



NEXI S.P.A.  
Corso Sempione 55  
20149, Milano

**CLEANSING STATEMENT**  
Milano — 9 ottobre, 2019

Nexi S.p.A., una società per azioni di diritto italiano (“Nexi” o la “Società”), ha annunciato oggi l’emissione di prestiti obbligazionari “Senior Notes”, in una o più *tranche*, di importo pari a €825.000.000 con scadenza 2024 e/o 2027 (le “Notes”). Nel corso dell’emissione, la Società ha divulgato informazioni a potenziali acquirenti, inclusi dati finanziari *pro forma* e informazioni finanziarie non-GAAP per l’esercizio finanziario della Società al 31 dicembre 2018 e per i sei mesi al 30 giugno 2018 e 2019. Si divulgano con la presente dette informazioni agli azionisti e ai detentori dei prestiti obbligazionari “Senior Secured Fixed Rate Notes” di importo pari a Euro 825.000.000, con cedola semestrale a tasso fisso del 4,125% p.a. e scadenza 1 novembre 2023 e se ne allega copia come Allegato A (l’“Information Release”).

Le Notes sono destinate solamente a collocamento riservato ad investitori istituzionali che non siano “U.S. Persons” (come definite secondo la *Regulation S* dello *Securities Act* del 1933, come di volta in volta modificato, il “*Securities Act*”) e che si trovino al di fuori degli Stati Uniti ai sensi della *Regulation S* dello *Securities Act*. Le Notes non sono state soggette a registrazione ai sensi del *Securities Act* o di altre leggi applicabili, e non possono essere offerte o acquistate negli Stati Uniti senza registrazione o senza una esenzione dai requisiti di registrazione conformemente al *Securities Act* e ad altre leggi applicabili.

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*This announcement contains information that prior to its disclosure may have constituted inside information under European Union Regulation 596/2014 on market abuse.*

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## Exhibit A

### SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere or incorporated by reference in this Information Release. Capitalized terms used but not defined in this summary are defined elsewhere in this Information Release. Investors should consider this Information Release in its entirety.*

#### Overview

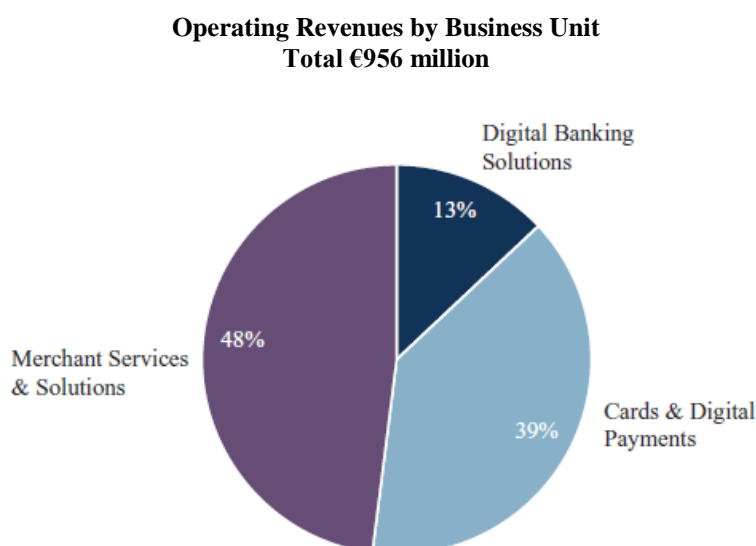
We are the leading paytech company in Italy. As of June 30, 2019, we managed directly or through approximately 150 partner banks over 41 million payment cards and served more than 900,000 merchants (an increase from the 890,000 merchants served as of December 31, 2018). Our technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Our business is built on long-standing and deeply-rooted relationships with approximately 150 partner banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018.

We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's cooperative banks. In keeping with this objective, we gradually expanded our service offering. This positioned us at the forefront of developments in payment technology and enabled us to drive innovation and digitalization in the Italian market over the course of the following decades.

In the twelve months ended June 30, 2019, we managed over 41 million payment cards and processed approximately 6 billion acquiring and issuing transactions, with a combined transaction value of approximately €456 billion, including issuing volumes of approximately €201 billion and acquiring volumes of approximately €255 billion.

We conduct our business through three business units: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions.

The graph below sets forth our operating revenues by business unit for the twelve months ended June 30, 2019:



*Merchant Services & Solutions:* Through our Merchant Services & Solutions business unit, we supply merchants with the necessary infrastructure to enable digital payment acceptance, and we execute card payments on the merchant's behalf. The services performed within our Merchant Services & Solutions business unit can be divided into core acquiring services and POS management. Core acquiring services are financial services such as the settlement of card payments to our merchants, technology services aimed at the fast, reliable and secure authentication and execution of payment transactions, and administrative services such as payment tracking and data analytics. POS management involves the configuration, activation and maintenance of POS terminals (whether physical or e-commerce), their integration within merchants' accounts software, fraud prevention services, dispute management, as well as customer support services via a dedicated call center. Core acquiring and POS management services are usually sold as a bundle, which offers customers

a full service benefit. We provide the majority of our acquiring services in cooperation with our partner banks. As a result, we benefit from their existing relationships and extensive branch networks for customer origination, while providing them with the benefit of our expertise and scale in the areas of procurement, processing and data security. However, we also serve certain merchants directly through our direct acquiring activities, with the partner bank acting solely as referral partner. Our Merchant Services & Solutions business unit generated €461.6 million, or 48%, of our operating revenues for the twelve months ended June 30, 2019.

*Cards & Digital Payments:* Through our Cards & Digital Payments business unit, we and our partner banks provide a wide spectrum of services in connection with the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. Our Cards & Digital business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retails and large corporate customers without the involvement of partner banks (direct issuing). Credit cards, which allow cardholders to repay the balance in instalments, are issued solely in partnership with banks. This limits credit risk since, pursuant to agreements to that effect, the issue of cards in partnership with banks entails the latter fully assume the risk of their customers' insolvency. As of June 30, 2019, we had issued approximately 583,000 cards directly, representing approximately 1.4% of the total stock of payment cards. Of these, approximately 47,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 536,000 were prepaid cards. Our Cards & Digital Payments business unit generated €374.2 million, or 39%, of our operating revenues for the twelve months ended June 30, 2019.

*Digital Banking Solutions:* In our Digital Banking Solutions business unit, we provide clearing services, digital corporate banking services and ATM management services. Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. We also operate as a clearing house for domestic and international SEPA payments. Our digital corporate banking services provide digital solutions to banks and corporate clients to help them manage their bank accounts and payments, such as a customizable e-banking platform. Our Digital Banking Solutions business unit also provides our market-leading CBI interbank corporate banking services. The CBI interway corporate banking is an Italian payment platform allowing for direct payment collection and the delivery of supporting documentation between banks, corporations, tax authorities, pension schemes and other public and private bodies. ATM management services range from the complete management of an ATM fleet for banks to managing discrete parts of the value chain based on customer needs. Our Digital Banking Solutions business unit generated €120.0 million, or 13%, of our operating revenues for the twelve months ended June 30, 2019.

As of June 30, 2019, we had 1,838 full-time equivalent employees.

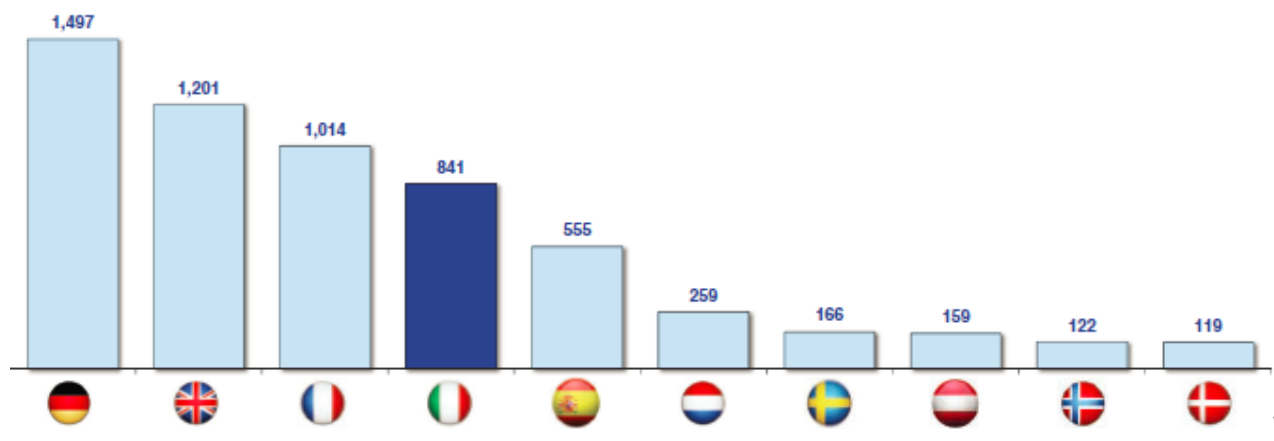
## **Our Strengths**

### ***Large and Attractive Market with Secular Growth Drivers***

#### *Overview*

We are uniquely positioned to capitalize on secular growth trends and favorable industry dynamics in one of Europe's largest markets as the share of digital payments in overall consumer spending in Italy converges with other developed European economies. Our business benefits from a large domestic market. Italy is Europe's fourth largest economy by total consumer spending (estimated at €841 billion in 2018 according to Euromonitor International), as shown in the chart below.

## Total Consumer Spending 2018, Selected European Countries (€ billions)<sup>(1)</sup>



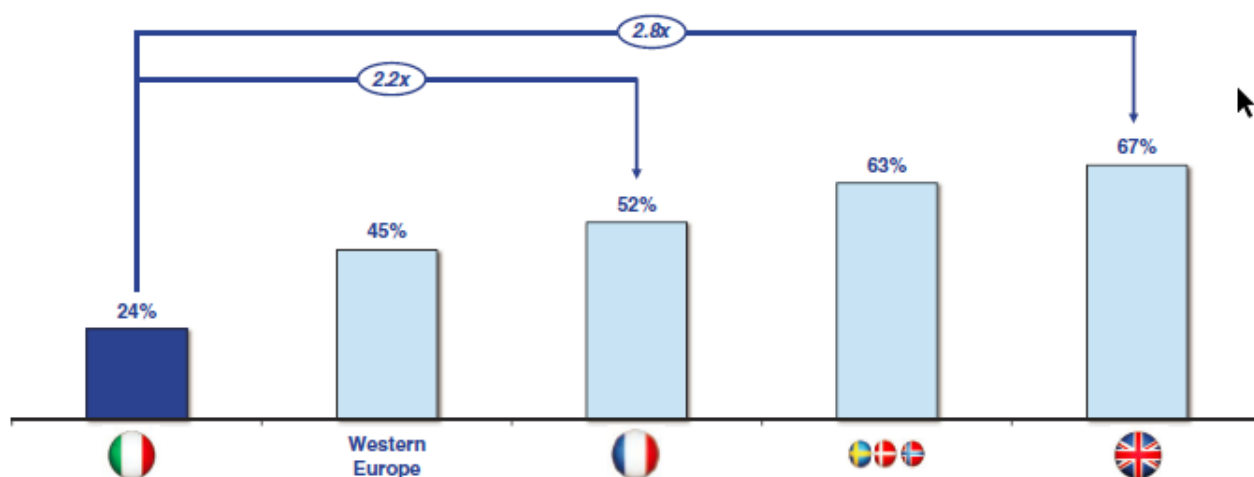
Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate).

### Card Payments Penetration

The Italian payments infrastructure is well-developed, with the average number of payment cards per capita being largely consistent with other major Western European economies. However, payment cards in Italy are used less frequently than on average in Western Europe, with card payments penetration in Italy of 24% compared to 45% in Western Europe. As illustrated by the chart below, Italy has one of the lowest rates of card payments penetration in Europe. Consequently, we believe that the Italian market has significant potential for further expansion in order to bring card payments penetration levels in line with other major European economies.

## Consumer Card Payment Transactions Penetration, Selected Countries (% by value of transactions, 2018)<sup>(1)</sup>

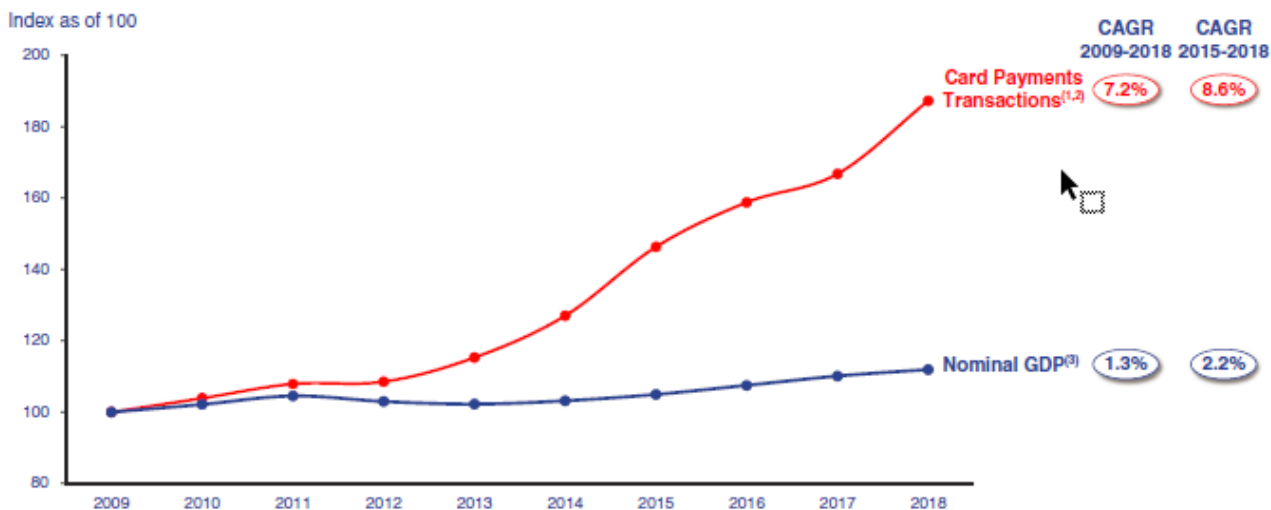


Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl. Commercial) divided by Total Consumer Spending.

Card payments penetration in Italy is increasing, supported by the growth in the number of Card Payments Transactions, which registered a CAGR of 8.6% in the period 2015-2018, according to Bank of Italy data. The rapid and substantial growth of card payments in Italy has taken place notwithstanding the Italian macroeconomic and political backdrop in recent years. As shown in the chart below, card payment transactions value in Italy grew at a CAGR of 7.2% between 2009 and 2018, faster than the overall economy, as represented in terms of nominal GDP over the same period.

**Growth of Italian Card Payments (in values) consistently outperforming Italian nominal GDP growth from 2009 to date indexed to 100<sup>(1)(2)(3)</sup>**



Source: (1) Bank of Italy—Appendix to the Annual Report as published on May 2019; (2) Value of card payment transactions (including credit, debit and prepaid cards); (3) ISTAT.

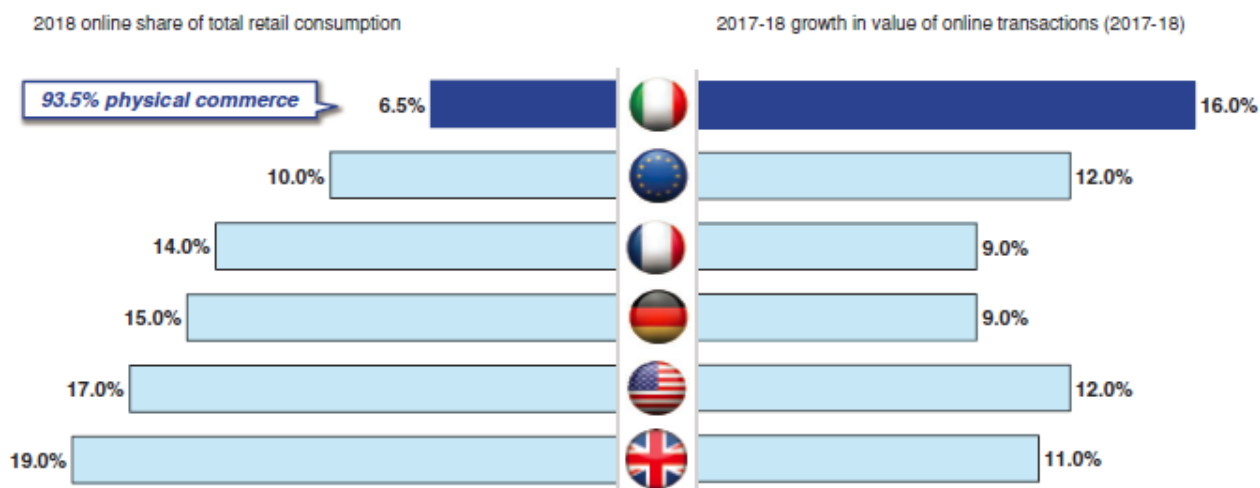
*SMEs*

According to Eurostat, Italy also has one of the largest SME populations in Europe, with 3.7 million SMEs, which account for a substantial share of the country’s card payment volumes. We believe that the ongoing digitalization of SMEs, as well as the deployment of new technologies (e.g., development of contactless payments and compulsory electronic invoicing), create the conditions for even faster growth in this segment. As a result of the segment’s high fragmentation, SMEs require a widespread distribution approach which can be best achieved through banking distribution networks. This structural characteristic provides us with a strong competitive advantage given our current extensive reach through our partner banks on which we depend to distribute our products and services.

*eCommerce and mCommerce*

Despite the strong growth of the value of eCommerce transactions in Italy (16.0% from 2017 to 2018), according to Politecnico of Milan, Osservatorio eCommerce B2C, October 2018), the sector is still underdeveloped compared to other major European countries. In particular, the portion of retail sales represented by eCommerce is low compared to other European countries (6.5% in Italy, compared to 14.0% in France and 19% in the UK, according to Politecnico of Milan, Osservatorio eCommerce B2C, October 2018).

## Statistics on e-commerce industry in Selected European Countries<sup>(1)</sup>



1

Source: School of Management, Politecnico of Milan—Netcomm, Osservatorio eCommerce B2C, October 2018.

- (1) eCommerce penetration calculated as the ratio between online spending and total spending (online and physical). Online spending includes purchases of products and services, excluding digital-only contents. Total spending is calculated on those categories of products that are sold online but that are also available offline markets sold online (i.e., excluding cigarettes, gaming, betting etc.).

In our view, continued mobile-centric innovation in the payments market combined with growth in the adoption of this channel is expected to result in further acceleration of growth in the Italian payments market. Key factors driving this growth are the high level of mobile penetration in Italy (favorable demographic trends with younger generations being more attracted to digital applications) and the availability of modern payments infrastructure.

### *Regulatory Tailwinds*

Digitalization of payments is a priority in Italy's national agenda as mean to favor digital over cash payments to prevent tax avoidance, money laundering and corruption. See "*Industry—Key Trends in the Digital Payments Market—Regulatory Changes*" for a description of these initiatives.

We believe that the combination of these market dynamics and characteristics creates a significant opportunity to grow our business.

### *Established Market Leader at Scale with Extensive Payments Ecosystem Coverage*

We believe that, due to our leadership position across several industry segments, we play a pivotal role in the Italian payments ecosystem. In particular, with reference to the offer of products and services relating to the Merchant Services & Solutions business unit, we served approximately 890,000 merchants, as of December 31, 2018, which increased to more than 900,000 merchants as of June 30, 2019, with large acquiring volumes amounting to 3.4 billion transactions in the twelve months ended June 30, 2019, and 3.2 billion transactions in the year ended December 31, 2018 (equivalent to €255 billion by payment transactions value in the twelve months ended June 30, 2019 and €249 billion by payment transactions value in the year ended December 31, 2018). Based on our management estimates, we processed, directly or indirectly, approximately 70% of the value of card payment transactions by value excluding national schemes (Bancomat/PagoBancomat) as of December 31, 2018.

With respect to the Cards & Digital Payments business unit, we are the leading card issuer in Italy, with over 41 million payment cards under management as of June 30, 2019, with large issuing volumes amounting to 2.5 billion in the twelve months ended June 30, 2019, and 2.4 billion transactions in the year ended December 31, 2018 (equivalent to €201 billion by payment transactions value in the twelve months ended June 30, 2019, and €197 billion by payment transactions value in the year ended December 31, 2018). Based on our management estimates, we managed, directly or indirectly, payment and withdrawal transactions equal to approximately 60% of the value of card transactions excluding national schemes (Bancomat/PagoBancomat) as of December 31, 2018.

We estimate that, based on the percentage of card spending carried out on our issuing or acquiring platform, approximately 90% of the total consumer card spending in Italy for the year ended December 31, 2018 (excluding national schemes Bancomat/PagoBancomat), flowed through at least one part of our value chain.

With respect to digital banking solutions and services, based on our estimates, we managed 936 million transactions through our clearing houses for Italy and the SEPA area in the year ended December 31, 2018. We are also the main provider of digital corporate banking services when measured by e-banking licenses (equal to approximately 420,000, constituting a 25% share of the market by number of e-banking licenses (According to CBI Statistical Report)), providing Italian corporates with key digital front-end systems for the management of electronic flows and, in the self-banking industry, (RBR (2017)) we managed approximately 13,400 ATMs with a 29% market share for the year ended December 31, 2018.

In addition, we have developed the CBI Globe Open Banking Gateway to capture the opportunities from PSD2. CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents more than 70% of the Italian banking market in terms of branches. The CBI Globe Open Banking Gateway is fully operational from June 2019.

Our position in the payments industry shows our broad coverage of the value chain across multiple dimensions as well as our presence in adjacent services and payment-type agnostic capabilities (i.e., independent from traditional payment channels).

Our extensive and diversified coverage of the payments system allows us to (i) attract more banks, which in turn provides access to a very broad merchant footprint, (ii) drive economics across the full value chain and realize attractive economies of scale, (iii) benefit from multiple revenue streams, cross-selling and up-selling; (iv) consolidate our competitive landscape in the Italian market and (v) operate a business that conducts both issuing and acquiring activities on a significant scale, with possible additional value sources and opportunities in the future.

We cover the full payments value chain, including the technological platform for transaction processing, clearing and settlement, operations, the development of products and solutions, as well as sales and customer management. See “*Business—Our Services*” for further details.

### ***Long-term Partnerships with Italian Banks***

We derive the majority of our revenues from commercial relationships with approximately 150 Italian banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018. These banks are both direct customers and partners serving as strategic distributors of our services and products or referral networks for potential cardholders and merchant and corporate clients. They include some of the main Italian banking groups and their extensive coverage creates an effective distribution reach. In particular, our bank partnerships encompass a broad spectrum of the players active in Italy: from large domestic players, such as Intesa Sanpaolo, Banco BPM, UBI and Banca Monte dei Paschi di Siena, to medium-sized banks like BPER, Credito Valtellinese and Banca Carige, and local banks, such as Banca Popolare di Bari, whether traditional commercial banks or digital banks (e.g., Widiba) and from pure Italian players to foreign-owned operators (e.g., Deutsche Bank or Crédit Agricole).

Our relationships with partner banks are built on a wide set of different service models, offering attractive solutions to address each partner bank’s requirements in digital payments acceptance and issuance strategy, from technological outsourcing of selected activities (clearing and settlement) to providing services that can cover the entire value chain (from the supply of technology and material support to process management, maintenance activities and customer support). Given the complexity and fast-changing, technology-driven developments in the payments system, we believe that banks are increasingly focused on offering innovative value-added products and services to their customers. Consequently, banks, and in particular small and medium-sized banks, are typically seeking support from specialist payments companies, for their end-to-end digital payment needs, a trend from which we benefit.

We have continued to invest in partnerships with Italian banks by offering more value-oriented and innovative products, providing effective digital banking tools fully integrated with banks’ digital systems as needed (e.g., banking dashboards) and aiming to enhance our service levels. Our support and level of investment in products and services are instrumental for our partner banks in order for them to be able to compete in the evolving payments system and remain commercially effective in the future. Our offer is also enhanced by the provision of services such as the implementation of advertising campaigns, a dedicated “SME Factory,” training of the bank’s sales network, and the advice of experts specializing in the field. Our “SME Factory” is a team specialized in activities and campaigns to increase the value of small and medium enterprises with the aim of increasing the value of merchants.



In addition, we believe that there are natural incentives for our partners to outsource their payments activities to us, such as:

- the combination of our know-how, business support activities, specialization and investment in innovation that allows us to deliver faster, highly integrated and technology-driven payment services, which are strategically important for banks; and
- our scale, which creates significant cost advantages across product development, processing and overhead that we believe no single partner bank could match on its own.

These factors enable us to have a high customer retention rate. By way of example, our relationships with most of our partner banks have been in place for more than 25 years, each of our top 10 partner banks has been a customer for more than 15 years, and we have had no material customer losses since our ownership changed in 2015 (excluding any loss due to mergers among client banks such as the merger of Veneto Banca and Banca Popolare di Vicenza with the Intesa Sanpaolo Group).

### ***Strong and Defensible Competitive Positioning, Leveraging on Product and Technological Innovation***

Achieving and seeking continuous product innovation as well as developing and extending our customer offering are at the core of our strategy and are a priority for our CEO and senior management to maintain a strong and defensible competitive positioning. Our strategic goal is to sustain our strong product differentiation, retain our customer base with continued cross-selling and up-selling, and, most importantly, maintain profitable and sustainable growth over the near- and long-term.




Our approach to innovation is two-fold. We aim to proactively shape and constantly sharpen our extensive innovation strategy, which we implement through collaboration with our partner banks. We also strive to work strategically with our main partner banks to develop bespoke solutions that best fit their business needs, incentivizing the adoption of selected products and initiatives that are already part of our innovation strategy.

We believe that we maintain a significant competitive advantage in product innovation, having introduced in recent years a significant number of well-funded, highly innovative, and differentiating products and solutions that are driving near- and long-term growth. For example, our recent products include SmartPOS devices (including SmartPOS Mini), Xpay (a payment gateway solution) and the Nexi Business App, in our Merchant Services & Solutions business unit. We have enhanced our offering in the Cards and Digital Payments business unit, with the launch of our Black credit card, virtual card and our new national and international debit cards, and the offering of new, fully digital card management capabilities. We have also launched our next generation customer value management, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending, which led to a 9% increase in reactivated cards and the issue of 53% more new payment cards. In our Digital Banking Solutions business unit, we have also developed a new self-banking offering and an innovative Digital Corporate Banking solution for our business customers. Moreover, we are at the forefront of open banking both in terms of infrastructure and value added services, thanks to CBI Globe, one of the most comprehensive national gateways in Europe that connects 80% of the Italian banking system and has the potential to host cooperative services and TPPs.

### ***Resilient and Diversified Recurring Revenues***

Our growth is the result of a resilient and diversified business model and various other factors, including, among others, the fact that our end markets benefit from strong consolidated growth drivers as well as several structural characteristics which are specific to Italy. We also benefit from revenues which are predominantly recurring in nature, with an attractive mix of volume-driven revenues and installed base driven revenues (47% and 53% in 2018, respectively). As shown in the table below, volume-driven revenues are linked to the volumes and payment transactions value we manage. Installed base-driven revenues are primarily related to the number of apps, POS terminals, managed cards and loyalty programs.

## Revenue Drivers

	Selected Revenue Items	Volume Driven	Installed Base Driven	Selected Revenue Drivers
<b>Merchant Services &amp; Solutions</b> 	Acquiring	✓		TPV
	POS Management		✓	POS Terminals
	VAS	✓	✓	TPV / # of Transactions
<b>Cards &amp; Digital Payments</b> 	Card Management		✓	# of Cards
	Transaction Revenues	✓		TPV / # of Trx
	VAS	✓	✓	# of Cards / # of Trx
<b>Digital Banking Solutions</b> 	ACH	✓		# of Clearing Transactions
	ATM Management		✓	# of ATMs
	Digital Corporate Banking		✓	# of Workstations

Our revenues are also underpinned by attractive partnerships with our partner banks. We have relationships with the vast majority of banks operating in Italy. Partner banks act as distributors and referral partners for a significant number of our services. These relationships are mutually beneficial because they allow partner banks to offer comprehensive services to their customers, whilst outsourcing certain activities to us enabling them to benefit from our economies of scale. We benefit from the large branch networks and customers relationships of these partner banks without the incurrence of related infrastructure costs. As a result, our business depends to a certain degree on the market share and marketing efforts of the Group's partner banks.

The relationships with our partner banks, including our top partners by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. These framework agreements have different terms. The partner banks, with whom we have in most cases open-ended agreements or contracts with automatic renewal (in both cases unless terminated by one of the parties), account for approximately 24% of our operating revenues for the year ended December 31, 2018. 86% of the operating revenues for our top five partner banks by total income derives from framework agreements with durations up to 2023, while 68% of operating revenues of our top five partner banks derives from agreements that expire in 2025 or later. The framework agreements that expire in 2023 or later represent approximately 54% of our operating revenues for the year ended December 31, 2018.

The table below sets forth the percentage of revenues recorded in the year ended December 31, 2018, on a pro forma basis, by residual maturity of framework contracts with partner banks divided by positioning in generating our operating revenues:

	Recurring annual contracts	2025+	2024	2023	2022	2021	2020	Total
<b>2018</b>								
Banks Nos. 1 - 5 .....	—	30.2%	—	8.0%	—	—	6.3%	44.5%
Banks Nos. 6 - 10 .....	2.8%	—	—	2.2%	0.6%	—	8.3%	14.0%
Banks Nos. 11 - 20 .....	8.3%	0.7%	—	—	1.1%	1.0%	1.2%	12.3%
Other banks .....	11.4%	—	—	—	—	—	4.1%	15.5%
Direct/referral .....	1.3%	12.5%	—	—	—	—	—	13.7%
<b>Total</b> .....	<b>23.8%</b>	<b>43.4%</b>	<b>0.0%</b>	<b>10.2%</b>	<b>1.7%</b>	<b>1.0%</b>	<b>19.9%</b>	<b>100.0%</b>

## ***Attractive Financial Profile Combining Profitable Growth, Resilience, Operating Leverage and Strong Cash Flow Generation***

With strong operating revenues of €956 million for the twelve months ended June 30, 2019, we rank among the largest players in the European payments sector and are the largest paytech company in Italy by revenue. Taking into account both organic and market growth as well as the contribution from the acquisitions in recent years, our Normalized EBITDA (derived from our Carve-Out Financial Statements) increased from €171 million for the year ended December 31, 2016, to €419 million for the year ended December 31, 2018. The Normalized EBITDA (derived from our unaudited non-GAAP managerial information) for the twelve months ended June 30, 2019 was equal to €463 million.

We have a history of consistent growth through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, we recorded significant growth rates in terms of operating revenues and Normalized EBITDA. In particular, our operating revenues and Normalized EBITDA increased by 7.8% and 15.5%, respectively, over the period from 2016 to 2018.

At the same time, we have also implemented substantial cost-savings and synergy initiatives, which allowed us to efficiently manage our operating costs base while expanding our business.

A large portion of our principal cost components are fixed (approximately 64% in 2018), such as ICT operation costs, general operating expenses and salaries. As a result, our business benefits from a significant degree of operating leverage that has delivered consistent growth in operating revenue and resulted in high cash conversion (Normalized EBITDA less capital expenditures) in recent years.

We have significantly downsized our transformation costs, with one-off charges decreasing by €33.6 million or 60.0%, from €66.0 million for the six months ended June 30, 2018, to €26.4 million for the six months ended June 30, 2019.

Our business is highly cash generative, which allowed us to undertake extraordinary investments in transformation and innovation initiatives to enhance our platform and product offering. We estimate that capital expenditure, including non-recurring items, amounted to €150.5 million, or 16% of our operating revenues in the year ended December 31, 2018, and €58.6 million, or 13% of our operating revenues in the six months ended June 30, 2019. Excluding non-recurring items, ordinary tangible and intangible assets amounted to €85.2 million, or 9% of our operating revenues in the year ended December 31, 2018, and €32.3 million, or 7% of our operating revenues in the six months ended June 30, 2019.

Taking into account both the ordinary component of capital expenditure and the change in working capital recorded (which amounted to €27 million in the year ended December 31, 2018, and €13 million in the six months ended June 30, 2019), we estimate that our normalized operating pre-tax cash flow (excluding non-recurring items) amounted to €312 million, or 74% of our Normalized EBITDA in the year ended December 31, 2018 and €187 million, or 80% of our Normalized EBITDA in the six months ended June 30, 2019. Such change in our net working capital relates only to variations of operating items, excluding certain line items relating to our acquiring and issuing activities covered by dedicated financing arrangements.

## ***Strong Leadership Team with Proven Track Record of Delivery***

Since the acquisition by Advent, Bain and Clessidra in 2015, we have further strengthened our management. In 2016, we hired Mr. Paolo Bertoluzzo as chief executive officer and Mr. Bernardo Mingrone as chief financial officer. Mr. Bertoluzzo was previously group chief for commercial operations and strategy for the Vodafone Group and CEO of Vodafone Italy, with extensive commercial and technology operations. He has significant experience in leading public companies with a large market capitalization. Mr. Mingrone was previously group chief financial officer of UniCredit S.p.A. and deputy general manager in charge of finance and operations at BMPS, and brings us wide knowledge of public companies and the Italian banking market with which we partner. We have also strategically enhanced selected top management positions, hiring a new chief information officer, chief administrative officer and new business heads for each of our three core segments, Merchant Services & Solutions, Cards & Digital Payments and Digital Payments Solutions. We have a large, experienced and highly qualified broader team of professionals from different industries such as high tech, financial services/banking, media, and consultancy.

The combination of these key strategic additions to management and the expansion of our technological capabilities has enabled us to simultaneously implement substantial strategic initiatives since 2016. During the 2016-2018 period, we grew significantly through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, our Normalized EBITDA increased at a CAGR of 15.5% for the period. Since 2016, we successfully completed six acquisitions (Mercury Payment, Bassilichi, Sparkling, and the acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), while making our business more focused by selectively streamlining non-core and

marginal operations. Our recent acquisitions served different strategic purposes, ranging from increasing our customer base and expanding our business coverage (e.g., Mercury Payment and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), increasing our technological capabilities, for example through the acquisition of Sparkling18, and adding new synergistic and strategic business lines (e.g., Bassilichi). In addition to the expected financial benefits and synergies, these acquisitions have strengthened our customer relationships, added significant scale to our issuing, acquiring and POS management capabilities and expanded our customer base. The disposal of certain non-core businesses generated proceeds of €381 million between 2017 to the date of this Information Release, more than the extraordinary costs relating to the Transformation Program and the Reorganization.

We completed the Reorganization, aimed at focusing the Group on the digital payments industry, thereby reducing our regulatory compliance burden. We broadened our product offering to cover the full payments value chain and to exploit the main future avenues of growth in the digital payments market. We implemented a comprehensive and transformational IT and technology transformation plan, on the back of committed investments for a cumulative amount of €325 million during the 2016-2018 period. We developed a modern corporate culture and internalized differentiated skills, hiring more than 260 experienced and highly qualified professionals. We finalized our rebranding as Nexi, including our roll-out of our new corporate slogan “*Nexi—every day, every pay,*” which is a testament to our commitment to driving innovation and the development of digital payments in Italy.

Given the execution ability of our management team and our strong focus on value creation and financial metrics, we believe that we will be able to take advantage of potential future growth opportunities, including through potential, disciplined M&A transactions in Italy, targeted either at domestic consolidation, increasing our scale, for example by acquiring merchant books, or enhancing our technological capabilities in selected high-growth products. In addition, we remain well-positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

## **Our Strategy**

We are the market leader in Italy in the field of digital payments and enjoy a strong competitive position throughout the value chain of digital payments, offering our customers a wide range of products and solutions, with the support provided by a cutting-edge technology platform.

As a result, we believe we are well positioned to take advantage of the numerous opportunities available in the payments industry. Our strategic aim is to establish ourselves as a “national champion” in digital payments, with leading technological capabilities and platforms, helping to accelerate the development of digital payments together with our banking partners. Our strategic agenda is based on the following priorities:

### ***Achieving Profitable and Sustainable Growth due to a Wide Range of High Quality Products***

We have a wide range of innovative products, capable of bringing significant growth in the short-, medium and long-term, which, at the same time, allows us to seize further growth opportunities in the future and to encourage the use and accelerate the growth of digital payments in Italy. We have already identified a number of initiatives aimed at: (i) the reduction of certain operational costs; (ii) the achievement of synergies from the recent acquisitions; and (iii) initiatives for innovation and the management of customer value.

### ***Investing in Cutting-Edge Technological Capabilities***

Technology is one of our strategic priorities as it is a key to operational efficiency and innovation, with the goal of delivering a best-in-class level of experience for both end-customers and partner banks. We strongly believe that our technology strategy is one of the key competitive advantages that will enable us to maintain our position along a profitable, long-term growth path. In addition to the significant investments made during the past three years, we intend to continue to invest in the short- to medium-term, mainly in innovative products and the further development of a new generation platform.

### ***Continuously Focusing on Aspects of Operational Efficiency***

We are constantly looking for ways to increase the efficiency of the main platforms, through an established process of continuous improvement. Investments in technological capacity will also increase our operating efficiency. In addition, we have a successful track record in generating cost savings and operating efficiencies from synergies achieved through the integration of acquired businesses. The result is a platform for the Group characterized by a high level of operational leverage, which allows us to pursue our growth objectives in a sustainable and profitable manner, while maintaining a continuous focus on investments in product innovation, process efficiency and optimal relationship with our customers and partner banks.

### ***Acquiring Talent and the Best Skills in the Industry***

Due to the extensive acquisition of talent and some of the best skills in the industry in recent years, we have been able to implement important strategic Group initiatives, as evidenced by the notable track record of projects, often completed simultaneously, since 2016. Attracting highly qualified personnel with cutting-edge skills remains a key element of our corporate culture, in order to maintain our ability to exploit opportunities for future growth (including through acquisitions) across multiple levers of value creation.

### ***Strengthening the Platform Through Disciplined Acquisitions and Partnerships***

We believe that we can achieve our planned targets by following a path of organic growth, considering the significant opportunities in the Italian market. Given the execution ability of our management team and our strong focus on value creation and financial metrics, we also believe that we are well positioned to benefit from any potential future growth opportunities, if any. In particular, in Italy, we will continue to evaluate opportunities for growth through potential, disciplined M&A transactions aimed at one of the following objectives:

- domestic consolidation, increasing our scale, for example by acquiring merchant books. The acquisitions of Mercury Payments, MPS Acquiring, DB Acquiring and Banca Carige that have increased our operational scale;
- enhancing our technological capabilities in selected high-growth products (such as with the acquisition of Sparkling); and
- acquiring new synergistic and strategic business lines (such as with the acquisition of Basilichi).

In addition, we remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry. We remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

### ***Continue Delivering Positive Free Cash Flows to Support Deleveraging***

We intend to maintain a focus on continuing improvements in positive free cash flow delivery. We plan to grow our operating revenue through innovative products and new initiatives in each of our business units. We intend to use the resulting increases in free cash flow to delever the business.

## **Corporate Information**

The Issuer is a joint stock company (*società per azioni*) organized under the laws of Italy, with its corporate seat in Milan, Italy. Nexi S.p.A. is registered with the Companies Register of Milan, Monza-Brianza, Lodi under the number 09489670969. The Issuer is publicly listed on the Mercato Telematico Azionario (“MTA”), organized and managed by Borsa Italiana S.p.A.

## **Recent Developments**

### ***Acquisitions and Disposals***

During the nine months ended September 30, 2019, we completed three disposals. In February 2019, we completed the disposals of our entire shareholding in both Oasi, which was sold to Cedacri S.p.A. and PayCare S.r.l., which was sold to Comdata S.p.A. In July 2019, we completed the disposal of our entire shareholding in MoneyNet S.p.A., which was sold to IVS Group.

### ***Recent Trading***

Based on our unaudited preliminary management accounts for the eight months ended August 31, 2019, we estimate that our revenue growth and EBITDA targets are in line with our latest guidance to the market, also in light of our continued focus on cost-savings and synergy initiatives related to our recent acquisitions and early results in the IT strategy implementation.

*The preliminary financial results presented above are presented on the basis of unaudited preliminary management information and are derived from our accounting records and internal management accounts, and have not been prepared on the same basis as our Financial Statements. This information has not been audited, reviewed or compiled, nor have any procedures been performed by our independent auditors with respect thereto. Accordingly, you should not*

*place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. Our preliminary financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the eight months ended August 31, 2019. Accordingly, the preliminary financial results presented above are subject to the completion of our results for the nine months ended September 30, 2019, may change and those changes may be material. See “Risk Factors.”*

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical and Carve-Out Financial Information

We have included in this Information Release unaudited historical interim condensed consolidated financial statements of the Issuer as of and for the six months ended June 30, 2019 and 2018 (the “Interim Financial Statements”) as well as special purpose audited carve-out consolidated financial statements as of and for each of the years ended December 31, 2018, 2017 and 2016 (the “Carve-out Financial Statements” and, together with the Interim Financial Statements, the “Financial Statements”). The Carve-out Financial Statements have been prepared on a carve-out basis to illustrate the effects of the Reorganization, which was completed on July 1, 2018, and are derived from the historical financial statements of the Issuer and those of Mercury UK. Our Financial Statements have been prepared in accordance with IFRS. However, the Carve-out Financial Statements differ from, and are not comparable to, the statutory audited financial statements published by the Issuer and the Group. The scope of consolidation of the Carve-out Financial Statements includes the legal entities and businesses of the Mercury UK Group that were included in the sub-group headed by the Issuer, following the completion of the Reorganization. As of December 31, 2018, the scope of consolidation of the balance sheet included in our Carve-out Financial Statements corresponds to that of the Group’s balance sheet included in its statutory financial statements (which is not true of the income statement for the year ended December 31, 2018, as the Group’s income statement included in its statutory financial statements includes the income and expense of the entities transferred to the Issuer with effect from July 1, 2018, when the Reorganization was completed).

### Pro Forma Financial Information

In addition, we present herein certain unaudited pro forma consolidated financial information for the Group (the “Unaudited Pro Forma Consolidated Financial Information”) as of and for six months ended June 30, 2019, in order to represent the main effects on the balance sheet as at June 30, 2019 and the income statement as of and for the six months ended June 30, 2019, of: (i) the use of the funds obtained under the Credit Facilities; (ii) the use of the funds obtained from the sale by the Issuer of 77,777,777 newly-issued shares in April 2019 in the context of the Listing; and (iii) the Offering (collectively the “Transactions”).

The pro forma adjustments are described in detail in “*Unaudited Pro Forma Consolidated Financial Information.*”

While the Unaudited Pro Forma Consolidated Financial Information is based on available information and assumptions that we believe to be reasonable and has been prepared on the basis of the accounting principles used to prepare the Interim Financial Statements, the Unaudited Pro Forma Consolidated Financial Information is presented for information purposes only and is not intended to represent or be indicative of our financial condition or results of operations that we would have reported had the Transactions and adjustments described above actually occurred during the period and as of the dates presented, and the Unaudited Pro Forma Consolidated Financial Information does not purport to project our results of operations or financial condition for any future period. Our actual results may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information, which has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act. See “*Risk Factors—Risks Related to the Financial Profile of the Issuer—The Unaudited Pro Forma Consolidated Financial Information included in this Information Release has been formulated based on, and is subject to, significant assumptions and limitations and may not reflect what our results of operations and financial condition would have been if the transactions reflected therein had occurred on the dates presented.*”

The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements included elsewhere in this Information Release.

### Non-GAAP Financial Information

#### *Non-GAAP Financial Measures*

We have included a number of financial measures in this Information Release (identified under the section “*Non-GAAP and Other Performance Measures*” below) which are “non-GAAP financial measures” as defined under the rules of the SEC, and “alternative performance indicators” (“APMs”) under the Prospectus Regulation. Each of these are key metrics used by management to assess financial performance. Our business is capital-intensive and these additional metrics allow management to further evaluate our operating performance. You should not view these measures as a projection of our future results.

We believe these metrics provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) these are among the measures used by the management team to evaluate our

operating performance; (ii) they are among the measures used by the management team to make day-to-day operating decisions; (iii) they are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results across companies in our industry; and (iv) Normalized EBITDA is a relevant metric under our historical financing arrangements. None of these metrics is a measurement of our financial performance under IFRS and should not be considered as alternatives to total comprehensive income/(loss) or other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as measures of liquidity. These non-GAAP measures should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. In addition, our measurements of these metrics may not be comparable to similarly titled measures of other companies. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully.

