not enter into any contracts representing a material obligation or commitment for the Group in 2019 or 2020.

2.1.7 Foreseeable developments

The outlook for 2021 is described in Chapter 1, page 28.

2.1.8 Main risks and uncertainties

The main risks and uncertainties that may affect Edenred in the current financial year are the same as the ones described in Chapter 4 "Risk factors and management", page 67.

The Group has observed continued turbulence in the prevailing general economic conditions due to the significant health risks arising from the coronavirus epidemic and the restrictions introduced in response by governments around the world. As a result, the environment remains uncertain in 2021.

IIn 2020, a year in which Edenred had to contend with an unprecedented crisis, the Group demonstrated its resilience and capacity to rebound. Thanks to the high proportion of digital solutions in its portfolio, Edenred was able to protect its employees – almost 95% of whom worked remotely during the lockdowns – while ensuring business continuity.

At the end of the first quarter of 2021, aside from negative changes in exchange rates and oil prices seen since the start of the health crisis, Edenred has not observed any material negative impacts on its various businesses. However, the ongoing epidemic could have a negative impact on growth in the business volume generated by the Group's solutions, the extent of which is not possible to estimate precisely as at the date this Universal Registration Document was filed. The impact will depend, among other things, on the pace of vaccination, the containment measures implemented by the various countries in which Edenred operates, and the use of short-time working by some of the Group's clients.

Despite this, Edenred remains fully confident in its ability to generate sustainable and profitable growth in 2021 and beyond.

2.1.9 Main related-party transactions

The main related-party transactions are presented in detail in Note 11.2 to the consolidated financial statements, page 284.

2.1.10 Research and development activities

None.

2.1.11 Subsequent events

Extension of the maturity of the €750 million credit facility

At December 31, 2020, Edenred had a €750 million undrawn confirmed line of credit, expiring in February 2025. This facility will be used for general corporate purposes.

In January 2021, the maturity of the €750 million syndicated credit facility was extended by one year beyond its February 12, 2025 expiry date, following Edenred's exercise of the maturity extension option granted in the facility agreement. All participating banks have accepted this extension. With the new five-year maturity, the facility will now be utilizable until February 2026.

2.2 Results of operations for the Edenred parent company

2.2.1 Description of the business

As the Group holding company, Edenred S.A. 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 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' revenue and/or profit, as a flat fee or on a per-service basis. They are determined on arm's length terms.

2.2.2 Significant events in 2020

Edenred S.A. tax audit

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

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

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

The total tax, late interest and penalties claimed for the three years amount to €17 million. The Company has contested the reassessments and filed a claim with the national tax board in early 2019. Following a sitting on January 24, 2020, the tax board issued an opinion against the reassessment. The tax authorities nevertheless notified the Company on July 3, 2020 that they would be maintaining the reassessment.

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

2.2.3 2020 results

Analysis of Edenred S.A.'s revenue

The Company reported revenue of €87 million in 2020 *versus* €80 million in 2019, including all royalties and service fees earned in the normal course of business.

Service fees relate to services billed under the Master Services Agreement as well as IT services, the secondment of staff and various additional costs.

(in € millions)	2020	2019	% OF TOTAL
Service fees			
IT services	31	26	35.63%
Master Services Agreement	49	49	56.32%
Other	4	1	4.60%
Staff costs	3	4	3.45%
TOTAL	**87**	**80**	**100%**

Net operating income (loss)

Other income, own work capitalized, reversals of depreciation, amortization and provisions and expense transfers together totalled €74 million in 2020 compared with €85 million in 2019.

The Company ended the year with a net operating loss of €30 million, *versus* a €22 million loss in 2019.

Operating expenses in 2020 amounted to €190 million compared with €187 million in the previous year.

Other purchases and external charges totalled €94 million in 2020 *versus* €86 million in 2019.

Payroll costs amounted to €59 million in 2020 *versus* €58 million in 2019.

Depreciation and amortization of fixed assets amounted to €6 million in 2020, *versus* €5 million the previous year.

Net financial income (loss)

Edenred S.A. recorded net financial income of €224 million in 2020, compared with net financial income of €298 million in 2019.

This result can mainly be accounted for by changes in dividends received from subsidiaries, as well as by movements in financial provisions.

Dividend income for the year totalled €299 million, *versus* €323 million in 2019.