### ***Non-GAAP and Other Performance Measures***

To monitor and evaluate our economic and financial performance, management uses, in addition to the measures provided in the Financial Statements, the following APMs:

- EBITDA;
- EBITDA margin;
- Investments (capital expenditures);
- Net financial position;
- Net financial position/EBITDA;
- Net financial position/Normalized EBITDA;
- Normalized depreciation and amortization of tangible and intangible assets;
- Normalized EBITDA;
- Normalized EBITDA margin;
- Normalized income taxes;
- Normalized net impairment losses on financial assets at amortized cost;
- Normalized net provisions for risks and charges;
- Normalized operating margin;
- Normalized operating pre-tax cash flow;
- Normalized personnel expenses;
- Normalized pre-tax profit;
- Normalized profit for the year;
- Normalized profit from current operations before taxes;
- Normalized total income;
- Pro forma interest expense; and
- Pro forma net debt.

APMs are not identified as accounting measures under IFRS and therefore, should not be considered measures to replace those provided by the Financial Statements to assess our economic performance, the related cash flows and the related financial position.



For a correct interpretation of the APMs used, the following is also highlighted:

- (i) although they are derived from the Financial Statements, APMs are not identified as accounting measures under IFRS and are not audited;
- (ii) APMs are not indicative of our future performance;
- (iii) APMs must be read together with the Financial Statements;
- (iv) since APMs are determined on a basis which is not regulated by IFRS, the criteria applied for the relative determination of APMs, as well as our definition and calculation of APMs presented in this Information Release, may not be homogeneous with the criteria adopted by other groups and therefore, on APMs may not be comparable with similarly titled APMs presented by other groups; and
- (v) the APMs used by us are presented on the same basis for all the periods for which financial information is included in this Information Release.

We believe that the financial information provided by the APMs is a further important tool for assessing our performance, as these APMs allow more analytical monitoring of our financial performance.

Normalization (which we use to prepare, *inter alia*, Normalized total income, Normalized EBITDA, Normalized EBITDA margin, Normalized operating margin and Normalized profit for the year) seeks to represent our financial performance, net of the effects of certain non-recurring events and transactions and, with specific reference to the item “depreciation and amortization of tangible and intangible assets,” net of the effects relating to the amortization of intangible assets deriving from the allocation of the price of Acquisitions (“Customer Contracts”). In this regard, it is specified that:

- (i) the normalization associated with non-recurring expenses and income provides useful information as there are limits on the comparability of historical data relating to the years in question, which include cost and revenue items related to one-off corporate events that are not pertinent to our normal operations, such as, principally: the Acquisitions, the issuances of the Existing Notes and the Redeemed Notes, the Disposals, the Reorganization, the rebranding program, the Listing and the Credit Facilities; and
- (ii) the normalization of the effects relating to the amortization of Customer Contracts also provides useful information with respect to the comparability of our historical data. Adjustment for the effects of amortization of Customer Contracts (i.e., amortization of intangible assets arising from the allocation of the purchase price of the acquisitions of Mercury Payment, MPS Acquiring and DB Acquiring) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the six months ended June 30, 2019, the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

We also believe that EBITDA represents a useful indicator of our ability to generate cash, and that Net financial position and the Net financial position/EBITDA represent a useful indication of our ability to meet our financial obligations.

#### ***Unaudited 2018 Perimeter Information***

We also present in this Information Release unaudited non-GAAP managerial income statement for the years ended December 31, 2018, 2017 and 2016 (the “Unaudited 2018 Perimeter Information”), which gives full period effect to the following acquisitions (the “Acquisitions”) as if each of these had occurred on the first day of such period:

- (a) the merchant acquiring business of Banca Carige S.p.A. and its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., which was effective from September 30, 2018;
- (b) Sparkling, which was effective from April 10, 2018;
- (c) MPS Acquiring, effective July 1, 2017;
- (d) Bassilichi, effective July 3, 2017; and

(e) Mercury Payment, effective December 15, 2016.

We believe that presenting the Unaudited 2018 Perimeter Information is useful to investors in evaluating our financial performance. Our Carve-Out Financial Statements give effect to the Reorganization for all periods presented, but do not give effect to the Acquisitions. We are presenting the Unaudited 2018 Perimeter Information for the years ended December 31, 2018, 2017 and 2016 in this Information Release, as we believe this will aid comparability of our results of operations.

The Unaudited 2018 Perimeter Information has been prepared for illustrative purposes only and does not represent, and is not intended to represent, our actual results, or a prediction of our future results. The Unaudited 2018 Perimeter Information has been prepared to represent only those effects of the Acquisitions that can be isolated and objectively measured, without taking into account any effects that may arise from management operational decisions, including those that may have been taken as a result of the Acquisitions.

The Unaudited 2018 Perimeter Information has not been prepared in accordance with IFRS or any other generally accepted accounting standards. The Unaudited 2018 Perimeter Information should be considered in addition to, as opposed to in substitution for, our Financial Statements and the Unaudited Pro Forma Consolidated Financial Information.

### ***Unaudited Non-GAAP Managerial Information***

This Information Release also contains certain unaudited non-GAAP managerial information for (i) the six months ended June 30, 2018, (ii) the year ended December 31, 2018 and (iii) the twelve months ended June 30, 2019.

The unaudited historical financial information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not allow comparability with the information for the same period in 2019, as the comparative information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not include the effect of the Reorganization, the Acquisitions and the signing of the Contracts with Depobank. Consequently, we are presenting in this Information Release certain unaudited non-GAAP managerial information for the six months ended June 30, 2018, to reflect the effects of the transactions and agreements mentioned above, as we believe this will aid comparability of our results of operations.

The unaudited non-GAAP managerial information presented in this Information Release is limited to certain income statement items, from operating revenues to normalized EBITDA.

We are also presenting in this Information Release unaudited non-GAAP managerial information as of and for (i) the twelve months ended June 30, 2019, and (ii) the year ended December 31, 2018. The unaudited non-GAAP managerial information as of and for the twelve months ended June 30, 2019, has been derived by adding the unaudited historical financial information for the six months ended June 30, 2019, as reported in the Interim Financial Statements, to the unaudited non-GAAP managerial information for the year ended December 31, 2018, and subtracting the unaudited non-GAAP managerial information for the six months ended June 30, 2018. The unaudited non-GAAP managerial information for the year ended December 31, 2018, differ from the Unaudited 2018 Perimeter Information because it includes the effects of entering into the Contracts with Depobank.

The unaudited non-GAAP managerial information presented herein has been prepared for illustrative purposes only and may not necessarily be representative of our results for such prior periods or any future period.

The unaudited non-GAAP managerial information presented herein has not been prepared in accordance with IFRS or any generally accepted accounting standards or the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any other regulations of the SEC or any other regulator. The unaudited non-GAAP managerial information has been derived by applying adjustments to our historical Financial Statements included elsewhere in this Information Release, which adjustments are not recognized by IFRS or any other generally accepted accounting standards. The unaudited non-GAAP managerial information reflects the application of adjustments that are based upon available management account information and certain assumptions that management believes are reasonable under the circumstances. Actual results may differ materially from the unaudited non-GAAP managerial information. Neither the assumptions underlying the adjustments nor the resulting unaudited non-GAAP managerial information has been audited or reviewed.

The unaudited non-GAAP managerial information should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements included elsewhere in this Information Release.

## **IFRS 16**

On January 13, 2016, the IASB published IFRS 16 (Leases), and the European Union adopted IFRS 16 on November 9, 2017. IFRS 16 (Leases) became effective from 1 January 2019. The new standard replaces the previous lease accounting standard, IAS 17 (Leases), including related interpretations. We have applied IFRS 16 from January 1, 2019, with the effects of the first time adoption of IFRS 16 recognized in the net equity as at January 1, 2019. We have not restated the financial information for prior periods to give effect to the impact of IFRS 16. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Comparability of our Results of Operations—Changes to Accounting Standards—IFRS 16.*”

## **Rounding**

Certain numerical figures set out in this Information Release, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Information Release may vary slightly from the actual arithmetic totals of such information. In addition, as a result of such rounding, the totals of certain financial information presented in tabular form may differ from the information that would have appeared in such totals using the unrounded financial information.

## SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA

*The following tables include information derived from our Financial Statements, Unaudited Pro Forma Consolidated Financial Information, unaudited non-GAAP managerial information and certain other information for the periods ended on and as of the dates indicated below.*

*We have extracted the historical and pro-forma summary financial information (i) with respect to the statement of profit or loss information, balance sheet information and statement of cash flows information as of June 30, 2019 and for the six months ended June 30, 2019 and 2018, from the Interim Financial Statements and the Unaudited Pro Forma Consolidated Financial Information included elsewhere in this Information Release, and (ii) with respect to the statement of profit or loss information, balance sheet information and statement of cash flows information as of and for each of the years ended December 31, 2018, 2017 and 2016, from our Carve-out Financial Statements included elsewhere in this Information Release.*

*As a result of the factors discussed below, the historical financial information included in this Information Release is not immediately comparable. You should consider the effects of the items discussed below when analyzing our financial position and results of operations.*

*The periods presented in this Information Release were affected by certain transactions (mainly acquisitions), the completion of the Reorganization, the Listing and the Offering. As a result, there is a lack of homogeneity in the scope of consolidation during the periods presented in this Information Release, which has an impact on the comparability of the historical financial information for those periods. We set forth below the changes to our scope of consolidation during the periods under review:*

- Mercury Payment (acquired on December 15, 2016) has been included in our scope of consolidation since December 31, 2016. It began contributing to our economic results beginning in 2017;*
- DB Acquiring and MPS Acquiring (acquired on June 1, 2017 and July 1, 2017, respectively) have been included in our scope of consolidation since their respective acquisition dates. They contributed to our economic results for seven and six months, respectively, in 2017;*
- Bassilichi (acquired on July 3, 2017) has been included in our scope of consolidation since July 1, 2017. It contributed to our economic results for the second half of 2017;*
- Carige Acquiring (acquired on September 28, 2018) has been included in our scope of consolidation since September 30, 2018. It contributed to our economic results for the last three months of 2018;*
- the Reorganization was completed on July 1, 2018. The aim of the Reorganization was to separate the technological and digital payment activities from those that require a banking license. Non-regulated payments businesses were transferred from Depobank to Nexi and included in our scope of consolidation from July 1, 2018; and*
- the Listing was completed on April 16, 2019. It added significant liquidity to our Group and allowed for the repayment of part of our indebtedness, including the Redeemed Notes.*

*The Financial Statements have been prepared in accordance with IFRS and the interpretations of the IFRS Interpretations Committee (IFRS IC), as endorsed by the European Commission (and transposed into Italian law by Legislative decree no. 38/2005).*

*The Unaudited Pro Forma Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. It has been derived by applying adjustments to the historical Financial Statements included elsewhere in this Information Release. The Unaudited Pro Forma Consolidated Financial Information does not purport to represent what our results of operations or financial position actually would have been if the events had occurred on the dates assumed, and such information does not purport to project our results of operations or financial condition for any future period. Neither the assumptions underlying our pro forma and other adjustments nor the resulting Unaudited Pro Forma Consolidated Financial Information has been audited or reviewed in accordance with any generally accepted accounting standards. Any differences between the summary Unaudited Pro Forma Consolidated Financial Information and our future results of operations and financial position may be material. The summary Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with our Financial Statements and the notes thereto. See “Unaudited Pro Forma Consolidated Financial Information.”*

The tables below also contain certain unaudited non-GAAP managerial information for (i) the six months ended June 30, 2018, (ii) the year ended December 31, 2018 and (iii) the twelve months ended June 30, 2019.

The unaudited historical financial information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not allow comparability with the information for the same period in 2019, as the comparative information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not include the effect of the Reorganization, the Acquisitions and the signing of the Contracts with Depobank. Consequently, we are presenting in this Information Release certain unaudited non-GAAP managerial information for the six months ended June 30, 2018, to reflect the effects of the transactions and agreements mentioned above, as we believe this will aid comparability of our results of operations.

We are also presenting in this Information Release unaudited non-GAAP managerial information as of and for (i) the twelve months ended June 30, 2019, and (ii) the year ended December 31, 2018. The unaudited non-GAAP managerial information as of and for the twelve months ended June 30, 2019, has been derived by adding the unaudited historical financial information for the six months ended June 30, 2019, as reported in the Interim Financial Statements, to the unaudited non-GAAP managerial information for the year ended December 31, 2018, and subtracting the unaudited non-GAAP managerial information for the six months ended June 30, 2018. The unaudited non-GAAP managerial information for the year ended December 31, 2018, differs from the Unaudited 2018 Perimeter Information because it includes the effects of the entering into the Contracts with Depobank.

### Summary Historical and Pro forma Consolidated Statement of Profit or Loss Information

	Pro Forma	Interim Financial Statements		Carve-Out Financial Statements		
		Six months ended June 30, 2019	Six months ended June 30, 2018	Year ended December 31, 2018		
		2019	2018	2018	2017	2016
(in € millions)						
Fee for services rendered and commission income .....	770.8	770.8	82.9	1,575.9	1,417.0	1,078.7
Fee for services received and commission expense .....	(300.5)	(300.5)	(1.0)	(620.9)	(582.5)	(559.3)
<b>Net fee and commission income.....</b>	<b>470.3</b>	<b>470.3</b>	<b>81.9</b>	<b>955.0</b>	<b>834.5</b>	<b>519.4</b>
Interest and similar income .....	9.6	9.6	0.4	56.1	22.1	24.3
Interest and similar expense .....	(33.5)	(113.5)	(12.8)	(99.1)	(37.7)	(31.7)
<b>Net interest margin.....</b>	<b>(24.0)</b>	<b>(104.0)</b>	<b>(12.4)</b>	<b>(43.0)</b>	<b>(15.6)</b>	<b>(7.4)</b>
Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss .....	(5.3)	(5.3)	(0.0)	(2.3)	(0.5)	(0.6)
Dividends and profit / loss from investments and sale of assets at fair value through OCI.....	(4.4)	(4.4)	0.5	(5.2)	0.3	0.4
<b>Financial and operative income .....</b>	<b>436.6</b>	<b>356.6</b>	<b>70.0</b>	<b>904.5</b>	<b>818.7</b>	<b>511.8</b>
Personnel expense .....	(129.8)	(129.8)	(9.2)	(178.8)	(183.6)	(103.7)
Other administrative expenses.....	(188.4)	(188.4)	(35.4)	(458.4)	(427.0)	(276.9)
<b>Total administrative expenses .....</b>	<b>(318.2)</b>	<b>(318.2)</b>	<b>(44.5)</b>	<b>(637.3)</b>	<b>(610.6)</b>	<b>(380.6)</b>
Other operating income, net .....	(2.5)	(2.5)	0.6	4.1	(0.8)	(0.9)
Net value adjustments on assets measured at amortized cost .....	(1.8)	(1.8)	—	(2.2)	(2.8)	(2.2)
Net accruals to provisions for risks and charges ..	0.6	0.6	(0.2)	(33.2)	0.1	(6.6)
Amortization, depreciation and net impairment losses on tangible and intangible assets.....	(70.3)	(70.3)	(21.3)	(114.9)	(88.6)	(27.4)
<b>Operating margin.....</b>	<b>44.4</b>	<b>(35.6)</b>	<b>4.5</b>	<b>121.1</b>	<b>116.1</b>	<b>94.0</b>
Profit (loss) from equity investments and disposal of investments .....	(0.1)	(0.1)	—	20.5	2.3	0.0
<b>Pre-tax profit from continuing operations .....</b>	<b>44.3</b>	<b>(35.7)</b>	<b>4.5</b>	<b>141.6</b>	<b>118.4</b>	<b>94.0</b>
Income taxes.....	(18.7)	0.5	0.4	(66.7)	(46.5)	(33.6)
Income (Loss) after tax from discontinued operations .....	93.6	93.6	—	(6.1)	0.2	2.2
<b>Profit for the period .....</b>	<b>119.2</b>	<b>58.4</b>	<b>4.9</b>	<b>68.7</b>	<b>72.1</b>	<b>62.7</b>

## Summary Historical and Pro forma Balance Sheet

	Pro Forma	Interim Financial Statements	Carve-Out Financial Statements		
			As at December 31,		
	As at June 30, 2019	As at June 30, 2019	2018	2017	2016
	(in € millions)				
<b>Assets</b>					
Cash and cash equivalents .....	125.9	165.9	40.7	134.4	8.4
Financial assets at fair value through other comprehensive income .....	131.8	131.8	100.1	83.3	47.6
Financial assets at fair value through profit or loss .....	—	—	0.0	0.2	0.1
Financial assets at amortized cost.....	1803,4	1,803.4	1,668.5	3,112.4	2,877.8
a) loans and receivables with banks .....	414.0	414.0	561.2	333.0	329.5
b) loans and receivables with customers .....	1,389.4	1,389.4	1,107.2	2,779.4	2,548.3
Equity investments .....	0.7	0.7	0.7	0.0	0.0
Property and equipment.....	191.9	191.9	156.2	156.9	109.8
Investments property .....	3.1	3.1	3.2	6.2	6.5
Intangible assets .....	2,660,2	2,660.2	2,668.3	2,607.6	1,906.5
Of which goodwill.....	2,097.4	2,097.4	2,097.4	2,071.7	1,500.6
Tax assets .....	84.3	84.3	62.9	54.1	46.1
a) current .....	51.6	51.6	29.3	28.0	23.2
b) deferred .....	32.7	32.7	33.6	26.1	22.9
Non-current assets held for sale and disposal groups .....	8.1	8.1	80.5	66.1	53.9
Other assets .....	403.2	403.2	405.7	339.8	263.3
<b>Total assets .....</b>	<b>5,412.6</b>	<b>5,452.6</b>	<b>5,186.7</b>	<b>6,560.8</b>	<b>5,320.0</b>
<b>Liabilities and net investment</b>					
Financial liabilities at amortized cost .....	3,198,5	3,198.5	3,716.8	2,606.0	1,957.1
a) due to banks.....	1,590.6	1,590.7	792.9	2,492.6	1,858.8
b) due to customers .....	385.3	385.3	354.2	113.5	98.3
c) securities issued.....	1,222.6	1,222.6	2,569.7	—	—
Financial liabilities held for trading .....	8.7	8.7	3.2	1.1	—
Hedging derivatives.....	45.8	45.8	16.6	5.5	—
Tax liabilities.....	140.6	140.6	163.2	133.9	146.4
a) current .....	5.3	5.3	31.1	3.2	16.9
b) deferred .....	135.3	135.3	132.1	130.7	129.5
Liabilities associated with disposal groups .....	9.8	9.8	39.1	22.9	11.8
Post-employment benefits .....	15.1	15.1	14.1	18.0	15.8
Provisions for risks and charges .....	41.9	41.9	46.6	33.1	17.3
Other liabilities .....	732.0	732.0	716.4	720.5	474.4
<b>Total liabilities .....</b>	<b>4,192.4</b>	<b>4,192.4</b>	<b>4,715.8</b>	<b>3,541.0</b>	<b>2,622.8</b>
<b>Net Investments .....</b>	<b>1,220.2</b>	<b>1,260.2</b>	<b>470.9</b>	<b>3,019.8</b>	<b>2,697.2</b>
<b>Total liabilities and net investment .....</b>	<b>5,412.6</b>	<b>5,452.6</b>	<b>5,186.7</b>	<b>6,560.8</b>	<b>5,320.0</b>

## Summary Historical Cash Flow Statement Information

	Interim Financial Statements	Carve-out Financial Statements		
		Year ended December 31,		
	Six months ended June 30, 2019	2018	2017	2016
	(in € millions)			
Net cash flows generated by operating activities .....	160.3	139.9	696.3	68.8
Net cash flows used in investing activities.....	89.1	(151.9)	(793.7)	(1,082.4)
Net cash flows generated by (used in) financing activities .....	(124.2)	(81.8)	223.4	1,022.0

## Summary Historical and Pro Forma Segmental Statement of Profit or Loss

	Pro Forma	Interim Financial Statements		Carve-Out Financial Statements		
		Six months ended June 30,		Year ended December 31,		
		Six months ended June 30, 2019	2019	2018	2018	2017
		(in € millions)				
Merchant Services & Solutions .....	223.6	223.6	33.0	435.7	352.5	208.0
Cards & Digital Payments .....	187.9	187.9	49.0	360.6	342.1	234.8
Digital Banking Solutions .....	55.9	55.9	—	113.7	97.4	60.1
Other Services <sup>(1)</sup> .....	—	—	—	32.4	29.8	8.0
<b>Normalized total income<sup>(2)</sup> .....</b>	<b>467.3</b>	<b>467.3</b>	<b>82.0</b>	<b>942.5</b>	<b>821.8</b>	<b>510.9</b>
Personnel expenses .....	(84.1)	(84.1)	(8.6)	(158.0)	(132.8)	(88.1)
Operating costs .....	(150.3)	(150.3)	(15.8)	(365.4)	(350.8)	(251.6)
<b>Normalized EBITDA .....</b>	<b>232.9</b>	<b>232.9</b>	<b>57.6</b>	<b>419.1</b>	<b>338.2</b>	<b>171.3</b>

(1) For periods reported since the interim report for the period ended June 30, 2019, “Other Services” are reported as part of the “Merchant Services & Solutions” business line.

(2) We define Normalized total income as the total income normalized for non-recurring revenues and income and for net financial charges related to the Existing Notes, the Redeemed Notes, and the Notes, as applicable.

### Other Financial Data<sup>(\*)</sup>

	Unaudited Non-GAAP Managerial Information			
	Twelve months ended June 30, 2019	Six months ended June 30,		Year ended December 31,
		2019	2019	2018
	(in € millions)			
Normalized EBITDA <sup>(1)</sup> .....	462.9	232.9	194.1	424.1
Normalized EBITDA Margin <sup>(2)</sup> .....	48%	50%	44%	45%
Pro forma net debt <sup>(3)</sup> .....	1,578.2			
Pro forma interest expense <sup>(4)</sup> .....				
Ratio of pro forma net debt <sup>(3)</sup> to Normalized EBITDA <sup>(1)</sup> .....	3.4x			
Ratio of Normalized EBITDA <sup>(1)</sup> to pro forma interest expense <sup>(4)</sup> ...	x			

(\*) The metrics set forth in this section are non GAAP financial measures as defined under the rules of the SEC and APMs under the Prospectus Regulation.

(1) We define EBITDA as the profit for the year excluding profit/loss on discontinued operations after taxes, income taxes, net gain on equity investments and sales of investments, net financial charges related to the Notes (which are included in the Net Interest margin).

EBITDA and Normalized EBITDA are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. EBITDA and Normalized EBITDA as presented in this Information Release may differ from and may not be comparable with similarly titled measures used by other companies. We present EBITDA and Normalized EBITDA for informational purposes only. This information does not represent the results we would have achieved had each of the items for which an adjustment is made occurred at the dates indicated. There can be no assurance that items we have identified for adjustment as nonrecurring will not recur in the future or that similar items will not be incurred in the future. The calculations for EBITDA and Normalized EBITDA are based on various assumptions and management estimates. These amounts have not been, and, in certain cases, cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented, may not be comparable with our Financial Statements or the other financial information included in this Information Release and should not be relied upon when making an investment decision. We present EBITDA and Normalized EBITDA because (i) these are among the measures used by the management team to evaluate our operating performance, (ii) they are among the measures used by the management team to make day to day operating decisions, (iii) they are frequently used by securities analysts, investors and other interested parties as a common

performance measure to compare results across companies in our industry and (iv) EBITDA is a relevant metric under our historical financing arrangements. EBITDA and Normalized EBITDA have limitations as analytical tools, and you should not consider such measures either in isolation or as a substitute for net income (loss), cash flow from operations or other methods of analyzing our results as reported under IFRS. Some of these limitations are:

- EBITDA and Normalized EBITDA do not reflect changes in, or cash requirements for, our settlement needs;
- EBITDA and Normalized EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- EBITDA and Normalized EBITDA do not reflect our tax expense or the cash requirements to pay our taxes;
- EBITDA and Normalized EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA and Normalized EBITDA do not reflect the impact of certain cash charges or the impact on earnings or changes resulting from matters that we consider not to be indicative of our future operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA and Normalized EBITDA do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate EBITDA and Normalized EBITDA differently, limiting their usefulness as comparative measures.

None of these metrics is a measurement of our financial performance under IFRS and should not be considered as alternatives to net profit or other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as measures of liquidity. These non GAAP measures should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our Financial Statements and using these non GAAP financial measures only supplementally to evaluate our performance. See “*Presentation of Financial and Other Information—Non-GAAP Financial Information—Non GAAP Financial Measures.*”

Set forth below is a reconciliation of EBITDA and Normalized EBITDA to profit for the period for each of the six months ended June 30, 2019 and 2018, as well as the years ended December 31, 2018, 2017 and 2016, which we believe is their closest comparable IFRS measure.

	Pro Forma	Interim Financial Statements		Carve-Out Financial Statements		
		Six months ended June 30,		Year ended December 31,		
		Six months ended June 30, 2019	2019	2018	2018	2017
		(in € millions)				
<b>Profit for the period</b> .....	<b>119.2</b>	<b>58.4</b>	<b>4.9</b>	<b>68.7</b>	<b>72.1</b>	<b>62.7</b>
Profit/loss from assets held for sale net of taxes <sup>(a)</sup> .....	(93.6)	(93.6)	—	6.1	(0.2)	(2.2)
Income taxes <sup>(b)</sup> .....	19.2	0.0	(0.4)	66.7	46.5	33.6
Net gain on equity investments and sales of investments <sup>(c)</sup> .....	0.1	0.1	—	(20.5)	(2.3)	—
Net financial charges related to the Notes <sup>(d)</sup> .....	21.6	101.6	12.1	32.0		
Depreciation and amortization of tangible and intangible assets <sup>(e)</sup> .....	71.2	71.2	21.3	114.9	88.6	27.4
<b>EBITDA<sup>(f)</sup></b> .....	<b>137.7</b>	<b>137.7</b>	<b>37.9</b>	<b>268.0</b>	<b>204.7</b>	<b>121.5</b>
<b>Total non-recurring expenses with impact on EBITDA</b> .....	<b>95.2</b>	<b>95.2</b>	<b>19.7</b>	<b>151.1</b>	<b>133.5</b>	<b>49.8</b>
<b>Normalized EBITDA</b> .....	<b>232.9</b>	<b>232.9</b>	<b>57.6</b>	<b>419.1</b>	<b>338.2</b>	<b>171.3</b>

(a) Represents (i) for the six months ended June 30, 2019, capital gains, net of taxes, deriving from the complete disposal of the stakes held in Oasi and PayCare, (ii) for the year ended December 31, 2018, profit/loss of interests classified as IFRS 5 and referred to Oasi, Bassmart, MoneyNet and PayCare, (iii) for the year ended December 31, 2017, profit/loss referred to Bassmart and MoneyNet, and (iv) for the year ended December 31, 2016, profit/loss referred to Oasi.

(b) Income taxes for the six months ended June 30, 2019, exclude tax benefits related to the acquisition of Sparkling, amounting to €0.5 million.

(c) Represents (i) for the year ended December 31, 2018, gain on disposal of the business related to former Banca Popolare di Vicenza and Veneto Banca, currently in compulsive administrative liquidation, to Intesa Sanpaolo, and (ii) for the year ended December 31, 2017, profit on shareholding in the affiliates of Nexi Payments (Win Join, Rs Record store, ICT Logistica, Bassnet S.r.l. and K Red). Net gain on equity



investments and sales of investments for the six months ended June 30, 2019, excludes tax benefits related to the acquisition of Sparkling, amounting to €0.5 million.

- (d) Included in the Net Interest margin, as applicable.
- (e) Depreciation and amortization of tangible and intangible assets for the six months ended June 30, 2019, includes VAT related to the right of use of assets amounting to €0.8 million.
- (f) EBITDA for the six months ended June 30, 2019, differs from the EBITDA reported in the management report published together with the Interim Financial Statements, due to a difference in (i) income taxes, which in this presentation excludes tax benefits related to the acquisition of Sparkling, amounting to €0.5 million, (ii) Net financial charges related to the Notes, which in this presentation is not included in Net Interest margin and (iii) Depreciation and amortization of tangible and intangible assets, which in this presentation includes VAT related to the right of use of assets amounting to €0.8 million.
- (2) The Normalized EBITDA margin is determined as the ratio of Normalized EBITDA to operating revenues.
- (3) Pro forma net debt includes pro forma total debt, net of cash and cash equivalents.
- (4) Represents the pro forma interest expense on our pro forma net debt. Excludes amortized debt issuance costs incurred in connection with the Offering. Pro forma interest expense is presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Refinancing occurred on January 1, 2018, nor does it purport to project our interest expense for any future period or our financial position at any future date.

### Unaudited Non-GAAP Managerial Information

	Twelve months ended June 30, 2019	Six months ended June 30,		Year ended December 31, 2018
		2019 <sup>(1)</sup>	2018	
		(in € millions)		
Merchant Services & Solutions .....	461.6	223.6	210.0	448.0
Cards & Digital Payments .....	374.2	187.9	174.3	360.6
Digital Banking Solutions .....	120.0	55.9	57.8	121.9
<b>Operating revenues .....</b>	<b>955.8</b>	<b>467.3</b>	<b>442.1</b>	<b>930.6</b>
Personnel expenses .....	(161.7)	(84.1)	(77.7)	(155.5)
Operating costs .....	(331.2)	(150.3)	(170.3)	(351.2)
<b>Normalized total costs<sup>(2)</sup> .....</b>	<b>(492.9)</b>	<b>(234.5)</b>	<b>(248.0)</b>	<b>(506.4)</b>
<b>Normalized EBITDA .....</b>	<b>462.9</b>	<b>232.9</b>	<b>194.1</b>	<b>424.1</b>

(1) This information is derived from the Interim Financial Statements.

(2) With respect to the Unaudited 2018 Perimeter, Normalized total costs for the year ended December 31, 2018, include a reclassification from Operating costs to Personnel expenses of Euro 5.4 million costs related to personnel (e.g. travel expenses).

### Investments (Capital Expenditure)

	Financial Statements			
	Six months ended June 30, 2019	Year ended December 31,		
		2018	2017	2016
	(in € millions)			
Ordinary tangible and intangible assets .....	32.3	85.2	56.8	47.7
IT Projects and Strategy Transformation .....	26.4	65.4	25.5	5.2
Acquisitions (Customer Contracts) .....	—	—	126.7	365.6
<b>Investments (Capital Expenditure) .....</b>	<b>58.6</b>	<b>150.5</b>	<b>209.0</b>	<b>418.5</b>

## Other Aggregated Operating Information<sup>(1)(2)</sup>

	Twelve months ended June 30, 2019	Six months ended June 30,		Year ended December 31,		
		2019	2018	2018	2017	2016
Number of managed transactions (in million) .....	5,839	2,897	2,611	5,553	4,976	4,572
<i>Merchant Services &amp; Solutions</i> <sup>(3)</sup> .....	3,372	1,676	1,500	3,196	2,855	2,631
<i>Card &amp; Digital Payments</i> <sup>(3)</sup> .....	2,467	1,221	1,111	2,357	2,135	1,955
Value of card transactions (€ billion) .....	455.8	220.5	210.5	445.8	419.2	398.3
<i>Merchant Services &amp; Solutions</i> <sup>(3)</sup> .....	255.1	123.2	117.2	249.1	233.1	221.3
<i>Card &amp; Digital Payments</i> <sup>(3)</sup> .....	200.8	97.3	93.3	196.8	186.1	177.0

- (1) The other aggregated operating information presented in this table was prepared on the same basis as the unaudited non-GAAP managerial information. See “*Presentation of Financial and Other Information.*”
- (2) The figures presented in this table are subject to variation from period to period, including due to seasonality and acquisitions. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations and Financial Condition*” and “*Risk Factors—Risks Related to Our Business.*”
- (3) The figures presented in this table aggregate the number of transactions managed under our licensing, servicing and direct issuing and acquiring models.

## RISK FACTORS

*An investment in the Notes involves risks. Before investing in the Notes, you should consider carefully the following risk factors and all information contained in this Information Release to ensure that you have understood the general and specific risks that we face and that affect the industry in which we operate, as well as the risks related to investing in the Notes. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, our business, financial condition, results of operations or prospects could be materially and adversely affected and you could lose all or part of your investment. This Information Release also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the expectations expressed in these forward-looking statements as a result of various factors, including the risks described below.*

*The risk factors described below must be read together with the other information contained in this Information Release.*

### **Risks Related to Our Business**

#### ***Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenue and profitability.***

We operate in the Italian market, from which we generate all of our revenue, and, accordingly, we face risks associated with weak economic conditions in Italy.

The revenue we generate through the commissions we receive, in particular in our Merchant Services & Solutions and Cards & Digital Payments business lines, is a function of the number and size of payment transactions (volume-driven revenues). These, in turn, are linked to the overall level of consumer, business and government spending in Italy. Any macroeconomic developments which negatively impact Italy's growth could impact both the volume-driven component and the component generated by subscription fees (e.g., card, POS or ATM fees), since they would impact not only the volume of transactions but also the number of cards issued or the number of new-generation POS cards distributed to merchants.

The Italian economy is impacted by Italian, European and global macroeconomic developments. In recent years, the global financial and banking systems have been subject to considerable disruption and uncertainty and, currently, the short- and medium-term global economic outlook remain uncertain. The general economic situation in Italy influences consumer confidence, consumer spending, consumer discretionary income and changes in consumer purchasing habits. The general economic situation in Italy can change suddenly due to a variety of factors over which we have no control, such as government policy, monetary policy and the international economic situation. A prolonged deterioration of the general economic situation in Italy or an increase in interest rates in Italy could adversely affect our financial performance by reducing the number of digital payment transactions or the spend per transaction. Given that we have a certain number of fixed and semi-fixed costs, including the costs of our debt financing, rents and salaries, our ability to quickly adjust costs and respond to changes in our business and the economy may be limited. Similarly, an increase in the average cost of financing by the banks that finance our operations or a reduction in their commitments could result in increased cost of credit or reduced funding. Furthermore, if economic conditions cause our partner banks to tighten their credit requirements, this could reduce the number of cardholders and thus the number of digital payment transactions or the spend per transaction. In addition, consumption is positively correlated with macroeconomic and political developments in Italy. In the past, macroeconomic and political events have had a negative effect on the country's growth, and in the future could lead to a deterioration in investor and market confidence. Furthermore, spending cuts and other austerity policies in the past have had a negative impact on demand for goods and services, and this has had a negative effect on both economic growth and the employment rate. According to the latest Bank of Italy bulletin issued in July 2019, GDP in 2019 is expected to grow by 0.1%, 0.9% less than previously forecast.

As of the date of this Information Release, the rating assigned to Italy by Moody's is Baa3, with a stable outlook, which is the lowest level of the investment grade category. On the other hand, both Fitch and Standard & Poor's place the country's rating at a higher level, "BBB," but with a negative outlook, which implies that there may be a ratings downgrade in the coming months (i.e., to the same level as Moody's or lower) if the economic and political fundamentals in Italy on which the outlook is based deteriorate as expected. In August and October 2018, respectively, Fitch and Standard & Poor's lowered the Italian Rating Outlook (BBB) from "stable" to "negative," an outlook confirmed by Fitch in August 2019. In October 2018, Moody's lowered the rating of Italy by one notch, from Baa2 to Baa3 (stable outlook) in light of the country's economic and political situation and the unfavorable international environment.

Continuation or further worsening of these difficult financial and macroeconomic conditions or a prolonged period of political instability could result in a decrease in the demand for our services due to a decrease in consumer spending or

difficulties in carrying out our ordinary activities. These circumstances could have a material adverse effect on our business, financial condition, results of operations and prospects. A deterioration in the state of the economy could have significant effects on the financial resources of our clients, which could lead to a contraction in the demand for our services, with a material adverse impact on our business, financial condition and results of operations.

***Our operations are dependent on ICT processing which is outsourced to third parties; any disruption of our outsourced information systems could adversely impact our operations.***

The integrity, reliability and operational performance of our ICT infrastructure and technology network are fundamental to our operations, prospects and reputation. Particularly important parts of our ICT infrastructure are our national and international merchant-acquiring and card-issuing platforms, which comprise systems that process digital payment authorizations and settlements that assist with merchant customer remittances as well as the management of payment terminals (POS terminals and ATMs) and our payment services, which are subject to inter-bank standards such as the dispatch and receipt of messages, instructions and alerts, as well as our Digital Corporate Banking systems.

We outsource the majority of our processing activities to third-party service providers, including SIA and equensWorldline, each of which is strategically important to our business. Since 2005, SIA has been responsible for the processing activity related to the services provided by our Cards & Digital Payments business unit as well as our Merchant Services & Solutions business unit. The existing business relationships with SIA are governed by a contract that is subject to automatic renewal from year to year, unless terminated by one of the parties. We have also entered into agreements (or extended our existing contracts) with key external suppliers in order to ensure the operation of our core platforms until December 31, 2020. If we are unable to renew these agreements or to promptly replace such suppliers, inefficiencies and malfunctions on the platforms on which we operate could occur. For the year ended December 31, 2018, we paid approximately €44.6 million (including VAT) for the services provided by SIA. Since 2015, equensWorldline has been responsible for the processing activity for the merchant-acquiring activities of our Cards & Digital Payments business unit. Our existing business relationships with equensWorldline are governed by an agreement which will expire in December 2024, without automatic renewal. For the year ended December 31, 2018 we paid approximately €90.7 million (including VAT) for the services provided by equensWorldline. The remaining ICT processing activities are primarily performed by our subsidiary, Mercury Payment.

We have made significant investments in equipment and software to support our use of SIA's and equensWorldline's services, making it difficult to replace them. If, in the future, we were required to replace either SIA or equensWorldline, this could cause us to incur higher costs or face delays or disruptions in the supply of our services, including as a result of the time required to replace SIA and equensWorldline, which could have a material adverse effect on our business, financial condition and results of operations.

The availability of our merchant-acquiring and card-issuing platforms and other products may be interrupted by damage or disruption to our or our third-party service providers' ICT systems. Malfunctions can also be caused by migrations to new systems related to significant infrastructural changes. For example, in 2014, when we migrated our IT infrastructure to SEPA, the provider equensWorldline suffered service interruptions due to temporary shutdowns and delays that also affected our customers. Interruptions can also be caused by cyber-attacks, human error, natural events (including earthquakes, conflagrations or floods) or breakdowns of infrastructural services (including blackouts of the electricity supply or the network connectivity).

In order to limit the potential impact of any such ICT issues, we established a dedicated unit which plans and performs annual disaster recovery tests on critical ICT systems (either managed internally or outsourced to external providers). We also have a backup plan which, where necessary, allows us to restore data following any interruptions. Should such measures prove to be inadequate in the face of such interruptions, we may be unable to maintain agreed levels of service or to reliably process customer transactions which, in turn, could result in lost revenue, a loss of customers to other payment services providers, the payment of contractual damages, damage to our reputation, other costs incurred to remedy breakdowns and exposure to other losses and liability. Although we have insurance coverage for damage to property and business interruptions, such insurance might not be sufficient to cover all losses or failures that may occur.

We also face the risk that our third-party providers fail to perform their contractual obligations or maintain adequate quality standards in such a way as to compromise our operations.

We also depend on these suppliers to connect our platforms to those of third parties, including the Visa and MasterCard payment networks. Any damage to, or failure by our service providers to properly maintain, our data centers, failure of our telecommunications links or inability to access these internet sites could cause interruptions in operations that adversely affect our ability to meet our customers' requirements and have a material adverse effect on our business, financial condition and results of operations.

Lastly, SIA could enter into agreements with our competitors or compete directly with us in relation to clearing and card issuance services, which it is permitted to do provided that it does not disclose any information relating to us acquired pursuant to the supply agreement, which could have a material adverse effect on our business, financial condition and results of operations.

The occurrence of any of the foregoing events or circumstances could have a material adverse effect on our business, financial condition and results of operations.

***Unauthorized disclosure of data, whether through cyber-security breaches, computer viruses or otherwise, or illegal storage or use of customer data by us could expose us to liability, protracted and costly litigation, affect our operations and damage our reputation.***

As part of our business, we process our payment card holders' personal data (including, in some cases, their names, addresses, credit and debit card numbers and bank details) as well as merchant data (including their trade names, addresses, sales data and bank details) and, as such, we are required to comply with the data protection and privacy laws in Italy and in the European Union, in addition to the rules of credit card network systems (such as Visa and MasterCard). These laws and regulations impose certain protection and safeguarding standards with respect to our ability to collect and use the personal information of our existing and potential customers, and impose liability on us, among others, for loss of control or unauthorized access of such data by third parties. Under existing payment card scheme rules, we are responsible for maintaining the certifications related to the "payment card industry data security standard" administered by the Payment Card Industry (the "PCI") and, specifically, the PCI-DSS, PCI 3D-Secure, PCI Card Production Logical Security, PCI Card Production Physical Security and PCI-PIN standards, as well as for monitoring compliance with the PCI-DSS standards by merchants and third-party service providers we use.

Although we have implemented a monitoring and incident management service which is active 24 hours a day, 365 days a year, unauthorized disclosure of data may occur as a result of computer security breaches caused by human error, cyber-attacks, malicious user activity, or physical security breaches due to unauthorized personnel gaining physical access. For example, in July 2019, an anonymous user published a list of approximately 18,000 names (including surname, address and, only in a few cases, telephone numbers) on a foreign website, which such anonymous source claimed to refer to our customers. None of this data included financial information and, in many instances, the personal data published on the website did not correspond to customers' data included in our system. We have not detected any IT systems breaches and no data relating to payment cards managed by Nexi has been compromised. Furthermore, following Nexi's immediate injunction, we promptly obtained the removal of this data from the website.

Improper use of data of our customers, distributors and providers or breach of computer security could damage our reputation and dissuade our customers from using digital payments, or our digital payments services in particular, increase our operating expenses for correcting breaches or malfunctions, expose us to liability not covered by insurance, increase the risk of intervention by the supervisory authorities, expose us to legal action, lead to substantial sanctions and fines being imposed on us under international, Italian or European Union laws or regulations, or other applicable international laws or regulations, or by the payment networks, which would in turn adversely affect our ability to continue to participate in credit card issuance programs in partnership with banks.

In addition to the above, unauthorized disclosure by us of merchants' or consumers' data could result in costs related to issuing new cards or compensating the affected merchants, as well as potential fines and penalties, any of which could have a material adverse effect on our business, financial condition, reputation and results of operations.

Furthermore, in the situations described above, payment card schemes may prohibit us from processing transactions on their networks. Our agreements with third parties that have access to merchant and consumer data, such as, for example, persons carrying out processing activities (such as SIA and equensWorldline), debt collection, IT, marketing, and other services on our behalf, contain standard clauses on confidentiality and compliance with privacy and security; however, such third parties may nonetheless breach these contractual provisions, thus resulting in the unauthorized disclosure of customer data. If we or a third party were to fail to comply with our contractual and/or regulatory obligations relating to the processing of consumer data, it could result in the loss of cardholder data by our merchant clients and other third-party partners and could require us to terminate our relationship with the merchants responsible for the breach. This could result in damage to our reputation, fines and/or penalties by payment card schemes and/or a loss of affiliation with payment card international circuits, with consequent material adverse effects on our business, financial condition and results of operations.

***Regulation in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities.***

The payments industry in which we operate is highly regulated and we are subject to numerous laws and regulations at the European and Italian level on privacy, information security and data protection. The most important of these laws and regulations relates to the collection, protection and use of personal and company data, data on consumer credit and other information and the provision of credit ratings, including the GDPR (as defined below), as well as national laws implementing each of them. We are also subject to industry standards and our own privacy policies, in addition to our privacy obligations to third parties.

We receive, store and process highly sensitive personal and commercial information, as well as other data concerning both customers and other companies and individuals. There is a growing awareness and attention by the public and government agencies in the fields of marketing and privacy regarding the interests of individuals covered by provisions on the protection of personal data. This awareness and attention could give rise to the adoption of new laws and/or regulations or the amendment of those currently in force, which could have a negative impact on our business. In particular, in addition to increased compliance costs, the adoption of new laws and/or regulations or amendments to laws and regulations currently in force can create significant risks of business interruption of the activities we carry out if we are no longer able to process data in the manner in which we have done so in the past.

We undertake to comply with all applicable laws, policies, legal obligations, decisions, regulations of relevant local, European and foreign authorities, as well as industry codes of conduct relating to privacy and data protection. These laws and regulations are frequently revised and subject to different interpretations, and as a result, our internal practices may conflict with them. In addition, the courts in Italy and the European Union may not always apply these regulations in the same way.

Any breach of, or alleged failure by us to comply with, these regulations or our privacy policies, or any data security breach involving the unauthorized processing, provision or transfer of information, could result in corrective government action, litigation or public statements against us by consumer interest groups or others and could lead to penalties, including significant administrative pecuniary sanctions and criminal sanctions by the Italian regulator in relation to infringements of the GDPR imposed by the competent authorities, including the Italian Data Protection Authority, and result in our partners and customers losing their confidence in us.

Any violations of applicable laws or our policies by third parties that we have relationships with, such as customers, banks and financial institutions, suppliers or developers could also put the information contained in our database at risk and could in turn have a material adverse effect on our business. Compliance with current regulations, as well as with any future laws or other regulatory measures (which we are required to comply with) might result in additional adjustment costs and under certain circumstances could require changes to the manner in which we perform certain activities which could have an adverse effect on our business.

Legislation on privacy and personal data protection underwent a major review in May 2018, due to the introduction of Regulation (EU) 2016/679 (“GDPR”), which introduced a significant increase in sanctions for violations, strengthened the rights of individuals and imposed stricter obligations on companies that process personal data. We must also comply with the principles set out in the GDPR, including lawfulness, fairness and transparency of processing, purpose limitation, data minimization and storage limitation, and, whenever possible, pseudonymization or encryption of data. As a result, we may incur higher costs in relation to compliance with the GDPR and internal regulations (i.e., Legislative Decree 196/2003, as subsequently amended, as well as the measures issued by the Italian Data Protection Authority). For example, the entry into force of the GDPR could lead to an increase in requests by individuals, based on their newly enhanced rights, such as, among others, the right to be forgotten, the right of access and the right to restrict data processing. Moreover, considering the recent entry into force of the GDPR, there remains uncertainty with respect to the application and interpretation of the new regulatory framework and the application of penalties. Consequently, we may be subject to challenges by the authorities and we may incur fines or additional costs to ensure compliance, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with privacy, data protection and information security legislation could result in burdensome regulatory reviews and measures or government investigations and actions, litigation, fines and sanctions and could further result in damage to our reputation. These breaches could have a material adverse effect on our business, financial condition and results of operations.

***Our business is subject to a variety of regulatory regimes, which subject us to certain operational restrictions and cause us to incur expenses.***

We operate in a highly regulated industry and we are exposed to the risk of changes in the regulatory framework under which we operate, which could have a material adverse effect on our business, financial condition and results of operations. In addition, future changes in regulation may increase our compliance costs or further restrict our operations.

#### *The Second Payment Services Directive 2 (“PSD2”)*

In particular, we consider that there is a risk of incurring additional costs in connection with the implementation of (i) PSD2 on payment services and (ii) the fourth anti-money laundering directive (“MLD4”).

In relation to the PSD2, we expect to incur additional system and adjustment costs due to the following obligations imposed on us by the PSD2:

- *Reporting on information security.* In accordance with PSD2, payment institutions are required to report certain data security matters, such as statistics on fraudulent payments, to the relevant authority on an annual basis;
- *Interoperability of systems.* PSD2 provides for interoperability among payment service providers, on the one hand, and providers of services for disposal of payment orders and account information, on the other hand; and
- *Protection obligations.* PSD2 requires payment service providers to protect all funds received from payment service users or through another payment service provider for the execution of payment transactions, subject to certain obligations related to the separation of funds, or by ensuring that the funds are covered by an insurance policy or a similar form of guarantee by an insurance company or credit institution not belonging to the same group as the payment service provider.

#### *Anti-Money Laundering*

In relation to the fourth anti-money laundering directive, (“MLD4”) we may incur additional costs related to the introduction of such new controls and procedures for an adequate customer verification and to improve our overall compliance with the provisions of the law related to money laundering and the financing of terrorism through, among others, local and alternative payment methods such as electronic currency. As of the date of this Information Release, procedures are in place to ensure compliance with MLD4; specifically, we acquired GIANOS 4D software, which analyzes customer risk profiles and identifies suspicious and anomalous transactions. Following the full implementation of MLD4, which in Italy will occur through the publication of the implementing measures by the Bank of Italy, we will adopt further measures. We expect an increase in operating costs and personnel costs, since the verification processes will be more complex.

MLD4 also introduces a new sanctions regime for breaches of the legislation. For example, in the event of serious and systematic failure to comply with the aforementioned duties, payment institutions and electronic money institutes are subject to an administrative sanction ranging from €30,000.00 to the greater of €5,000,000.00 or 10% of their total annual turnover when turnover is available and can be determined.

#### *Reporting and Accounting Requirements*

As has already happened in some European countries and in the United States, we and our merchants may also be subject to reporting and accounting requirements in order to facilitate taxation in e-commerce. If similar regulations are adopted in Italy, we may need to make investments to adjust our assets, with possible negative impacts on our operating performance. Compliance with and monitoring of applicable laws and regulations can be difficult, time-consuming and costly. Furthermore, applicable laws and regulations and their interpretation and application may periodically change, and such changes could have a material adverse effect on our business.

#### *Changes in the Regulations Governing Digital Payments*

The Italian government is considering measures to encourage electronic payments in order to increase tax revenues and reduce tax evasion. A number of options are under advisement, including fines for merchants who do not possess a POS, a reduced tax liability for card payments and the reduction or elimination of merchant fees for payments under a certain threshold. Although the former two measures present an opportunity for us, the reduction or elimination of merchant

fees for payments under a certain threshold could have a negative impact on our business, given that we currently receive a commission for payments of any amount.

Our failure to comply with applicable laws or regulations could have a material adverse effect on our business, financial condition, reputation and results of operations.

***Our partner banks are the primary distribution channel for our business. If we are unable to maintain our relationships with partner banks, or if our partner banks are unable to maintain relationships with merchants or cardholders, our businesses may be adversely affected.***

A significant portion of our business is carried out through the commercial relationships with our partner banks and, in particular, through their network and branches. For example, for the year ended December 31, 2018: (i) 71% of the Merchant Services & Solutions business unit's total revenue was generated by the payment acceptance, or acquiring services and POS terminal management services we provided to merchants in cooperation with our partner banks; (ii) 98.5% of the Cards & Digital Payments business unit's revenue was generated by the issuing and management of payment card services provided to customers in cooperation with our partner banks; and (iii) 96% of the Digital Banking Solutions business unit's revenue was generated by services provided for, or in cooperation with, our partner banks.

As of June 30, 2019, we had relationships with over 150 partner banks. Our top five and top 10 partner banks represented approximately 44.5% and 58.5% of our total revenues for the year ended December 31, 2018, on the basis of the 2018 Perimeter. We rely on the continuing growth of our relationships with our partner banks, which are fundamental to our reputation and prospects.

Our relationships with our partner banks for the Merchant Services & Solutions and Cards & Digital Payments business lines are primarily governed by open-ended framework agreements that allow both the partner bank and the Group to terminate the agreement at any time. These framework agreements are supplemented by specific service agreements that cover the operational aspects of the relationship and which, although for multi-year terms, also grant the partner bank the right to terminate at any time. Subject to certain exceptions, most of our agreements with our partner banks do not provide for exclusive commitments by them. In addition, certain of our partner banks have, in the past, internalized services that we previously provided. For example, following our acquisition of CartaSi (now Nexi Payments) in 2009, Intesa Sanpaolo and UniCredit chose to insource their card-issuing and merchant-acquiring activities, resulting in lost business. Although we have managed to secure fixed-term commitments from certain of our key partner banks, and there are complexities inherent to changing service providers that may discourage migration of our clients, if any of our partner banks were to terminate or decide not to renew their agreements with us, we would lose a key distribution channel for our Merchant Services & Solutions and Cards & Digital Payments business lines or our main clients of the Digital Banking Solutions business line.

As of the date of this Information Release, none of our partner banks have terminated their relationship with us, although some have decided not to renew certain specific contracts upon expiry. In particular, a contract with an annual value of approximately €3 million in our Merchant Services & Solutions business unit was not renewed, a contract with an annual value of approximately €3 million in our Cards & Digital Payments business unit was not renewed, and two contracts with an overall annual value of approximately €3.5 million in our Digital Banking Solutions business unit were not renewed.

If for any reason we were not able to maintain our business relationships with one or more of our main partner banks or if these banks decided to insource certain activities or partner with a competitor instead of partnering with us, we would lose our primary distribution channel for our Merchant Services & Solutions and Cards & Digital Payments business units and the primary customers of our Digital Banking Solutions business unit. The loss or deterioration of such relationships would have a material adverse effect on our business, financial condition and results of operations.

In addition to the above, with respect to the Merchant Services & Solutions business unit, almost all of the merchants that we directly manage originate from our acquisition of the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige, which, along with our other partner banks, provide us with access to their branch networks and customers. Therefore, any significant closures or disposals of the partner banks' distribution network could result in a reduction in our distribution capacity, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.



***The condition of the Italian banking sector in general and consolidation in the Italian banking market could adversely affect our business and results of operations by reducing the number of our customers and increasing the risk of insourcing or the impact of our customers switching to a different service provider.***

A significant part of our business consists in the provision of services to Italian banks, which represent over 80% of the Italian banking sector by number of branches. In particular, Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business services are provided, among other things, as part of agreements with certain of the main Italian banks. As a result, the performance of Italian financial institutions can materially affect our business. Our top five and top 10 partner banks represented approximately 44.5% and 58.5% of our total revenues for the year ended December 31, 2018, on the basis of the 2018 Perimeter.

In recent years, European authorities have issued a series of laws and regulations aimed at preserving the stability of the European financial system, including rules on the liquidity and risk exposure of financial institutions, capital adequacy requirements, rules aimed at strengthening the resilience of financial institutions with regard to negative market developments and rules related to risk management. The main Italian financial institutions, many of which are our clients, have encountered, and could continue to encounter, difficulties in complying with this legislation and with the other requirements established by the relevant authorities. This could be further aggravated in case of negative evolutions of the macroeconomic and political situation in Italy. Such regulation is also encouraging competition, which increases the pressure on the Italian banks.

Failure to comply with these rules could lead to the restructuring of these Italian banks, which could entail losses for their subordinated creditors, could result in a total or partial write-down or conversion of their subordinated creditors' receivables into shares and, finally, could result in an intervention by the Italian government to nationalize such financial institutions. The nationalization of troubled financial institutions could have a negative impact on our relations with such financial institutions, and consequently could have a material adverse effect on our business, financial condition, reputation and results of operations. For example, the acquisition of Veneto Banca and Banca Popolare di Vicenza by Intesa Sanpaolo has led to a change in the scope of our businesses with them, with a consequent decrease in our revenues and profit margins.

Furthermore, in the wake of the financial crisis, Italian banks have accumulated significant non-performing loan positions. The ECB remains focused on the assignment of non-performing loans and continues to consider proposals for more stringent measures. The main Italian financial institutions have implemented measures to control the impact of such loans on their financial condition, including implementing restructuring plans approved by the ECB and the Italian government and using the GACS scheme (Guarantee on Securitization of Non-performing Loans). However, should these Italian financial institutions not comply with the plans to reduce non-performing loans, or if the restructuring and the write-downs are not sufficient to adequately solve the problem of non-performing loans, the European authorities have the option of imposing penalties on the Italian banks or may request repayment of the aid that the banks have received. These problems could be further aggravated in the event of a significant and persistent increase of the yield spread between Italian government bonds and those of other European sovereigns, which could lead to a devaluation of the Italian sovereign debt securities held by the banks, with the consequent need, in the most extreme cases, to proceed with recapitalizations in order to meet the capital requirements imposed by the applicable regulations and regulators such as the ECB and Bank of Italy. If our Italian bank clients and reference partners continue to be negatively influenced by these factors, this could have an adverse effect on our business, financial condition and results of operations. In addition, given that the Italian banking sector is very fragmented, with over 200 active banks, we expect the trend of mergers and consolidations in the banking and financial services sectors in Italy to continue in the future. Mergers and consolidations of financial institutions, depending on the entities involved, could reduce the number of current and potential clients and partner banks and consequently could have a material adverse effect on our business, financial condition, and results of operations. Furthermore, if our clients or partner banks go bankrupt, merge or are acquired by other entities that are not our clients or distribution partners or that employ our services to a lesser extent, we may incur potentially significant losses. Further consolidation in the Italian banking sector would also entail a greater concentration of customers, which could lead to downward pressure on our prices due to the lower number of competitive forces affecting the market. Larger banks or financial institutions resulting from mergers or consolidations will have more bargaining power in negotiations with us. While clients benefit from the economies of scale of our business, in the event that they grow through consolidation or are able to replicate such economies of scale autonomously, they could decide to insource the services we currently provide or that we could carry out for them. Furthermore, our dependence on our partner banks becomes more significant the larger they become, and accordingly losing a single partner bank could have a greater impact on our revenue, profitability and cash flows following such consolidation.

Each of these developments could have a material adverse effect on our business, financial condition, and results of operations.

***Competition for each of our businesses is intense and we may lose market share, fail to gain market share or face downward pricing pressure.***

The reference markets for Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business units are highly competitive. In each of these markets, we compete on technology, price of offered services, speed, performance, quality and reliability, reputation and customer service. While the Italian payments market has a large capacity for growth, given the low penetration of card payments compared to other major European countries, it is increasingly competitive and is experiencing a period of rapid transformation due to customer habits, technological innovation and recent legislation at the European and national levels. A decline in the markets for any of our services as a result of increased competition, a decrease in consumer spending, or a shift in consumer payment preferences could have a material adverse effect on our business or result in a temporary or permanent loss of market share. As customers become more and more demanding and new generations enter the market, attention to the end-customer and managing the client experience is becoming increasingly important. In the event that we are not able to develop products that customers appreciate or that are easy for them to use, we could lose market share as customers move to our competitors or as a result of our failure to attract new customers.

We also face competition from existing suppliers, now dedicated to managing payment transactions processing activities, such as SIA, as these suppliers offer similar services to those we offer to our partner banks. In some cases, competitors may have financial, technological and marketing resources that are significantly higher than ours and they may have gained greater experience in other markets. If our competitors are better able to exploit these advantages, we may not be able to attract or retain customers, which could have a material adverse effect on our business, financial condition, reputation and results of operations. Furthermore, if we fail to respond to technological changes or consumer payment preferences, we may lose our market share compared to competitors. Our competitors include payment service providers that are already established in Italy, such as UniCredit and Poste Italiane.

We also face new competitive pressure from international payment companies such as Adyen and Stripe and from non-traditional payment service providers such as Google, Apple and Samsung, as well as Amazon and PayPal with respect to the e-commerce/m-commerce sector. These companies have substantial financial resources and solid networks and are highly appreciated by consumers. These companies may gain a greater share of digital payment transactions and our business, financial condition and results of operations could be materially adversely affected, in particular through e-commerce and m-commerce. Although e-commerce and m-commerce are very attractive market segments, they are characterized by strong competitive pressure from international payment companies such as Adyen and Stripe and non-traditional payment service providers such as Google, Apple and Samsung, as well as, with specific reference to e-commerce, Amazon and PayPal, which can compete with respect to one or more payment services that we provide. These companies could buy our market shares or constitute a potential barrier to our development in the e-commerce and m-commerce sector in the coming years, also taking into account that, as of the date of this Information Release, we still hold only a limited share in the e-commerce/m-commerce market (approximately 21%).

We currently have a limited share of the e-commerce/m-commerce market (approximately 21%). Should this segment grow to represent a significantly larger portion of the market than it currently does at 14%, or if we are unable to successfully respond to changes in the sector caused by the entry of these new market players, we could lose market share in total digital payment transactions and our business, financial condition and results of operations could be materially adversely affected.

Furthermore, we also face competitive pressure from new payment technologies, which in some cases do not require the use of a payment card. These solutions use an online technology allowing customers to transfer funds from their bank account or credit card to another person's account through the Internet or a mobile phone. Direct settlement systems are not common for payments between merchants and consumers, but their acceptance could increase in the future and could result in direct settlement transactions at retail stores.

In addition, we face the threat of a further opening of the market as a result of changes in the applicable regulatory framework (including, in particular, the PSD2 Directive), and the threat of disintermediation of our activities as a result of new technological developments. In particular, the "open banking" initiatives guarantee the right of access by third party providers to the account establishment institute, particularly with regard to:

- Account Information Service Providers (AISP), i.e. payment service providers who can offer the possibility of aggregating their account information into a single instrument to all users who have a payment account accessible online; and
- Payment Initiation Service Providers (PISPs), i.e. payment service providers who can offer all users who have an online payment account the opportunity to initiate a payment transaction directly from their account, for example for the purchase of goods or services via the Internet, without using a credit card.

The “open banking” could lead in the medium-/long-term to greater market opening and partial disintermediation or cannibalization of the traditional value chain of digital payments, for example in the area of e-commerce payments, where there may be payment services that initiate a transfer or instant payment from the payer’s account to the merchant’s account. Such services are already available in some European countries (e.g. Sofort in Germany) and could also gain market share in the Italian market. Major retailers or e-commerce companies (such as Amazon, Alibaba) may decide to launch and promote payment services of this nature, to reduce the costs associated with card transactions. These services could expand from the e-commerce field to other types of payment, such as physical payments to companies (P2B) or institutions (P2G).

In addition, companies with a digital and technological business operating for example in the fields of messaging or social networks (such as Facebook and WhatsApp), search engines / analytics (e.g. Google) or hardware and related services (e.g. Apple, Samsung) may decide to develop alternative payment services (including open banking) cannibalizing or disintermediating part or all of the value chain of current digital payments.

Finally, fintech companies could use open banking or other technologies to develop alternative payment circuits, based on payment rails other than cards (such as MobilePay in Denmark, Tinaba or SatisPay in Italy). These companies and payment systems are currently experiencing significant volumes only in P2P money transfer transactions between individuals, which have insignificant economics. In the long-term, the evolution of blockchain and distributed ledger technology could lead to the growth of new payment technologies also able to disintermediate part of the value chain of payment cards, for example through the use of dedicated crypto currencies (so-called stablecoins) now essentially used for international payments (e.g. Ripple).

Any failure to remain competitive could have a material adverse effect on our business, financial condition and results of operations.

***It may be costly for us to remain at the forefront of new technological developments and changes in the payments services industry, and a market-disruptive technology or service in the payments industry or changes in the regulations governing the payments services industry could adversely affect our financial condition and results of operations.***

We operate in sectors subject to ongoing technological developments that lead to higher industry standards and rapidly changing customer needs and preferences. We strive to maintain strong technological capabilities to remain at the forefront of our industry. The process of developing new, high-technology products and services and improving existing products and services is complex, costly and uncertain. Any failure to anticipate in a timely manner the changing needs of customers and the emerging technological trends could significantly damage our market share and our economic results.

The payments market is reshaping itself over the long-term and developing digital innovation as a core feature is crucial for our future success. We must anticipate and respond to these industry and customer changes, including by taking advantage of the growth in e-commerce and mobile wallet innovations, in order to remain competitive. We may be required to make investments to develop new technologies before knowing whether our predictions will accurately reflect customer preferences, or if we are not able to develop the necessary technologies internally, we may have to incur expenses in an attempt to obtain a license or acquire technologies from third parties.

We believe that the future growth of the e-commerce market will be driven by a combination of factors, such as speed, costs, ease of use, security and quality of products and services offered to consumers and businesses. However, we may not be able to develop or market technological advances and introduce new products in a manner and to an extent sufficient to remain competitive in our sector.

Furthermore, the success of e-commerce activities also depends on financial institutions and other third parties marketing our services to their customers. If any of these third parties should end, reduce or insufficiently increase their marketing efforts, this could have a material adverse effect on our business, financial condition and results of operations. More specifically, we may not be able to invest the human and financial resources required to develop these products or make mistakes or incorrect assessments in our planning with regard to these sectors or encounter difficulties in launching the products. Furthermore, we may not be able to meet the product development and delivery schedules due to unforeseen problems during the design, development or production stages of new products and the introduction of new technologies.

Delays in product development may also require further investments in research and development. If there is an increase in costs associated with the development of new products and the improvement of products for which we are not achieving sufficient revenue, the development costs of new products may not be recoverable. An increase in costs or a decrease in revenue from new products, or both, could have a material adverse effect on our business, financial condition and results of operations. Failure to maintain innovation or the introduction of new or updated technologies that respond to changes in terms of consumption, merchants, payment card systems or regulatory requirements could have a material adverse effect on our competitiveness and could cause us to lose market share, which could have a material adverse effect

on our business, financial condition and results of operations. In the wake of the increasing presence of internet systems and the emergence of smartphones and tablet computers, the financial services sector in which we operate could be altered by regulatory changes and/or emerging technologies aimed at competing with consolidated business models. New technologies, including continued progress in proximity payment devices (such as contactless payment cards), digital currencies (including bitcoin and other technologies) and remote payment technologies (such as cloud-based accounts), as well as the evolution of consumer behavior (including changes toward digitalization, cost transparency and mobility) are rapidly changing the way people perform commercial transactions worldwide. Traditional and non-traditional competitors, such as mobile phone, technology and telecommunications companies and aggregators, are working toward providing digital and mobile payment services both for consumers and merchants, eliminating the need for credit and debit cards. As a result, consumers could begin to use their payment cards less, or not to use them at all.

In addition to emerging technologies, regulatory changes can have an impact on consumers' use of payment cards. For example, at the end of 2015, under Law No. 208 of December 28, 2015, as subsequently amended, the Italian government set a maximum limit of €3,000 for cash transactions (unless the transfer is made through banks, Poste Italiane, virtual money institutions and/or payment institutions), an increased limit compared to the previous one of €1,000. This limit was confirmed by Legislative Decree No. 90 of May 25, 2017, which amends Legislative Decree No. 231 of November 21, 2007 implementing the European Anti-Money Laundering Directive. However, if the Italian government were to repeal or increase the maximum limit for cash transactions, consumers might decide to use their payment cards less and use cash for larger transactions instead. Our competitors might be able to innovate or adapt to new regulations faster than us, and new technologies could contribute to increasing competitive pressure, allowing competitors to offer more efficient services or to offer them at a lower cost. Our success will depend in part on our ability to develop new technologies and to adapt to technological changes and the evolution of industry standards, which may require major research and development activities, entailing associated research and development costs. We might not have, or might not be able to attract, the personnel necessary for such research and development activities. Any failure by us to keep up with innovation, make the shift to mobile commerce, which is device-based and multi-channel, or improve the quality of our customers' experience could have a material adverse effect on our business, financial condition and results of operations. Finally, the trend of macro-economic indicators and, in particular, the public perception in the European Union that economic conditions are worsening, could have negative effects on our business, financial condition and results of operations. In particular, with respect to the European Union, recently, on more than one occasion, fears have emerged that the European Monetary Union could end or that member states could leave the Euro. The United Kingdom's exit from the European Union, following the results of the June 23, 2016 referendum is currently the subject of international negotiations in order to determine the procedures for its implementation, the final results of which cannot yet be predicted. On the date of this Information Release, a decision on how the United Kingdom will leave the European Union is expected by October 31, 2019 and there is the possibility that the United Kingdom will exit the European Union without a definitive or transitional agreement with the European Union. The possible outcomes and ultimate impact of the United Kingdom's exit from the European Union in macroeconomic terms are not foreseeable.

***Our business requires funding to manage our settlement needs.***

We rely on third-party funding to manage our settlement needs, which, depending on the business line involved, may require coverage of between one and 45 business days, or, in some cases, an even longer period of time. Funding to cover these needs is primarily provided by the Factoring Agreement, the Credit Mandate, the Mercury Funding Facility, certain bilateral credit facilities (which are utilized to cover acquiring activities, receivables from issuing activity not covered by the Factoring Agreement or by revolving credit facilities and other potential short-run operational funding needs) as well as the Revolving Credit Facility (which covers general liquidity shortfalls and business needs).

We face the risk that we may not be able to renew these facilities at all or on equivalent terms, or that our counterparties may terminate their agreements with us. For example, the Factoring Agreement grants UniCredit Factoring S.p.A. the right to revoke factoring plafond assigned to our partner banks in a number of circumstances, including for such banks' failure to comply with capital adequacy requirements or insolvency, and to terminate the contract with us if we cease to be registered on the register of electronic money institutions, or fail to comply with capital adequacy requirements. In addition, the Factoring Agreement and certain of the bilateral facilities contain change-of-control and/or cross-default provisions.

In terms of settlement needs, we experience a daily cash shortage to be covered in our Merchant Services & Solutions business line for the period between the date we credit the merchant and the date we are re-credited by the circuits. This period can last from one to three days, with amounts averaging €211 million on a daily basis in the twelve months ended June 30, 2019. In our Cards & Digital Payments business, the period between the date the cardholder effects a transaction and the date he or she is debited can last between 15 and 45 days on average. In addition, a cardholder may request that the monthly payment be paid in instalments, thereby extending the cardholder's debt over time, which we then cover. The amount of cash resources required for this business line is, on average, equal to €1.8 billion per month. Further, there are a few days of the year, for example in December and during summer peak and Easter periods, as well as during weekends and public holidays, where we experience higher transaction volumes due to the increase in consumer shopping

and, accordingly, there can be greater need for sources to manage the lag between cash outflows and inflows and the related settlement amounts.

While we believe we have sufficient funding to cover our short-term settlement needs, in the future we may be required to replace an existing lender or counterparty under our agreements, which could lead to increased expenses or a potentially lengthy interruption in our services, due to the time required to find and negotiate an agreement with a replacement. Given the continuous need for lines to support the settlement activity, any failure to finance such activity could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to potential credit risk from our customers, as well as short-term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses.***

We are exposed to credit risk in several areas of our business. We face credit risk in our acquiring business. As acquirer, we effect settlement between the counterparties, with the operator-client receiving funds before we receive them from: (i) the factor, for receivables generated by cards issued by us that are covered by the Factoring Contract; (ii) the cardholder banks for all other credits generated by cards issued by us and not covered by the Factoring Contract; and (iii) international payment card schemes for cards issued by other issuers.

Moreover, with regard to acquiring services provided through traditional, associated and referral licensing contracts handled by the Merchant Services & Solutions business, we, as acquirer, are exposed to counterparty risk for amounts paid to merchants before goods or services have been supplied to the consumer or before they are disputed by the cardholder. In the event of a dispute, the amount of the transaction is normally re-debited to the merchant and the purchase price is reimbursed by us, as acquirer, to the cardholder.

Even in the event that we are unable to recover the amount of the chargeback from our merchant clients, the rules of the international payment card schemes require the acquirer to return the entire amount of the transaction, including commissions, to the card issuer. If this were to occur, we could incur a loss for the amount of the refund paid to cardholders or to international payment card schemes for cards issued by other issuers.

As an acquirer, we are also exposed to risks associated with transactions in which we decide to authorize a payment card transaction for amounts which do not exceed €25.00 per transaction, prior to receiving approval from the card scheme operator or from the issuing bank or in relation to which authorization by the issuer is delayed or not available. In such cases, if we decide to authorize a transaction that the issuer subsequently does not accept, we, as an acquirer, could be liable for the amount of the transaction.

We are also subject to credit risk in respect of the amount of international payment card scheme fees and our own merchant fees, in each case owed to us by merchants. Should the merchants fail to pay us those amounts, we could suffer potentially substantial losses, which could have a material adverse effect on our business, financial condition and results of operations.

We also face risk in our role as card issuer. As issuer, we grant credit to cardholders to finance purchases with payment cards managed by our Cards & Digital Payments business unit. The collection time from cardholders depends on the type of card used. If the purchase is made with a debit card, there is no exposure on our part. In respect of purchases made by credit cards, we, as issuer, are exposed between 15 and 45 days, on average. If the cardholder is unable to pay the balance due to bankruptcy or insolvency, the partner bank will reimburse the amounts due from the cardholder. In the event of the insolvency of a partner bank, we try to recover the amounts directly from the credit cardholders.

Even in cases where the card of an insolvent cardholder is blocked, the partner bank remains liable for payments made during the five days following the card being blocked. After five days, any additional amounts (i.e., payments effected from the sixth day onward) will be the responsibility of the issuer.

Although the risk of default by cardholders for the majority of our issuing activity is borne either by the Factor under the Factoring Agreement in place, or, for cards not covered by the Factor Agreement, by the partner banks, we directly assume this risk for cards we issue that are not covered by the issuing licensing scheme (and whose related working capital as of December 31, 2018 represented approximately 1.5% of the total working capital generated by issuing activities). For a description of the Factoring Agreement, see “*Description of Certain Financing Arrangements—Settlement Obligations—Factoring Agreement.*”

In our Cards & Digital Payments business unit, we are exposed to counterparty risk for fees due for services rendered to banks under our servicing model. We are also exposed to credit risk of our merchant and banking clients who

use our POS and ATM services, with potential material adverse effects on our business, financial condition and results of operations.

***fFraud by merchants, cardholders, suppliers or others could have a material adverse effect on our business, financial condition and results of operations.***

We face potential financial liability and could also suffer reputational damage in connection with fraudulent payment transactions, fraudulent credits by merchants or others, or fraudulent sales of goods or services, including fraudulent sales by our merchant customers in the Merchant Services & Solutions and Cards & Digital Payments business units. Examples of merchant fraud may include the sale of counterfeit goods or the deliberate use of a stolen or counterfeit credit or debit card, payment card number, or other credentials to record a false sale or a credit transaction by merchants or other parties, the processing of an invalid payment card, or the intentional non-delivery of goods or services sold in an otherwise valid transaction.

As of June 30, 2019, the Merchant Services & Solutions and Cards & Digital Payments business units were subject to fraudulent transactions in the amount of €2.2 million, a decrease from the €4.7 million for the year ended December 30, 2018. Such fraudulent transactions include unauthorized online transactions, counterfeited credit cards, stolen credit cards, lost credit cards, and other types of fraud, which respectively accounted for approximately 37%, 3%, 45%, 12% and 3% of all fraudulent transactions in the twelve months ended June 30, 2019 and, respectively 31%, 4%, 49%, 14% and 3% in the year ended December 31, 2018.

The main external fraud risk is represented by fraud in the issuing sector, which in 2018 accounted for 0.07% of cardholder expenditure (gross fraud). Approximately €0.3 million relates to fraud on debit cards and fraud in the acquiring sector.

The persons responsible for such conduct use increasingly sophisticated methods to carry out unlawful activities such as counterfeiting and fraud. Failure to identify thefts, as well as the failure to effectively manage the risk and prevent fraud, could increase our chargeback liability or cause us to incur other liabilities, including penalties and fines. Although we have sophisticated control and detection systems to alert our operations and risk control office regarding potential frauds, we may not be able to prevent all cases of fraud, or may be subject to technical malfunctions. It is also possible that cases of fraud may increase in the future. Increases in chargebacks or other liabilities in connection with such events could have a material adverse effect on our business, financial condition and results of operations.

***We may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries.***

Conducting our business in an ethical manner is of crucial importance for our reputation, status with regulators and business prospects.

Any contact by our directors, employees, agents or partners with the public administration (including, for example, in the context of relations with the public administration for assistance in managing digital transactions for payments in cash by their clients) entails, in certain circumstances, risks related to, among other things, fraud, bribery, corruption, embezzlement and other fraudulent activities by our employees and could result in them being involved in investigations relating to such activities.

Furthermore, our business activities may also involve risks relating to potential claims which may result from activities or errors by our employees and may result in breaches of security measures or damage to third parties. We are also exposed to the risk that our directors, employees or agents may commit cybercrimes such as breaches of the computer systems of our competitors, gain unlawful access to bank data (including customer data) and may cause damage to our computer systems and documents. As of the date of this Information Release, we and our subsidiaries (with the exception of BassmArt) have adopted an organizational, management and control model pursuant to Legislative Decree 231/2001, as a defense against the administrative responsibility that could be attributed to us pursuant to Legislative Decree 231/2001 for offenses committed in our interest or for our benefit by our employees, directors and representatives. However, the adoption of the 231 Model by us is not sufficient on its own to prevent sanctions under Legislative Decree 231/2001. While maintaining, implementing and updating the internal control systems, we may not be able to prevent or detect the commission of the offences covered in Legislative Decree 231/2001, especially given the nature and size of the Group. Any proceedings relating to alleged offences covered by Legislative Decree 231/01, regardless of their outcome, could be costly and divert management's attention from other aspects of the business, cause adverse publicity and reputational damage and could have an adverse effect on our business, financial condition and results of operations. Any of the above circumstances, including the failure to properly implement and update such control systems, may expose us to civil and administrative penalties under the provisions of Legislative Decree No. 231/2001 and cause damage to our reputation. Specifically, under Legislative Decree No. 231/2001, we can be held liable for certain offenses committed in our interest or for our benefit in Italy or abroad (e.g., corruption, fraud against the State, corporate offenses, market abuse, certain

environmental and workplace safety violations) by persons that have a relationship with us at the time of committing the offense in question, including third-party agents, partners or intermediaries, unless we can demonstrate that such persons intentionally violated our internal control model and that it would have been impossible for us to prevent such breach. In such circumstances, we may be subject to fines, confiscations of profits or other penalties, including the termination of authorizations, permits, licenses, concessions and loan agreements, including subsidized loans, the suspension of our operations or a prohibition on contracts with public administrations. In such a case, the duration of such punitive measures could range from a minimum of three months to a maximum of two years. Certain of the above-mentioned legal sanctions may also be applied as interim measures during investigations. However, in very serious cases, some of these measures can be imposed permanently. In certain circumstances, as an alternative to the penalties described above, a court could appoint a third-party professional (*custode giudiziario*) to run the company, which would result in the profits obtained during the controlled administration period being automatically confiscated by the administrator. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

***Changes in, or our failure to comply, with payment network rules or standards could adversely affect our business, financial condition and results of operations.***

In connection with the acquiring activities of our Merchant Services & Solutions business unit and the issuing activities of our Cards & Digital Payments business unit, we operate through license agreements with card scheme operators (including Visa and MasterCard). In light of these agreements, the card scheme operators periodically issue binding rules (called mandates) aimed at ensuring compliance with technical standards regarding our issuing and acquiring activities and the operation of POS terminals and payment cards. New mandates generally have deadlines for compliance defined on an annual and multi-year basis.

Whenever a new mandate is issued, we start an updating procedure, which requires the development of adaptation software and, if applicable, intervention on the POS terminals and/or the payment cards in circulation. In a very limited number of situations, these costs fall on the merchants, who could exercise the right to withdraw from their agreements with us or the partner banks rather than bear such costs, with a consequent adverse effect on our business, financial condition and results of operations.

Furthermore, card scheme operators can change their rules and have done so in the past, including changes to the ICT system requirements, with little notice to their members. Payment networks generally establish the rules for the allocation of responsibilities between the participants in the payment networks and the structure, and modify these rules for many reasons, including as a result of changes in the regulatory framework, in order to maintain or attract new participants or to promote their strategic initiatives.

In some cases, payment networks are in competition with us and their ability to modify and improve their rules at their sole discretion may provide them with an advantage in selling or developing their own services that are capable of competing, directly or indirectly, with the services provided by us.

As a result of their scale and size, Visa and MasterCard have considerable influence in determining new policies and in ensuring compliance with such policies. If Visa and MasterCard no longer retained their large market share, our business could be adversely affected. In addition, if we cease to be registered as a member or no longer have the status of provider of certified services, or any changes to the rules or standards of payment cards associations or other payment networks were made, including changes to the interpretation and implementation of applicable rules or standards resulting in increased operating costs or our limited ability to provide transaction processing services to our customers or through our customers, our business, financial condition and results of operations could be materially adversely affected.

Furthermore, should we fail to comply with the rules of the system as a result of changes to the rules or standards, we or the merchants could be fined. If we are unable to pass on these costs to our customers, such penalties and fines could increase our operating costs, and our profit margins could be reduced.

Failure to comply with the credit card system rules could also entail the restriction, suspension or termination of our licenses for acquiring payment transactions or for acting together with the sponsoring banks in service agreements for the use of their BIN and their license. Should this occur, we would not be able to process our transactions by using the credit card system in question, with a material adverse effect on our business, financial condition and results of operations.

In addition, any material breach by us may result in the deterioration of our relationships with the card scheme operators, which could result in fewer business development opportunities or, in some cases, the termination of their relationship with us.

***We may become liable for liabilities related to our failure to upgrade our POS terminal fleet in compliance with Visa's PIN Security Program.***

Visa's Triple Data Encryption Standard ("TDES") seeks to protect customers' confidential PIN authorization codes by establishing certain technical standards for ATMs and POS terminals. In accordance with the protocol prescribed by Visa's TDES, we were required to replace or upgrade our entire fleet of POS terminals by the end of 2015, failing which penalties would apply. We failed to comply with this deadline but subsequently obtained an extension from VISA to the end of 2017 and a waiver of any penalties until such time, provided that we (i) submit reports on the progress of the update on a recurring basis, (ii) provide a formal letter of indemnity to VISA in case VISA's customers sustain any damages from our non-compliance with TDES and (iii) acknowledge that no further extension will be granted and penalties will accrue from January 1, 2018.

While we have launched an upgrade initiative, there can be no assurance that it will be completed in a timely manner, so as to avoid liability and the imposition of penalties. As a result, any failure by us to comply with the terms of the extension could have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, merchants may not agree to bear certain costs associated with the replacement or upgrade of POS terminals and, as a consequence, may exercise termination rights under their contracts with us. This could have a material adverse effect on our revenue and business.

***We rely on various financial institutions in connection with our clearing activities.***

Our clearing activities are dependent on the financial institutions that participate in the clearing network. Although Directive 98/26/EC of the European Parliament and of the Council of May 19, 1998 on settlement finality in payment and securities settlement systems, as well as certain international standards, provide regulatory guidelines aimed at preventing breakdowns of this network in the event of technological or system malfunctions or any other form of distress at an institutional level, a technical malfunction by any of the network participants is still possible and would cause us to face difficulties in processing payments and finalizing settlements. The impact of any such technical malfunction would be more pronounced as to real-time clearing compared to other types of clearing due to the immediacy of real-time clearing. These difficulties could indirectly cause considerable damage to our reputation and could have a material adverse effect on our business, financial condition and results of operations.

***This Information Release contains numerous alternative performance measures, which are not prepared according to any recognized accounting standard, are not audited or reviewed and may be compiled on a basis that is different to similarly titled measures reported by other companies***

This Information Release includes a number of alternative performance measures ("APMs") that are not identified as accounting measures in the framework of the IFRS and, therefore, may not be comparable with those presented by other groups.

With reference to the interpretation of these APMs, we point out that:

- these measures are calculated solely on the basis of our historical data and are not indicative of our future performance;
- although they are derived from the Financial Statements, APMs are not identified as accounting measures under IFRS and are not audited;
- the APMs must not be considered as substitutes for the indicators provided for under the International Accounting Standards;
- APMs are not indicative of our future performance;
- since APMs are determined on a basis which is not regulated by IFRS, the criteria applied for the relative determination of APMs, as well as our definition and calculation of APMs presented in this Information Release, may not be homogeneous with the criteria adopted by other groups and therefore, on APMs may not be comparable with similarly titled APMs presented by other groups;
- APMs must be read together with the Financial Statements; and
- the APMs used by us are presented on the same basis for all the periods for which financial information is included in this Information Release.



Therefore, examination of the APMs by an investor without taking into account the above-mentioned critical issues could mislead such investor in the evaluation of our business, financial condition and results of operations and lead to an incorrect, inappropriate or inadequate decision by such investor. See *“Presentation of Financial and Other Information.”*

***The EU Interchange Fee Regulation may adversely affect the results of operations of our Merchant Services & Solutions business unit.***

Card issuer compensation fees, known as “interchange fees,” are subject to regulation by the European Union pursuant to the EU Interchange Fee Regulation. As expected, the EU Interchange Fee Regulation (the implementation of which in Italy is monitored by the Ministry of Economy and Finance, in cooperation with the Bank of Italy and the Italian Competition Authority) may impact merchant acquirers’ operations in terms of client billing, pricing and contracting, and certain merchants have obtained reductions in their merchant service charges. Our commission fees have been modified as a result and, if in future we and our merchant customers are unable to agree price reductions, we may lose customers. Additionally, the EU Interchange Fee Regulation requires changes to terminals to reflect changes to the “Honor All Cards” rule (a rule obliging all merchants to accept payment cards issued under the same brand), co-badging and steering rules (rules which prevent merchants from steering consumers in the choice of a payment instrument instead of cash), as well as costly changes to our existing merchant agreements. These or other provisions of the EU Interchange Fee Regulation could result in increased costs, additional operational and commercial complexity, and disrupt our systems and operations. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses or that we may be responsible for liabilities attributable to the acquired businesses.***

Since 2016, we have acquired Mercury Payment, MPS Acquiring, Bassilichi, DB Acquiring, Carige Acquiring and Sparkling (the “Acquisitions”). These transactions are part of our strategy of consolidating our role as a leader in the Italian payments sector. We have completed the integration of MPS Acquiring, DB Acquiring, Carige Acquiring and Sparkling, as well as the corporate and operational integration of Bassilichi (which merged into Nexi Payments as of December 31, 2018). We are also exposed to the risks inherent in acquiring companies, including risks related to coordinating management and personnel, integrating and rationalizing our IT systems, policies, structures and existing services with those of the acquired companies. Achieving the growth objectives sought from the Acquisitions also depends on our ability to realize potential synergies and economies of scale. Achieving these objectives will depend, among other things, on our ability to efficiently integrate the acquired entities and businesses, to maintain their existing commercial network and customer portfolio and increase productivity, while at the same time rationalizing functions and costs. We may not be able to integrate acquired companies and achieve expected synergies on the timeline expected or at all, including as a result of events outside our control, such as, for example, an increase in integration costs, unforeseen problems, lower revenues or higher costs generated by the acquired assets, the occurrence of unforeseen liabilities, or a decrease in revenue related to negative synergies—if the integration process and the synergies are not achieved to the extent and in the time expected, there could be a material adverse effect on our business, financial condition, results of operations and prospects. The Acquisitions expose us to several risks related to the integration process, such as: (i) risks related to our ability to manage an organization that has become significantly larger and more complex than the one in place before the Acquisitions; (ii) operational risks and compliance risks; and (iii) operational risks relating to consolidating the management of corporate and administrative functions for a larger number of companies, which consequently entails higher overall costs for us.

If we are not able to efficiently manage, in whole or in part, the processes which are necessary to effectively integrate the acquired companies, this would have a material adverse effect on our margins and our ability to generate cash and, as a consequence, have repercussions on the sustainability of our financial indebtedness.

In addition, these acquisitions might expose us to liabilities and/or litigation, including tax litigation. In the event that we are held liable for such liabilities and the indemnification provisions contained in the agreements regulating the acquisition are not, in whole or in part, effective, or, in any case, insufficient to cover such liabilities, our business, financial condition and results of operations could be materially adversely affected.

Furthermore, each of the Acquisitions was carried out on the basis of a series of assessments, estimates and assumptions by management about the business, profitability and quality of the assets to be acquired, as well as other elements, which are in turn based on a limited set of information generally obtained through usual due diligence activities and which could prove to be incorrect. Moreover, in the context of certain of the Acquisitions, we have entered into commercial partnerships with the selling parties, further complicating the integration process. The execution and completion of the Acquisitions on terms and conditions that are different from those anticipated could jeopardize our ability to compete with other operators in the industry and, consequently, to consolidate our leadership position, which would have a material adverse effect on our business, financial condition and results of operations.

While we have the benefit of representations, warranties and indemnities from our counterparties, such indemnities are subject to certain limitations and exclusions, and may be insufficient to completely cover us against claims and legal actions by third parties, unforeseen costs and liabilities that were not discovered during our diligence exercise or with respect to which it is not possible, for whatever reason, to obtain compensation. Should we face any such material claims, costs or liabilities, our business, results of operations or financial condition could be materially adversely affected.

***We may not be able to attract, integrate, manage and retain qualified personnel or key employees.***

Our future operating results depend in significant part upon the continued contribution of our board of directors, key senior management and technical, financial and operations personnel. Management of our growth will require, among other things, stringent control of financial systems and operations, the continued development of our management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, sufficient internal succession planning for key roles and the presence of adequate supervision. The personal connections and relationships of our board of directors and key management are important to the conduct of our business. If we were to unexpectedly lose a member of our key management or fail to maintain one of the strategic relationships of our key management team, our business and results of operations could be materially adversely affected.

In particular, the success of our business depends on our ability to successfully adapt to rapidly changing technological, social, economic, and regulatory developments. This necessitates a range of specialist personnel, particularly in the areas of engineering, technical support, finance and controls, sales, administration and operations, and requires us to retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our business and operations. The market for qualified personnel is competitive and we may not succeed in recruiting additional personnel, or we may fail to replace departing personnel with suitable successors. There may be a limited number of persons with the requisite skills to serve in this position and we cannot assure you that we will be able to identify or employ qualified internal or external candidates within a reasonable timeframe. Our efforts to retain and develop personnel may also result in additional expenses, which could adversely affect our profitability. We cannot guarantee that key personnel, including executive officers, will remain in our employment or that we will be able to attract and retain qualified personnel in the future, which could have a material adverse effect on our business.