The largest equity interests paying dividends were Edenred Belgium (€107 million), Edenred Italy (€100 million), ASM (€27 million) and Saminvest SAS (€26 million).

Movements in financial provisions, for the most part provisions for impairment of shares in subsidiaries and risks related to subsidiaries, represented a net expense of €68 million. In 2020, this broke down into €62 million in provisions for shares in subsidiaries and affiliates, €1 million in reversals of provisions for shares in subsidiaries and affiliates, €0.5 million in provisions for contingencies, €0.5 million in reversals of provisions for contingencies and €6 million in intra-group loans.

Movements in write-downs of shares in subsidiaries and affiliates mainly comprised impairment losses of €37 million for ASM, €8 million for Edenred Hungary, €4 million for Accentiv' Shanghai, and €3 million for Edenred India and Veninvest Quatorze.

Movements in write-downs of current accounts mainly comprised impairment losses of €5 million for Gameo and €1 million for Edenred Lebanon.

Recurring profit (loss) before tax

Edenred S.A. reported a recurring profit before tax of €195 million in 2020 *versus* a recurring profit before tax of €276 million in 2019.

Non-recurring items

Non-recurring items represented net income of €6 million for the year, compared with €3 million in 2019.

In 2020, these items included a write-down in bad debt for €1.3 million for and €2 million in nonrecurring impairment linked to the Nemo project.

Income tax

Income tax amounted to a €4 million benefit in 2020, *versus* an €18 million benefit in 2019.

The Company reported an €18.2 million tax loss in 2020, compared with an €18.6 million tax loss the previous year.

Edenred S.A. and its eligible French subsidiaries elected for the Group relief system governed by Article 223A of the French General Tax Code (*Code général des impôts*) on March 18, 2011. The election has been applied since the beginning of the 2011 tax year.

In 2020, a group relief benefit of €4 million was recorded in Edenred S.A.'s financial statements.

No income tax was recognized for the tax group in the year.

Net profit

Net profit for 2020 stood at €205 million (€204,928,788), compared with €297 million (€296,830,332) in 2019.

Non-deductible provisions for contingencies and charges recorded in the balance sheet at December 31, 2020 totalled €4 million, *versus* €11 million a year earlier.

Edenred S.A. distributed in 2020, €169,447,050 in dividends for 2019, or €0.70 per share, giving shareholders the option of reinvesting 100% of the dividend in new shares. This resulted in the creation of 3,378,494 new ordinary Edenred shares, representing 1.37% of the capital. The total cash dividend, which was paid on June 5, 2020, amounted to €60 million

The recommended ordinary dividend for 2020 has been set at €0.75 per share. Details of the proposed appropriation of earnings are provided in section 8 of this Document.

Details of the positions and directorships held by the directors and of the Executive Directors' compensation are provided in section 6 on 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	2					65	67					860
Total amount of invoices (excl. VAT)	€19,970	€2,239,639	€426,164	€37,339	€126,144	€2,829,285	€997,162	€(159,544)	€11,315,995	€8,767	€17,113,406	€28,278,625
As a% of total purchases for the period (excl. VAT)	0.03%	2.85%	0.54%	0.05%	0.16%	3.6%						
As a% of revenue for the period (excl. VAT)							0.75%	-0.12%	8.55%	0.01%	12.93%	21.36%
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 • Legal terms: yes						• Legal terms: No later than the last day of the month in which the invoice is received					

2.2.4 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 €277,202 for 2020 and the tax paid thereon was €69,300 (disclosure made in application of Articles 223 *quater* and *quinquies*, 39-4 and 39-5 of the French General Tax Code).

2.2.5 2020 business review

In 2020, 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 capital calls for the five Partech funds in 2020, investing €2.3 million, and in new investments that are shown in the table below:

COMPANY	GROUP STAKE
Oonectic SAS	16.421%

2.2.6 Transactions in Edenred S.A. shares

At December 31, 2020, Edenred S.A. held 677,837 of its own shares, representing 0.27% of the capital.

The Company's ownership structure is described in section 3.2.1 of this document on ownership structure and voting rights.

Since May 29, 2019, the Company has had a liquidity contract with Kepler Cheuvreux to make a market for its shares on the Euronext Paris stock exchange. The contract complies with the regulations of the AMF, in particular decision no. 2018-01 of July 2, 2018.