***Our risk management policies and procedures may not be fully effective in mitigating our risk exposure.***

Our risk management policies and procedures may not be fully effective in identifying, controlling and managing the risks to which we are exposed. Some of our risk assessment methods depend on information provided by third parties and public information related to markets, clients or other elements that are not otherwise available. In some cases, this information may not be accurate, complete or up to date. If our policies and procedures are not fully effective, or we are unable to detect all the risks which we are or could be exposed to, we could suffer damage to our reputation or be involved in litigation or be exposed to regulatory measures and/or fines and penalties that could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to the risk of litigation and other claims.***

From time to time, we are involved in various litigation matters and governmental or regulatory investigations, prosecutions or similar matters arising out of our current or future business. See “*Business—Legal Proceedings.*” As of June 30, 2019, we set aside total provisions for disputes in an amount of €4.2 million against aggregate claims of €14.6 million. In addition, we have included €0.8 million in “*Other Provisions*” for certain labor disputes. Our insurance or indemnities or amounts we have provisioned may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. See also “—*As a former member of Visa Europe, we may become liable for liabilities and losses of Visa Europe.*”

***Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.***

We seek to maintain comprehensive insurance coverage at market rates, including property damage and business interruption, directors’ and officers’ liability, employer liability, and general liability insurance, as well as insurance coverage against unlawful acts by our employees. Such insurance policies do not cover all types of losses and liabilities that we and our directors and officers may face in the performance of our activities and are in any case subject to limits, sub-limits, overdrafts and/or deductibles, exclusions and conditions. There can be no guarantee that our insurance policies will be sufficient to cover the full amount of damages or liabilities that we may face, nor can we guarantee that we will be able to renew our current insurance policies on favorable terms and conditions or to renew them without interruptions in coverage. Furthermore, if we or other payment services providers suffer significant losses or make significant insurance claims, our ability to obtain insurance coverage in the future at commercially reasonable rates could be adversely affected, with a material adverse effect on our business, financial condition and results of operations.

***Our business may suffer if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which our business depends.***

We rely on strategic intellectual property rights, and more specifically trademarks, copyrights, licenses and industrial secrets, in our business.

We also rely on industrial secrets, know-how, continuous technological innovation and license rights as well as rules against unfair business practices, confidentiality agreements and contractual arrangements, to protect ownership of our services and develop, maintain and strengthen our competitive position. However, we cannot exclude, that in the future, third parties might bring claims for infringement of their intellectual property rights by our systems or products. In the past, third parties alleged infringement by us of their intellectual property rights and filed oppositions to our registration of intellectual property rights. While we believe these claims have not had an impact on our business, future disputes and/or claims by third parties may adversely affect our business, financial condition and results of operations.

In addition, if we are unable to protect our technology and intellectual property, our competitors may, even temporarily, misappropriate our technologies and intellectual property rights and develop competing services, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may be required to bring legal action to protect our industrial secrets and know-how, or to enforce our rights or contest the scope and validity of the property rights of third parties.

Any court proceedings we commence could be expensive and time-consuming and may divert our management's attention from other business aspects. Furthermore, we may be unsuccessful in such legal proceedings, and any damages or other means of protection awarded may be of no commercial value. Further, any successful action for infringement may be useless if it takes too long to be concluded and the intellectual property right or the product developed on the basis of such right becomes obsolete. Failure to protect our intellectual property rights could reduce our competitive advantage and result in losing customers to competitors, which could have a material adverse effect on our business, financial condition and results of operations.

We have not registered with the SIAE (the Italian Society of Authors and Publishers) our proprietary software which we have developed internally to conduct our business. This may make it difficult for us to prove our ownership and the fact that we developed our software before other third parties (including holders of intellectual property rights on open source software used by, or in any way related to, our proprietary software).

Finally, we rely on our ability to obtain third-party intellectual property rights under license. These third parties may not be willing to license the intellectual property rights necessary for our business or be unwilling to grant such rights on terms that are favorable to us. As a result, we may not be able to continue offering the products and services on which our business depends, with a consequent material adverse effect on our business, financial condition and results of operations. See "*Business—Intellectual Property.*"

***We may require additional capital in the future, which may not be available to us on commercially favorable terms, or at all.***

In response to changes to our strategy, or to unanticipated changes to the regulatory or competitive environment, we may need to raise additional capital in order to:

- take advantage of expansion or growth opportunities;
- acquire, form joint ventures with or make investments in complementary businesses or technologies;
- develop new products, services or capabilities; or
- respond to competitive pressures.

We may seek to raise new capital in the future through public or private debt or equity financings. Any additional financing that we may need may not be available on favorable terms or at all, which could adversely affect our future plans and our ability to execute our strategy and could have a material adverse effect on our business, financial condition and results of operations and prospects.

***If we experience labor disputes or work stoppages, our business could be materially adversely affected.***

The Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on union activities, including appointing workers' representatives to negotiate with their employer. The right to go on strike is provided for under Italian law. We cannot guarantee that our employees will not go on strike in the future. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we have collective bargaining agreements with our employees. Any failure to extend or renegotiate our collective bargaining agreements on terms favorable to us, or at all, could have a material adverse effect on our business. There can be no assurance that our employees will not make claims or that we will not incur work stoppages in the future, which if they occurred, would have a material adverse effect on our business, financial condition or results of operations.

***Goodwill, intangibles and investment impairments may have negative effects on our results of operations.***

As at June 30, 2019, we had intangible fixed assets of €2.7 billion (of which €2.1 billion related to goodwill). Such assets represented 49% of our total consolidated assets. All of our intangible fixed assets are valued at cost. Intangible assets other than goodwill, or with a finite useful life, are amortized on a straight-line basis over their useful life. At the end of each financial year, and every interim accounting period, where there is any indication that an asset may be impaired, its recoverable amount is calculated. The amount of the loss is the difference between the carrying amount and the recoverable amount, and is recognized in the statement of profit or loss. Any impairment will not affect our cash flows.

In particular, IAS 36 establishes the principles for recognizing, measuring and disclosing the impairment of various kinds of assets, including goodwill, illustrating the principles that an issuer should follow to ensure that its operations are reflected on its balance sheet at a value that is not higher than the recoverable value. IAS 36 requires a comparison to be made between the carrying amount and the recoverable amount of goodwill whenever there is an indication of impairment, and at least once a year, when full-year financial statements are prepared. The recoverable amount of goodwill is calculated with reference to our cash generating units, as goodwill is unable to produce cash flows on its own.

Although any impairment would not have a cash impact, the future development of the macroeconomic environment or other factors could lead to possibly significant impairments to be recognized in the future, with potentially a material adverse effect upon our business, financial condition, results of operations and prospects.

***Changes in tax laws or challenges to the Group's tax position could adversely affect our results of operations and financial condition.***

We are subject to complex tax laws. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations or our effective tax rate and have a negative effect on our business, financial condition and results of operations. The occurrence of any of the foregoing tax risks could have a material adverse effect on our business, financial condition and results of operations.

***We may fail to identify and acquire appropriate companies or assets to further our growth or we may fail to integrate any acquired companies or realize expected synergies.***

As part of our growth strategy, we evaluate opportunities for acquiring complementary businesses that may supplement our internal growth. However, we may not be able to identify and acquire appropriate companies or assets. In addition, any acquisition or other strategic transaction that we may undertake in the future could result in the assumption of debt and contingent liabilities, as well as an increase in interest expense and amortization expense relating to goodwill or other intangible assets or a decrease in cash and cash equivalents.

We may encounter difficulties in integrating acquired entities into our existing business, incur higher than expected costs or fail to achieve the benefits or synergies expected from such acquisitions. Any such transactions could also change our relations with employees, customers and suppliers.

We also face the risk that our competitors may follow similar acquisition strategies and have greater financial resources available for investment or accept less favorable conditions than those which we are able to accept, preventing us from acquiring such targets, to the benefit of our competitors.

An acquisition of other payment companies may require the approval of governmental or regulatory authorities at the national or European Union level, which may block, impose conditions on, or delay the transaction, which could prevent us from completing such acquisitions in a timely manner or at all, thereby preventing us from taking advantage of growth opportunities.

***Deterioration of our image or reputation could result in a material adverse effect on our business.***

Our management believes that the recognizability of the “Nexi” trademark is a considerable strength for our business. A negative perception of the Group by our stakeholders (customers, counterparties, shareholders, investors and regulators), due to, for example, loss of key personnel, a decline in stakeholder satisfaction from the services offered, any breach of applicable regulation or tax regulation and/or the commencement of any legal, tax or arbitration proceedings against us, regardless of whether the claims made are well-founded, or the potential imposition of sanctions by the competent supervisory authorities, could substantially damage our reputation as well as our customers’ trust, and could also impact our ability to maintain or create new business relationships and continue to access funding resources, including in the capital markets or through banking channels.

Given the significance of reputational risk and the negative effects that could arise from it, we have implemented specific measures aimed at preventing operational and compliance issues that may have an effect on our reputation, in the following areas:

- anti-money laundering;
- privacy;
- IT risk monitoring and control;
- business continuity management;
- brand and communications management of the “Nexi” payment card product;
- crisis management (“task force” for reputation risk management); and
- second-level controls and monitoring of compliance risk and operational risk.

As part of our risk management, we continuously monitor reputation risk, particularly in respect of Nexi Payments, owner of the “Nexi” trademark, including: (i) assessing the potential reputation risk through periodic compliance assessments and periodic assessments on process operating risk; (ii) assessing the potential reputation risk in the design phase of new services/products; (iii) assessing the potential impacts on reputation of operational “incidents”; (iv) maintaining a reputation risk monitoring dashboard; and (v) maintaining a dashboard for monitoring the risk of misconduct.

Although we believe that we have taken appropriate actions to monitor this risk, it cannot be ruled out that in the future, also due to outside factors, we might suffer a material adverse effect on our business, financial condition and results of operations.

***We may fail to achieve our growth strategy within the timeframe expected, or at all.***

We are exposed to the risk that we will fail to implement our growth strategy on time or with the expected results. During the period 2016-2019, we recorded €346 million of non-recurring costs related to the Transformation Program, including the rebranding from CartaSi to Nexi, the restructuring plan of Nexi and Bassilichi, and acquisitions and costs associated with integrating acquired companies, in addition to the costs relating to the non-recurring financing transactions and to developing our new products (such as YAP). If we are not able to fully implement our growth strategy initiatives or if we fail to achieve the expected results, we may incur unexpected costs or fail to realize revenue, which could have a material adverse effect on our business, financial condition or results of operations.

***The extraordinary administration of Banca Carige could prevent it from meeting its obligations to us under our agreement with it.***

On January 2, 2019, the ECB ordered the extraordinary administration of Banca Carige S.p.A. (“Banca Carige”) to ensure stability and consistency in Banca Carige’s governance and to permit the continuation of the necessary capital strengthening activities. On September 20, 2019, Banca Carige’s shareholders have approved a €700 million capital increase, thus avoiding liquidation. Should the uncertainty around Banca Carige’s situation continue, or should Banca

Carige be subject to compulsory administrative liquidation, crisis resolution measures or similar procedures provided by the Consolidated Banking Act, Directive 2014/59/EU of the European Parliament and the Council, Regulation (EU) 806/2014 and/or Legislative Decree No. 180/2015, Banca Carige might be unable to meet its obligations pursuant to the agreements entered into with us. If Banca Carige is not able to perform its obligations under our agreement, the amount of future revenue generated by us through the Banca Carige distribution network may be lower than estimated at the time we entered into the agreement. If actual revenues were to be significantly lower than expected, this could have a material adverse effect on our business, financial condition and results of operations.

***We enter into agreements with related parties; such transactions could result in inefficiencies in the resource allocation process, expose us to risks that are not adequately measured or monitored, and cause damage to us and our stakeholders.***

As part of our business, we enter into agreements with related parties on a regular basis. These agreements mainly concern IT outsourcing services, commercial services and other consulting services. These relationships are on terms in line with market conditions. Transactions with related parties entail the typical risks, including tax risks, associated with transactions with parties that, being part of our decision-making structures or otherwise closely connected to them, may not be objective or impartial in their decisions relating to these transactions. It cannot be guaranteed that if such transactions had been concluded between or with unrelated third parties, such third parties would have negotiated and executed such agreements, or concluded the transactions, on the same conditions and in the same manner. Related-party transactions could result in inefficiencies in the resource allocation process; expose us to risks that are not adequately measured or monitored; and cause damage to us and our stakeholders and/or our subsidiaries.

***Our market position may expose us to risks arising from antitrust regulation.***

Our business is subject to European and national competition laws, rules and regulations. We are exposed to antitrust risks at both the European and national level in the markets in which we operate, in particular in acquiring, card issuing and payment processing. Competition authorities have the power to initiate procedures pursuant to existing regulations, to require a party to cease applying contractual terms found to be anti-competitive, and to impose fines and other sanctions and remedies for non-compliance with relevant regulatory requirements. We hold significant market shares with respect to issuing and acquiring activities. In a 2009 measure issued by the Italian antitrust authority (“AGCM”) concerning the acquisition of a controlling stake in SI Holding, the controlling company of CartaSi, now Nexi Payments, involving our predecessor ICBPI, the authority found that ICBPI had a market share of more than 45% in the issuing market and 61% in the acquiring market, and therefore held a dominant position in national markets, based on AGCM practice of treating the issuing and acquiring markets as two separate markets. Consequently, the Italian antitrust authority required that we (i) make pricing for each service offered clear to potential customers, (ii) increase transparency of our terms to improve comparability with our competitors’ offerings and (iii) unbundle our services. We expressly undertook to the Authority to comply with certain specific benchmarks of conduct. More recent antitrust decisions, however (such as COMP/M 6164 Barclays Bank/EGG Credit Card Assets (2011)), have suggested that the relevant geography for the issuing and acquiring markets should be the entire European Union rather than the national market, especially with respect to internet transactions. We believe this interpretation is consistent with recent regulation. In particular, the European Regulation on Interchange Fees (Regulation (EU) 2015/751), together with the introduction of SEPA (Single Euro Payments Area), is redrawing the geographical borders of the reference market. In addition, the increasing importance of technical and IT aspects has blurred the borders between the payment processing and acquiring markets, increasing competitive pressure in both markets. Notwithstanding a potential shift in defining the relevant market, regulators may maintain that we hold a dominant position in issuing and/or acquiring. A similar view may be supported by the Bank of Italy’s 2017 report on our markets, which attributed significant market share to us, both in terms of value and volume, in particular for credit card transfers. If a regulator were to determine that we hold a dominant position, this may result in regulatory restrictions on our ability to act freely in these markets, set the price of our products or services, or maintain existing operations or operating segments, which could have a material adverse effect on our business, financial condition and results of operations. Moreover, given the limited number of operators in the sector, any future acquisitions or disposals could be subject to in-depth investigation, with additional conditions or remedies imposed, by the antitrust authorities, particularly if the traditional definition of the relevant markets remains unchanged notwithstanding the technological and regulatory developments described above.

***Changes to accounting standards may affect our reporting of our financial condition and results of operations.***

Our Financial Statements are prepared and presented in accordance with IFRS. Any changes in these accounting standards may have a significant impact on our financial condition and results from operations. In particular, there are a number of standards, amendments and interpretations which have been issued by the International Accounting Standards Board (the “IASB”) and IFRS standards are subject to change. Certain IFRS standards have been recently revised by the IASB. Notably, the effectiveness of IFRS 16 (Leases) which, from January 1, 2019, has had an impact on the manner in which we carry out our financial reporting. In particular, IFRS 16 had an impact on our reported assets, liabilities and income statement as we will recognize new assets and liabilities for our operating leases. We have not restated the financial information for prior periods to give effect to the impact of IFRS 16. See “*Management’s Discussion and Analysis of*

*Financial Condition and Results of Operations—Key Factors Affecting the Comparability of our Results of Operations—Changes to Accounting Standards—IFRS 16.”*

Further, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, impairment of long-lived assets, leases and related economic transactions, intangibles, self-insurance, income taxes, property and equipment, litigation and equity-based compensation are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us could require us to make changes to our accounting systems to implement these changes that could increase our operating costs, and could significantly change our reported or expected financial performance.

***We are subject to oversight by the Bank of Italy and face risks relating to investigations.***

Our subsidiaries, Nexi Payments and Mercury Payment, are subject to supervision by the Bank of Italy. In the exercise of its supervisory powers, the Bank of Italy conducts periodic inspections of the Group. These inspections could result in a request for organizational measures and the strengthening of controls aimed at overcoming any shortcomings that were detected, or, depending on the extent of any such shortcomings, could lead to the commencement of disciplinary proceedings against corporate representatives and/or our subsidiaries, any of which could have a material adverse effect on our business, financial conditions and results of operations. The Bank of Italy carried out an inspection of Nexi Payments from February to May 2018 to ascertain compliance with regulations on transparency of transactions and fairness of customer relations. While our organizational and management structure were considered adequate for monitoring the rules on transparency and fairness in customer relations, the Bank of Italy identified areas for improvement, such as internal regulations, operating practices and internal architecture. While we have taken measures to address the issues identified by the Bank of Italy, we cannot rule out the possibility that our subsidiaries will, in the future, be subject to additional assessments or specific requests. If this were the case and the supervised companies of the Group were not able to adapt promptly to the requests by the authorities and/or fail to comply with the measures imposed on them, they could be subject to sanctions or various measures, including the revocation of the relative authorizations, which could have a material adverse effect on our business, financial condition and results of operations.

***As a former member of Visa Europe, we may become liable for liabilities and losses of Visa Europe.***

We were a member of Visa Europe Limited (“Visa Europe”), a company which used to manage the Visa circuit in Europe, before it was acquired by Visa Inc. in 2016 following the transfer of the members’ shareholdings to Visa Inc. Following the investigation launched by the European Antitrust Authority with respect to the determination of the interchange fee on transactions carried out in Europe through the Visa circuit, several merchants in Europe have commenced legal proceedings or concluded settlement agreements with Visa Inc. concerning the alleged undue determination of the interchange fee applied by the circuit. In this context, at the time of the transfer of Visa Europe to Visa Inc., an independent company (441 Trust Company Ltd) was set up as a body representing the former members of Visa Europe in order to oversee the handling of litigation arising from the investigation and to be able to release, on the completion of the investigation and for the benefit of members, the unused funds set aside for this purpose. If, on the other hand, these funds were insufficient to cover the sums due with respect to the above legal proceedings, Visa Inc. may in turn take action against the former Visa Europe members. Although investigations by the European antitrust authorities regarding the interbank credit and debit interest rates brought in the past against Visa were concluded with the assumptions of certain undertakings by Visa Europe to the European Commission and the introduction of the European Regulation regarding interbank commissions, further investigations by the European authorities were initiated in 2018. We have been requested by the competent authorities to provide information in this respect and several dealers in Europe have commenced court proceedings or have entered into moratorium agreements with Visa Europe and other Visa entities in relation to alleged breaches of competition law. As of the date of this Information Release, we are unable to predict the outcome of the investigation against Visa Europe or the potential impact, if any, of the investigation on us or the current and other former members of Visa Europe. Although, unlike some former members of Visa Europe in the United Kingdom, we have not entered into a formal agreement for loss sharing with other members, if Visa Europe were to incur losses in legal proceedings of this nature and seek recovery from its members or former members in accordance with the Visa Europe operating regulation, and if such claim were successful, our exposure to this uncapped liability could have a material adverse effect on our business, financial condition and results of operations.

***As a beneficiary in the partial proportional demerger conducted in the context of the Reorganization, we will be jointly and severally liable with Depobank for Depobank’s liabilities outstanding at the effective date of the demerger.***

The Reorganization included, among other corporate transactions, the partial and proportional demerger of Depobank, in connection with which Depobank, as the demerged company, contributed certain assets and liabilities to the Issuer as beneficiary company (*società beneficiaria*). Under Italian law, we and Depobank will remain jointly liable,

proportionally to the actual value of the net equity retained and transferred, for Depobank's liabilities which arose prior to the effective date of the demerger and remained outstanding at that date. Such joint and several liability applies to the extent that such liabilities and debts are not satisfied by Depobank when due, and is limited, subject to exceptions, to the actual value of the net equity transferred to us in our capacity as beneficiary of the demerger, and survives until such liabilities are satisfied. It cannot be ruled out that any of the creditors of Depobank may be able to provide evidence in court that the actual value of the transferred net assets was higher than that indicated in the deed of demerger, with the consequence that we may be held jointly and severally liable for the liabilities and debts transferred to Depobank even beyond the actual value of the transferred net assets. The limitation of liability does not apply to certain specific debts and liabilities. For example (i) under Article 30, Paragraph 2 of Legislative Decree No. 231/2001, the beneficiary of the demerger is jointly liable for the payment of pecuniary penalties due by the demerged company without application of the limit of the actual value of the transferred net equity, if the branch of business in which the offense was committed was transferred, even in part, to the beneficiary, and (ii) under Article 173, Paragraph 13 of Presidential Decree No. 917/1986 and Article 15 of Legislative Decree No. 472/1997, with respect to tax liabilities only (taxes, penalties and interest) and in derogation of the provisions of the Italian Civil Code, the beneficiary can be jointly liable with the demerged company for an amount higher than the transferred net equity. Any requirement to make payments under the above joint liability regime could have a material adverse effect on our business, financial condition and results of operations.

***The targets included in our guidance to the market is subject to a number of assumptions and our actual results may differ significantly.***

In 2019, the Board of Directors approved our business plan for 2019-2023 (the "Plan"). The Plan's mission is to consolidate the Group's leadership within the domestic Italian digital payments market via investments in technology, services and skills. See also "*Summary—Recent Developments—Recent Trading.*" The Plan also contains certain financial targets (the "Targets"). Our ability to achieve our Targets and increase our revenues, growth and development objectives and to maintain adequate levels of profitability depends both on the growth of the underlying market and on new initiatives to increase revenues and control costs. In this respect, the expected growth in revenues and profitability will be generated mainly by these new initiatives, which will have, in the initial phase, a smaller impact on profitability than those currently carried out by us, thus impacting on our cost reductions plans. The Targets are based on general assumptions relating to future events that we expect to occur and the actions we intend to take, as well as on hypothetical assumptions relating to future events and management actions that we do not necessarily expect to occur or situations for which there is no significant historical experience to support future forecasts. Such assumptions are inherently subjective and subject to uncertainty. In particular, anticipated events and actions may not occur or could occur in a different manner or at a different time from those expected, and events and actions that were not foreseeable at the time the Targets were established could occur. In addition, the levels of efficiency and profitability over the years covered by the Plan are higher than those currently observed in comparable companies. Accordingly, there may be significant differences between our actual results and the Targets which could have a material adverse impact on our business, financial condition and results of operations. Given the inherent uncertainty in relation to forward-looking information such as the Targets, you should not base your investment decision solely on such data and should read such data in conjunction with the entire contents of this Information Release.

***We may incur payment obligations or contingent liabilities relating to the Disposals.***

Since 2016, as part of our strategy to consolidate our competitive position in the digital payments business, we have sold our shares in non-core businesses Mercury Processing Services International, Bassilichi Business Services, Bassilichi CEE, PayCare, Oasi and MoneyNet (the "Disposals"). In connection with these Disposals, we have provided customary representations, warranties and indemnities to our counterparties. Although these indemnity obligations are subject to certain limitations, if we were to be required to make payments or assume liability as a result of such obligations, including with respect to claims by third parties, our business, financial condition and results of operations could be materially adversely affected.

***The information about our industry, market share and competitive position in this Information Release may not be accurate.***

This Information Release contains some key information regarding our business activities and information on our competitive positioning in the markets in which we operate, as well as forecasts on future market developments, which are made by us on the basis of our specific knowledge of the sector, available data and experience. For instance, this information is set out in the description of our business activities, markets and competitive positioning, our future plans and strategies, as well as in our expected trends. Such information has not been verified by independent third parties. Furthermore, our results, competitive positioning and performance in our business sectors and/or in the various geographical areas referred to herein may vary in the future due to known and unknown risks, uncertainties and other risks, including those referred to in these risk factors.



## **Risks Related to the Financial Profile of the Issuer**

***The Unaudited 2018 Perimeter Information included in this Information Release has been prepared for illustrative purposes; it does not represent our actual revenues and reliance on such data could lead you to incorrectly assess our financial position.***

This Information Release includes certain financial information and alternative performance indicators calculated on the basis of scope of consolidation as of December 31, 2018 (the “2018 Perimeter” and the related information, the “Unaudited 2018 Perimeter Information”).

Such information has been included, *inter alia*, in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” where we describe our results of operations during the reference period. We have chosen to include the Unaudited 2018 Perimeter Information because there are severe limitations to the comparability of our historical financial information derived from the Financial Statements as a result of changes in our scope of consolidation following certain acquisitions. The Unaudited 2018 Perimeter Information was calculated by adding the historical financial information from the companies and/or business units of the companies that we acquired during the periods under review to the relevant financial information from our Financial Statements relating to each financial year of the period under review. Part of the data was derived from the audited financial statements or accounts of the acquired companies. These figures are included in order to illustrate the dynamics that influenced our business during the reference period. The Unaudited 2018 Perimeter Information does not represent in any way the results that we would have achieved if the acquisitions had been carried out prior to the period under review. The Unaudited 2018 Perimeter Information has not been subject to any form of audit, but it has been subject to verification procedures by PwC. The Unaudited 2018 Perimeter Information has been drawn up merely for illustrative purposes and, therefore, does not represent and is in no way intended to represent our actual results, or a prediction of our future results. The Unaudited 2018 Perimeter Information has been conceived in such a way as to represent only those effects of the Acquisitions that can be isolated and objectively measured, without taking into account any effects that may arise from management operational decisions, including those that may have been taken as a result of the Acquisitions.

***The Unaudited Pro Forma Consolidated Financial Information included in this Information Release has been formulated based on, and is subject to, significant assumptions and limitations and may not reflect what our results of operations and financial condition would have been if the transactions reflected therein had occurred on the dates presented.***

This Information Release contains the Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Consolidated Financial Information has been prepared in order to represent the main effects on the statement of financial position as at June 30, 2019 and the income statement as of and for the six months ended June 30, 2019, of: (i) the use of the funds obtained under the Credit Facilities, (ii) the use of the funds obtained from the sale by the Issuer of 77,777,777 newly-issued shares in April 2019 in the context of the Listing (the “Capital Increase”), and (iii) the Offering (collectively the “Transactions”).

While the Unaudited Pro Forma Consolidated Financial Information is based on available information and assumptions that we believe to be reasonable and has been prepared on the basis of the accounting principles used to prepare the Interim Financial Statements, the Unaudited Pro Forma Consolidated Financial Information is presented for information purposes only and is not intended to represent or be indicative of our financial condition or results of operations that we would have reported had the Transactions and adjustments described above actually occurred during the period and as of the dates presented, and the Unaudited Pro Forma Consolidated Financial Information does not purport to project our results of operations or financial condition for any future period. Our actual results may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information, which has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act. For information on how this information was compiled, see “*Unaudited Pro Forma Consolidated Financial Information.*”

***The Unaudited non-GAAP managerial information included in this Information Release has been prepared for illustrative purposes only; it does not represent our actual revenues and reliance on such data could lead you to incorrectly assess our financial position.***

This Information Release contains certain unaudited non-GAAP managerial information for (i) the six months ended June 30, 2018, (ii) the year ended December 31, 2018 and (iii) the twelve months ended June 30, 2019. The unaudited historical financial information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not allow comparability with the information for the same period in 2019, as the comparative information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not include the effect of the Reorganization, the Acquisitions and the signing of the Contracts with Depobank. Consequently, we are presenting in this Information Release certain unaudited non-GAAP managerial information for the six months ended June 30, 2018, to reflect the effects of the transactions and agreements mentioned above, as we believe this will aid comparability of our

results of operations. The unaudited non-GAAP managerial information presented in this Information Release is limited to certain income statement items, from operating revenues to normalized EBITDA.

We are also presenting in this Information Release unaudited non-GAAP managerial information as of and for (i) the twelve months ended June 30, 2019, and (ii) the year ended December 31, 2018. The unaudited non-GAAP managerial information as of and for the twelve months ended June 30, 2019, has been derived by adding the unaudited historical financial information for the six months ended June 30, 2019, as reported in the Interim Financial Statements, to the unaudited non-GAAP managerial information for the year ended December 31, 2018, and subtracting the unaudited non-GAAP managerial information for the six months ended June 30, 2018. The unaudited non-GAAP managerial information for the year ended December 31, 2018, differ from the Unaudited 2018 Perimeter Information because it includes the effects of entering into the Contracts with Depobank.

The unaudited non-GAAP managerial information presented in this Information Release has been prepared for illustrative purposes only and may not necessarily be representative of our results for such prior periods or any future period. Our actual results may differ significantly from those reflected in the Unaudited non-GAAP managerial information, which has not been prepared in accordance with IFRS or any other generally accepted accounting standard. For information on how this information was compiled, see “*Presentation of Financial and Other Information—Non-GAAP Financial Information—Unaudited Non-GAAP Managerial Information.*”

***The normalized data included in this Information Release has been presented to facilitate comparison of our results between periods; it is not indicative of our future performance, and reliance on such data without understanding the limitations described below could lead you to incorrectly assess our financial position.***

This Information Release contains certain normalized data derived from the Financial Statements that have been adjusted to exclude certain revenues and charges of a non-recurring nature. We have included this normalized data because there are limitations to the comparability of our historical financial information for the six months ended June 30, 2019 and 2018 as well as for the years ended December 31, 2016, 2017 and 2018, since it includes items of revenue and expenses related to business transactions of a non-recurring nature. We believe that normalization (which we use to prepare, *inter alia*, Normalized total income, Normalized EBITDA, Normalized EBITDA margin, Normalized operating margin and Normalized profit for the year) seeks to represent our financial performance, net of the effects of certain non-recurring events and transactions and, with specific reference to the item “depreciation and amortization of tangible and intangible assets,” of the effects relating to the amortization of intangible assets deriving from the allocation of the price of Acquisitions (“Customer Contracts”). In this regard, it is specified that:

- (i) the normalization associated with non-recurring expenses and income provides useful information as there are limits on the comparability of historical data relating to the years in question, which include cost and revenue items related to one-off corporate events that are not pertinent to our normal operations, such as, principally: the Acquisitions, the issuances of the Existing Notes and the Redeemed Notes, the Disposals, the Reorganization, the rebranding program, the Listing and the Credit Facilities; and
- (ii) the normalization of the effects relating to the amortization of Customer Contracts also provides useful information with respect to the comparability of our historical data. Adjustment for the effects of amortization of Customer Contracts (i.e., amortization of intangible assets arising from the allocation of the purchase price of the acquisitions of Mercury Payment, MPS Acquiring and DB Acquiring) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the six months ended June 30, 2019, the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

With respect to the interpretation of such normalized data, we note that: (i) normalized data differ significantly from the corresponding data that are included in or can be inferred from our accounts, considering the significance of the corresponding corporate transactions, (ii) normalized data is calculated exclusively on the basis of our historical data and are not indicative of our future performance, (iii) normalized data may be inconsistent with data adopted by other companies/groups and, as such, may not be comparable, and (iv) normalized data must be read in conjunction with our Financial Statements. The normalized data start from, but are different in nature from, our Financial Statements. KPMG S.p.A. performed its audit activity in order to express its opinion on our Carve-out Financial Statements, and PricewaterhouseCoopers SpA performed its audit activity in order to express its opinion on our Interim Financial Statements. Neither KPMG S.p.A. nor PricewaterhouseCoopers SpA have performed audit procedures with the objective of expressing an opinion on individual balance sheet items or on the normalized data presented in this Information Release and therefore have not expressed any opinion on individual balance sheet items or on the this normalized data.

Use of the normalized data without taking into account the limitations referenced above could lead you to incorrectly assess our economic, equity and/or financial position and thus make an incorrect, non-advisable or inadequate investment decision.

***The periods presented in the Financial Statements included in this Information Release are not comparable between them due to significant corporate transactions, including the Acquisitions, the Disposals, the Reorganization and the Offering, which occurred during the periods presented in this Information Release and are not comparable to our published, statutory accounts.***

In the six months ended June 30, 2019 and in the years ended December 31, 2018, 2017 and 2016, we entered into a number of significant corporate transactions, including the Acquisitions, the Disposals, the Reorganization, the Listing and the Contracts with Depobank. Consequently, the scope of consolidation differs significantly from one period to the next, which has had an impact on the comparability of the Financial Statements since the income statement and balance sheet impacts of those transactions are only reflected from the date of completion of the relevant transactions.

In addition, the financial information included in the Interim Financial Statements as of and for the six months ended June 30, 2019, presented in this Information Release is not comparable to the unaudited historical financial information for the six months ended June 30, 2018, as reported in the Interim Financial Statements. This is due to the fact that the unaudited historical financial information for the six months ended June 30, 2018, as reported in the Interim Financial Statements, does not include the effect of the Reorganization, the Acquisitions and the signing of the Contracts with Depobank. Consequently, we are presenting in this Information Release certain unaudited non-GAAP managerial information for the six months ended June 30, 2018, to reflect the effects of the transactions and agreements mentioned above, as we believe this will aid comparability of our results of operations

Investors are encouraged to take these circumstances into consideration when analyzing the Financial Statements contained in this Information Release. See “*Presentation of Financial and Other Information*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

***Our substantial debt service obligations could have a material effect on our business and could prevent us from fulfilling our obligations with respect to the Notes.***

We have a significant amount of indebtedness with substantial debt service obligations. As of the date of this Information Release, on an as adjusted basis after giving pro forma effect to the Refinancing, on a consolidated basis we would have had an aggregate principal amount of third-party financial debt of €1,857.6 million outstanding, excluding unamortized debt issuance costs, pass-through fee payments and settlement obligations. We would also be subject to certain settlement obligations and settlement factoring agreements carried out on and off balance sheet, which require us to sell a substantial portion of our settlement obligation receivables to the factoring counterparties. In addition, we would also have had €350.0 million available for borrowing under the Revolving Credit Facility. See “*Description of Certain Financing Arrangements.*”

Our significant leverage could have important consequences for our business and operations and for you as a holder of the Notes, which may include, but not be limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the availability of such cash flow to fund working capital and settlement obligations, capital expenditures, technological innovation or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and
- limiting our ability to upstream cash from our subsidiaries, none of whom will initially guarantee the Notes to help meet our obligations under the Notes.

Any of these or other consequences or events resulting from our substantial indebtedness could have a material adverse effect on our ability to satisfy our debt obligations, including under the Notes. Although the terms of the Indenture

limit our ability to incur additional indebtedness, such limitations are subject to significant exceptions and qualifications, and the incurrence of additional indebtedness would exacerbate the risks described above.

***The Group's failure to comply with the covenants under the Indenture or its other outstanding debt agreements, including as a result of events beyond its control, could result in an event of default which could materially and adversely affect the Group's financial condition and results of operations.***

The Indenture will require the Issuer to comply with various covenants, and the Facilities Agreement requires the Issuer to comply with various covenants, including certain financial covenants, which require the Issuer and certain of its subsidiaries to maintain specified financial ratios, satisfy specified financial tests and comply with operational parameters and certain other undertakings. See “*Description of Certain Financing Arrangements.*” The Issuer’s and its relevant subsidiaries’ ability to meet these financial ratios and financial tests could be affected by deterioration in the Group’s operating results, as well as by events beyond the Group’s control, including unfavorable economic conditions, and there can be no assurance that the Issuer and its relevant subsidiaries will be able to meet these financial ratios and financial tests. Moreover, the Facilities Agreement includes certain events of default (such as breaches of representations, warranties and undertakings and if the Issuer or certain of its subsidiaries fail to make payment when due on certain other debt) that are different from the events of default set forth in the Indenture. If an event of default occurs under the Facilities Agreement, the Indenture or any of the Group’s other debt instruments and is not cured or waived, the holders of the defaulted debt could terminate their commitments and declare all outstanding debt, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under the Group’s debt instruments, including the Notes, that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand as a result of an event of default under the Facilities Agreement or other debt instruments. In these circumstances, the Group’s assets and cash flow may not be sufficient to repay in full the defaulted debt and its other debt, including the Notes then outstanding. If some or all of these instruments were accelerated, the Group could be forced into bankruptcy or liquidation, and it may not be able to repay its obligations under the Notes in such an event.

***The Issuer is subject to restrictive debt covenants and events of default that may limit the Issuer's ability to finance future operations and to pursue business opportunities and activities.***

The terms of the Notes and the Indenture will restrict, among other things, the Group’s ability to:

- create or incur certain liens;
- guarantee indebtedness; and
- merge, consolidate or sell, lease or transfer all or substantially all of the Issuer’s assets.

All of these limitations will be subject to significant exceptions and qualifications. Additionally, we may be subject to restrictive debt covenants under our other debt financing agreements, including those relating to the Facilities Agreement. The covenants to which the Group is subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we will be subject to affirmative and negative covenants contained in the Facilities Agreement, including a total net leverage ratio which, if exceeded, (and not cured) may result in an event of default which could allow the lenders thereunder to accelerate the facilities including declaring them immediately due and payable.

The realization of any of these risks could have a material adverse effect on our financial position and ability to fulfill our obligations under the Notes.

***If we are unable to service our indebtedness or repay or refinance our indebtedness as it becomes due, we may be forced to sell assets or we may go into default, which could cause other indebtedness to become due and adversely affect the trading value of our debt securities, including the Notes.***

The 2024 Notes will mature on \_\_\_\_\_, 2024, the 2027 Notes on \_\_\_\_\_, 2027, and our Term Loan and our Revolving Credit Facility on May 31, 2024. If we are unable to pay interest on our indebtedness when due, or to repay or refinance the principal amount of our indebtedness when due, we will be in default under the terms of the documents governing such indebtedness, including the Indenture if we do not pay interest or principal when due under the Notes. If that happens, the holders of the Notes and of our other indebtedness could elect to declare the indebtedness immediately due and payable and, in the case of the Revolving Credit Facility, terminate their lending commitments. Prior to or after these defaults, the holders of our indebtedness could exert pressure on us to sell assets or take other actions, including the initiation of bankruptcy proceedings or the commencement of an out-of-court debt restructuring, which may not be in the best interests of the company or holders of our debt securities, including the Notes.

If we attempt an asset sale, whether on our own initiative or as a result of pressure from lenders or holders of our indebtedness, we may not be able to complete a sale on terms acceptable to us. Ultimately, this could result in non-payment of amounts due under the Notes. Any default under our indebtedness, or the perception that we may default, would also adversely affect the trading value of our debt securities, including the Notes.

***A portion of our indebtedness bears interest at floating rates and we are therefore subject to interest rate volatility.***

We do not currently hedge the risk of interest rate changes, although we are exposed to the risk that significant interest rate fluctuations could occur. Interest rate fluctuation is the result of various factors that are outside of our control, such as monetary policies and macroeconomic trends in general, as well as the economic and political uncertainty in Italy in particular. For more information on the risks associated with the economic situation and political uncertainty in Italy, see “—Risks Related to Our Business—Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenue and profitability.” Changes in interest rates affect the market value of our financial assets and liabilities and the level of our financial expenses, since some of our debt bears interest at variable rates. Although we have procedures in place to identify, monitor and manage the risk of interest rate changes, such procedures may prove to be inadequate, whether due to the occurrence of unexpected events or otherwise. A significant increase in the interest rate of our indebtedness would have a material adverse effect on our business, financial condition, results of operations and prospects.

***We are a holding company and rely on our subsidiaries for cash to service our indebtedness, including the Notes.***

As a holding company, we depend on the dividends distributed to us by our subsidiaries for our cash needs, including debt service. Our subsidiaries may not always generate distributable profits and, if they do, they may choose not to distribute them. Any negative results recorded by our subsidiaries, as well as any decline in values of our equity investments in them, could negatively affect our business, financial condition and results of operations. In addition, our subsidiaries Mercury Payment and Nexi Payments are, respectively, a payment institution and an electronic currency institute, and, consequently, are regulated entities whose ability to distribute dividends is subject to compliance with applicable capital requirements. The distribution of dividends by these companies could be prohibited or limited by the need to comply with the applicable capital requirements. In addition to the above, we undertook significant investments during the twelve months ended June 30, 2019, reference period. If we continue to maintain a high level of investment or if extraordinary investments are required, we may not be able to generate sufficient cash flow, which would limit our ability to distribute dividends.

***A downgrade of our credit rating would impact the cost and availability of future borrowings and could adversely affect the trading and price of the Notes.***

A rating is not a recommendation to buy, sell or hold any issued financial instrument and may be suspended, decreased or withdrawn at any time by the rating agency that assigned it. A suspension, reduction or withdrawal of an assigned rating may adversely affect the market price of the Notes. Moreover, these changes in the rating might not promptly reflect changes in our solvency situation or creditworthiness. In determining the rating assigned to us and our Notes, the rating agencies take into account, and continue to monitor, various indicators relating to our creditworthiness, including, by way of example, profitability, liquidity, and asset quality. Should we be unable to maintain adequate levels for one or more of these indicators, our rating might be lowered (known as downgrading). A downgrading could have an adverse effect on our ability to access various liquidity instruments, as well as on our ability to compete in the capital markets, with an increase in financing costs and consequent material adverse effect on our business, financial condition and results of operations. In addition to the foregoing, the rating attributed to us and the Notes may also be influenced by other factors such as a deterioration of the yield spread between Italian sovereign bonds and other European sovereign bonds and the rating attributed to the Italian State as well as the national and international macroeconomic environment. In the same manner, the downgrading of the Italian sovereign rating could also cause the ratings agencies to lower our rating or that of the Notes. Since our rating and our Notes’ rating are sub-investment grade, our debt bears a higher interest rate than that of investment-grade issuers. Issuers of high yield debt securities may have greater difficulties in accessing credit, particularly in times of volatility in the financial markets. Therefore, we may not be able to easily access new financing if required and/or to refinance the existing debt, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Nexi Payments and Mercury Payment must comply with capital adequacy requirements, which may limit or adversely affect their business.***

Our subsidiaries, Mercury Payment and Nexi Payments, are, respectively, a “payment institution” and an “electronic currency institute” and, consequently, are subject to detailed regulation, primarily related to capital adequacy, including rules setting forth minimum capital thresholds and the qualitative composition of capital resources. In particular, following the implementation of PSD2 in Italy, these institutions must calculate their capital requirements in accordance with the provisions of the “Supervisory Provisions for Payment Institutions and E-money Institutions” (Bank of Italy Order

of July 23, 2019). Such provisions make extensive reference to Regulation (EU) No. 575/2013 on prudential requirements for banks and investment firms (the “CCR”—as amended from time to time) and the “Supervisory Provisions for Banks” (Bank of Italy Circular No. 285 of December 17, 2013—as amended from time to time), which permits the necessary adjustments and simplifications in order to duly take into account the different levels of complexity of these entities. In addition to the supervisory provisions, the Bank of Italy, using its discretionary power following an assessment of the regulated entity, could require these institutions to have capital that is up to 20% higher than the amount that would be required under the supervisory provisions. Nexi Payments’ and Mercury Payment’s capital requirements are influenced by a number of variables, including the need to address the impacts of the new and more challenging regulatory requirements introduced by the European regulator as well as an assessment of possible market scenarios that could require additional capital resources to support our subsidiaries’ business and investments, as well as those of the Group more generally. As of June 30, 2019, Nexi Payments and Mercury Payment had capital ratios in excess of the applicable minimum requirements by €9.3 million and €43.6 million, respectively. However, they face the risk that, due to unforeseen events or factors beyond their control, they may need to resort to capital strengthening measures in the future in order to meet the capital adequacy standards set by the new prudential regime introduced by PSD2, which could have a negative effect on the business, financial condition and results of operations of Nexi Payments and Mercury Payment or the Group. In addition, a regulator could at its discretion require additional capital or impose new parameters for the purpose of calculating capital adequacy requirements, including, for example, following any prudential review processes, or could adopt unfavorable interpretative positions of applicable capital adequacy requirements, leading to the inability of Nexi Payments and Mercury Payment to comply with the capital requirements, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Mercury UK is a significant shareholder and may control or otherwise influence important actions we take, and its interests may conflict with yours.***

Mercury UK owns 60.096% of the Issuer’s outstanding share capital. Consequently, Mercury UK has significant influence over matters submitted to a shareholder vote, including, for example, approval of our financial statements, the distribution of dividends, and the appointment and revocation of the Board of Directors and the Board of Statutory Auditors. In connection with the Listing, Mercury UK entered into a margin loan (the “Margin Loan”) for an aggregate amount of €840 million. As security for the obligations under the Margin Loan, Mercury UK granted a pledge on its shares in the Issuer. If Mercury UK breaches its obligations under the Margin Loan, the relevant security agent shall be entitled to enforce the pledge on the shares pledged as collateral, which could lead to a change of control of the Issuer, which in turn may trigger a change of control under our outstanding debt instruments.