During the 2020 financial year, under the said liquidity contract, the Company:

- purchased 2,491,833 shares at an average price of €40.84 per share, for a total outlay of €101,756,596; and
- sold 2,525,865 shares at an average price of €41.77 per share, for total proceeds of €105,475,043.

At December 31, 2020, the Company held no shares under the liquidity contract.

In addition, the Company's balance sheet at December 31, 2020 includes €20 million of cash held under the liquidity contract.

2.2.7 Financing

On June 18, 2020, Edenred issued €600 million worth of nine-year bonds maturing on June 18, 2029 and paying a coupon of 1.375%. The bond issuance enabled the Group to strengthen its financial resources and extend the average maturity of its debt under favourable conditions. Edenred has allocated €250 million to repaying the 2.625% bonds maturing in late October 2020.

2.2.8 Relations with subsidiaries

Edenred S.A. holds 50% and over direct interests in 53 companies. The most significant interests, in terms of value, are as follows:

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

  In 2020, it posted revenue of €129,504,696 *versus* €187,080,287 in 2019, and recurring profit before tax of €70,958,028 compared with €77,463,011 for the previous year;
- **Edenred Italy** (€5,958,823), an Italian company that issues meal vouchers and other prepaid service solutions to businesses in Italy.

  In 2020, it posted revenue of €1,643,380,064 *versus* €1,771,943,607 in 2019, and a recurring profit before tax of €81,316,812 compared to €252,391,771 for the previous year;
- **Edenred Belgium** (€36,608,000), a Belgian company that issues meal vouchers and other prepaid service solutions to businesses in Belgium.

  In 2020, it posted revenue of €55,258,146 *versus* €47,608,244 in 2019, and recurring profit before tax of €35,438,907 compared with €74,075,118 for the previous year.

The table below presents subsidiaries and affiliates whose carrying amount in Edenred S.A.'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 S.A.'s capital		
Subsidiaries (at least 50% owned by Edenred S.A.)		
a) French subsidiaries		
Edenred France	EUR	100%
ASM	EUR	100%
Edenred Fleet & Mobility	EUR	100%
Veninvest Quattro	EUR	100%
Veninvest Cinq	EUR	100%
Veninvest Huit	EUR	100%
Saminvest	EUR	60%
Veninvest Neuf	EUR	100%
Veninvest Onze	EUR	100%
Veninvest Douze	EUR	100%
Veninvest Quatorze	EUR	100%
Veninvest Seize	EUR	100%
b) Foreign subsidiaries		
Edenred Portugal	EUR	50%
Vouchers Services	EUR	51%
Cestaticket Services C.A. (Venezuela)	VEF	57%
Edenred Italy	EUR	57.71%
Edenred España SA (Spain)	EUR	99.99%
Edenred (India) PVT Ltd (India)	INR	94.90%
Accentiv Turkey (Turkey)	TRY	99.99%
Edenred Poland	PLN	99.99%
Edenred Kurumsal (Turkey)	TRY	99.99%
Edenred Slovakia	EUR	99.89%
Edenred Magyarorszag (Hungary)	HUF	100%
Big Pass (Colombia)	COP	100%
Edenred North America Inc.	USD	100%
Edenred Sweden	SEK	100%
Edenred Romania	RON	100%
Edenred Luxembourg	EUR	100%
Edenred Finland	EUR	100%
Edenred UK	GBP	100%
Edenred Japan Ltd	JPY	100%
Surgold India PVT ltd (Singapore)	INR	100%
Edenred Pte Ltd (Singapore)	SGD	100%
Edenred Belgium	EUR	100%
Edenred Deutschland GmbH (Germany)	EUR	100%
Inversiones Dix Venezuela, SA	VEF	100%
Edenred CZ	CZK	100%
Edenred Romania	RON	100%

The other subsidiaries and affiliates are presented in Note 24 to the parent company financial statements.

2.2.9 Ratios

None.

2.2.10 Risk factors

Risk factors are described in section 4 of this document.

2.2.11 Research and development activities

None.

2.2.12 Subsequent events

None.

2.2.13 Developments and outlook

Edenred S.A. will pursue its holding company activities in the coming years, despite the uncertain health situation prevailing since February 2020.

2.2.14 Change in investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are presented in Note 6 to the parent company financial statements in section 7.4.