Mercury UK has also agreed to abide by lock-up commitments which prevent it from, directly or indirectly, offering, selling, contracting to sell, pledging, loaning, granting any option, right, warrant or contract to purchase, making any short sale or otherwise disposing of the shares of the Issuer. Upon the expiration of the lock-up period, which is due to expire on or around October 14, 2019, Mercury UK can sell a significant amount of the shares of the Issuer it currently owns. Should Mercury UK decide to sell some or all of the shares, it could, in certain circumstances, trigger a change of control under certain of our outstanding debt instruments.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

### Foreword

This section includes the unaudited pro forma statement of financial position as at June 30, 2019, and the unaudited pro forma income statement and total profitability as of and for the six months ended June 30, 2019 of the Issuer, accompanied by the related explanatory notes (the “Unaudited Pro Forma Consolidated Financial Information”) approved by the Issuer’s Board of Directors on July 29, 2019.

The Unaudited Pro Forma Consolidated Financial Information has been prepared for the purpose of including them in the offer documents relating to the Offering.

In particular, the Unaudited Pro Forma Consolidated Financial Information has been prepared in order to represent the main effects on the statement of financial position as at June 30, 2019 and the income statement as of and for the six months ended June 30, 2019, of: (i) the use of the funds obtained under the Credit Facilities, (ii) the use of the funds obtained from the sale by the Issuer of 77,777,777 newly-issued shares in April 2019 in the context of the Listing (the “Capital Increase”), and (iii) the Offering (collectively the “Transactions”), illustrated in detail in the section below, to which reference is made.

The Unaudited Pro Forma Consolidated Financial Information has been prepared on the basis of the historical data extracted from the Interim Financial Statements approved by the Board of Directors on July 29, 2019.

The Unaudited Pro Forma Consolidated Financial Information has been prepared in order to simulate, according to evaluation criteria consistent with the historical data and in compliance with the relevant legislation, the main effects of the Transactions on the Group’s equity, financial and economic situation, as if they had occurred on June 30, 2019 with respect to the statement of financial position and, on January 1, 2019, with reference to income statement.

However, the information contained in the Unaudited Pro Forma Consolidated Financial Information represents a simulation, provided for illustrative purposes only, of the possible effects that could derive from the Transactions. In particular, since the pro forma data is constructed to retrospectively reflect the effects of subsequent transactions, despite compliance with commonly accepted rules and the use of reasonable assumptions, there are limitations due to the nature of the pro forma data. Therefore, if the Transactions had actually taken place on the assumed dates, the same results would not necessarily have been shown in the Unaudited Pro Forma Consolidated Financial Information. Moreover, considering the different purposes of the pro forma data with respect to the historical data of the Financial Statements and the different methods for calculating the effects of the Transactions with reference to the pro forma balance sheet and the pro forma income statement, these statements must be read and interpreted without seeking links from an accounting perspective between them.

The pro forma information was prepared in accordance with the accounting criteria and standards we adopted in the Interim Financial Statements. For a description of the accounting criteria and standards adopted for the preparation of the Interim Financial Statements, refer to the relevant explanatory notes to the Interim Financial Statements included elsewhere in this Information Release.

Lastly, it is noted that the Unaudited Pro Forma Consolidated Financial Information does not in any way represent a forecast of the Group’s future results and should therefore not be used in this regard.

### Transactions

#### *Credit Facilities and Capital Increase*

On March 20, 2019, the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment, as borrowers and guarantors, entered into a facilities agreement (the “Facilities Agreement”) which provides for aggregate borrowings of €1,000 million under a term loan facility (the “Term Loan Facility”) and €350 million under a revolving credit facility (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Credit Facilities”). The Issuer used the funds obtained by the Term Loan Facility, together with the proceeds arising from the Capital Increase and cash on hand, to repay the Redeemed Notes. The Revolving Credit Facility is currently undrawn and is not expected to be drawn as of the Issue Date.

#### *Offering*

The proceeds of the Offering are expected to be used to repay the Existing Notes.

## Presentation of Pro Forma Financial Statements

The presentation of the Pro Forma Financial Statements is carried out on a multi-column basis to present analytically the Transactions subject to pro forma adjustments.

The Unaudited Pro Forma Consolidated Financial Information is not, by its nature, capable of offering a representation of our economic, equity and financial position, because they are constructed to retrospectively reflect the effects of subsequent transactions, despite compliance with accounting rules and the use of reasonable assumptions.

For a correct interpretation of the information provided by the pro forma data, it is necessary to consider the following aspects:

- (i) since these representations were constructed on hypotheses, if the Transactions were carried out on the dates taken as reference for the preparation of pro forma data, rather than on the respective effective dates, the historical data would not necessarily have been the same as the pro forma data; and
- (ii) the pro forma data does not reflect forecast data as it is prepared in such a way as to represent the significant, isolable and objectively measurable effects deriving from the Transactions, without taking into account the potential effects due to changes in management policies and operational decisions resulting from the Transactions.

Moreover, in consideration of the different purposes of the pro forma data with respect to the historical data of the financial statements and the different methods for calculating the effects of the Transactions with reference to the balance sheet and the income statement, the Unaudited Pro Forma Consolidated Financial Information must be read and interpreted separately, without seeking links from an accounting perspective between them.

### Pro Forma Balance Sheet at June 30, 2019

The following table shows the pro forma adjustments made to represent the significant effects of the Transactions on the balance sheet at June 30, 2019:

	<b>Pro Forma Adjustments</b>		<b>Pro Forma Consolidated Balance Sheet</b>
	<b>Consolidated Balance Sheet</b>	<b>Offering</b>	
	(1)	(2)	
	(in € thousands)		
<b>ASSETS</b>			
Cash and cash equivalents .....	165,891	(43,600)	122,291
Financial assets at fair value through profit or loss .....	—	—	—
Financial assets at fair value through OCI.....	131,764	—	131,764
Financial assets measured at amortized cost .....	1,803,387	—	1,803,387
Equity investments .....	682	—	682
Property, equipment .....	191,852	—	191,852
Investment property.....	3,101	—	3,101
Intangible assets .....	2,660,159	—	2,660,159
Tax assets .....	84,327	—	84,327
Non-current assets held for sale and discontinued operations .....	8,130	—	8,130
Other assets .....	403,272	—	403,272
<b>Total assets</b> .....	<b>5,452,565</b>	<b>(43,600)</b>	<b>5,408,965</b>
<b>LIABILITIES</b>			
Financial liabilities measured at amortized cost .....	3,198,508	—	3,198,508
Financial liabilities held for trading .....	8,730	—	8,730
Hedging derivatives.....	45,833	—	45,833
Tax liabilities.....	140,575	—	140,575
Liabilities associated with non-current assets held for sale and discontinued operations .....	9,774	—	9,774
Other liabilities .....	732,045	—	732,045
Post-employment benefits .....	15,079	—	15,079
Provisions for risks and charges .....	41,857	—	41,857
<b>Total liabilities</b> .....	<b>4,192,401</b>	<b>—</b>	<b>4,192,401</b>
<b>Net equity</b> .....	<b>1,260,164</b>	<b>(43,600)</b>	<b>1,216,564</b>



<b>Total liabilities and net equity</b> .....	<b>5,452,565</b>	<b>(43,600)</b>	<b>5,408,965</b>
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### **Pro Forma Income Statement for the Six Months Ended June 30, 2019**

The following table shows the pro forma adjustments made to represent the significant effects of the Transactions on the income statement for the six months ended June 30, 2019:

	Consolidated Income Statement— 1H 2019	Pro Forma Adjustments		Pro Forma Consolidated Balance Sheet
		IPO Proceeds and Credit Facilities	Offering	
	(1)	(2)	(3)	
	(in € thousands)			
Fee for services rendered and commission income ....	770,813	—	—	770,813
Fee for services received and commission expense ...	(300,514)	—	—	(300,514)
<b>Net fee and commission income</b> .....	<b>470,299</b>	<b>—</b>	<b>—</b>	<b>470,299</b>
Interest and similar income .....	9,560	—	—	9,560
Interest and similar expense .....	(113,530)	70,205	9,797	(33,528)
<b>Net interest margin</b> .....	<b>(103,970)</b>	<b>70,205</b>	<b>9,797</b>	<b>(23,968)</b>
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss .....	(5,298)	—	—	(5,298)
Dividends and profit / loss from investments and sale of assets at fair value through OCI .....	(4,386)	—	—	(4,386)
<b>Total income</b> .....	<b>356,645</b>	<b>70,205</b>	<b>9,797</b>	<b>436,647</b>
Personnel expenses.....	(129,794)	—	—	(129,794)
Other administrative expenses.....	(188,411)	—	—	(188,411)
<b>Total administrative expenses</b> .....	<b>(318,205)</b>	<b>—</b>	<b>—</b>	<b>(318,205)</b>
Other operating income, net .....	(2,548)	—	—	(2,548)
Net value adjustments on assets measured at amortized cost .....	(1,811)	—	—	(1,811)
Net accruals to provisions for risks and charges .....	590	—	—	590
Amortization depreciation and net impairment losses on tangible and intangible assets .....	(70,313)	—	—	(70,313)
<b>Operating margin</b> .....	<b>(35,642)</b>	<b>70,205</b>	<b>9,797</b>	<b>44,360</b>
Profit loss from equity investments and disposal of investments.....	(74)	—	—	(74)
<b>Pre-tax profit from continuing operations</b> .....	<b>(35,716)</b>	<b>70,205</b>	<b>9,797</b>	<b>44,286</b>
Income taxes.....	542	(16,849)	(2,351)	(18,658)
Income (Loss) after tax from discontinued operations	93,623	—	—	93,623
<b>Profit for the period</b> .....	<b>58,449</b>	<b>53,356</b>	<b>7,446</b>	<b>119,251</b>
<i>Profit for the period attributable to the owners of the parent</i> .....	58,424	53,356	7,446	119,226
<i>Profit for the period attributable to non-controlling interests</i> .....	25	—	—	25

### **Notes to the Unaudited Pro Forma Consolidated Financial Information**

#### *Basis of Presentation and Accounting Standards Used*

The Unaudited Pro Forma Consolidated Financial Information has been prepared by adjusting the historical data for the six months ended June 30, 2019 taken from the Interim Financial Statements, in order to simulate the main equity, financial and economic effects that could derive from the Transactions.

The accounting standards adopted for the preparation of the Unaudited Pro Forma Consolidated Financial Information is the same used for the preparation of the Interim Financial Statements and, in particular, International Financial Reporting Standards, which include all International Accounting Standards, all International Financial Reporting Standards and all the interpretations of the IFRS Interpretations Committee previously called Standing Interpretations Committee, adopted by the European Union (“IFRS”).

All information contained in this document is expressed in thousands of Euro, unless otherwise indicated.

*Description of Pro Forma Adjustments made for the Preparation of the Unaudited Pro Forma Consolidated Financial Information*

The pro forma entries made to prepare the Unaudited Pro Forma Consolidated Financial Information are briefly described below.

**Unaudited Pro Forma Balance Sheet**

**Note 1—Consolidated Balance Sheet**

The column includes the consolidated balance sheet at June 30, 2019, extracted from the Interim Financial Statements.

**Note 2—Offering**

This column includes the effects of the Offering which is expected to refinance the Existing Notes. More in detail, this column includes the pro forma adjustments to the balance sheet reflecting the estimated transaction costs, the redemption premium and the interest accrued but not yet paid on the Existing Notes, estimated to be €43.6 million.

**Unaudited Pro Forma Income Statement**

**Note 1—Consolidated income Statement**

The column includes the consolidated income statement for the six months ended June 30, 2019 extracted from the Interim Financial Statements.

**Note 2—IPO proceeds and Credit Facilities**

This column includes the pro forma adjustment in relation to the use of proceeds from the Capital Increase and from the Term Loan Facility to fund the redemption of the Redeemed Notes.

**Note 3—Offering**

This column includes the pro forma adjustment in relation to the use of proceeds from the Offering to fund the Existing Notes Redemption.

	<u>(in € thousands)</u>
Elimination of finance costs accounted for the Existing Notes .....	17,016
Estimated finance costs on the Offering .....	<u>(7,219)</u>
	<u><b>9,797</b></u>
Tax impact (calculated by applying the IRES rate of 24%) .....	(2,351)

As previously indicated, the aggregate principal amount of the Notes has been estimated to be €825.0 million for the sole purpose of the preparation of this Unaudited Pro Forma Consolidated Financial Information. For the same purposes, we have made assumptions based on current market conditions on the effective interest rate on the Notes at the Issue Date, taking also in account other financial expenses associated with the Offering, estimated to be €43.6 million.

Below is presented the sector reporting on a pro forma basis:

	<b>Consolidated Income Statement— 1H 2019</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Consolidated Income Statement</b>
		<b>IPO Proceeds and Credit Facilities</b>	<b>Offering</b>	
		<b>(in € thousands)</b>		
Merchant Services & Solutions .....	223,602	—	—	223,602
Cards & Digital Payments .....	187,850	—	—	187,850
Digital Banking Solutions .....	55,886	—	—	55,886
<b>Operating revenue</b> .....	<b>467,338</b>	<b>—</b>	<b>—</b>	<b>467,338</b>
Personnel expenses .....	(84,114)	—	—	(84,114)
Administrative costs .....	(148,453)	—	—	(148,453)
Adjustments and net operating provisions .....	(1,888)	—	—	(1,888)

<b>Operating costs net of amortization</b> .....	<b>(234,455)</b>	—	—	<b>(234,455)</b>
<b>EBITDA</b> .....	<b>232,883</b>	—	—	<b>232,883</b>
Amortization and depreciation .....	(52,829)	—	—	(52,829)
<b>Operating Profit</b> .....	<b>180,054</b>	—	—	<b>180,054</b>
Amortization & depreciation(customer contracts) .....	(18,433)	—	—	(18,433)
Interest financing costs .....	(101,647)	70,205	9,797	(21,645)
Non-recurring items .....	(1,578)	—	—	(1,578)
<b>Pre-tax profit</b> .....	<b>58,396</b>	<b>70,205</b>	<b>9,797</b>	<b>138,398</b>
Income taxes.....	53	(16,849)	(2,351)	(19,147)
<b>Profit for the period</b> .....	<b>58,449</b>	<b>53,356</b>	<b>7,446</b>	<b>119,251</b>
Minorities .....	(25)	—	—	(25)
<b>Profit attributable to the Group</b> .....	<b>58,424</b>	<b>53,356</b>	<b>7,446</b>	<b>119,226</b>

## SELECTED FINANCIAL INFORMATION

The following tables present selected financial data and have been derived from, and should be read in conjunction with, our Financial Statements included elsewhere in this Information Release and the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Summary—Summary of Financial Information and Other Data—Other Financial Data.” The Financial Statements are presented in accordance with IFRS. The information below is not necessarily indicative of the results of future operations.

### Summary Historical and Pro forma Consolidated Statement of Profit or Loss Information

	Pro Forma	Interim Financial Statements		Carve-Out Financial Statements		
		Six months ended June 30,		Year ended December 31,		
		Six months ended June 30, 2019	2019	2018	2018	2017
(in € millions)						
Fee for services rendered and commission income .....	770.8	770.8	82.9	1,575.9	1,417.0	1,078.7
Fee for services received and commission expense .....	(300.5)	(300.5)	(1.0)	(620.9)	(582.5)	(559.3)
<b>Net fee and commission income.....</b>	<b>470.3</b>	<b>470.3</b>	<b>81.9</b>	<b>955.0</b>	<b>834.5</b>	<b>519.4</b>
Interest and similar income .....	9.6	9.6	0.4	56.1	22.1	24.3
Interest and similar expense .....	(33.5)	(113.5)	(12.8)	(99.1)	(37.7)	(31.7)
<b>Net interest margin.....</b>	<b>(24.0)</b>	<b>(104.0)</b>	<b>(12.4)</b>	<b>(43.0)</b>	<b>(15.6)</b>	<b>(7.4)</b>
Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss .....	(5.3)	(5.3)	(0.0)	(2.3)	(0.5)	(0.6)
Dividends and profit / loss from investments and sale of assets at fair value through OCI.....	(4.4)	(4.4)	0.5	(5.2)	0.3	0.4
<b>Financial and operative income .....</b>	<b>436.6</b>	<b>356.6</b>	<b>70.0</b>	<b>904.5</b>	<b>818.7</b>	<b>511.8</b>
Personnel expense .....	(129.8)	(129.8)	(9.2)	(178.8)	(183.6)	(103.7)
Other administrative expenses.....	(188.4)	(188.4)	(35.4)	(458.4)	(427.0)	(276.9)
<b>Total administrative expenses .....</b>	<b>(318.2)</b>	<b>(318.2)</b>	<b>(44.5)</b>	<b>(637.3)</b>	<b>(610.6)</b>	<b>(380.6)</b>
Other operating income, net .....	(2.5)	(2.5)	0.6	4.1	(0.8)	(0.9)
Net value adjustments on assets measured at amortized cost .....	(1.8)	(1.8)	—	(2.2)	(2.8)	(2.2)
Net accruals to provisions for risks and charges ..	0.6	0.6	(0.2)	(33.2)	0.1	(6.6)
Amortization, depreciation and net impairment losses on tangible and intangible assets.....	(70.3)	(70.3)	(21.3)	(114.9)	(88.6)	(27.4)
<b>Operating margin.....</b>	<b>44.4</b>	<b>(35.6)</b>	<b>4.5</b>	<b>121.1</b>	<b>116.1</b>	<b>94.0</b>
Profit (loss) from equity investments and disposal of investments .....	(0.1)	(0.1)	—	20.5	2.3	0.0
<b>Pre-tax profit from continuing operations .....</b>	<b>44.3</b>	<b>(35.7)</b>	<b>4.5</b>	<b>141.6</b>	<b>118.4</b>	<b>94.0</b>
Income taxes.....	(18.7)	0.5	0.4	(66.7)	(46.5)	(33.6)
Income (Loss) after tax from discontinued operations .....	93.6	93.6	—	(6.1)	0.2	2.2
<b>Profit for the period .....</b>	<b>119.2</b>	<b>58.4</b>	<b>4.9</b>	<b>68.7</b>	<b>72.1</b>	<b>62.7</b>

### Summary Historical and Pro forma Balance Sheet

	Pro Forma	Interim Financial Statements		Carve-Out Financial Statements		
		As at June 30,		As at December 31,		
		2019	2019	2018	2017	2016
(in € millions)						
<b>Assets</b>						
Cash and cash equivalents .....	125.9	165.9	40.7	134.4	8.4	

Financial assets at fair value through other comprehensive income .....	131.8	131.8	100.1	83.3	47.6
Financial assets at fair value through profit or loss .....	—	—	0.0	0.2	0.1
Financial assets at amortized cost.....	1,803.4	1,803.4	1,668.5	3,112.4	2,877.8
a) loans and receivables with banks .....	414.0	414.0	561.2	333.0	329.5
b) loans and receivables with customers .....	1,389.4	1,389.4	1,107.2	2,779.4	2,548.3
Equity investments .....	0.7	0.7	0.7	0.0	0.0
Property and equipment.....	191.9	191.9	156.2	156.9	109.8
Investments property .....	3.1	3.1	3.2	6.2	6.5
Intangible assets .....	2,660.2	2,660.2	2,668.3	2,607.6	1,906.5
Of which goodwill.....	2,097.4	2,097.4	2,097.4	2,071.7	1,500.6
Tax assets .....	84.3	84.3	62.9	54.1	46.1
a) current .....	51.6	51.6	29.3	28.0	23.2
b) deferred .....	32.7	32.7	33.6	26.1	22.9
Non-current assets held for sale and disposal groups .....	8.1	8.1	80.5	66.1	53.9
Other assets .....	403.2	403.2	405.7	339.8	263.3
<b>Total assets .....</b>	<b>5,412.6</b>	<b>5,452.6</b>	<b>5,186.7</b>	<b>6,560.8</b>	<b>5,320.0</b>
<b>Liabilities and net investment</b>					
Financial liabilities at amortized cost .....	3,198.5	3,198.5	3,716.8	2,606.0	1,957.1
a) due to banks.....	1,590.6	1,590.7	792.9	2,492.6	1,858.8
b) due to customers .....	385.3	385.3	354.2	113.5	98.3
c) securities issued.....	1,222.6	1,222.6	2,569.7	—	—
Financial liabilities held for trading .....	8.7	8.7	3.2	1.1	—
Hedging derivatives.....	45.8	45.8	16.6	5.5	—
Tax liabilities.....	140.6	140.6	163.2	133.9	146.4
a) current .....	5.3	5.3	31.1	3.2	16.9
b) deferred .....	135.3	135.3	132.1	130.7	129.5
Liabilities associated with disposal groups .....	9.8	9.8	39.1	22.9	11.8
Post-employment benefits .....	15.1	15.1	14.1	18.0	15.8
Provisions for risks and charges .....	41.9	41.9	46.6	33.1	17.3
Other liabilities .....	732.0	732.0	716.4	720.5	474.4
<b>Total liabilities .....</b>	<b>4,192.4</b>	<b>4,192.4</b>	<b>4,715.8</b>	<b>3,541.0</b>	<b>2,622.8</b>
<b>Net Investments .....</b>	<b>1,220.2</b>	<b>1,260.2</b>	<b>470.9</b>	<b>3,019.8</b>	<b>2,697.2</b>
<b>Total liabilities and net investment .....</b>	<b>5,412.6</b>	<b>5,452.6</b>	<b>5,186.7</b>	<b>6,560.8</b>	<b>5,320.0</b>

### Summary Historical Cash Flow Statement Information

	Interim	Carve-out		
	Financial	Financial Statements		
	Statements	Year ended December 31,		
	Six months	2018	2017	2016
	ended			
	June 30,			
	2019			
		(in € millions)		
Net cash flows generated by operating activities .....	160.3	139.9	696.3	68.8
Net cash flows used in investing activities.....	89.1	(151.9)	(793.7)	(1,082.4)
Net cash flows generated by (used in) financing activities .....	(124.2)	(81.8)	223.4	1,022.0

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is based on information extracted from our Financial Statements and should be read in conjunction with our Financial Statements included elsewhere herein and the sections in this Information Release entitled “Presentation of Financial and Other Information” and “Unaudited Pro Forma Consolidated Financial Information.” Prospective investors should read the entire Information Release and not just rely on the information set out below. The following discussion of our results of operations and financial condition contains forward looking statements. Our actual results could differ materially from those that we discuss in these forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Information Release, particularly under “Risk Factors.”*

### Overview

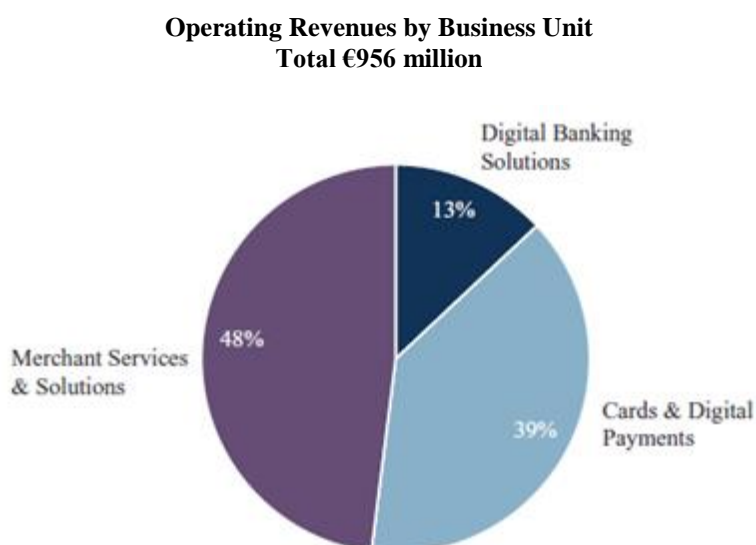
We are the leading paytech company in Italy. As of June 30, 2019, we managed directly or through approximately 150 partner banks over 41 million payment cards and served more than 900,000 merchants (an increase from the 890,000 merchants served as of December 31, 2018). Our technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Our business is built on long-standing and deeply-rooted relationships with approximately 150 partner banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018.

We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy’s cooperative banks. In keeping with this objective, we gradually expanded our service offering. This positioned us at the forefront of developments in payment technology and enabled us to drive innovation and digitalization in the Italian market over the course of the following decades.

In the twelve months ended June 30, 2019, we managed over 41 million payment cards and processed approximately 6 billion acquiring and issuing transactions, with a combined transaction value of approximately €456 billion, including issuing volumes of approximately €201 billion and acquiring volumes of approximately €255 billion.

We conduct our business through three business units: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions.

The graph below sets forth our operating revenues by business unit for the twelve months ended June 30, 2019:



*Merchant Services & Solutions:* Through our Merchant Services & Solutions business unit, we supply merchants with the necessary infrastructure to enable digital payment acceptance, and we execute card payments on the merchant’s behalf. The services performed within our Merchant Services & Solutions business unit can be divided into core acquiring services and POS management. Core acquiring services are financial services such as the settlement of card payments to our merchants, technology services aimed at the fast, reliable and secure authentication and execution of payment transactions, and administrative services such as payment tracking and data analytics. POS management involves the

configuration, activation and maintenance of POS terminals (whether physical or e-commerce), their integration within merchants' accounts software, fraud prevention services, dispute management, as well as customer support services via a dedicated call center. Core acquiring and POS management services are usually sold as a bundle, which offers customers a full service benefit. We provide the majority of our acquiring services in cooperation with our partner banks. As a result, we benefit from their existing relationships and extensive branch networks for customer origination, while providing them with the benefit of our expertise and scale in the areas of procurement, processing and data security. However, we also serve certain merchants directly through our direct acquiring activities, with the partner bank acting solely as referral partner. Our Merchant Services & Solutions business unit generated €461.6 million, or 48%, of our operating revenues for the twelve months ended June 30, 2019.

*Cards & Digital Payments:* Through our Cards & Digital Payments business unit, we and our partner banks provide a wide spectrum of services in connection with the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. Our Cards & Digital business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retailers and large corporate customers without the involvement of partner banks (direct issuing). Credit cards, which allow cardholders to repay the balance in instalments, are issued solely in partnership with banks. This limits credit risk since, pursuant to agreements to that effect, the issue of cards in partnership with banks entails the latter fully assume the risk of their customers' insolvency. As of June 30, 2019, we had issued approximately 583,000 cards directly, representing approximately 1.4% of the total stock of payment cards. Of these, approximately 47,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 536,000 were prepaid cards. Our Cards & Digital Payments business unit generated €374.2 million, or 39%, of our operating revenues for the twelve months ended June 30, 2019.

*Digital Banking Solutions:* In our Digital Banking Solutions business unit, we provide clearing services, digital corporate banking services and ATM management services. Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. We also operate as a clearing house for domestic and international SEPA payments. Our digital corporate banking services provide digital solutions to banks and corporate clients to help them manage their bank accounts and payments, such as a customizable e-banking platform. Our Digital Banking Solutions business unit also provides our market-leading CBI interbank corporate banking services. The CBI interway corporate banking is an Italian payment platform allowing for direct payment collection and the delivery of supporting documentation between banks, corporations, tax authorities, pension schemes and other public and private bodies. ATM management services range from the complete management of an ATM fleet for banks to managing discrete parts of the value chain based on customer needs. Our Digital Banking Solutions business unit generated €120.0 million, or 13%, of our operating revenues for the twelve months ended June 30, 2019.

As of June 30, 2019, we had 1,838 full-time equivalent employees.

## **Key Factors Affecting Our Results of Operations and Financial Condition**

Set forth below is a description of the key factors that affected our results of operations and financial condition during the periods presented.

### ***Market for Digital Payments and Payment Cards***

The total incomes of our Merchant Services & Solutions and Cards & Digital Payments business units depend on the volume and value of the payment transactions we manage, both as acquirer and as issuer. These volumes depend in turn on the trend of total consumer spending and nominal GDP, the penetration level of digital payment instruments, as well as the percentage of payments managed by us (i.e., our market share). Furthermore, the total income of these two business units depends on the business model applied: licensing, servicing, direct or referral activities. See "*Business—Our Services.*" The digital payments market in Italy grew at a CAGR of 7.2% between 2009 and 2018, higher than the growth rate recorded in both total consumer spending and GDP nominal growth. The value of card payment transactions in Italy between 2015 and 2018 recorded a growth of 8.6% (according to Bank of Italy data) per year, which led to an increase in the penetration of consumer card payments (in terms of value) from 21% in 2015 to 24% (Euromonitor International) in 2018. For further details, see "*Business—Our Strengths—Large and Attractive Market with Secular Growth Drivers.*"

With reference to the offer of products and services relating to the Merchant Services & Solutions business unit, we served more than 890,000 merchants as of December 31, 2018, and more than 900,000 merchants as of June 30, 2019, with large acquiring volumes in the twelve months ended June 30, 2019, amounting to 3.4 billion transactions (equivalent to €255 billion by payment transactions value). With respect to the Cards & Digital Payments business unit, we are the leading card issuer in Italy, with over 41 million payment cards under management as of June 30, 2019, with large issuing volumes in the twelve months ended June 30, 2019, amounting to 2.5 billion transactions (equivalent to €201 billion by payment transactions value).

Through the Digital Banking Solutions business line, we provide three types of service: the installation and management of ATMs on behalf of partner banks; the management of current accounts and payments (Clearing Services); and digital banking services to clients of partner banks (Digital Corporate Banking Services). The total income of this business line is influenced by the number of ATMs managed, the number of clearing transactions managed and the number of positions for digital payment services. With respect to digital banking solutions and services, based on our estimates, we managed 936 million transactions through our clearing houses for Italy and the SEPA area in the year ended December 31, 2018. We are also the main provider of digital corporate banking services when measured by e-banking licenses (equal to approximately 420,000, constituting a 25% share of the market by number of e-banking licenses (CBI Statistical Report)), providing Italian corporates with key digital front-end systems for the management of electronic flows and, in the self-banking industry, (RBR (2017)) we managed approximately 13,400 ATMs with a 29% market share for the year ended December 31, 2018.

See also “*Business—Our Strengths—Established Market Leader at Scale with Extensive Payments Ecosystem Coverage.*”

### **Partner Banks**

The majority of revenue in our Merchant Services & Solutions and Cards & Digital Payments business units derives from partnership agreements with Italian banks. Under these agreements, our partner banks provide a portion of the relevant services and also serve as referral networks that connect us with potential cardholder and merchant customers. In return, each partner bank receives a share of the fee income generated by our joint customers. Our partnership agreements can be classified into traditional licensing, licensing associate and servicing agreements, with our service scope and fee allocation decreasing in that order. To certain customers we provide our services directly without the involvement of partner banks. As a result, our total income is impacted by the mix of partnership agreements.

We have relationships with the vast majority of banks operating in Italy. Partner banks act as distributors and referral partners for a significant number of our services. These relationships are mutually beneficial because they allow partner banks to offer comprehensive services to their customers, whilst outsourcing certain activities to us enabling them to benefit from our economies of scale. We benefit from the large branch networks and customers relationships of these partner banks without the incurrence of related infrastructure costs. As a result, our business depends to a certain degree on the market share and marketing efforts of the Group’s partner banks.

In addition, our results of operations are dependent on the continuation of our relationships with existing partner banks. The relationships with our partner banks, including our top partners by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. These framework agreements have different terms. The framework agreements that expire in 2023 or later represent approximately 54% of our operating revenues for the year ended December 31, 2018. 86% of the operating revenues of our top five partner banks by total income derives from framework agreements with durations up to 2023, while 68% of operating revenues derives from agreements that expire in 2025 or later and the partner banks, with whom we have in most cases open-ended agreements or contracts with automatic renewal (in both cases unless terminated by one of the parties), account for approximately 24% of our operating revenues for the year ended December 31, 2018.

The table below sets forth the percentage of revenues recorded in the year ended December 31, 2018, on a pro forma basis, by residual maturity of framework contracts with partner banks divided by positioning in generating our operating revenues:

	<b>Recurring Annual Contracts</b>	<b>2025+</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>Total</b>
<b>2018</b>								
Banks Nos. 1 - 5 .....	—	30.2%	—	8.0%	—	—	6.3%	44.5%
Banks Nos. 6 - 10 .....	2.8%	—	—	2.2%	0.6%	—	8.3%	14.0%
Banks Nos. 11 - 20 .....	8.3%	0.7%	—	—	1.1%	1.0%	1.2%	12.3%
Other banks .....	11.4%	—	—	—	—	—	4.1%	15.5%
Direct/referral .....	1.3%	12.5%	—	—	—	—	—	13.7%



**Total.....** 23.8% 43.4% 0.0% 10.2% 1.7% 1.0% 19.9% 100.0%

### ***Settlement Obligations***

In the ordinary course of our business we fund and settle card payments on behalf of cardholders and merchants, drawing on liquidity available under the agreements governing our settlement obligations. See also “*Description of Certain Financing Arrangements—Settlement Obligations.*” Our business mix results in varied funding requirements. Licensing agreements generate higher settlement requirements than servicing agreements, whose funding requirements are directly covered by Depobank, pursuant to the terms of the Credit Mandate. As far as our issuing licensing activity is concerned, which accounts for the large majority of our settlement obligations generated by the licensing agreements, the underlying agreements with our partner banks provide that the funding costs generated by the settlement lines dedicated to the issuing licensing activity are passed through to them. In addition, since we typically receive payment from cardholder customers on the 15th day of each month, our funding requirements typically peak on the 15th of each month and reach their lowest monthly level on the subsequent day after payment is received. On an annual basis, funding requirements typically peak during December and January of each year, as a result of purchases during the holiday season.

Our statement of financial position is impacted by our funding activity, because the statement of financial position line items in which the various sources and uses of funding liquidity are recognized fluctuate substantially between the period-ends shown in our Financial Statements. Short-term effects and longer-term trends drive these fluctuations. We recognize cardholder receivables associated with our ordinary course funding activities under loans and receivables with banks and loans and receivables with customers, and we recognize associated liabilities under liabilities due to banks and liabilities due to customers.

### ***Seasonality***

The financial information analyzed in the rest of this section refers to financial years of twelve months and is not influenced by seasonal factors. With respect to interim periods, the Issuing and Acquiring businesses are characterized by seasonal phenomena, which concentrate the largest volumes in the second half of the year. This concentration is attributable to the presence of summer holidays in the third quarter and Christmas holidays in the fourth quarter; in both circumstances, there is a sharp boost in consumption, with a consequent positive impact in terms of card holder spending and trading volumes in the affiliated network. The significant tourist influx of foreigners in the summer generally leads to a further increase in trading volumes. Statistically, issuing volumes accounts for about 47% in the first half of the year and 53% in the second half of the year; also acquiring volumes shows slightly higher distribution in the second half of the year (53% vs. 47% in the first half). This distribution of volumes is reflected in our operating and financial margins, which are consequently higher in the second half of the year. With respect to EBITDA, seasonality is slightly higher in consideration of the incidence of fixed structural costs; therefore, the first half of the year, characterized by lower volumes, shows a lower EBITDA margin than the second half of the year.

### ***Information and Communications Technology***

A significant part of our business depends on information technology. For instance, we rely on information and communications technology (“ICT”) platforms for the authorization of payment transactions, ATM management, POS management, clearing and settlement (ACH) services, web portals, mobile apps, customer relationship management tools and fraud management. As a result, expenditures for and investments in ICT are critical in our industry. In addition, the decision to insource or outsource the development, provision and maintenance of these systems affects our results of operations. Technological changes in our industry could also require significant additional investment, which would affect its results of operations.

### **Key Factors Affecting the Comparability of our Results of Operations**

#### ***Acquisitions***

We have historically made a number of strategic acquisitions to complement our organic growth. These include, among others, the acquisitions of Mercury Payment, MPS Acquiring, Bassilichi, DB Acquiring, Carige Acquiring and Sparkling (the “Acquisitions”). These Acquisitions have affected our results of operations in a number of ways. First, our financial results and key performance indicators for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. Because we only consolidate acquired companies from the date of their acquisition, the full impact of these companies’ results is only reflected in the subsequent financial year. Second, our results are negatively impacted by integration costs and positively impacted by commercial (such as market positioning and relationships), operating (such as economies of scale, skill and know-how transfer and improved operating processes) and procurement synergies (mainly relating to ICT and other operating costs). The businesses we acquire may carry a significant amount of goodwill and finite life intangible assets. Under IFRS, we evaluate

the recoverability and measure the potential impairment of goodwill annually or at interim closing dates if an impairment indicator, whether internal or external, is identified and may record charges in case of impairment.

### ***Impact of Non-Recurring Items***

Non-recurring items impact our historical results. The impact of these items can affect the comparability between periods. During the periods presented we recognized certain non-recurring income and/or charges which reflect measures aimed at revenue increases, cost savings, organizational improvements, taxes on M&A transactions and M&A initiatives. In particular, non-recurring items in the periods presented in this Information Release include, among others, the Acquisitions, the issuances of the Existing Notes and the Redeemed Notes, the Disposals, the Reorganization and our rebranding as Nexi. Non-recurring charges also include taxes on M&A transactions.

In order to allow comparability of our financial condition and results of operations for the periods presented in this Information Release, we have included a discussion of certain normalized data, which have been adjusted to exclude certain revenues and charges of a non-recurring nature. The normalized data is adjusted to exclude, among the others, the item “Impairment/net writeback of tangible and intangible assets” and the effects of depreciation of the Customer Contracts (i.e., intangible assets arising from the allocation of the purchase price of Acquisitions). Adjustment for the effects of depreciation of Customer Contracts (i.e., depreciation of intangible assets arising from the allocation of the purchase price of Acquisitions) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the periods presented. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the six months ended June 30, 2019, the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

In addition, the format of our income statement includes financial charges and income related to both business operations (operating funding for settlement obligations) and company financing sources (for development and inorganic growth) in the interest margin, included in the total income. Since our borrowings changed significantly in the periods presented in this Information Release, the amount of financial charges related to the Existing Notes and the Redeemed Notes, net of financial income from the related intercompany loans, was reclassified outside operating margins in order to facilitate the comparability of the aforementioned margins and exclude the cost of indebtedness from the observation of the operating performance of our business.

### ***Changes to Accounting Standards—IFRS 16***

Our Financial Statements are prepared and presented in accordance with IFRS. On 13 January 2016, the IASB published IFRS 16 (Leases), and the European Union adopted IFRS 16 on 9 November 2017. IFRS 16 (Leases) became effective from 1 January 2019. The new standard replaces the previous lease accounting standard, IAS 17 (Leases), including related interpretations. IFRS 16 has an impact on our reported assets, liabilities and income statement. In particular, as a consequence of IFRS 16 our total assets and liabilities are expected to increase as the right of use asset associated with leases, and the corresponding liability, previously treated as operating leases are recognized on the balance sheet. In addition, the payable for leasing, representing the obligation to pay rentals, requires recognition in the income statement of interest expense according to amortized cost logic which led to an increase in our EBITDA. We have applied IFRS 16 from January 1, 2019, with the effects of the first time adoption of IFRS 16 recognized in the net equity as at January 1, 2019. We have not restated the financial information for prior periods to give effect to the impact of IFRS 16. Following the adoption of IFRS 16 and recognition of right-of-use assets and lease liability as at January 1, 2019, resulted in an asset increase of €34.6 million.

### **Description of Key Line Items and Certain Key Performance Indicators**

The following section provides a summary of the key profit or loss line items used in the Financial Statements.

#### ***Total Income***

Net fee and commission income and expense are recognized on an accruals basis. More specifically, trading commissions on securities are recognized when the service is rendered. Fees and commissions included in amortized cost to calculate the effective interest rate are excluded from fee and commission income as they are recognized under interest. Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, financial assets at fair value through other comprehensive income, loans and receivables, liabilities. Interest income and expense are recognized in profit or loss on all instruments measured at amortized

cost, using the effective interest method. In addition to the above, total income also includes net trading/hedging/financial assets at fair value through profit and loss and gain on disposal of investment, and net revenues from equity investments.

### *Personnel Expenses*

Personnel expenses primarily include expenditures for wages and salaries, social security charges, post-employment benefits and other employee benefits.

### *Other Administrative Expenses*

Other administrative expenses primarily include costs for services including data and card processing, post office, valuables transportation and couriers, maintenance and lease, professional services and taxes and duties.

### *Impairment Losses and Net Accruals for Risks and Charges*

Impairment losses and net accruals for risks and charges primarily include net provisions for frauds and for other risks and charges, as well as net adjustments for impairment of loans.

### *Depreciation and Amortization*

Depreciation and amortization (including depreciation and amortization on customer contracts) includes impairment loss and depreciation of tangible assets and impairment loss and amortization of intangible assets.

### *Income Taxes*

Income taxes consist of the sum of current and deferred taxes on the profit for the period.

## **Results of Operations for the Six Months Ended June 30, 2019 and 2018**

The following table shows our income statement derived from our Interim Financial Statements for the six months ended June 30, 2019 and June 30, 2018.

	Six months ended June 30,		Changes	
	2019	2018	H1 2019 v H1 2018	%
	(in € millions, except for %)			
Fee for services rendered and commission income .....	770.8	82.9	687.9	n.a.
Fee for services received and commission expense .....	(300.5)	(1.0)	(299.5)	n.a.
<b>Net fee and commission income.....</b>	<b>470.3</b>	<b>81.9</b>	<b>388.4</b>	<b>n.a.</b>
Interest and similar income .....	9.6	0.4	9.2	n.a.
Interest and similar expense .....	(113.5)	(12.8)	(100.8)	n.a.
<b>Net interest margin.....</b>	<b>(104.0)</b>	<b>(12.4)</b>	<b>(91.6)</b>	<b>n.a.</b>
Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss .....	(5.3)	(0.0)	(5.3)	n.a.
Dividends and profit / loss from investments and sale of assets at fair value through OCI.....	(4.4)	0.5	(4.9)	n.a.
<b>Total income.....</b>	<b>356.6</b>	<b>70.0</b>	<b>286.7</b>	<b>n.a.</b>
Personnel expenses.....	(129.8)	(9.2)	(120.6)	n.a.
Other administrative expenses.....	(188.4)	(35.4)	(153.1)	n.a.
<b>Total administrative expenses .....</b>	<b>(318.2)</b>	<b>(44.5)</b>	<b>(273.7)</b>	<b>n.a.</b>
Other operating income, net .....	(2.5)	0.6	(3.1)	n.a.
Net value adjustments on assets measured at amortized cost .....	(1.8)	0.0	(1.8)	n.a.
Net accruals to provisions for risks and charges .....	0.6	(0.2)	0.8	n.a.
Amortization depreciation and net impairment losses on tangible and intangible assets <sup>(1)</sup> .....	(70.3)	(21.3)	(49.0)	n.a.
<b>Operating margin.....</b>	<b>(35.6)</b>	<b>4.5</b>	<b>(40.1)</b>	<b>n.a.</b>
Profit (Loss) from equity investments and disposal of investments .....	(0.1)	0.0	(0.1)	0%
<b>Pre-tax profit from continuing operations .....</b>	<b>(35.7)</b>	<b>4.5</b>	<b>(40.2)</b>	<b>n.a.</b>
Income taxes.....	0.5	0.4	0.1	23%
Income (Loss) after tax from discontinued operations <sup>(2)</sup> .....	93.6	0.0	93.6	0%
<b>Profit for the period .....</b>	<b>58.4</b>	<b>4.9</b>	<b>53.6</b>	<b>n.a.</b>

Profit for the period attributable to the owners of the parent.....	58.4	4.9	53.5	n.a.
Profit for the period attributable to non-controlling interests.....	0.0	0.0	0.0	0%

- (1) Depreciation and amortization expense for the six months ended June 30, 2019 of Customer Contracts is equal to €18.4 million.
- (2) Includes capital gains arising from the sale of Oasi (€102.4 million), partially offset by the loss from the sales of PayCare and Moneynet (€7.8 million and €1 million, respectively).

To monitor and evaluate our economic and financial performance, our management use, in addition to the items included in our income statement presented above, EBITDA, defined as the profit for the year adjusted for the following items: (i) Profit/loss from assets held for sale net of taxes; (ii) Income taxes; (iii) Net gain on equity investments and sales of investments; (iv) Net financial charges related to the Notes (which, in the table above, are included in the Net Interest margin) and (v) depreciation and amortization of tangible and intangible assets. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure with respect to those provided by the financial statements for the assessment of our economic performance. In addition, our management monitor EBITDA excluding non-recurring items impacting EBITDA. The following table set for the reconciliation of our profit of the period with the EBITDA and Normalized EBITDA.

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Profit for the period</b> .....	<b>58.4</b>	<b>4.9</b>
Profit/loss from assets held for sale net of taxes.....	(93.6)	—
Income taxes <sup>(1)</sup> .....	0.0	(0.4)
Net gain on equity investments and sales of investments.....	0.1	—
Net financial charges related to the Notes <sup>(2)</sup> .....	101.6	12.1
Depreciation and amortization of tangible and intangible <sup>(3)</sup> .....	71.2	21.3
<b>EBITDA<sup>(4)</sup></b> .....	<b>137.7</b>	<b>37.9</b>
<b>Total non-recurring expenses with impact on EBITDA</b> .....	<b>95.2</b>	<b>19.7</b>
<b>Normalized EBITDA</b> .....	<b>232.9</b>	<b>57.6</b>

- (1) For the six months ended June 30, 2019 it excludes tax benefits related to the acquisition of Sparkling for €0.5 million.
- (2) For the six months ended June 30, 2019 it is included in the Net interest margin.
- (3) For the six months ended June 30, 2019 it includes the VAT related to the right of use assets for €0.8 million.
- (4) EBITDA for the six months ended June 30, 2019, differs from the EBITDA reported in the management report published together with the Interim Financial Statements, due to a difference in (i) income taxes, which in this presentation excludes tax benefits related to the acquisition of Sparkling, amounting to €0.5 million, (ii) Net financial charges related to the Notes, which in the interim reporting presentation is included in Net Interest margin and (iii) Depreciation and amortization of tangible and intangible assets, which in this presentation includes VAT related to the right of use of assets amounting to €0.8 million.

EBITDA for the six months ended June 30, 2019 and 2018, includes non-recurring negative components in an amount of €95.2 million and €19.7 million, respectively. These non-recurring components relate to the following items.

For the six months ended June 30, 2019, the non-recurring items relate to:

- Transformation costs of €26.4 million including costs for completion of the re-branding program and promotion of the new YAP application, costs for completion of Bassilichi integration program and for recruiting of new managers.
- Cost incurred in connection with the Listing of € 63.7 million of which €42.6 million relating to the stock grants and €21.1 million relating to one-off charges including consultancy costs incurred in the context of the Listing and bonuses recognized to management.
- Costs of €5.1 million mainly incurred in connection with the collar on the Visa shares.

For the six months ended June 30, 2018, the non-recurring items relate to:

- Transformation costs of €9.3 million in connection with the Reorganization.
- Cost incurred in connection with the issuance of the Existing Notes of €10.4 million

Additionally, the financial information for the six months ended June 30, 2018 as reported in the Interim Financial Statements, do not reflect the change of scope in our Group's operations (i.e. the Acquisitions and the Reorganization) as well as the effects of the Contracts with Depobank effective from July 1, 2018, limiting the comparability of the six months ended June 30, 2019 with the six months ended June 30, 2018. With the aim to provide meaningful comparative information to the historical financial information for the six months ended June 30, 2019, the management prepared the unaudited non-GAAP managerial information presented in the following table:

	Interim Financial Statements		Unaudited Non-GAAP Managerial Information
	Six months ended June 30, 2018	Reconciliation items	Six months ended June 30, 2018
Merchant Services & Solutions .....	33.0	177.0	210.0
Cards & Digital Payments .....	49.0	125.3	174.3
Digital Banking Solutions .....	0.0	57.8	57.8
<b>Operating revenues .....</b>	<b>82.0</b>	<b>360.1</b>	<b>442.1</b>
Personnel expenses .....	(8.6)	(69.1)	(77.7)
Operating costs .....	(15.8)	(154.5)	(170.3)
<b>Normalized total costs .....</b>	<b>(24.4)</b>	<b>(223.6)</b>	<b>(248.0)</b>
<b>Normalized EBITDA .....</b>	<b>57.6</b>	<b>136.5</b>	<b>194.1</b>

The following table sets forth our operating revenues and Normalized EBITDA for the six months ended June 30, 2019 compared to the respective non- GAAP managerial information for the six months ended June 30, 2018

	Six months ended June 30,		Changes	
	2019	2018	H1 2019 v H1 2018	%
	(in € millions, except for %)			
Merchant Services & Solutions .....	223.6	210.0	13.6	6.5%
Cards & Digital Payments .....	187.9	174.3	13.5	7.8%
Digital Banking Solutions .....	55.9	57.8	(1.9)	(3.3)%
<b>Operating revenues .....</b>	<b>467.3</b>	<b>442.1</b>	<b>25.2</b>	<b>5.7%</b>
Personnel expenses .....	(84.1)	(77.7)	(6.4)	8.2%
Operating costs .....	(150.3)	(170.3)	20.0	(11.7)%
<b>Normalized total costs .....</b>	<b>(234.4)</b>	<b>(248.0)</b>	<b>13.6</b>	<b>(5.5)%</b>
<b>Normalized EBITDA .....</b>	<b>232.9</b>	<b>194.1</b>	<b>38.8</b>	<b>20.0%</b>

### Operating Revenues

Operating revenues increased by €25.2 million, or 5.7%, from €442.1 million for the six months ended June 30, 2018 to €467.3 million for the six months ended June 30, 2019. Excluding the run-off of our zero margin hardware reselling contracts, our total income increased by €29.9 million, or 6.9%, from €434.6 million for the six months ended June 30, 2018, to €464.4 million in the six months ended June 30, 2019. This increase was primarily due to the continued growth of both the Merchant Services & Solutions and Cards & Digitals Payments segments.

We further discuss below by segment the variation of operating revenues. Data for the six months ended June 30, 2019 has been adjusted for the effects of the Acquisitions, the Reorganization and the signing of the Contracts with Depobank.

The operating revenues from the Merchant Services & Solutions business unit increased by €13.6 million, or 6.5%, from € 210.0 million for the six months ended June 30, 2018 to € 223.6 million for the six months ended June 30, 2019. Excluding the run-off of our zero margin hardware reselling contracts, Merchant Services & Solutions total income increased by €17.5 million, or 8.6%, from €204.1 million for the six months ended June 30, 2018, to €221.7 million for the six months ended June 30, 2019. This increase was mainly due to the combined effects of a greater transaction number and associated negotiated value, especially for international schemes, representing an increase of 11.9% compared to the prior period, and e-commerce, representing an increase of 17% compared to the prior period and to the launch of strategic initiatives aimed at satisfying rising customers' / partner banks' demand. The most relevant strategic initiatives that sustained growth in the six months ended June 30, 2019 included (i) an acceleration of multiple payment rails acceptance (i.e. partnership with UnionPay and meal voucher providers), (ii) the continued boost of smart POS, especially in the version with cash register in relation with the new regulation on electronic tax data transmission, (iii) extension of e-commerce partnerships with developers and public administration payments and (iv) roll out of solutions dedicated to large merchants.

The operating revenues from the Cards & Digital Payments business unit increased by €13.5 million, or 7.8%, from €174.3 million for the six months ended June 30, 2018 to €187.9 million for the six months ended June 30, 2019. This increase was mainly due to the increase in the number of transactions by card and the relative volumes, especially on international schemes, which increased by 9.6% compared to the prior period. The increase also reflects the effect of the business expansion on the innovative solutions such as international debit cards the transaction value of which increased by 30% compared to the prior period and mobile payment solutions. Moreover, results for the six months ended June 30, 2019, results have been sustained by strong focus on customer engagement initiatives (i.e. campaigns with banks and cardholder programs) and the continued progress on the YAP payment app, which already counts more than 500 thousands enrolled clients as of June 30, 2019.

The operating revenues from the Digital Banking Solutions business unit decreased by €1.9 million, or 3.3%, from €57.8 million for the six months ended June 30, 2018 to €55.9 million for the six months ended June 30, 2019, in a context of consolidation in the banking sector. Excluding the run-off of our zero margin hardware reselling contracts, Digital Banking Solutions total income decreased by €1.2 million, or 2.2%, from €56.1 million for the first half of the year 2018 to €54.9 million for the first half of the year 2019. The business unit's performance is sustained by strategic initiatives, especially leveraging on the strong self-banking products proposition with new front-end / back-end and a growing demand for advanced ATMs, the continuing progress in banks' onboarding and rollout on digital corporate banking solutions and instant payments and on the launch in June 2019 of the open banking platform (CBI Globe), which now connects more than 280 banks/financial institutions and more than 20 third-party providers.

### **Personnel Expenses**

Personnel expenses increased by €6.4 million, or 8.2%, from €77.7 million for the six months ended June 30, 2018 to €84.1 million for the six months ended June 30, 2019. This increase was primarily due to the continuous investments in new talents hiring and competences acquisition.

### **Operating Costs**

Operating costs decreased by €20.0 million, or 11.7%, from €170.3 million for the six months ended June 30, 2018 to €150.3 million for the six months ended June 30, 2019. This decrease was primarily due to cost cutting initiatives, integration synergies related to the recent acquisitions and early results in the IT strategy implementation. Operating costs were also positively impacted for approximately €5.9 million by IFRS 16 effect.

### **Normalized Total Costs**

Normalized total costs decreased by €13.6 million, or 5.5%, from €248.0 million for the six months ended June 30, 2018 to €234.4 million for the six months ended June 30, 2019. Excluding the run-off of our zero margin hardware reselling contracts, normalized total costs decreased by €8.9 million, or 3.7%, from €240.5 million for the six months ended June 30, 2018 to €231.6 million for the six months ended June 30, 2019. This decrease was primarily due to run rate of cost cutting initiatives, integration synergies related to the recent acquisitions and early results in the IT strategy implementation. The cost decrease was achieved notwithstanding the continuous investments in people capabilities and innovation.

### **Normalized EBITDA**

Normalized EBITDA increased by €38.8 million, or 20.0%, from €194.1 million for the six months ended June 30, 2018 to €232.9 million for the six months ended June 30, 2019. This increase was primarily due to the growth in Total income and the continued focus on cost efficiency and operating leverage.

### **Results of Operations for the Years Ended December 31, 2018, 2017 and 2016**

The following table shows our carve-out income statement derived from our Carve-out Financial Statements for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Fee and commission income and fees for services .....	1,575.9	1,417.0	1,078.7	158.9	11.2%	338.3	31.4%
Fee and commission expense and cost of services.....	(620.9)	(582.5)	(559.3)	(38.4)	6.6%	(23.2)	4.1%
<b>Net fee and commission income.....</b>	<b>955.0</b>	<b>834.5</b>	<b>519.4</b>	<b>120.5</b>	<b>14.4%</b>	<b>315.1</b>	<b>60.7%</b>
Interest and similar income .....	56.1	22.1	24.3	34.0	n.a.	(2.2)	(9.1)%

Interest and similar expenses.....	(99.1)	(37.7)	(31.7)	(61.4)	n.a.	(6.0)	18.9%
<b>Interest margin .....</b>	<b>(43.0)</b>	<b>(15.6)</b>	<b>(7.4)</b>	<b>(27.4)</b>	<b>n.a.</b>	<b>(8.2)</b>	<b>n.a.</b>
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss .....	(2.3)	(0.5)	(0.6)	(1.8)	n.a.	0.1	(16.7)%
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income.	(5.2)	0.3	0.4	(5.5)	n.a.	(0.1)	(25.0)%
<b>Total income.....</b>	<b>904.5</b>	<b>818.7</b>	<b>511.8</b>	<b>85.8</b>	<b>10.5%</b>	<b>306.9</b>	<b>60.0%</b>
Personnel expenses.....	(178.8)	(183.6)	(103.7)	4.8	(2.6)%	(79.9)	77.0%
Other administrative expenses.....	(458.4)	(427.0)	(276.9)	(31.4)	7.4%	(150.1)	54.2%
<b>Total administrative expenses .....</b>	<b>(637.3)</b>	<b>(610.6)</b>	<b>(380.6)</b>	<b>(26.7)</b>	<b>4.4%</b>	<b>(230.0)</b>	<b>60.4%</b>
Other operating net expenses/income.....	4.1	(0.8)	(0.9)	4.9	n.a.	0.1	(11.1)%
Net impairment losses on financial assets at amortized cost .....	(2.2)	(2.8)	(2.2)	0.6	(21.4)%	(0.6)	27.3%
Net provisions for risks and charges .....	(33.2)	0.1	(6.6)	(33.3)	n.a.	6.7	n.a.
Depreciation and amortization of tangible and intangible assets .....	(114.9)	(88.6)	(27.4)	(26.3)	29.7%	(61.2)	n.a.
<b>Operating margin.....</b>	<b>121.1</b>	<b>116.1</b>	<b>94.0</b>	<b>5.0</b>	<b>4.3%</b>	<b>22.1</b>	<b>23.5%</b>
Net gain on equity investments and sales of investments.....	20.5	2.3	—	18.2	n.a.	2.3	n.a.
<b>Profit from current operations before taxes .....</b>	<b>141.6</b>	<b>118.4</b>	<b>94.0</b>	<b>23.2</b>	<b>19.6%</b>	<b>24.4</b>	<b>26.0%</b>
Income taxes.....	(66.7)	(46.5)	(33.6)	(20.2)	43.4%	(13.0)	38.7%
Profit/loss from assets held for sale net of taxes .....	(6.1)	0.2	2.2	(5.9)	n.a.	(2.4)	n.a.
<b>Profit for the year.....</b>	<b>68.7</b>	<b>72.1</b>	<b>62.7</b>	<b>(3.4)</b>	<b>(4.7)%</b>	<b>9.4</b>	<b>15.0%</b>

For a better and easier understanding of how our financial information is presented below, note the following:

- Starting from the carve-out income statement for the years ended December 31, 2018, 2017 and 2016, we provide comments at the level of single income statement line item;
- For each income statement line item, we present different levels of information:
  - a) First level: historical financial information referred to the Carve-out Financial Statements, which is based on IFRS and represents the starting point of the discussion of our results of operations.
  - b) Second level: presentation of the normalization effect on the Carve-out Financial Statement information presented in the first level to exclude the effect of non-recurring items. Specific reconciliation tables also support this presentation.
  - c) Third level: Items that have been normalized (up to Normalized EBITDA) are then presented on a like-for-like basis in order to provide results over the three-year period 2018, 2017 and 2016 on the basis of our Group structure as of December 31, 2018 (“2018 Perimeter”). This presentation has been prepared by adding to the normalized historical results the historical data of the entities/ business acquired during the three years under review, as if these had been included in the Group’s perimeter since 2016. Specific reconciliation tables also support this presentation.

## Total Income

### Overview and Non-recurring Components

#### 2018 vs. 2017

Our total income increased by €85.8 million (10.5%), from €818.7 million for the year ended December 31, 2017 to €904.5 million for the year ended December 31, 2018. This increase was mainly due an increase of €120.5 million in the net fee and commission income, partially offset by a decrease of €27.4 million in the interest margin.

For years ended December 31, 2018 and 2017, our total income included non-recurring negative components for €5.9 million and €3 million, respectively. In 2018, these expenses related mainly to commercial discounts on payment

services recognized by Bassilichi Core in respect of MPS Acquiring under the framework Service Agreements that were in force until June 30, 2019 and due to the activation costs of factoring contracts. In 2017, non-recurring expenses related entirely to the aforementioned commercial discounts to MPS Acquiring. In 2018, the item also included net financial charges associated with the Existing Notes and the Redeemed Notes amounting to €32 million (determined as the amount of financial charges accrued on the Existing Notes and the Redeemed Notes amounting to €68 million, net of financial income deriving from the Intercompany Loan amounting to €36 million). Net of these non-recurring components and financial charges, our total income would have increased by €120.7 million (14.7%) from €821.8 million in 2017 to €942.5 million in 2018.

### 2017 vs. 2016

Our total income increased by €306.9 million (60.0%), from €511.8 million for the year ended December 31, 2016 to €818.7 million for the year ended December 31, 2017, mainly due to an increase of €315.1 million in the net fee and commission income, partially offset by a decrease of €8.2 million in the interest margin.

For the years ended December 31, 2017 and 2016 respectively, our total income included non-recurring negative components for €3 million related to commercial discounts on payment services recognized by Bassilichi in respect of MPS Acquiring as described above and non-recurring positive components amounting to €0.9 million relating to interest income received for the settlement of a dispute. Net of these non-recurring components, our total income would have increased by €310.9 million (60.8%) from €510.9 million in 2016 to €821.8 million in 2017.

The table below shows our total income per business line for the years ended December 31, 2018, 2017 and 2016, net of the non-recurring components described above and, for the year ended December 31, 2018, net of the net financial charges related to the Existing Notes and the Redeemed Notes.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Merchant Services & Solutions .....	435.7	352.5	208.0	83.2	23.6%	144.5	69.5%
Cards & Digital Payment .....	360.6	342.1	234.8	18.5	5.4%	107.3	45.7%
Digital Banking Solutions .....	113.7	97.4	60.1	16.3	16.7%	37.3	62.1%
Other services .....	32.4	29.8	8.0	2.6	8.7%	21.8	n.a.
<b>Normalized total income .....</b>	<b>942.5</b>	<b>821.8</b>	<b>510.9</b>	<b>120.7</b>	<b>14.7%</b>	<b>310.9</b>	<b>60.9%</b>

Due to changes in our scope of consolidation, there are strong limits to the comparability of the values referred to in the previous tables.

The tables below show the data of our Normalized total income for each business line, on a like-for-like basis (i.e., on the basis of our structure as of December 31, 2018 (“2018 Perimeter”). Therefore, the results of the total incomes of the individual years for the three years in question include the historical data of the companies and/or business units acquired relating to each year of the three-year period for the period prior to the date on which the companies/business units were acquired by us.

The following table shows our Normalized total income, by business line, on the basis of the 2018 Perimeter, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31, 2018				
	Nexi Carve-out	Bassilichi “Core” <sup>(1)</sup>	Sparkling <sup>(2)</sup>	Carige Acquiring <sup>(3)</sup>	Total 2018 Perimeter <sup>(4)</sup>
	(in € millions)				
Merchant Services & Solutions .....	435.7	(1.4)	0.7	1.9	436.9
Cards & Digital Payment .....	360.6	—	—	—	360.6
Digital Banking Solutions .....	113.7	(2.2)	—	—	111.5
Other services .....	32.4	(21.2)	—	—	11.2
<b>Normalized total income .....</b>	<b>942.5</b>	<b>(24.9)</b>	<b>0.7</b>	<b>1.9</b>	<b>920.2</b>

(1) The data refers exclusively to the first half of 2018 and refers to the costs and revenues relating to the business unit called Business Services included in the Carve-out Financial Statements for the period from January 1, 2018 to the date of sale in June 2018, and was not subject to any audit activity.

(2) The data refers to the first quarter of 2018 and is derived from extractions from the accounting system of Sparkling, and was not subject to any audit activity.



- (3) The data refers to the first nine months of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by management on the basis of accounting data and was not subject to any audit activity.
- (4) The data is the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out at the beginning of the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question has not been subjected to any accounting audit exercise and/or activity.

	Year ended December 31, 2017						
	Nexi Carve-out	Basilichi "Core" <sup>(1)</sup>	MPS Acquiring <sup>(2)</sup>	Sparkling <sup>(3)</sup>	Carige Acquiring <sup>(4)</sup>	Infra-group transactions <sup>(5)</sup>	Total 2018 Perimeter <sup>(6)</sup>
	(in € millions)						
Merchant Services & Solutions.....	352.5	23.4	39.1	1.4	3.1	(19.1)	400.4
Cards & Digital Payment.....	342.1	—	—	—	—	—	342.1
Digital Banking Solutions.....	97.4	11.3	—	—	—	—	108.7
Other services.....	29.8	(14.6)	—	—	—	—	15.2
<b>Normalized total income.....</b>	<b>821.8</b>	<b>20.1</b>	<b>39.1</b>	<b>1.4</b>	<b>3.1</b>	<b>(19.1)</b>	<b>866.4</b>

- (1) The data refers exclusively to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation and is derived from the financial statements for the year ended December 31, 2017 of Basilichi S.p.A. and Consorzio Triveneto S.p.A., subject to audit, to which the costs and revenues relating to the period from July 1, 2017 to December 31, 2017 have been subtracted as already included in the Carve-out Financial Statements following the acquisition on July 3, 2017. Furthermore, the data relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Basilichi S.p.A., was not subject to any audit activity and was eliminated.
- (2) The data refers exclusively to the first half of 2017 or the period prior to the inclusion of the business unit Merchant Acquiring Business in our scope of consolidation, which took place on July 1, 2017, is derived from the accounting system of Banca Monte Paschi S.p.A. and was not subject to any audit activity.
- (3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2017 of Sparkling, and was not subject to any audit activity.
- (4) The data refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.
- (5) The data is derived from accounting entries of Nexi Payments S.p.A. (formerly CartaSi S.p.A.), Basilichi S.p.A., Consorzio Triveneto S.p.A.
- (6) The data represented in the column in question is the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out at the beginning the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

	Year ended December 31, 2016							
	Nexi Carve-out	Mercury Payment <sup>(1)</sup>	Basilichi "Core" <sup>(2)</sup>	MPS Acquiring <sup>(3)</sup>	Sparkling <sup>(4)</sup>	Carige Acquiring <sup>(5)</sup>	Infra-group transactions <sup>(6)</sup>	Total 2018 Perimeter <sup>(7)</sup>
	(in € millions)							
Merchant Services & Solutions.....	208.0	60.2	40.1	86.5	0.4	4.1	(38.3)	361.0
Cards & Digital Payment.....	234.8	80.1	—	—	—	—	—	314.9
Digital Banking Solutions.....	60.1	—	41.1	—	—	—	—	101.2
Other services.....	8.0	(0.2)	6.4	—	—	—	—	14.2
<b>Normalized total income.....</b>	<b>510.9</b>	<b>140.1</b>	<b>87.5</b>	<b>86.5</b>	<b>0.4</b>	<b>4.1</b>	<b>(38.3)</b>	<b>791.3</b>

- (1) The data refers to the entire year 2016, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment and was subject to a full audit.
- (2) The data is derived from the financial statements for the year ended December 31, 2016 of Basilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit. From the data extracted from the aforementioned financial statements, the data was eliminated relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Basilichi S.p.A., which was not subject to any audit activity.
- (3) The data is derived from the accounting situation for the period January 1,—December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte dei Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the

business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017, and was subject to audit.

- (4) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2017 of Sparkling, and was not subject to any audit activity.
- (5) The data refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.
- (6) The data is derived from accounting records of Nexi Payments S.p.A. (formerly CartaSi S.p.A.), Bassilichi S.p.A., Consorzio Triveneto S.p.A.
- (7) The data represented in the column in question are the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

The table below shows the comparison of our Normalized total income, on the basis of the 2018 Perimeter, per business line for the three-year period in question:

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Merchant Services & Solutions .....	436.9	400.4	361.0	36.6	9.1%	39.2	10.9%
Cards & Digital Payment .....	360.6	342.1	314.9	18.5	5.4%	27.2	8.7%
Digital Banking Solutions .....	111.5	108.7	101.2	2.9	2.7%	7.4	7.3%
Other services .....	11.2	15.2	14.2	(4.0)	(26.3)%	1.1	7.4%
<b>Normalized total income 2018 Perimeter .....</b>	<b>920.2</b>	<b>866.4</b>	<b>791.3</b>	<b>54.0</b>	<b>6.2%</b>	<b>75.0</b>	<b>9.5%</b>

Data was not audited and does not reflect results that may have been obtained had the Acquisitions been performed.

#### 2018 vs. 2017

Our Normalized total income, on the basis of the 2018 Perimeter, increased by €54.0 million (6.2%), from €866.4 million for the year ended December 31, 2017 to €920.2 million for the year ended December 31, 2018, mainly due to an increase in the results of the business lines Merchant Services & Solutions and Cards & Digital Payments. Briefly described below are the most significant changes in the years under examination with reference to our Normalized total income, on the basis of the 2018 Perimeter, for each business line.

The Normalized total income relating to the Merchant Services & Solutions business line, on the basis of the 2018 Perimeter, increased by €36.6 million (9.1%) from €400.4 million for the year ended December 31, 2017 to €436.9 million for the year ended December 31, 2018. This increase was mainly due to the increase in the number of merchant transactions and the negotiated value as well as the number of POS terminals managed, which was in line with the growth recorded by the relevant reference market, and the effects of some initiatives aimed at improvements for customers, mainly through the launch of commercial campaigns for the sale of additional services with high added value, the launch of new services for merchants and banks as well as the review of the economic conditions applied to merchant and partner banks. The new services included the Protection Plus program to support merchants for certification with respect to safety standards and the launch of the SmartPOS, i.e. the advanced payment terminal on Android technology. In 2018, the implicit “take-rate” for the Merchant Services & Solutions business line, calculated as the ratio between the Normalized total income relating to the Merchant Services & Solutions business line and the aggregate value of transactions managed through the acquiring network, amounted to 18 basis points.

The Normalized total income relating to the Cards & Digital Payments business line, on the basis of the 2018 Perimeter, increased by €18.5 million (5.4%) from €342.1 million for the year ended December 31, 2017 to €360.6 million for the year ended December 31, 2018. This increase was mainly due to the increase in the number of transactions by card and the relative amounts spent in line with the growth recorded by the reference market. The increase also reflects the effects of our business expansion of the range of products that we offered through the introduction of advanced products such as international debit cards and mobile payment solutions, as well as the effects of some initiatives to restructure our financial obligations. In 2018, activities aimed at improvements, realized through promotional campaigns and loyalty programs (customer engagement through websites and mobile phone applications), helped increase both the volume of expenditure and the loyalty of cardholders. In 2018, the implicit “take-rate” for the Cards & Digital Payments business line, calculated as the ratio between Normalized total income relating to the Cards & Digital Payments business line and the value of transactions executed through payment cards, amounted to 18 basis points.

The Normalized total income relating to the Digital Banking Solutions business line, on the basis of the 2018 Perimeter, increased by €2.9 million (2.7%) from €108.7 million for the year ended December 31, 2017 to €111.5 million for the year ended December 31, 2018. This increase was mainly attributable to the effects of the activation, starting from July 2018, of contracts with DepoBank relating to the supply of ICT services and the distribution of DepoBank services to customers, including in particular the Check Image Truncation service. The increase was partially offset by the decrease in results generated by sales of ATM terminals, as well as the results generated by e-banking activities, mainly attributable to the decrease in volumes associated with the loss of two main customers following recent reorganizations in the Italian banking sector.

The Normalized total income relating to other services, which mainly include revenues for call center and help-desk services, decreased by €4.0 million (26.3%) from €15.2 million for the year ended December 31, 2017 to €11.2 million for the year ended December 31, 2018. This decrease was mainly attributable to the Normalized total income for 2017 including higher revenues for consultancy and other activities provided to Monte dei Paschi di Siena S.p.A. in relation to the optimization of the distribution network.

### 2017 vs. 2016

Our Normalized total income, on the basis of the 2018 Perimeter, increased by €75.0 million (9.5%), from €791.3 million for the year ended December 31, 2016 to €866.4 million for the year ended December 31, 2017 mainly due to the increase in the results of the business lines Merchant Services & Solutions and Cards & Digital Payments. Briefly described below are the most significant changes in the years under examination with reference to the Normalized total income, on the basis of the 2018 Perimeter, generated by each business line.

The Normalized total income relating to the Merchant Services & Solutions business line, on the basis of the 2018 Perimeter, increased by €39.3 million (10.9%) from €361.0 million for the year ended December 31, 2016 to €400.4 million for the year ended December 31, 2017. This increase was mainly due to (i) the increase in the number of merchant transactions, and the value traded, and the number of POS terminals managed in line with the growth recorded by the relevant reference market, (ii) the effects of some initiatives to update the economic conditions in the commercial agreements with partner banks, that we undertook in 2017; as well as (iii) the first effects of the initiatives aimed at improvements for customers, in particular one deriving from the acquisitions of DB and MPS Acquiring as described above.

The Normalized total income relating to the Cards & Digital Payments business line, on the basis of the 2018 Perimeter, increased by €27.2 million (8.7%) from €314.9 million for the year ended December 31, 2016 to €342.1 million for the year ended December 31, 2017. This increase was mainly due to the growth recorded in the number of transactions by cards, and the relative values spent, in line with the growth recorded by the related market, as well as the effects of certain initiatives undertaken during the year to restructure our obligations under our commercial agreements with partner banks.

The Normalized total income relating to the Digital Banking Solutions business line, on the basis of the 2018 Perimeter, increased by €7.4 million (7.3%) from €101.2 million for the year ended December 31, 2016 to €108.7 million for the year ended December 31, 2017. This increase was mainly due to the increase in sales volumes of ATM terminals by Bassilichi.

The Normalized total income relating to other services, on the basis of the 2018 Perimeter, which mainly includes revenues for call center and help desk services, increased by €1.1 million (7.4%) from €14.2 million for the year ended December 31, 2016 to €15.2 million in the year ended December 31, 2017, mainly due to the growth in the market mentioned above.

### Personnel Expenses

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
<b>Employees</b>							
wages and salaries .....	119.7	136.9	73.8	(17.2)	(12.6)%	63.1	85.5%
social security contributions .....	31.6	27.1	18.5	4.5	16.6%	8.6	46.5%
employee severance indemnity .....	4.1	2.3	0.6	1.8	78.3%	1.7	n.a.
pensions .....	0.0	0.1	0.0	(0.1)	n.a.	0.1	n.a.
provision for employee severance indemnity .....	2.1	0.3	0.2	1.8	n.a.	0.1	50.0%

contributions to external supplementary pension funds: .....	5.6	4.8	5.8	0.8	16.7%	(1.0)	(17.2)%
—defined contribution.....	5.6	4.8	5.8	0.8	16.7%	(1.0)	(17.2)%
other employee benefits.....	14.0	11.9	4.0	2.1	17.6%	7.9	n.a.
<b>Other personnel in activity .....</b>	<b>1.8</b>	<b>0.2</b>	<b>0.9</b>	<b>1.6</b>	<b>n.a.</b>	<b>(0.7)</b>	<b>(77.8)%</b>
<b>Total.....</b>	<b>178.8</b>	<b>183.6</b>	<b>103.7</b>	<b>(4.8)</b>	<b>(2.6)%</b>	<b>79.9</b>	<b>77.0%</b>

## Overview and Non-recurring Components

### 2018 vs. 2017

Personnel expenses decreased by €4.8 million (2.6%) from € 183.6 million for the year ended December 31, 2017 to €178.8 million for the year ended December 31, 2018. In the years ended December 31, 2018 and 2017 respectively, personnel expenses included non-recurring costs of €20.8 million and €50.8 million, mainly relating to restructuring costs of the former Bassilichi companies for reducing the personnel and one-off incentives paid as part of the Reorganization. Net of these non-recurring expenses, personnel expenses would have increased by €25.2 million (19.0%) from €132.8 million for the year ended December 31, 2017 to €158 million for the year ended December 31, 2018.

### 2017 vs. 2016

Personnel expenses increased by €79.9 million (77.0%) from € 103.7 million for the year ended December 31, 2016 to €183.6 million for the year ended December 31, 2017. In the years ended December 31, 2017 and 2016 respectively, personnel expenses included non-recurring costs of €50.8 million related to restructuring costs and €15.7 million, mainly related to the Reorganization. Net of these non-recurring expenses, personnel expenses would have increased by €44.7 million (50.9%) from €88 million for the year ended December 31, 2016 to €132.8 million for the year ended December 31, 2017.

The following table shows personnel expenses, net of non-recurring components, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Personnel expenses.....	178.8	183.6	103.7	(4.8)	(2.6)%	79.9	77.0%
Non-recurring expenses.....	(20.8)	(50.8)	(15.7)	30.0	(59.1)%	(35.1)	n.a.
<b>Normalized personnel expenses.....</b>	<b>158.0</b>	<b>132.8</b>	<b>88.1</b>	<b>25.2</b>	<b>19.0%</b>	<b>44.7</b>	<b>50.7%</b>

The following table shows personnel expenses (also net of non-recurring components), on the basis of the 2018 Perimeter, as previously described, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
<b>Normalized personnel expenses.....</b>	<b>158.0</b>	<b>132.8</b>	<b>88.1</b>	<b>25.2</b>	<b>19.0%</b>	<b>44.7</b>	<b>50.7%</b>
Bassilichi Core <sup>(1)</sup> .....	(11.1)	2.5	24.6	(13.6)	n.a.	(22.1)	(89.9)%
MPS Acquiring <sup>(2)</sup> .....	—	0.9	1.8	(0.9)	(100.0)%	(1.0)	(49.8)%
Mercury Payment <sup>(3)</sup> .....	—	—	16.6	—	n.a.	(16.6)	(100.0)%
Sparkling <sup>(4)</sup> .....	0.1	0.8	0.4	(0.7)	(84.0)%	0.4	93.6%
Carige Acquiring <sup>(5)</sup> .....	0.2	0.2	0.2	(0.1)	(24.8)%	—	0.0%
<b>Normalized personnel expenses 2018 Perimeter<sup>(6)</sup>.....</b>	<b>147.2</b>	<b>137.2</b>	<b>131.8</b>	<b>10.0</b>	<b>7.3%</b>	<b>5.4</b>	<b>4.1%</b>

(1) The data for 2018 refers exclusively to the first half of 2018 and refers to the data relating to the business unit called Business Services included in the Carve-out Financial Statements for the period from January 1, to the date of sale in June 2018. The data for 2017 refers exclusively to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from the financial statements for the year ended December 31, 2017 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit, to which the costs and revenues relating to the period from July 1, 2017 to December 31, 2017 have been subtracted as already included in the Carve-out Financial Statements following the acquisition on July 3, 2017. Furthermore, the data relating to the business unit called Business Services (sold in June 2018) was eliminated determined on the basis of extractions from the accounting system of Bassilichi S.p.A. The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit. From the data extracted from the aforementioned financial statements, the data was eliminated relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Bassilichi S.p.A.

- (2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data for 2016 refers to the entire year, is derived from the accounting situation for the period January 1,—December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017 and was subject to audit.
- (3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment and was subject to full audit.
- (4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling, and was not subject to any audit activity.
- (5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management on the basis of accounting data and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.
- (6) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the beginning of the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

### 2018 vs. 2017

Personnel expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €10 million (7.3%) from €137.2 million for the year ended December 31, 2017 to €147.2 million for the year ended December 31, 2018. This increase was mainly due to an increase in the number of our employees, as well as an increase in the average cost of remuneration following the expansion and renewal of the managerial structure aimed at acquiring new skills, in line with the renewed business model that we adopted.

### 2017 vs. 2016

Personnel expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €5.4 million (4.1%) from €131.8 million for the year ended December 31, 2016 to €137.2 million for the year ended December 31, 2017. This increase was mainly due to an increase in the number of our employees, as well as an increase in the average cost of remuneration following the expansion and renewal of the managerial structure as described above.

### Other Administrative Expenses

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Third-party services.....	308.2	250.1	178.2	58.1	23.2%	71.9	40.3%
Rent and building expenses.....	6.3	3.9	3.1	2.4	61.5%	0.8	25.8%
Insurance.....	1.9	1.8	1.4	0.1	5.6%	0.4	28.6%
Rentals and maintenance.....	45.8	32.1	29.4	13.7	42.7%	2.7	9.2%
Shipping expenses.....	19.2	19.7	22.0	(0.5)	(2.5)%	(2.3)	(10.5)%
Telephone and telegraph expenses.....	8.0	5.2	4.9	2.8	53.8	0.3	6.1%
Other taxes and stamp duties.....	60.8	68.9	42.5	(8.1)	(11.8)%	26.4	62.1%
Legal, notary and consultancy fees.....	63.7	34.1	46.8	29.6	86.8%	(12.7)	(27.1)%
Basilichi administrative expenses.....	—	64.4	—	(64.4)	100.0%	64.4	n.a.
Recoveries of taxes and stamp duties.....	(56.7)	(54.1)	(52.4)	(2.6)	4.8%	(1.7)	3.2%
Remunerations to directors and auditors.....	1.4	1.0	1.1	0.4	40.0%	(0.1)	(9.1)%
<b>Total.....</b>	<b>458.4</b>	<b>427.0</b>	<b>276.9</b>	<b>31.4</b>	<b>7.4%</b>	<b>150.1</b>	<b>54.2%</b>

### Overview and Non-recurring Components

#### 2018 vs. 2017

Other administrative expenses increased by €31.4 million (7.4%) from €427 million for the year ended December 31, 2017 to €458.4 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, other administrative expenses included non-recurring expenses amounting to €95.9 million and €84.5 million respectively. In 2018, these expenses mainly relate to: (i) €62.1 million for consultancy costs incurred in the context of the

Reorganization and the issuances of the Existing Notes and the Redeemed Notes; (ii) €12.8 million for the completion of the rebranding program and the promotional launch of some new products, including the new YAP application; (iii) €15.8 million for expenses related to the Reorganization and acquisitions, including related non-deductible tax expenses; (iv) €2.8 million for administrative costs accrued in previous years; and (v) €2 million for costs for the re-internalization of data centers. In 2017, non-recurring expenses mainly refer to the Reorganization, the rebranding process, the acquisitions of MPS Acquiring, DB Acquiring and Basilichi, as well as the tax expenses associated with these transactions. Net of these non-recurring expenses, other administrative expenses would have increased by €20.0 million (5.8%) from €342.5 million for the year ended December 31, 2017 to €362.5 million for the year ended December 31, 2018.

### 2017 vs. 2016

Other administrative expenses increased by €150.1 million (54.2%) from €276.9 million for the year ended December 31, 2016 to € 427 million for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016 respectively, other administrative expenses include, non-recurring costs of €84.5 million (as discussed above) and €36.1 million relating to the acquisition of Mercury Payment. Net of these non-recurring expenses. Other administrative expenses would have increased by €101.7 million (42.2%) from € 240.8 million for the year ended December 31, 2016 to €342.5 million for the year ended December 31, 2017.

The following table shows other administrative expenses, net of non-recurring components, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Other administrative expenses.....	458.4	427.0	276.9	31.4	7.4%	150.1	54.2%
Non-recurring expenses.....	(95.9)	(84.5)	(36.1)	(11.4)	13.5%	(48.4)	n.a.
<b>Other normalized administrative expenses.....</b>	<b>362.5</b>	<b>342.5</b>	<b>240.8</b>	<b>20.0</b>	<b>5.8%</b>	<b>101.8</b>	<b>42.2%</b>

The following table shows other normalized administrative expenses, on the basis of the 2018 Perimeter, as previously described, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
<b>Other normalized administrative expenses</b>	<b>362.5</b>	<b>342.5</b>	<b>240.8</b>	<b>20.0</b>	<b>5.8%</b>	<b>101.8</b>	<b>42.2%</b>
Basilichi Core <sup>(1)</sup> .....	(17.0)	11.0	56.7	(28.0)	n.a.	(45.7)	(80.6)%
MPS Acquiring <sup>(2)</sup> .....	—	16.0	34.4	(16.0)	(100.0)%	(18.4)	(53.4)%
Mercury Payment <sup>(3)</sup> .....	—	—	35.1	—	n.a.	(35.1)	(100.0)%
Sparkling <sup>(4)</sup> .....	0.5	0.5	0.9	0.0	3.8%	(0.4)	(44.4)%
Carige Acquiring <sup>(5)</sup> .....	0.3	0.4	0.4	(0.1)	(28.5)%	0.0	8.1%
Infra-group transactions <sup>(6)</sup> .....	—	(19.1)	(38.3)	19.1	(100.0)%	19.1	(50.0)%
<b>Other normalized administrative expenses</b>							
<b>2018 Perimeter<sup>(7)</sup>.....</b>	<b>346.3</b>	<b>351.3</b>	<b>329.9</b>	<b>(5.0)</b>	<b>(1.4)%</b>	<b>21.4</b>	<b>6.5%</b>

(1) The data for 2018 refers exclusively to the first half of 2018 and refers to the data relating to the business unit called Business Services included in the Carve-out Financial Statements for the period from January 1, to the date of sale in June 2018. The data for 2017 refers exclusively to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from the financial statements for the year ended December 31, 2017 of Basilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit, to which the costs and revenues relating to the period from July 1, 2017 to December 31, 2017 have been subtracted as already included in the Carve-out Financial Statements following the acquisition on July 3, 2017. Furthermore, the data relating to the business unit called Business Services (sold in June 2018) was eliminated determined on the basis of extractions from the accounting system of Basilichi S.p.A. The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Basilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit. From the data extracted from the aforementioned financial statements, the data relating to the business unit called Business Services (sold in June 2018) was eliminated determined on the basis of extractions from the accounting system of Basilichi S.p.A.

(2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the business unit MPS Acquiring in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data for 2016 refers to the entire year, is derived from the accounting situation for the period January 1,— December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte dei Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017, and was subject to audit.

- (3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment and was subject to audit.
- (4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling, not subject to any audit activity.
- (5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Carige Acquiring in our scope of consolidation, is derived from calculations by our management on the basis of accounting data and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.
- (6) The data is derived from accounting records of Nexi Payments S.p.A. (formerly CartaSi S.p.A.), Bassilichi S.p.A., Consorzio Triveneto S.p.A.
- (7) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question has not been subjected to any accounting audit exercise and/or activity.

### **2018 vs. 2017**

Other administrative expenses, normalized of non-recurring effects, on the basis of the 2018 Perimeter, decreased by €5.0 million (1.4%) from €351.3 million for the year ended December 31, 2017 to € 346.3 million for the year ended December 31, 2018. This decrease was mainly due to efficiency initiatives realized through the renegotiation of contracts with some of our main suppliers, economies of scale on card purchases and the efficiency of IT processes. These initiatives more than offset the higher commercial costs incurred as a result of the numerous promotional campaigns undertaken in 2018 in order to increase improvements for and retention of customers, as well as to attract new customers. During 2018, we launched around 200 campaigns focused on consumer behavior, as well as an involvement program designed to increase the frequency of use and card spending, by incorporating features ranging from instant digital winnings to points collection (for example, the digital program #iovinco was launched with the specific purpose of increasing the use of cards and downloads of the Nexi Pay app).

### **2017 vs. 2016**

Other administrative expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €21.4 million (6.5%) from €329.9 million for the year ended December 31, 2016 to €351.3 million for the year ended December 31, 2017. This increase was mainly due to an increase in the volumes of transactions and cards managed, partially offset by efficiency initiatives realized through the renegotiation of contracts with some of our main suppliers, economies of scale on card purchases and the efficiency of IT processes.

## **Other Net Operating Expenses/Income**

### **Overview and Non-recurring Components**

#### **2018 vs. 2017**

Other net operating expenses/income, which mainly include the recovery of expenses and losses on regular transactions, increased by €4.9 million, from a loss of €0.8 million for the year ended December 31, 2017 to €4.1 million for the year ended December 31, 2018.

#### **2017 vs. 2016**

Other net operating expenses/income, which mainly include the recovery of expenses and losses on regular transactions, decreased by €0.1 million (negative 16.4%), from a loss of €0.9 million for the year ended December 31, 2016 to a loss of €0.8 million for the year ended December 31, 2017.

## **Net Impairment Losses on Financial Assets at Amortized Cost**

### **Overview**

#### **2018 vs. 2017**

Net impairment losses on financial assets at amortized cost decreased by €0.6 million (21.4%), from €2.8 million for the year ended December 31, 2017 to €2.2 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017 respectively, net impairment on assets measured at amortized cost included non-recurring

expenses for €0.7 million and €1.3 million relating to the impairment losses on financial assets at amortized cost of Bassilichi Core. Net of these non-recurring expenses, net impairment of assets measured at amortized cost would have not increased from €1.5 million for the year ended December 31, 2017 to €1.5 million for the year ended December 31, 2018.

#### 2017 vs. 2016

Net impairment losses on financial assets at amortized cost increased by €0.6 million (27.3%), from €2.2 million for the year ended December 31, 2016 to €2.8 million for the year ended December 31, 2017. For the year ended December 31, 2017, net impairment losses on financial assets at amortized cost included non-recurring expenses for €1.3 million. Net of these non-recurring expenses, net impairment losses on financial assets at amortized cost would have decreased by €0.7 million (31.8%) from €2.2 million for the year ended December 31, 2016 to €1.5 million for the year ended December 31, 2017.

The following table shows net impairment losses on financial assets at amortized cost, net of non-recurring components, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Net impairment losses on financial assets at amortized cost .....	2.2	2.8	2.2	(0.6)	(21.4)%	0.6	27.3%
Non-recurring expenses.....	(0.7)	(1.3)	—	(0.6)	(46.2)%	(1.3)	n.a.
<b>Normalized net impairment losses on financial assets at amortized cost .....</b>	<b>1.5</b>	<b>1.5</b>	<b>2.2</b>	<b>0.0</b>	<b>n.a.</b>	<b>(0.7)</b>	<b>(31.8)%</b>

#### Net Provisions for Risks and Charges

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Net provisions for risks and charges .....	(28.6)	4.4	(1.1)	(33.0)	n.a.	5.5	n.a.
Net provisions for fraud Nexi Payments .....	(4.6)	(4.3)	(5.5)	(0.3)	7.0%	1.2	(20.7)%
<b>Total.....</b>	<b>(33.2)</b>	<b>0.1</b>	<b>(6.6)</b>	<b>(33.3)</b>	<b>n.a.</b>	<b>6.7</b>	<b>n.a.</b>

#### Overview and Non-recurring Components

##### 2018 vs. 2017

Net provisions for risks and charges increased by €33.3 million, from €0.1 million for the year ended December 31, 2017 to a loss of €33.2 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, net provisions for risks and charges included non-recurring net allocations amounting to € 27.7 million relating to contractual penalties and disputes and releases of provisions for risks and charges relating to Bassilichi Core amounting to €6.0 million, respectively. Net of these non-recurring allocations and releases, net provisions for risks and charges increased by €0.5 million (6.8%), from a loss of €6.0 million for the year ended December 31, 2017 to a loss of €5.5 million for the year ended December 31, 2018.

##### 2017 vs. 2016

Net provisions for risks and charges increased by €6.6 million, from a loss of €6.6 million for the year ended December 31, 2016 to €0.0 million for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016 respectively, net provisions for risks and charges included the non-recurring release of provisions for risks and charges relating to Bassilichi Core for €6 million and €1 million. Net of these non-recurring releases, net provisions for risks and charges increased by €1.6 million, from a loss of €7.6 million for the year ended December 31, 2016 to a loss of €5.9 million for the year ended December 31, 2017.

The following table shows net provisions for risks and charges, net of non-recurring components, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%



	(in € millions, except for %)						
Net provisions for risks and charges .....	(33.2)	0.0	(6.6)	(33.3)	n.a.	6.6	n.a.
Non-recurring expenses/(income) .....	27.7	(6.0)	(1.0)	33.7	n.a.	(5.0)	n.a.
<b>Normalized net provisions for risks and charges</b> .....	<b>(5.5)</b>	<b>(6.0)</b>	<b>(7.6)</b>	<b>0.4</b>	<b>(6.8)%</b>	<b>1.6</b>	<b>(22.4)%</b>

The following table shows Normalized net provisions for risks and charges, on the basis of the 2018 Perimeter, as previously described, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
<b>Normalized net provisions for risks and charges</b> .....	<b>(5.5)</b>	<b>(5.9)</b>	<b>(7.6)</b>	<b>0.4</b>	<b>(6.8)%</b>	<b>1.7</b>	<b>(22.4)%</b>
Bassilichi Core <sup>(1)</sup> .....	—	—	(0.3)	—	n.a.	0.3	(100.0)%
MPS Acquiring <sup>(2)</sup> .....	—	(0.4)	(0.7)	0.4	n.a.	0.3	(49.9)%
Mercury Payment <sup>(3)</sup> .....	—	—	(0.3)	—	n.a.	0.3	(100.0)%
Sparkling <sup>(4)</sup> .....	—	—	—	—	n.a.	—	n.a.
Carige Acquiring <sup>(5)</sup> .....	(0.2)	(0.2)	—	0.1	(24.9)%	(0.2)	n.a.
<b>Normalized net provisions for risks and charges 2018 Perimeter</b> <sup>(6)</sup> .....	<b>(5.6)</b>	<b>(6.5)</b>	<b>(8.9)</b>	<b>0.9</b>	<b>(13.8)%</b>	<b>2.4</b>	<b>(26.8)%</b>

- (1) The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit.
- (2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data for 2016 refers to the entire year and is derived from the accounting situation for the period January 1,—December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017 and was subject to audit.
- (3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment and was subject to full audit.
- (4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling, and was not subject to any audit activity.
- (5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data related to 2017 refers to the entire financial year, is derived from estimates by our management on a historical basis and was not subject to any audit activity.
- (6) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question, has not been subjected to any accounting audit exercise and/or activity.

### 2018 vs. 2017

Net provisions for risks and charges, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €0.9 million (13.8%), from a loss of €6.5 million for the year ended December 31, 2017 to a loss of €5.6 million for the year ended December 31, 2018.

### 2017 vs. 2016

Net provisions for risks and charges, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €2.4 million (26.8%), from a loss of €8.9 million for the year ended December 31, 2016 to a loss of €6.5 million for the year ended December 31, 2017.

### EBITDA

To monitor and evaluate our economic and financial performance, our management use—in addition to the items included in our income statement—EBITDA, defined as the profit for the year adjusted for the following items:

(i) Profit/loss on discontinued operations after taxes; (ii) Income taxes; (iii) Net gain on equity investments and sales of investments; (iv) Net financial charges related to the Existing Notes and the Redeemed Notes (which are included in the Interest margin) and (v) depreciation and amortization of tangible and intangible assets. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure with respect to those provided by the financial statements for the assessment of our economic performance.

## Overview and Non-recurring Components

### 2018 vs. 2017

EBITDA increased by €31.3 million (15.3%) from €204.7 million for the year ended December 31, 2017 to €236.0 million for the year ended December 31, 2018. This increase was mainly due to the increase in the total income and the decrease in personnel expenses, partially offset by the increase in other administrative expenses and net provisions for risks and charges as described above. For the years ended December 31, 2018 and 2017, EBITDA included, respectively, net non-recurring expenses of €151.1 million and €133.5 million, mainly relating to personnel expenses, other administrative expenses and net provisions for risks and charges as described above. In 2018, the item also included net financial charges associated with the Existing Notes and the Redeemed Notes amounting to €32.0 million. Net of non-recurring components and the aforementioned net financial charges, EBITDA would have increased by €80.9 million (23.9%), from €338.2 million for the year ended December 31, 2017 to €419.1 million for the year ended December 31, 2018.

### 2017 vs. 2016

EBITDA increased by €83.3 million (68.6%) from €121.4 million for the year ended December 31, 2016 to €204.7 million for the year ended December 31, 2017. This increase is mainly due to the increase in the total income, partially offset by the increase in personnel expenses and other administrative expenses, as described above. For the years ended December 31, 2017 and 2016 EBITDA includes, respectively, net non-recurring expenses of €133.5 million and €49.8 million, mainly relating to personnel expenses and other administrative expenses described above. Net of non-recurring components, EBITDA would have increased by €167.0 million from €171.2 million for the year ended December 31, 2016 to €338.2 million for the year ended December 31, 2017.

The following table shows EBITDA, net of non-recurring components for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
EBITDA .....	236.0	204.7	121.4	31.3	15.3%	83.3	68.6%
Financial charges related to the Notes .....	32.0	—	—	32.0	n.a.	—	n.a.
Non-recurring (expenses)/income with impact on EBITDA .....	151.1	133.5	49.8	17.6	13.2%	83.7	n.a.
<b>Normalized EBITDA .....</b>	<b>419.1</b>	<b>338.2</b>	<b>171.2</b>	<b>80.9</b>	<b>23.9%</b>	<b>167.0</b>	<b>97.5%</b>

For further information on non-recurring expenses/income, see “Selected Financial Information.”

The following table shows Normalized EBITDA, on the basis of the 2018 Perimeter, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
<b>Normalized EBITDA .....</b>	<b>419.1</b>	<b>338.2</b>	<b>171.2</b>	<b>80.9</b>	<b>23.9%</b>	<b>167.0</b>	<b>97.5%</b>
Basilichi Core <sup>(1)</sup> .....	3.3	6.6	5.9	(3.3)	(50.1)%	0.7	11.9%
MPS Acquiring <sup>(2)</sup> .....	—	21.8	49.6	(21.8)	(100.0)%	(27.8)	(56.1)%
Mercury Payment <sup>(3)</sup> .....	—	—	88.1	—	n.a.	(88.1)	(100.0)%
Sparkling <sup>(4)</sup> .....	0.1	0.0	(0.9)	0.0	23.9%	0.9	n.a.
Carige Acquiring <sup>(5)</sup> .....	1.2	2.2	3.5	(1.0)	(44.2)%	(1.3)	(36.9)%
<b>Normalized EBITDA 2018 Perimeter<sup>(6)</sup> .....</b>	<b>423.6</b>	<b>368.8</b>	<b>317.4</b>	<b>54.8</b>	<b>14.9%</b>	<b>51.4</b>	<b>16.2%</b>

(1) The data for 2018 refers exclusively to the first half of 2018 and refers to the data relating to the business unit called Business Services included in the Carve-out Financial Statements for the period from January 1, to the date of sale in June 2018. The data for 2017 refers exclusively to

the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation and is derived from the financial statements for the year ended December 31, 2017 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., subject to audit, to which the costs and revenues relating to the period from July 1, 2017 to December 31, 2017 have been subtracted as already included in the Carve-out Financial Statements following the acquisition on July 3, 2017. Furthermore, the data was eliminated relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Bassilichi S.p.A. The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., subject to audit. From the data extracted from the aforementioned financial statements, the data was eliminated relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Bassilichi S.p.A.

- (2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data and was not subject to any audit activity. The data for 2016 refers to the entire year, is derived from the accounting situation for the period January 1,—December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017 and was subject to audit.
- (3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment and was subject to full audit.
- (4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling, and was not subject to any audit activity.
- (5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management as detailed above with reference to the individual economic items and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management as detailed above with reference to individual economic items and was not subject to any audit activity.
- (6) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question, has not been subjected to any accounting audit exercise and/or activity.

#### **2018 vs. 2017**

Normalized EBITDA, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €54.8 million (14.9%) from €368.8 million for the year ended December 31, 2017 to €423.6 million for the year ended December 31, 2018, mainly due to the increase in the Normalized total income relating to the 2018 Perimeter (6.2%) as previously commented, and the decrease in other administrative expenses (1.4%), partially offset by the increase in personnel expenses (7.3%).

#### **2017 vs. 2016**

Normalized EBITDA, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €51.4 million (16.2%) from €317.4 million for the year ended December 31, 2016 to €368.8 million for the year ended December 31, 2017, mainly due to the increase in the Normalized total income relating to the 2018 Perimeter (9.5%) as previously commented. This was partially offset by the increase in personnel expenses (4.1%) and other administrative expenses (6.5%).

#### *Significant Incidence of Certain Items on the Profit for the Year*

Our profit for the year is significantly affected by certain items that do not affect EBITDA and Normalized EBITDA in the same way, as shown in the following table for the year ended December 31, 2018:

	<b>Year ended December 31, 2018</b>		
	<b>Carve-out Financial Statements</b>	<b>Reconciliation</b>	<b>Normalized<sup>(5)</sup></b>
		(in € millions)	
<b>EBITDA</b> .....	<b>268.0</b>	<b>151.1<sup>(1)</sup></b>	<b>419.1</b>
Depreciation and amortization of tangible and intangible assets .....	(114.9)	40.2 <sup>(2)</sup>	(74.7)
Financial income related to intercompany loans related to the Notes	36.0	—	36.0
Financial charges related to the Notes .....	(68.1)	—	(68.1)
Net gain on equity investments and sales of investments .....	20.5	(20.5) <sup>(3)</sup>	—
Income taxes .....	(66.7)	(45.5) <sup>(4)</sup>	(112.3)
Profit/loss from assets held for sale net of taxes .....	(6.1)	—	(6.1)
<b>Profit for the year</b> .....	<b>68.7</b>	<b>125.2</b>	<b>193.9</b>

<b>Loss for the year attributable to non-controlling interests .....</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>(2.1)</b>
<b>Profit for the year attributable to the owners of the parent .....</b>	<b>67.2</b>	<b>124.6</b>	<b>191.8</b>

(1) Relates to the net non-recurring items of the period as described above and in particular to:

- €5.9 million of net revenues;
- €20.8 million of personnel expenses;
- €95.9 million of administrative expenses; and
- €27.7 million of net allocations to provisions for risks and charges.

(2) Depreciation and amortization of the Customer Contracts excluded from our presentation of Normalized profit for the year because exclusively related to the accounting effects of the purchase price allocation of certain acquisitions and to provide a profit figure that is closest to the operating and cash result of the operations.

(3) €21 million related to non-recurring income deriving from the sale of the acquiring books of the former Veneto banks sold to Intesa Sanpaolo S.p.A and €0.9 million for impairment of Bassilichi's associated companies, K Red and Rs Record store.

(4) Impact of the taxation associated with the above amount in reconciliation.

(5) This information is derived from the unaudited non-GAAP managerial information.

As shown above, profit for the year was significantly influenced by net impairment and reversals of impairment of tangible and intangible assets, by financial charges related to the Existing Notes and the Redeemed Notes (net of financial income accrued on related intercompany loans), as well as income taxes.

Moreover, in consideration of the fact that: (i) the Existing Notes and the Redeemed Notes were issued in 2018 and, therefore, the financial charges associated with them do not affect the income statement for all of the twelve months in question, and that the intercompany loan was entered into and settled in 2018 and therefore, after the end of 2018, financial income will not accrue, the amount of the net financial charges from the Carve-out Financial Statements of €32.0 million, is not representative of the cost of our debt on continuous annual basis (other conditions such as interest rates being equal). In this regard, it is noted that the net financial charges on a pro forma basis for 2018 amount to €108 million, gross of the related tax effect of €26 million. In future years, given that the Existing Notes and the Redeemed Notes provide for a bullet repayment between 2023 and 2024, in the medium term, the related financial charges are estimated to grow progressively from €108 million to €120 million (including the effects of the amortization of accessory charges incurred for the issue of the Existing Notes and the Redeemed Notes), due to the expected trend in interest rates.

### Depreciation and Amortization of Tangible and Intangible Assets

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Depreciation and amortization of tangible assets .....	41.7	32.5	21.0	9.2	28.3%	11.5	54.8%
Depreciation and amortization of intangible assets .....	73.2	56.1	6.4	17.1	30.5%	49.7	n.a.
<b>Total.....</b>	<b>114.9</b>	<b>88.6</b>	<b>27.4</b>	<b>26.3</b>	<b>29.7%</b>	<b>61.2</b>	<b>n.a.</b>

### Overview and Non-recurring Components

#### 2018 vs. 2017

Depreciation and amortization of tangible and intangible assets increased by €26.3 million (29.7%), from €88.6 million for the year ended December 31, 2017 to €114.9 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, depreciation and amortization of tangible and intangible assets included depreciation and amortization of €40.2 million and €33.4 million, respectively, relating to Customer Contracts or intangible assets deriving from the purchase price allocation. Net of such amortization, depreciation and amortization of tangible and intangible assets would have increased by €19.6 million from €55.1 million for the year ended December 31, 2017 to €74.7 million for the year ended December 31, 2018.

## 2017 vs. 2016

Depreciation and amortization of tangible and intangible assets increased by €61.2 million, from €27.4 million for the year ended December 31, 2016 to €88.6 million for the year ended December 31, 2017. For the year ended December 31, 2017, depreciation and amortization of tangible and intangible assets included amortization of €33.4 million relating to Customer Contracts or intangible assets deriving from the purchase price allocation. Net of such amortization, depreciation and amortization of tangible and intangible assets would have increased by €27.7 million from €27.4 million for the year ended December 31, 2016 to €55.1 million for the year ended December 31, 2017.

The following table shows normalized depreciation and amortization of tangible and intangible assets for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Depreciation and amortization of tangible and intangible assets.....	114.9	88.6	27.4	26.3	29.7%	61.2	n.a.
Amortization related to Customer Contracts .....	(40.2)	(33.4)	—	(6.8)	20.4%	(33.4)	n.a.
<b>Normalized depreciation and amortization of tangible and intangible assets .....</b>	<b>74.7</b>	<b>55.1</b>	<b>27.4</b>	<b>19.6</b>	<b>35.6%</b>	<b>27.7</b>	<b>n.a.</b>

## 2018 vs. 2017

Normalized depreciation and amortization of tangible and intangible assets increased by €19.6 million, (35.6%), from €55.1 million for the year ended December 31, 2017 to €74.7 million for the year ended December 31, 2018, mainly due to the effect of the Sparkling contribution for the last nine months of 2018 (amounting to €0.5 million), and Bassilichi for the full year 2018 and for the second half of 2017 (respectively €13.9 million and €7.0 million). Excluding the effects of the aforementioned acquisitions, Normalized depreciation and amortization of tangible and intangible assets increased by €12.2 million from €48.1 million for the year ended December 31, 2017 to €60.3 million for the year ended December 31, 2018 mainly due to the increase in investments in software and technological developments that we made in 2018.

## 2017 vs. 2016

Normalized depreciation and amortization of tangible and intangible assets increased by €27.7 million from €27.4 million for the year ended December 31, 2016 to €55.1 million for the year ended December 31, 2017, mainly due to the effect of the Bassilichi contribution for the second half of 2017 (amounting to €7.0 million) and of Mercury Payment for the full year 2017 (amounting to €8.7 million). Excluding the effects of the aforementioned acquisitions, Normalized depreciation and amortization of tangible and intangible assets increased by €12.0 million from €27.4 million for the year ended December 31, 2016 to €39.4 million for the year ended December 31, 2017 mainly due to the increase in investments in software and technological developments that we made in 2017 (see “*Business—Our New Products and Services*”).

## Operating Margin

### Overview and Non-recurring Components

## 2018 vs. 2017

Operating margin increased by €5.0 million (4.3%) from €116.1 million for the year ended December 31, 2017 to €121.1 million for the year ended December 31, 2018. This increase was due to the increase in EBITDA analyzed above, partially offset by the increase in depreciation and amortization of tangible and intangible assets described above. For the years ended December 31, 2018 and 2017, the operating margin included net non-recurring expenses of €151.1 million and €133.5 million, respectively, mainly related to personnel expenses, other administrative expenses, and net provisions for risks and charges, and amortization relating to Customer Contracts amounting to €40.2 million and €33.4 million respectively. In 2018, the item also included net financial charges associated with the Existing Notes and the Redeemed Notes amounting to €32.0 million. Net of the aforementioned expenses, the operating margin would have increased by €61.4 million from €283.0 million for the year ended December 31, 2017 to €344.4 million for the year ended December 31, 2018.

## 2017 vs. 2016

Operating margin increased by €22.1 million (23.5%) from €94.0 million for the year ended December 31, 2016 to €116.1 million for the year ended December 31, 2017. This increase was due to the increase in EBITDA analyzed above, partially offset by the increase in depreciation and amortization of tangible and intangible assets described above. For the years ended December 31, 2017 and 2016, the operating margin includes net non-recurring expenses of €133.5 million and €49.8 million, respectively, mainly related to personnel expenses and other administrative expenses and, only in 2017, amortization relating to Customer Contracts amounting to €33.4 million. Net of the aforementioned expenses, the operating margin would have increased by €139.2 million from €143.8 million for the year ended December 31, 2016 to €283.0 million for the year ended December 31, 2017.

The following table shows the operating margin, net of non-recurring components, amortization related to Customer Contracts and net financial charge related to Existing Notes and the Redeemed Notes, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
				<i>(in € millions, except for %)</i>			
Operating Margin .....	121.1	116.1	94.0	5.0	4.3%	22.1	23.5%
Financial charges related to Notes.....	32.0	—	—	32.0	n.a.	—	n.a.
Non-recurring expenses with impact on the							
Operating Margin .....	151.1	133.5	49.8	17.6	13.1%	83.7	n.a.
Amortization related to Customer Contracts .....	40.2	33.4	—	6.8	20.4%	33.4	n.a.
<b>Normalized operating margin<sup>(1)</sup> .....</b>	<b>344.4</b>	<b>283.0</b>	<b>143.8</b>	<b>61.4</b>	<b>21.7%</b>	<b>139.2</b>	<b>96.8%</b>

(1) We define the Normalized operating margin as the operating margin normalized for (i) non-recurring income and expenses with an impact on the operating margin, (ii) financial charges related to the Notes (which are included in the Interest margin), and (iii) the amortization related to Customer Contracts.

## 2018 vs. 2017

The increase in operating margin, net of non-recurring components, amortization related to Customer Contracts and net financial charges related to Existing Notes and the Redeemed Notes, amounting to €61.2 million (21.6%) from €283.1 million for the year ended December 31, 2017 to €344.3 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to €0.2 million), of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €38.4 million and €25.9 million, respectively). Excluding the effects of the aforementioned acquisitions, the Normalized operating margin increased by €48.5 million from €257.2 million for the year ended December 31, 2017 to €305.7 million for the year ended December 31, 2018.

## 2017 vs. 2016

The increase in operating margin, net of non-recurring items and amortization related to Customer Contracts amounting to €139.2 million (96.8%) from €143.8 million for the year ended December 31, 2016 to €283.1 million for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €25.9 million) and the contribution of Mercury Payment for the full year 2017 (amounting to €90 million). Excluding the effects of the aforementioned acquisitions, the Normalized operating margin increased by €23.4 million from €143.8 million for the year ended December 31, 2016 to €167.2 million for the year ended December 31, 2017.

## Profit from Current Operations Before Taxes

### Overview and Non-recurring Components

## 2018 vs. 2017

Profit from current operations before taxes increased by €23.2 million (19.6%), from €118.4 million for the year ended December 31, 2017 to €141.6 million for the year ended December 31, 2018. This increase was mainly due to the increase in EBITDA and net gain on equity investments and sales of investment commented above, partially offset by the increase in depreciation and amortization of tangible and intangible assets. For the years ended December 31, 2018 and 2017, profit from current operations before taxes included net non-recurring expenses of €130.6 million and €133.5 million, respectively, mainly related to personnel expenses, Other administrative expenses and to amortization relating to Customer

Contracts amounting to €40.2 million and €33.4 million respectively. Net of the aforementioned expenses, profit from current operations before taxes would have increased by €27.1 million from €285.3 million for the year ended December 31, 2017 to €312.4 million for the year ended December 31, 2018.

### 2017 vs. 2016

Profit from current operations before taxes increased by €24.4 million (26.0%), from €94.0 million for the year ended December 31, 2016 to €118.4 million for the year ended December 31, 2017. This increase was mainly due to the increase in EBITDA and profits/(losses) from shareholdings and disposal of investments commented above, partially offset by the increase in depreciation and amortization of tangible and intangible assets. For the years ended December 31, 2017 and 2016, profit from current operations before taxes included net non-recurring expenses of €133.5 million and €49.8 million, respectively, mainly related to personnel and administrative expenses and, only for 2017, amortization relating to Customer Contracts amounting to €33.4 million. Net of the aforementioned expenses, profit from current operations before taxes would have increased by €141.5 million from €143.8 million for the year ended December 31, 2016 to €285.3 million for the year ended December 31, 2017.

The following table shows profit from current operations before taxes, net of non-recurring components and amortization related to Customer Contracts, for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Profit from current operations before taxes .....	141.6	118.4	94.0	23.2	19.6%	24.4	26.0%
Non-recurring expenses with impact on Profit from current operations before taxes.....	130.6	133.5	49.8	(2.9)	(2.3)%	83.7	n.a.
Amortization related to Customer Contracts .....	40.2	33.4	—	6.8	20.4%	33.4	n.a.
<b>Normalized profit from current operations before taxes .....</b>	<b>312.4</b>	<b>285.3</b>	<b>143.8</b>	<b>27.1</b>	<b>9.5%</b>	<b>141.5</b>	<b>98.4%</b>

### 2018 vs. 2017

The increase in Normalized profit from current operations before taxes of €27.1 million from €285.3 million for the year ended December 31, 2017 to €312.4 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to €167.1 million), and of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €39.3 million and €28.2 million, respectively). Excluding the effects of the aforementioned acquisitions, Normalized profit from current operations before taxes would have increased by €15.6 million from €257.2 million for the year ended December 31, 2017 to €272.8 million for the year ended December 31, 2018, in line with the increase in the operating margin on the same perimeter as commented above.

### 2017 vs. 2016

The increase in Normalized profit from current operations before taxes of €141.5 million from €143.8 million for the year ended December 31, 2016 to €285.3 million for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €28.2 million) and the contribution of Mercury Payment for the full year 2017 (amounting to €90.0 million). Excluding the effects of the aforementioned acquisitions, Normalized profit from current operations before taxes would have increased by €23.3 million from €143.9 million in 2016 to €167.2 million in 2017, in line with the increase in the operating margin on the same perimeter as commented above.

## Income Taxes

### Overview and Non-recurring Components

#### 2018 vs. 2017

Income taxes increased by €20.2 million (43.4%), from €46.5 million for the year ended December 31, 2017 to €66.7 million for the year ended December 31, 2018. This increase was mainly due to the increase in profit from current operations before taxes. For the years ended December 31, 2018 and 2017, income taxes included non-recurring expenses amounting to €32.2 million and €52.5 million respectively, mainly relating to the taxation associated with non-recurring income and expenses that impacted profit from current operations before taxes. In 2018 and 2017, income taxes also

included tax expenses associated with the amortization related to Customer Contracts, amounting to €13.3 million and €11.1 million, respectively. Net of the aforementioned expenses, ton income for the year from current operations would have increased by €2.2 million from €110.1 million for the year ended December 31, 2017 to €112.3 million for the year ended December 31, 2018.

### 2017 vs. 2016

Income taxes increased by €12.9 million (38.4%), from €33.6 million for the year ended December 31, 2016 to €46.5 million for the year ended December 31, 2017. This increase was mainly due to the increase in profit from current operations before taxes. For the years ended December 31, 2017 and 2016, income taxes included net non-recurring expenses amounting to €52.5 million and €17.8 million respectively, mainly relating to the taxation associated with non-recurring income and expenses that impacted on profit from current operations before taxes. In 2017 only, income taxes also included tax expenses associated with the amortization related to Customer Contracts, amounting to €11.1 million. Net of the aforementioned expenses, income taxes would have increased by €58.7 million from €51.4 million for the year ended December 31, the year ended December 31, 2016 to €110.1 million for the year ended December 31, 2017.

The following table shows income taxes, net of non-recurring components for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Income taxes.....	66.7	46.5	33.6	20.2	43.4%	12.9	38.4%
Tax expenses associated with non-recurring expenses .....	32.2	52.5	17.8	(20.3)	(38.7)%	34.7	n.a.
Tax expenses associated with Customer Contracts	13.3	11.1	—	2.2	20.1%	11.1	n.a.
<b>Normalized income taxes .....</b>	<b>112.3</b>	<b>110.1</b>	<b>51.4</b>	<b>2.2</b>	<b>2.0%</b>	<b>58.7</b>	<b>n.a.</b>

### 2018 vs. 2017

The increase of €2.2 million (2.0%) in Normalized income taxes from €110.1 million for the year ended December 31, 2017 to €112.3 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018, respectively (amounting to €0.2 million), and of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €16.7 million and €12.0 million, respectively). Excluding the effects of the aforementioned acquisitions, Normalized income taxes would have decreased by €1.7 million, from €97.1 million for the year ended December 31, 2017 to €95.4 million for the year ended December 31, 2018.

### 2017 vs. 2016

The increase of €58.8 million (114.4%) in Normalized income taxes from €51.4 million for the year ended December 31, 2016 to €110.1 million for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €13 million) and the contribution of Mercury Payment for the full year 2017 (amounting to €39.8 million). Excluding the effects of the aforementioned acquisitions, Normalized income taxes would have increased by €6 million, from €51.3 million for the year ended December 31, 2016 to €57.3 million for the year ended December 31, 2017.

## Profit for the Year

### Overview and Non-recurring Components

#### 2018 vs. 2017

Profit for the year decreased by €3.4 million (4.7%) from €72.1 million for the year ended December 31, 2017 to €68.7 million for the year ended December 31, 2018. This decrease was due to the increase in the profit from current activities before taxes (amounting to €23.2 million), more than offset by the combination of (i) the increase in income taxes (amounting to €20.2 million) and (ii) the decrease in profit/loss from discontinued operations after taxes (amounting to €6.3 million). For the years ended December 31, 2018 and 2017, profit for the year included non-recurring expenses amounting to €98.3 million and €81.0 million respectively and tax expenses related to the amortization of Customer Contracts amounting to €26.9 million and €22.4 million respectively. Net of the aforementioned expenses, profit for the



year would have increased by €18.4 million from €175.6 million in the year ended December 31, 2017 to €193.9 million in 2018.

### 2017 vs. 2016

Profit for the year increased by €9.4 million (15.0%) from €62.7 million for the year ended December 31, 2016 to €72.1 million for the year ended December 31, 2017. This increase was mainly due to the increase in profit from current activities before taxes (amounting to €24.4 million), partially offset by the increase in income taxes (amounting to €13 million) and the decrease in profit/loss from discontinued operations after taxes (amounting to €2 million). For the years ended December 31, 2017 and 2016, profit for the year included non-recurring expenses amounting to €81.0 million and €32.1 million respectively and, only for the year ended December 31, 2017, tax expenses related to the amortization of Customer Contracts amounting to €22.4 million. Net of the aforementioned expenses, profit for the year would have increased by €80.8 million from €94.7 million for the year ended December 31, 2016 to €175.6 million for the year ended December 31, 2017.

The following table shows profit for the year, net of non-recurring components for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,			Changes			
	2018	2017	2016	2018 vs. 2017	%	2017 vs. 2016	%
	(in € millions, except for %)						
Profit for the year .....	68.7	72.1	62.7	(3.4)	(4.7)%	9.4	15.0%
Non-recurring expenses with impact on the Profit for the year .....	98.3	81.0	32.1	17.3	21.4%	48.4	n.a.
Amortization related to Customer Contracts .....	26.9	22.4	—	4.5	20.1%	22.4	n.a.
<b>Normalized profit for the year<sup>(1)</sup> .....</b>	<b>193.9</b>	<b>175.5</b>	<b>94.8</b>	<b>18.4</b>	<b>10.5%</b>	<b>80.7</b>	<b>85.2%</b>

(1) We define Normalized profit for the year as profit for the year adjusted per (i) non-recurring income and expenses which impact profit for the year, (ii) amortization related to Customer Contracts and (iii) the tax effects related to the aforementioned adjustments.

### 2018 vs. 2017

The increase of €18.4 million (10.5%) in Normalized profit for the year from €175.5 million for the year ended December 31, 2017 to €193.9 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €16.6 million and €14.5 million, respectively). Excluding the effects of the aforementioned acquisitions and those of the acquisitions of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to a loss of impact of €0.1 million), Normalized profit for the year would have increased by €16.2 million from €161.1 million for the year ended December 31, 2017 to €177.3 million for the year ended December 31, 2018.

### 2017 vs. 2016

The increase of €80.7 million (85.2%) in Normalized profit for the year from €94.8 million for the year ended December 31, 2016 to €175.5 million for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €14.5 million) and the contribution of Mercury Payment for the full year 2017 (amounting to €50.3 million). Excluding the effects of the aforementioned acquisitions, Normalized profit for the year would have increased by €16.0 million from €94.8 million for the year ended December 31, 2016 to €110.8 million for the year ended December 31, 2017.

## Liquidity and Capital Resources

Our principal source of liquidity (other than funding in respect of settlement activities) is expected be cash flows from our operations and from our subsidiaries, either by way of dividends or other means such as intercompany loans, as supplemented by drawings under the Credit Facilities. Our ability to generate sufficient cash for our debt service depends on our operating performance and liquidity and on the operating performance and liquidity of our subsidiaries, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in “*Risk Factors*.”

Our ordinary course business activities involve settlement of card payments and the provision of short-term funding to both cardholders and merchants. Funding exposure in connection with charge cards are managed through the use of several factoring facilities under the Factoring Agreement. As of June 30, 2019, we had €100.4 million of obligations

in respect of pass-through fee payments and settlement obligations. See “*Description of Certain Financing Arrangements—Settlement Obligations.*”

## Cash Flow Information

The following table shows our cash flow statements derived from the Financial Statements for the six months ended June 30, 2019, as well as for the years ended December 31, 2018, 2017 and 2016.

	Six months ended June 30, 2019	Year ended December 31,		
		2018	2017	2016
		(in € millions)		
Net cash flows generated by operating activities .....	160.3	139.9	696.3	68.8
Net cash flows used in investing activities .....	89.1	(151.9)	(793.7)	(1,082.4)
Net cash flows generated by (used in) financing activities .....	(124.2)	(81.8)	223.4	1,022.0

## Net Cash Flows Generated by Operating Activities

### 2018 vs. 2017

Net cash flows generated by operating activities amounted to €139.9 million and €696.3 million respectively for the years ended December 31, 2018 and 2017. This increase was mainly due to:

- positive net cash flows from operations of €251.0 million for the year ended December 31, 2018, an increase of €44.8 million compared to the year ended December 31, 2017 (€206.2 million), mainly due to: (i) an increase in the item net impairment/reversal of impairment on tangible and intangible assets, from €88.6 million for the year ended December 31, 2017 to €114.9 million for the year ended December 31, 2018, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination and (ii) an increase in the item net provisions for risks and charges that amounted to a loss of €1.5 million for the year ended December 31, 2017 and €40.6 million for the year ended December 31, 2018. The 2018 balance includes non-recurring components including €27.5 million for expenses on supply agreements deriving from the completion of the integration of Bassilichi into Nexi Payments, estimated penalties and expenses for the closure of the liquidation of Bassnet amounting to €2.8 million and €4 million for contingent tax liabilities;
- net cash flow generated from financial assets amounted to €1,372.5 million for the year ended December 31, 2018 compared to a net cash flow absorbed by financial assets of €227.6 million for the year ended December 31, 2017 due mainly to the change in receivables from customers, which generated cash amounting to €1,672.1 million in 2018 and absorbed cash amounting to €231.0 million in 2017. In 2018, following the completion of the Reorganization, we modified our operating funding model by opening factoring facilities pro-soluto and pro-solvendo for the transfer of credit from the credit cards as balance and financing lines provided by financial institutions. The decrease in this item at December 31, 2018 compared to December 31, 2017 was mainly attributable to the recourse of the transfer of credit pro-soluto through the activation of the Factoring Agreement entered into with Unicredit Factoring SpA in 2018 (see “*Business—Material Contracts*”); and
- net cash flow absorbed by financial liabilities amounting to €1,483.5 million for the year ended December 31, 2018 compared to net cash flow generated from financial liabilities of €717.7 million for the year ended December 31, 2017, the change was primarily attributable to the decrease in exposure to banks mainly due to the aforementioned process, starting from 2018, for the disposal of credit pro-soluto through the Factoring Agreement.

### 2017 vs. 2016

Net cash flows generated by operating activities amounted to €696.3 million for the year ended December 31, 2017 and €68.8 million for the year ended December 31, 2016 mainly due to:

- positive cash flow from operations of €206.2 million for the year ended December 31, 2017, an increase of €80.6 million compared to the year ended December 31, 2016 (€125.6 million), mainly due to: (i) an increase in the item Net impairment/reversal of impairment on tangible and intangible assets, which increased from

€27.4 million for the year ended December 31, 2016 to €88.6 million for the year ended December 31, 2017, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination (see “*Business—Our History*”); and (ii) the increase in the item Taxes, duties and unpaid tax credits, which increased from €33.6 million for the year ended December 31, 2016 to €46.5 million for the year ended December 31, 2017 primarily due to the tax benefits attributable to ACE that we mainly used in 2016;

- net cash flow absorbed by financial assets of €227.6 million for the year ended December 31, 2017 compared to net cash flow generated from financial assets of €76.9 million for the year ended December 31, 2016 due to the combined effect of: (i) the change in receivables from customers, which absorbed cash flows amounting to €231.0 million for the year ended December 31, 2017, a significant increase compared to the corresponding value of €33.4 million in the year ended December 31, 2016, mainly due to higher volumes of transactions generated both by ordinary credit cards and by the new acquiring perimeters of MPS and DB acquired in 2017; and (ii) in 2016, the collection of non-recurring income amounting to €212.0 million due to the disposal of our shareholding in Visa Europe; and
- net cash flow generated from financial liabilities amounting to €717.7 million for the year ended December 31, 2017 compared to net cash flow absorbed by financial liabilities amounting to €133.7 million for the year ended December 31, 2016 mainly due to the increase in payables to banks related to the acquisitions of the MPS and DB acquiring businesses in 2017 and funded through the use of credit lines with DepoBank.

### **Net Cash Flows used in Investing Activities**

#### **2018 vs. 2017**

Net cash flows used in investing activities amounted to €151.9 million for the year ended December 31, 2018 and €793.7 million for the year ended December 31, 2017, primarily attributable to:

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713.2 million and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;
- net cash flows used in investments in tangible assets amounting to €40.6 million and €41.7 million for the years ended December 31, 2018 and 2017, respectively; and
- net cash flows used in investments in intangible assets amounting to €110.0 million and €40.5 million for the years ended December 31, 2018 and 2017, respectively.

#### **2017 vs. 2016**

Net cash flows used in investing activities amounted to €793.7 million for the year ended December 31, 2017 and €1,082.4 million for the year ended December 31, 2016, primarily attributable to:

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713.2 million and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;
- net cash flows used in purchases of subsidiaries and business units in 2016, amounting to €1,033.0 million and mainly related to Mercury Payment;
- net cash flows used in investments in tangible assets amounting to €41.7 million and €25.7 million for the years ended December 31, 2017 and 2016, respectively; and
- net cash flows used in investments in intangible assets amounting to €40.5 million and €26.2 million for the years ended December 31, 2017 and 2016, respectively.

### **Net Cash Flows Generated by Financing Activities**

#### **2018 vs. 2017**

Net cash flows used in financing activities amounted to €81.8 million for the year ended December 31, 2018, while net cash flows generated by financing activities amounted to €223.4 million for the year ended December 31, 2017. With reference to 2018, the main cash flow relates to the issue of the Notes for €2,557.0 million. This available funding

was mainly used to: (i) repay a loan of €380 million to Mercury included in the demerger compendium relating to the Reorganization; and (ii) to distribute, on December 20, 2018, to our shareholders an extraordinary dividend of €2,203.7 million.

### 2017 vs. 2016

Net cash flows generated by financing activities amounted to €223.4 million for the year ended December 31, 2017 and €1,022.0 million for the year ended December 31, 2016 mainly due to capital injections received in the two-year period in question to enable the acquisition of Mercury Payment and Bassilichi.

### Contractual Obligations

The following table summarizes certain of our contractual obligations and commitments owed to third parties (excluding any interest payments or accruals on such contractual obligations and commitments), by period, as of June 30, 2019, on an as adjusted basis after giving effect to the Refinancing, but excluding amounts in respect of Settlement Obligations:

	Less than 1 year	1 - 5 years	More than 5 years	Total
	(in € millions)			
Credit Facilities <sup>(1)</sup> .....	—	1,000.0	—	1,000.0
Notes offered hereby <sup>(2)</sup> .....	—	—	825.0	825.0
Other liabilities <sup>(3)</sup> .....	0.6	0.4	0.3	1.3
<b>Total</b> .....	<b>0.6</b>	<b>1,000.4</b>	<b>825.3</b>	<b>1,826.3</b>

(1) Excludes the Revolving Credit Facility, which we expect to be undrawn on the Issue Date and which provides for borrowing amounts up to €325 million.

(2) Represents the aggregate principal amount of the Notes excluding future interest payments.

(3) Other liabilities represents the aggregate principal amount of €1.3 million of credit lines in place at Nexi Payments. It excludes €31.3 million of other financial liabilities, mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16.

### Off-Balance Sheet Arrangements

As of the date of this Information Release, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Qualitative Disclosure on Market Risk

#### Operational Risk

The Group may incur liabilities and may suffer damages, also to its reputation, related to fraudulent digital payment transactions, fraudulent receivables claimed by merchants or other parties, or fraudulent sales of goods and services, including fraudulent sales by merchants of the Group in the Cards & Digital Payments and Merchant Services & Solutions lines of business.

#### Reputational Risk

The Group is exposed to the risk of a loss, a decline in business volume or profits, or fall in value of company shares resulting from a negative perception of the Group by its customers, counterparties, shareholders, investors, or competent supervisory authorities, events which may also affect the capacity of Nexi to maintain or create new business relations and to continue to access funding resources also through the capital markets or banking channel.

#### Credit Risk

The Group is exposed to credit risk in acquiring activities, issuing activities, servicing and associate activities and in credit risk monitoring.

### ***Interest Rate Risk***

We are exposed to market risk associated with changes in interest rates. Borrowings under the Credit Facilities and the Notes bear interest at a variable rate. Interest rate changes generally impact the amount of our interest payments in respect of variable rate debt and, therefore, our future earnings and cash flows. We are continuing to evaluate various hedging strategies that we may put in place in the future with respect to interest rate risk.

### ***Hedging Risk***

Nexi Payments has exposure to price risk by an investment in Visa Europe shares. This risk was hedged by a collar of which 16% of the amount is classified as a trading instrument and consequently exposed to price risk, which represents the risk of changes in the price of financial instruments dependent on fluctuations in market variables and specific factors of issuers or of the counterparties. In September 2019, such collar naturally expired and its final balance was paid. We continue to monitor the performance of the underlying asset, while waiting to receive further updates on both the date and the conversion ratio of such shares, which could lead to undertaking different initiatives in terms of possibly entering into new hedging derivative instruments.

### ***Currency Risk***

The currency risk is determined on the basis of the differences existing between assets and liabilities denominated in different currencies, e.g., cash and forward currency contracts. We do not have material currency exchange risk, as payments and receipts, respectively, for transactions to be liquidated or collected on the MasterCard and Visa schemes, are made in euro.

### **Critical Accounting Policies**

For a description of our accounting policies refer to the notes in our Financial Statements. See “*Risk Factors—Risks Related to Our Business—Our risk management policies and procedures may not be fully effective in mitigating our risk exposure.*”

## BUSINESS

### Overview

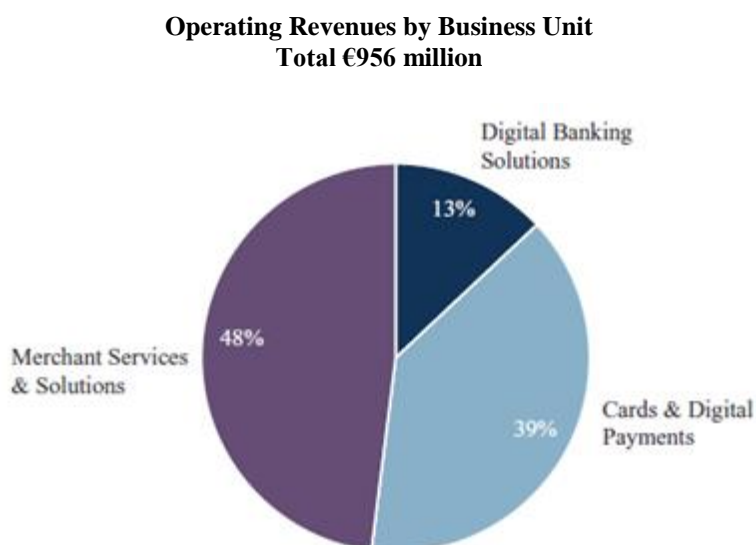
We are the leading paytech company in Italy. As of June 30, 2019, we managed directly or through approximately 150 partner banks over 41 million payment cards and served more than 900,000 merchants (an increase from the 890,000 merchants served as of December 31, 2018). Our technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Our business is built on long-standing and deeply-rooted relationships with approximately 150 partner banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018.

We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's cooperative banks. In keeping with this objective, we gradually expanded our service offering. This positioned us at the forefront of developments in payment technology and enabled us to drive innovation and digitalization in the Italian market over the course of the following decades.

In the twelve months ended June 30, 2019, we managed over 41 million payment cards and processed approximately 6 billion acquiring and issuing transactions, with a combined transaction value of approximately €456 billion, including issuing volumes of approximately €201 billion and acquiring volumes of approximately €255 billion.

We conduct our business through three business units: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions.

The graph below sets forth our operating revenues by business unit for the twelve months ended June 30, 2019:



*Merchant Services & Solutions:* Through our Merchant Services & Solutions business unit, we supply merchants with the necessary infrastructure to enable digital payment acceptance, and we execute card payments on the merchant's behalf. The services performed within our Merchant Services & Solutions business unit can be divided into core acquiring services and POS management. Core acquiring services are financial services such as the settlement of card payments to our merchants, technology services aimed at the fast, reliable and secure authentication and execution of payment transactions, and administrative services such as payment tracking and data analytics. POS management involves the configuration, activation and maintenance of POS terminals (whether physical or e-commerce), their integration within merchants' accounts software, fraud prevention services, dispute management, as well as customer support services via a dedicated call center. Core acquiring and POS management services are usually sold as a bundle, which offers customers a full service benefit. We provide the majority of our acquiring services in cooperation with our partner banks. As a result, we benefit from their existing relationships and extensive branch networks for customer origination, while providing them with the benefit of our expertise and scale in the areas of procurement, processing and data security. However, we also serve certain merchants directly through our direct acquiring activities, with the partner bank acting solely as referral partner. Our Merchant Services & Solutions business unit generated €461.6 million, or 48%, of our operating revenues for the twelve months ended June 30, 2019.

**Cards & Digital Payments:** Through our Cards & Digital Payments business unit, we and our partner banks provide a wide spectrum of services in connection with the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. Our Cards & Digital business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retails and large corporate customers without the involvement of partner banks (direct issuing). Credit cards, which allow cardholders to repay the balance in instalments, are issued solely in partnership with banks. This limits credit risk since, pursuant to agreements to that effect, the issue of cards in partnership with banks entails the latter fully assume the risk of their customers' insolvency. As of June 30, 2019, we had issued approximately 583,000 cards directly, representing approximately 1.4% of the total stock of payment cards. Of these, approximately 47,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 536,000 were prepaid cards. Our Cards & Digital Payments business unit generated €374.2 million, or 39%, of our operating revenues for the twelve months ended June 30, 2019.

**Digital Banking Solutions:** In our Digital Banking Solutions business unit, we provide clearing services, digital corporate banking services and ATM management services. Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. We also operate as a clearing house for domestic and international SEPA payments. Our digital corporate banking services provide digital solutions to banks and corporate clients to help them manage their bank accounts and payments, such as a customizable e-banking platform. Our Digital Banking Solutions business unit also provides our market-leading CBI interbank corporate banking services. The CBI interway corporate banking is an Italian payment platform allowing for direct payment collection and the delivery of supporting documentation between banks, corporations, tax authorities, pension schemes and other public and private bodies. ATM management services range from the complete management of an ATM fleet for banks to managing discrete parts of the value chain based on customer needs. Our Digital Banking Solutions business unit generated €120.0 million, or 13%, of our operating revenues for the twelve months ended June 30, 2019.

As of June 30, 2019, we had 1,838 full-time equivalent employees.

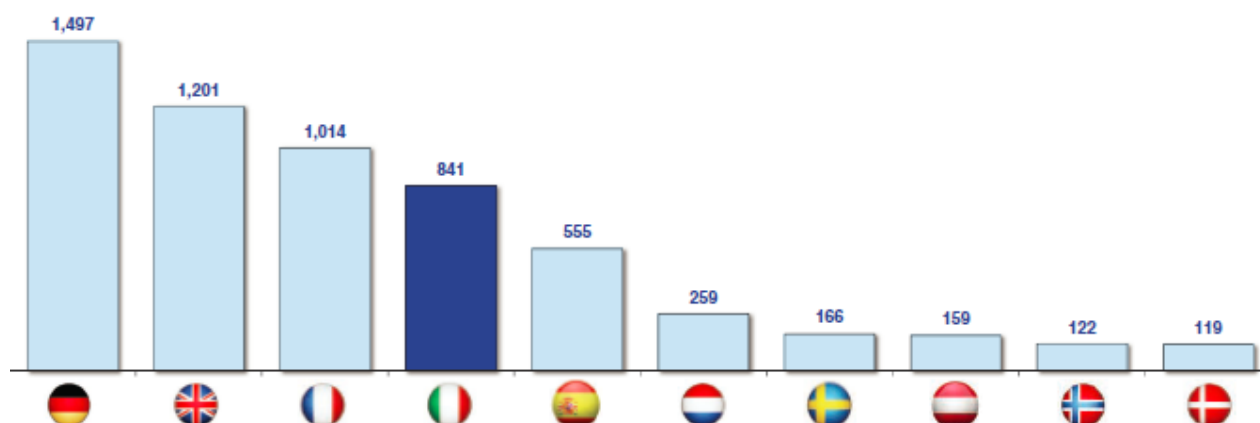
## Our Strengths

### Large and Attractive Market with Secular Growth Drivers

#### Overview

We are uniquely positioned to capitalize on secular growth trends and favorable industry dynamics in one of Europe's largest markets as the share of digital payments in overall consumer spending in Italy converges with other developed European economies. Our business benefits from a large domestic market. Italy is Europe's fourth largest economy by total consumer spending (estimated at €841 billion in 2018 according to Euromonitor International), as shown in the chart below.

**Total Consumer Spending 2018, Selected European Countries (€ billions)<sup>(1)</sup>**



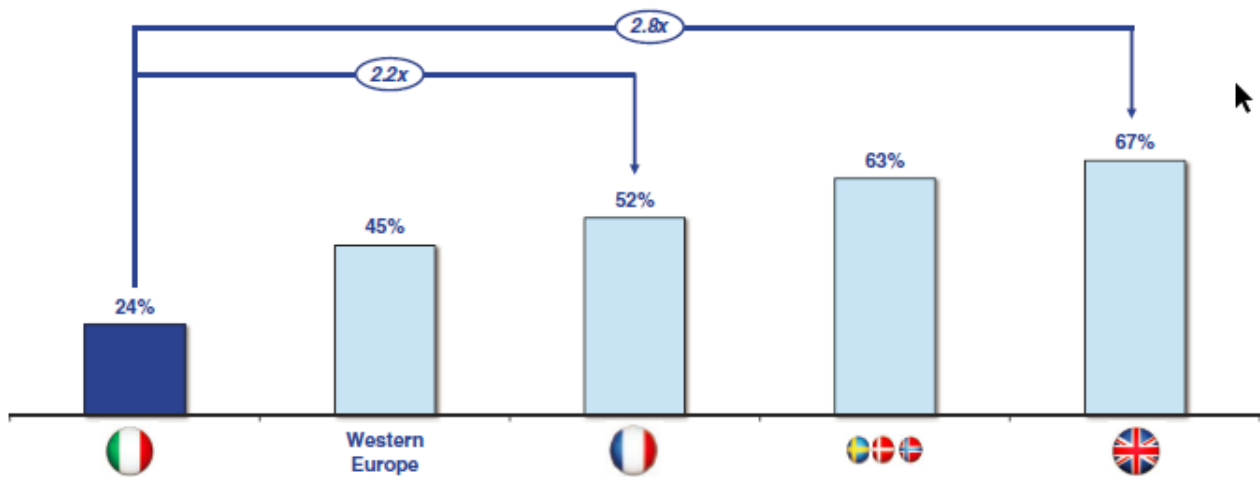
Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate).

### Card Payments Penetration

The Italian payments infrastructure is well-developed, with the average number of payment cards per capita being largely consistent with other major Western European economies. However, payment cards in Italy are used less frequently than on average in Western Europe, with card payments penetration in Italy of 24% compared to 45% in Western Europe. As illustrated by the chart below, Italy has one of the lowest rates of card payments penetration in Europe. Consequently, we believe that the Italian market has significant potential for further expansion in order to bring card payments penetration levels in line with other major European economies.

**Consumer Card Payment Transactions Penetration, Selected Countries**  
(% by value of transactions, 2018)<sup>(1)</sup>



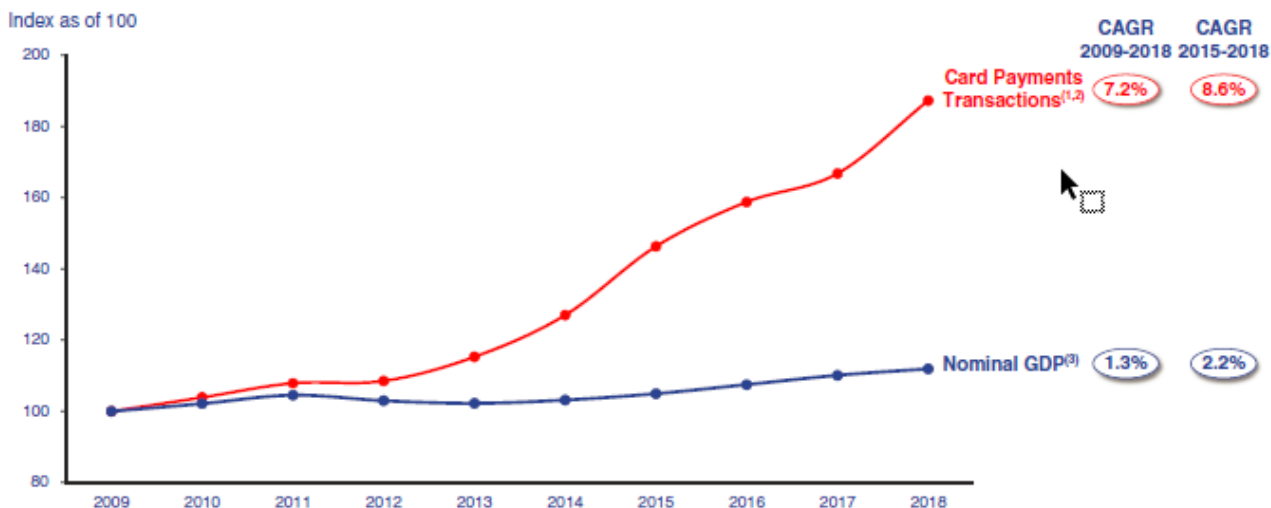
Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl. Commercial) divided by Total Consumer Spending.

Card payments penetration in Italy is increasing, supported by the growth in the number of Card Payments Transactions, which registered a CAGR of 8.6% in the period 2015-2018, according to Bank of Italy data. The rapid and substantial growth of card payments in Italy has taken place notwithstanding the Italian macroeconomic and political backdrop in recent years. As shown in the chart below, card payment transactions value in Italy grew at a CAGR of 7.2% between 2009 and 2018, faster than the overall economy, as represented in terms of nominal GDP over the same period.



**Growth of Italian Card Payments (in values) consistently outperforming Italian nominal GDP growth from 2009 to date indexed to 100<sup>(1)(2)(3)</sup>**



Source: (1) Bank of Italy—Appendix to the Annual Report as published on May 2019; (2) Value of card payment transactions (including credit, debit and prepaid cards); (3) ISTAT.

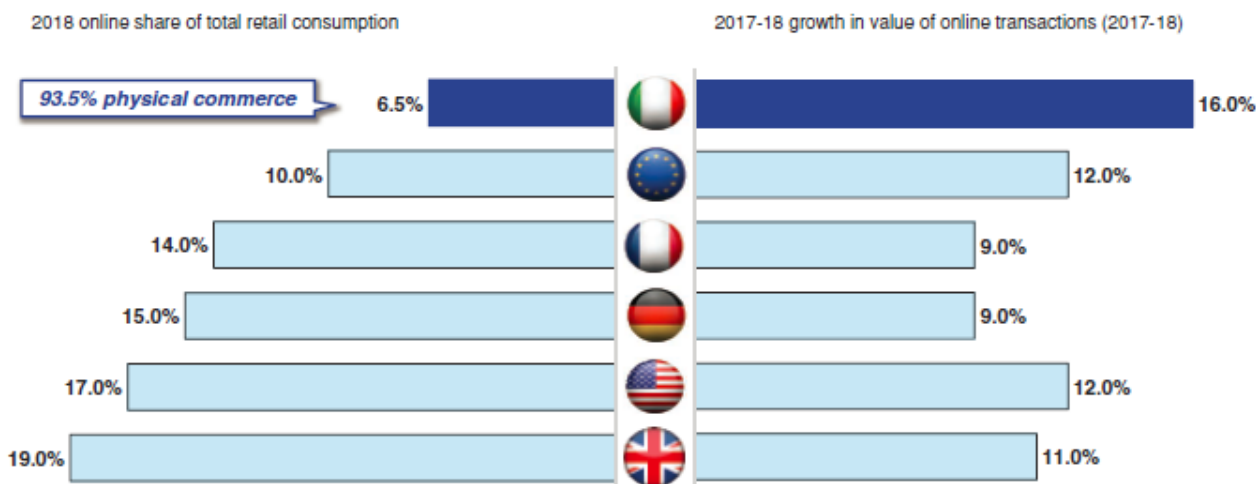
*SMEs*

According to Eurostat, Italy also has one of the largest SME populations in Europe, with 3.7 million SMEs, which account for a substantial share of the country’s card payment volumes. We believe that the ongoing digitalization of SMEs, as well as the deployment of new technologies (e.g., development of contactless payments and compulsory electronic invoicing), create the conditions for even faster growth in this segment. As a result of the segment’s high fragmentation, SMEs require a widespread distribution approach which can be best achieved through banking distribution networks. This structural characteristic provides us with a strong competitive advantage given our current extensive reach through our partner banks on which we depend to distribute our products and services.

*eCommerce and mCommerce*

Despite the strong growth of the value of eCommerce transactions in Italy (16.0% from 2017 to 2018), according to Politecnico of Milan, Osservatorio eCommerce B2C, October 2018), the sector is still underdeveloped compared to other major European countries. In particular, the portion of retail sales represented by eCommerce is low compared to other European countries (6.5% in Italy, compared to 14.0% in France and 19% in the UK, according to Politecnico of Milan, Osservatorio eCommerce B2C, October 2018).

**Statistics on e-commerce industry in Selected European Countries<sup>(1)</sup>**



- (1) eCommerce penetration calculated as the ratio between online spending and total spending (online and physical). Online spending includes purchases of products and services, excluding digital-only contents. Total spending is calculated on those categories of products that are sold online but that are also available offline markets sold online (i.e., excluding cigarettes, gaming, betting etc.).

In our view, continued mobile-centric innovation in the payments market combined with growth in the adoption of this channel is expected to result in further acceleration of growth in the Italian payments market. Key factors driving this growth are the high level of mobile penetration in Italy (favorable demographic trends with younger generations being more attracted to digital applications) and the availability of modern payments infrastructure.

### *Regulatory Tailwinds*

Digitalization of payments is a priority in Italy's national agenda as mean to favor digital over cash payments to prevent tax avoidance, money laundering and corruption. See "*Industry—Key Trends in the Digital Payments Market—Regulatory Changes*" for a description of these initiatives.

We believe that the combination of these market dynamics and characteristics creates a significant opportunity to grow our business.

### ***Established Market Leader at Scale with Extensive Payments Ecosystem Coverage***

We believe that, due to our leadership position across several industry segments, we play a pivotal role in the Italian payments ecosystem. In particular, with reference to the offer of products and services relating to the Merchant Services & Solutions business unit, we served approximately 890,000 merchants, as of December 31, 2018, which increased to more than 900,000 merchants as of June 30, 2019, with large acquiring volumes amounting to 3.4 billion transactions in the twelve months ended June 30, 2019, and 3.2 billion transactions in the year ended December 31, 2018 (equivalent to €255 billion by payment transactions value in the twelve months ended June 30, 2019 and €249 billion by payment transactions value in the year ended December 31, 2018). Based on our management estimates, we processed, directly or indirectly, approximately 70% of the value of card payment transactions by value excluding national schemes (Bancomat/PagoBancomat) as of December 31, 2018.

With respect to the Cards & Digital Payments business unit, we are the leading card issuer in Italy, with over 41 million payment cards under management as of June 30, 2019, with large issuing volumes amounting to 2.5 billion in the twelve months ended June 30, 2019, and 2.4 billion transactions in the year ended December 31, 2018 (equivalent to €201 billion by payment transactions value in the twelve months ended June 30, 2019, and €197 billion by payment transactions value in the year ended December 31, 2018). Based on our management estimates, we managed, directly or indirectly, payment and withdrawal transactions equal to approximately 60% of the value of card transactions excluding national schemes (Bancomat/PagoBancomat) as of December 31, 2018.

We estimate that, based on the percentage of card spending carried out on our issuing or acquiring platform, approximately 90% of the total consumer card spending in Italy for the year ended December 31, 2018 (excluding national schemes Bancomat/PagoBancomat), flowed through at least one part of our value chain.

With respect to digital banking solutions and services, based on our estimates, we managed 936 million transactions through our clearing houses for Italy and the SEPA area in the year ended December 31, 2018. We are also the main provider of digital corporate banking services when measured by e-banking licenses (equal to approximately 420,000, constituting a 25% share of the market by number of e-banking licenses (According to CBI Statistical Report)), providing Italian corporates with key digital front-end systems for the management of electronic flows and, in the self-banking industry, (RBR (2017)) we managed approximately 13,400 ATMs with a 29% market share for the year ended December 31, 2018.

In addition, we have developed the CBI Globe Open Banking Gateway to capture the opportunities from PSD2. CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents more than 70% of the Italian banking market in terms of branches. The CBI Globe Open Banking Gateway is fully operational from June 2019.

Our position in the payments industry shows our broad coverage of the value chain across multiple dimensions as well as our presence in adjacent services and payment-type agnostic capabilities (i.e., independent from traditional payment channels).

Our extensive and diversified coverage of the payments system allows us to (i) attract more banks, which in turn provides access to a very broad merchant footprint, (ii) drive economics across the full value chain and realize attractive economies of scale, (iii) benefit from multiple revenue streams, cross-selling and up-selling; (iv) consolidate our competitive landscape in the Italian market and (v) operate a business that conducts both issuing and acquiring activities on a significant scale, with possible additional value sources and opportunities in the future.

We cover the full payments value chain, including the technological platform for transaction processing, clearing and settlement, operations, the development of products and solutions, as well as sales and customer management. See “*Business—Our Services*” for further details.

### ***Long-term Partnerships with Italian Banks***

We derive the majority of our revenues from commercial relationships with approximately 150 Italian banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018. These banks are both direct customers and partners serving as strategic distributors of our services and products or referral networks for potential cardholders and merchant and corporate clients. They include some of the main Italian banking groups and their extensive coverage creates an effective distribution reach. In particular, our bank partnerships encompass a broad spectrum of the players active in Italy: from large domestic players, such as Intesa Sanpaolo, Banco BPM, UBI and Banca Monte dei Paschi di Siena, to medium-sized banks like BPER, Credito Valtellinese and Banca Carige, and local banks, such as Banca Popolare di Bari, whether traditional commercial banks or digital banks (e.g., Widiba) and from pure Italian players to foreign-owned operators (e.g., Deutsche Bank or Crédit Agricole).

Our relationships with partner banks are built on a wide set of different service models, offering attractive solutions to address each partner bank’s requirements in digital payments acceptance and issuance strategy, from technological outsourcing of selected activities (clearing and settlement) to providing services that can cover the entire value chain (from the supply of technology and material support to process management, maintenance activities and customer support). Given the complexity and fast-changing, technology-driven developments in the payments system, we believe that banks are increasingly focused on offering innovative value-added products and services to their customers. Consequently, banks, and in particular small and medium-sized banks, are typically seeking support from specialist payments companies, for their end-to-end digital payment needs, a trend from which we benefit.

We have continued to invest in partnerships with Italian banks by offering more value-oriented and innovative products, providing effective digital banking tools fully integrated with banks’ digital systems as needed (e.g., banking dashboards) and aiming to enhance our service levels. Our support and level of investment in products and services are instrumental for our partner banks in order for them to be able to compete in the evolving payments system and remain commercially effective in the future. Our offer is also enhanced by the provision of services such as the implementation of advertising campaigns, a dedicated “SME Factory,” training of the bank’s sales network, and the advice of experts specializing in the field. Our “SME Factory” is a team specialized in activities and campaigns to increase the value of small and medium enterprises with the aim of increasing the value of merchants.

In addition, we believe that there are natural incentives for our partners to outsource their payments activities to us, such as:

- the combination of our know-how, business support activities, specialization and investment in innovation that allows us to deliver faster, highly integrated and technology-driven payment services, which are strategically important for banks; and
- our scale, which creates significant cost advantages across product development, processing and overhead that we believe no single partner bank could match on its own.

These factors enable us to have a high customer retention rate. By way of example, our relationships with most of our partner banks have been in place for more than 25 years, each of our top 10 partner banks has been a customer for more than 15 years, and we have had no material customer losses since our ownership changed in 2015 (excluding any loss due to mergers among client banks such as the merger of Veneto Banca and Banca Popolare di Vicenza with the Intesa Sanpaolo Group).

### ***Strong and Defensible Competitive Positioning, Leveraging on Product and Technological Innovation***

Achieving and seeking continuous product innovation as well as developing and extending our customer offering are at the core of our strategy and are a priority for our CEO and senior management to maintain a strong and defensible competitive positioning. Our strategic goal is to sustain our strong product differentiation, retain our customer base with

continued cross-selling and up-selling, and, most importantly, maintain profitable and sustainable growth over the near- and long-term.


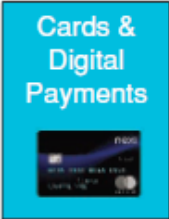

Our approach to innovation is two-fold. We aim to proactively shape and constantly sharpen our extensive innovation strategy, which we implement through collaboration with our partner banks. We also strive to work strategically with our main partner banks to develop bespoke solutions that best fit their business needs, incentivizing the adoption of selected products and initiatives that are already part of our innovation strategy.

We believe that we maintain a significant competitive advantage in product innovation, having introduced in recent years a significant number of well-funded, highly innovative, and differentiating products and solutions that are driving near- and long-term growth. For example, our recent products include SmartPOS devices (including SmartPOS Mini), Xpay (a payment gateway solution) and the Nexi Business App, in our Merchant Services & Solutions business unit. We have enhanced our offering in the Cards and Digital Payments business unit, with the launch of our Black credit card, virtual card and our new national and international debit cards, and the offering of new, fully digital card management capabilities. We have also launched our next generation customer value management, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending, which led to a 9% increase in reactivated cards and the issue of 53% more new payment cards. In our Digital Banking Solutions business unit, we have also developed a new self-banking offering and an innovative Digital Corporate Banking solution for our business customers. Moreover, we are at the forefront of open banking both in terms of infrastructure and value added services, thanks to CBI Globe, one of the most comprehensive national gateways in Europe that connects 80% of the Italian banking system and has the potential to host cooperative services and TPPs.

### ***Resilient and Diversified Recurring Revenues***

Our growth is the result of a resilient and diversified business model and various other factors, including, among others, the fact that our end markets benefit from strong consolidated growth drivers as well as several structural characteristics which are specific to Italy. We also benefit from revenues which are predominantly recurring in nature, with an attractive mix of volume-driven revenues and installed base driven revenues (47% and 53% in 2018, respectively). As shown in the table below, volume-driven revenues are linked to the volumes and payment transactions value we manage. Installed base-driven revenues are primarily related to the number of apps, POS terminals, managed cards and loyalty programs.

#### **Revenue Drivers**

	Selected Revenue Items	Volume Driven	Installed Base Driven	Selected Revenue Drivers
<b>Merchant Services &amp; Solutions</b> 	Acquiring	✓		TPV
	POS Management		✓	POS Terminals
	VAS	✓	✓	TPV / # of Transactions
<b>Cards &amp; Digital Payments</b> 	Card Management		✓	# of Cards
	Transaction Revenues	✓		TPV / # of Trx
	VAS	✓	✓	# of Cards / # of Trx
<b>Digital Banking Solutions</b> 	ACH	✓		# of Clearing Transactions
	ATM Management		✓	# of ATMs
	Digital Corporate Banking		✓	# of Workstations

Our revenues are also underpinned by attractive partnerships with our partner banks. We have relationships with the vast majority of banks operating in Italy. Partner banks act as distributors and referral partners for a significant number of our services. These relationships are mutually beneficial because they allow partner banks to offer comprehensive services to their customers, whilst outsourcing certain activities to us enabling them to benefit from our economies of scale. We benefit from the large branch networks and customers relationships of these partner banks without the incurrence of related infrastructure costs. As a result, our business depends to a certain degree on the market share and marketing efforts of the Group's partner banks.

The relationships with our partner banks, including our top partners by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. These framework agreements have different terms. The partner banks, with whom we have in most cases open-ended agreements or contracts with automatic renewal (in both cases unless terminated by one of the parties), account for approximately 24% of our operating revenues for the year ended December 31, 2018. 86% of the operating revenues for our top five partner banks by total income derives from framework agreements with durations up to 2023, while 68% of operating revenues of our top five partner banks derives from agreements that expire in 2025 or later. The framework agreements that expire in 2023 or later represent approximately 54% of our operating revenues for the year ended December 31, 2018.

The table below sets forth the percentage of revenues recorded in the year ended December 31, 2018, on a pro forma basis, by residual maturity of framework contracts with partner banks divided by positioning in generating our operating revenues:

	<b>Recurring annual contracts</b>	<b>2025+</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>Total</b>
<b>2018</b>								
Banks Nos. 1 - 5 .....	—	30.2%	—	8.0%	—	—	6.3%	44.5%
Banks Nos. 6 - 10 .....	2.8%	—	—	2.2%	0.6%	—	8.3%	14.0%
Banks Nos. 11 - 20 .....	8.3%	0.7%	—	—	1.1%	1.0%	1.2%	12.3%
Other banks .....	11.4%	—	—	—	—	—	4.1%	15.5%
Direct/referral .....	1.3%	12.5%	—	—	—	—	—	13.7%
<b>Total</b> .....	<b><u>23.8%</u></b>	<b><u>43.4%</u></b>	<b><u>0.0%</u></b>	<b><u>10.2%</u></b>	<b><u>1.7%</u></b>	<b><u>1.0%</u></b>	<b><u>19.9%</u></b>	<b><u>100.0%</u></b>

#### ***Attractive Financial Profile Combining Profitable Growth, Resilience, Operating Leverage and Strong Cash Flow Generation***

With strong operating revenues of €956 million for the twelve months ended June 30, 2019, we rank among the largest players in the European payments sector and are the largest paytech company in Italy by revenue. Taking into account both organic and market growth as well as the contribution from the acquisitions in recent years, our Normalized EBITDA (derived from our Carve-Out Financial Statements) increased from €171 million for the year ended December 31, 2016, to €419 million for the year ended December 31, 2018. The Normalized EBITDA (derived from our unaudited non-GAAP managerial information) for the twelve months ended June 30, 2019 was equal to €463 million.

We have a history of consistent growth through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, we recorded significant growth rates in terms of operating revenues and Normalized EBITDA. In particular, our operating revenues and Normalized EBITDA increased by 7.8% and 15.5%, respectively, over the period from 2016 to 2018.

At the same time, we have also implemented substantial cost-savings and synergy initiatives, which allowed us to efficiently manage our operating costs base while expanding our business.

A large portion of our principal cost components are fixed (approximately 64% in 2018), such as ICT operation costs, general operating expenses and salaries. As a result, our business benefits from a significant degree of operating leverage that has delivered consistent growth in operating revenue and resulted in high cash conversion (Normalized EBITDA less capital expenditures) in recent years.

We have significantly downsized our transformation costs, with one-off charges decreasing by €33.6 million or 60.0%, from €66.0 million for the six months ended June 30, 2018, to €26.4 million for the six months ended June 30, 2019.

Our business is highly cash generative, which allowed us to undertake extraordinary investments in transformation and innovation initiatives to enhance our platform and product offering. We estimate that capital expenditure, including non-recurring items, amounted to €150.5 million, or 16% of our operating revenues in the year ended December 31, 2018,

and €58.6 million, or 13% of our operating revenues in the six months ended June 30, 2019. Excluding non-recurring items, ordinary tangible and intangible assets amounted to €85.2 million, or 9% of our operating revenues in the year ended December 31, 2018, and €32.3 million, or 7% of our operating revenues in the six months ended June 30, 2019.

Taking into account both the ordinary component of capital expenditure and the change in working capital recorded (which amounted to €27 million in the year ended December 31, 2018, and €13 million in the six months ended June 30, 2019), we estimate that our normalized operating pre-tax cash flow (excluding non-recurring items) amounted to €312 million, or 74% of our Normalized EBITDA in the year ended December 31, 2018 and €187 million, or 80% of our Normalized EBITDA in the six months ended June 30, 2019. Such change in our net working capital relates only to variations of operating items, excluding certain line items relating to our acquiring and issuing activities covered by dedicated financing arrangements.

### ***Strong Leadership Team with Proven Track Record of Delivery***

Since the acquisition by Advent, Bain and Clessidra in 2015, we have further strengthened our management. In 2016, we hired Mr. Paolo Bertoluzzo as chief executive officer and Mr. Bernardo Mingrone as chief financial officer. Mr. Bertoluzzo was previously group chief for commercial operations and strategy for the Vodafone Group and CEO of Vodafone Italy, with extensive commercial and technology operations. He has significant experience in leading public companies with a large market capitalization. Mr. Mingrone was previously group chief financial officer of UniCredit S.p.A. and deputy general manager in charge of finance and operations at BMPS, and brings us wide knowledge of public companies and the Italian banking market with which we partner. We have also strategically enhanced selected top management positions, hiring a new chief information officer, chief administrative officer and new business heads for each of our three core segments, Merchant Services & Solutions, Cards & Digital Payments and Digital Payments Solutions. We have a large, experienced and highly qualified broader team of professionals from different industries such as high tech, financial services/banking, media, and consultancy.

The combination of these key strategic additions to management and the expansion of our technological capabilities has enabled us to simultaneously implement substantial strategic initiatives since 2016. During the 2016-2018 period, we grew significantly through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, our Normalized EBITDA increased at a CAGR of 15.5% for the period. Since 2016, we successfully completed six acquisitions (Mercury Payment, Bassilichi, Sparkling, and the acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), while making our business more focused by selectively streamlining non-core and marginal operations. Our recent acquisitions served different strategic purposes, ranging from increasing our customer base and expanding our business coverage (e.g., Mercury Payment and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), increasing our technological capabilities, for example through the acquisition of Sparkling18, and adding new synergistic and strategic business lines (e.g., Bassilichi). In addition to the expected financial benefits and synergies, these acquisitions have strengthened our customer relationships, added significant scale to our issuing, acquiring and POS management capabilities and expanded our customer base. The disposal of certain non-core businesses generated proceeds of €381 million between 2017 to the date of this Information Release, more than the extraordinary costs relating to the Transformation Program and the Reorganization.

We completed the Reorganization, aimed at focusing the Group on the digital payments industry, thereby reducing our regulatory compliance burden. We broadened our product offering to cover the full payments value chain and to exploit the main future avenues of growth in the digital payments market. We implemented a comprehensive and transformational IT and technology transformation plan, on the back of committed investments for a cumulative amount of €325 million during the 2016-2018 period. We developed a modern corporate culture and internalized differentiated skills, hiring more than 260 experienced and highly qualified professionals. We finalized our rebranding as Nexi, including our roll-out of our new corporate slogan “*Nexi—every day, every pay.*” which is a testament to our commitment to driving innovation and the development of digital payments in Italy.

Given the execution ability of our management team and our strong focus on value creation and financial metrics, we believe that we will be able to take advantage of potential future growth opportunities, including through potential, disciplined M&A transactions in Italy, targeted either at domestic consolidation, increasing our scale, for example by acquiring merchant books, or enhancing our technological capabilities in selected high-growth products. In addition, we remain well-positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

### **Our Strategy**

We are the market leader in Italy in the field of digital payments and enjoy a strong competitive position throughout the value chain of digital payments, offering our customers a wide range of products and solutions, with the support provided by a cutting-edge technology platform.

As a result, we believe we are well positioned to take advantage of the numerous opportunities available in the payments industry. Our strategic aim is to establish ourselves as a “national champion” in digital payments, with leading technological capabilities and platforms, helping to accelerate the development of digital payments together with our banking partners. Our strategic agenda is based on the following priorities:

### ***Achieving Profitable and Sustainable Growth due to a Wide Range of High Quality Products***

We have a wide range of innovative products, capable of bringing significant growth in the short-, medium and long-term, which, at the same time, allows us to seize further growth opportunities in the future and to encourage the use and accelerate the growth of digital payments in Italy. We have already identified a number of initiatives aimed at: (i) the reduction of certain operational costs; (ii) the achievement of synergies from the recent acquisitions; and (iii) initiatives for innovation and the management of customer value.

### ***Investing in Cutting-Edge Technological Capabilities***

Technology is one of our strategic priorities as it is a key to operational efficiency and innovation, with the goal of delivering a best-in-class level of experience for both end-customers and partner banks. We strongly believe that our technology strategy is one of the key competitive advantages that will enable us to maintain our position along a profitable, long-term growth path. In addition to the significant investments made during the past three years, we intend to continue to invest in the short- to medium-term, mainly in innovative products and the further development of a new generation platform.

### ***Continuously Focusing on Aspects of Operational Efficiency***

We are constantly looking for ways to increase the efficiency of the main platforms, through an established process of continuous improvement. Investments in technological capacity will also increase our operating efficiency. In addition, we have a successful track record in generating cost savings and operating efficiencies from synergies achieved through the integration of acquired businesses. The result is a platform for the Group characterized by a high level of operational leverage, which allows us to pursue our growth objectives in a sustainable and profitable manner, while maintaining a continuous focus on investments in product innovation, process efficiency and optimal relationship with our customers and partner banks.

### ***Acquiring Talent and the Best Skills in the Industry***

Due to the extensive acquisition of talent and some of the best skills in the industry in recent years, we have been able to implement important strategic Group initiatives, as evidenced by the notable track record of projects, often completed simultaneously, since 2016. Attracting highly qualified personnel with cutting-edge skills remains a key element of our corporate culture, in order to maintain our ability to exploit opportunities for future growth (including through acquisitions) across multiple levers of value creation.

### ***Strengthening the Platform Through Disciplined Acquisitions and Partnerships***

We believe that we can achieve our planned targets by following a path of organic growth, considering the significant opportunities in the Italian market. Given the execution ability of our management team and our strong focus on value creation and financial metrics, we also believe that we are well positioned to benefit from any potential future growth opportunities, if any. In particular, in Italy, we will continue to evaluate opportunities for growth through potential, disciplined M&A transactions aimed at one of the following objectives:

- domestic consolidation, increasing our scale, for example by acquiring merchant books. The acquisitions of Mercury Payments, MPS Acquiring, DB Acquiring and Banca Carige that have increased our operational scale;
- enhancing our technological capabilities in selected high-growth products (such as with the acquisition of Sparkling); and
- acquiring new synergistic and strategic business lines (such as with the acquisition of Basilichi).

In addition, we remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry. We remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

## *Continue Delivering Positive Free Cash Flows to Support Deleveraging*

We intend to maintain a focus on continuing improvements in positive free cash flow delivery. We plan to grow our operating revenue through innovative products and new initiatives in each of our business units. We intend to use the resulting increases in free cash flow to delever the business.

### **Our History**

Nexi S.p.A. was incorporated on April 12, 2019, and the Group's current scope is the result of the Reorganization that was completed in 2018 and described below. We were founded in 1939 by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's cooperative banks called the Istituto Centrale delle Banche Popolari Italiane S.p.A. or ICBPI. In keeping with this objective, we gradually expanded our service offering, both organically and through a series of synergistic acquisitions. Our expansion positioned us at the forefront of developments in payment technology and enabled us to drive innovation in the Italian market over the course of the following decades. Set forth below are the key acquisitions and events that have contributed to our leading position in the Italian payments sector:

- In 2004, we acquired the payments business and debit card activities of *Banca Popolare di Lodi*, which widened our network of partner banks to include the *Casse di Risparmio* bank.
- In 2008, we started to expand our POS management business through the acquisition of Cim Italia.
- In 2009, we acquired Nexi Payments (formerly, CartaSi), the leading Italian provider of digital payment services, with a strong presence in issuing, acquiring, POS and ATM management.
- In 2014, we further expanded our Cards & Digital Payments business unit through the acquisitions of C-Card and Unicard, which we subsequently merged with Nexi Payments.
- In 2015, we were acquired by the Advent, Bain and Clessidra, which provided us with insights into operational excellence gained from these sponsors' investments in other leading payments companies such as Worldpay, Nets and Vantiv and provided us with the financial resources to consolidate the Italian payments sector. Following that acquisition, we undertook several strategic initiatives that form the basis of our Transformation Program, which include: (i) investment in our technology infrastructure, including in application-based services and IT control; (ii) selective acquisitions in the payments sector, including Mercury Payment, MPS Acquiring, Bassilichi and DB Acquiring; (iii) promoting significant recurring cost savings and operational efficiencies; (iv) our rebranding as Nexi; and (v) enhancements to our senior management.
- In 2016, we acquired Mercury Payment, which provides payment services to Intesa Sanpaolo, one of the largest banking groups in Italy. Apart from strengthening this key relationship, the acquisition also added significant scale to our issuing, acquiring and POS management capabilities.
- In 2017, we completed the acquisition of three additional businesses; MPS Acquiring, Bassilichi and DB Acquiring. MPS Acquiring provides acquiring and POS management services to BMPS, Italy's fourth-largest bank, and its customers. The acquisition provided us with direct access to BMPS customers and improved our monetization of our BMPS relationship. Bassilichi is a complementary business that likewise provides POS management and ancillary services via BMPS. Our investment in DB Acquiring, Deutsche Bank's Italian merchant acquiring business, further increased the number of our merchant customers.
- At the end of 2017, we commenced a review of our corporate structure (the "Reorganization") to align it more closely with our core business. In November 2017, we changed our name Nexi S.p.A. and adopted the Nexi brand. In addition, as part of the Reorganization, which was completed in July 2018, we spun off Depobank S.p.A., which contained our banking activities, to focus on our core payments activities and driving innovation in our industry. The Reorganization was approved by the Bank of Italy on April 11, 2018 and by the ECB on April 27, 2018. The Bank of Italy permitted the non-consolidation of the two spun-off entities (Depobank and Nexi) based on the interpretation of European sector regulations. Following the Reorganization, the relevant commercial registers were updated to remove Nexi as a banking group and therefore, as a result of the Reorganization, the Group is not subject to prudential supervision at consolidated level, while its subsidiaries Nexi Payments, Mercury Payment and Moneynet remain subject to supervision by the Bank of Italy.



- In 2018, we expanded our leading Merchant Services & Solutions business unit capabilities by acquiring Carige Acquiring for a consideration of approximately €23 million, effective September 30, 2018, and by acquiring the start-up company, Sparkling, one of the most innovative companies in the new digital payments industry and one of the seven companies in the world that Mastercard has included among its “platinum digital vendors.” Sparkling has developed solutions for innovative and entirely digital purchasing experiences for brands such as Eataly, Auchan, Rosso Pomodoro and Roadhouse.
- In January 2019, we entered into an agreement to dispose of our entire stake in Oasi S.p.A. to Cedacri S.p.A., which closed on February 25, 2019.
- In April 2019, Nexi was listed on the MTA organized and managed by Borsa Italiana. Mercury UK retained a controlling interest in Nexi.

## Our Services

We are the leader in the Italian payments sector. Our service offering encompasses virtually every aspect of digital payment acceptance, including issuing, acquiring, POS and ATM management, data analytics and other value-added services, clearing and settlement services, corporate banking, as well as Help Line, support and security services. The underlying arrangements with our partner banks, in which the partner banks assume the cardholders’ credit risk, ensure that we engage in low-risk businesses despite the associated funding activity. We have four business units:

- *Merchant Services & Solutions*, through which we and our partner banks supply merchants with the necessary infrastructure to enable digital payment acceptance and execute card payments on the merchant’s behalf.
- *Cards & Digital Payments*, through which we and our partner banks provide a wide spectrum of services in connection with the issuance of payment cards to cardholders, prefunding of cardholder receivables and fast, reliable and secure authentication and execution of payment transactions.
- *Digital Banking Solutions*, through which we provide clearing and related services, digital corporate banking services and ATM management services.

The table below shows our operating revenues by business unit for the periods indicated.

	Twelve months ended June 30, 2019	Six months ended June 30,		Year ended December 31,
		2019 <sup>(1)</sup>	2018	2018
		(in € millions)		
Merchant Services & Solutions .....	461.6	223.6	210.0	448.0
Cards & Digital Payments .....	374.2	187.9	174.3	360.6
Digital Banking Solutions .....	120.0	55.9	57.8	121.9
<b>Operating revenues .....</b>	<b>955.8</b>	<b>467.3</b>	<b>442.1</b>	<b>930.6</b>

(1) This information is derived from the Interim Financial Statements.

Set forth below is a more detailed description of our principal business activities.

### *Merchant Services & Solutions*

#### *Overview*

A merchant acquirer is a bank or other service provider such as the Group that provides a merchant with the infrastructure necessary to enable digital payment acceptance and that executes card payments on the merchant’s behalf. Through business relationships with partner banks, we provide a full range of innovative services for merchants, which allow them to accept digital payments for transactions carried out at retail outlets as well as digital transactions conducted over the Internet, known as e-commerce. In addition, we provide administrative services such as tracking merchant payments, producing monthly reports, data analysis services for merchants and banks, customer care services and dispute management and communication and support services through promotional campaigns. To provide this wide range of services, the Merchant Services & Solutions business unit makes use of approximately 302 dedicated professionals

(belonging to different units, such as: marketing, sales, ICT and operations, as well as an internal “digital factory” dedicated to the development of applications for merchants).

The Merchant Services & Solutions business unit generated € 461.6 million, or 48%, of our operating revenues for the twelve months ended June 30, 2019. The services provided by this operating unit can be divided into payment acceptance services, also referred to as acquiring services, and POS management. We operate with different service models, characterized by a different relationship with the partner banks and thus a different coverage of the value chain.

POS management involves the configuration, activation and maintenance of POS, its integration into the merchant’s accounting software, and the provision of fraud, dispute management and customer assistance through a dedicated call center. POS comprises two categories:

- (i) physical POS: electronic devices enabling payments to be made by electronic money (i.e., by credit, debit or prepaid cards) that are installed at most retail outlets (such as large-scale retail trade, apparel stores, drug stores, grocery stores, electronics stores, restaurants and hotels, etc.); and
- (ii) e-commerce POS: payment interfaces on websites or mobile applications that allow online shopping.

Depending on the service model, we manage different aspects of the value chain:

- (i) in the Direct and Referral models, we directly serve certain operators. In these cases, we independently define the commercial policies and pricing that apply to merchants. We primarily sell our acquiring and POS as a bundle, although we do also sell individual service components to certain of our customers; and
- (ii) in models based on partnerships—Licensing, Associates and Servicing—we cooperate with partner banks in the provision of our acquiring services and POS management, using their branch networks and existing relationships for the acquisition and management of customers, while at the same time making our expertise and know-how available on all technological and service aspects. See “—*Partnership-Based Acquiring and POS Management.*”

The following paragraphs provide a more detailed description of each business model.

#### *Direct and Referral Acquiring and POS Management*

In the direct acquiring model, we serve certain large merchants directly without the involvement of a partner bank. These merchants include insurance companies, companies operating in the large-scale retail industry, telecommunications companies (to which we provide acquiring services for the domiciliation of payments, for example) and luxury goods companies. Following our acquisition of DB Acquiring and MPS Acquiring’s merchant acquiring and POS contracts on June 1 and July 1, 2017, respectively, and of Banca Carige’s acquiring business in September 2018, we expanded the pool of merchants that we manage directly. Under the direct acquiring model, we contract with the merchant directly, while the referral banks provide services and sales support on our behalf *vis-à-vis* merchants. The referral banks’ remuneration is negotiated on a case-by-case basis and governed by specific contractual agreements.

As of June 30, 2019, we served approximately 550,000 merchants through the direct and referral licensing models.

#### *Partnership-Based Acquiring and POS Management*

In service models based on partnerships, the services carried out in favor of merchants are divided between us and our partner banks. We are generally responsible for the production of account statements, dispute management, credit collection, fraud management and customer service through our dedicated call center, whereas the computer processing part of acquiring transactions is outsourced to certain of our suppliers. The scope of the services that we provide depends on whether our partner bank has entered into a license agreement or servicing agreement with us. With regard to POS management services, regardless of the type of acquiring service provided, our partnerships with our partner banks for acquiring can take the form of a bilateral or trilateral contract. In the bilateral contract, we invoice services through the partner bank, which is exclusively responsible for contracting with the merchant for this type of service. In the trilateral contract, we invoice the POS management services directly to the merchants, transferring part of the revenues generated to the relevant partner banks.

## Licensing Model

### *Traditional Licensing Model*

Under the traditional licensing model, we act as the acquirer. We enter directly into the contractual relationship with each merchant referred to us by a partner bank and manage credit, charge, debit and prepaid card payment for merchants. We have different forms of standard contracts for specific market sectors, such as online sales, sales in currencies other than Euro, and sales in the hotel and car rental sectors. We are therefore responsible for concluding merchant-customer agreements and process the transactions they originate. In addition, we provide fraud detection services as well as dispute, support and call center functions.

The licensing agreement sets forth the terms and conditions with which the merchant must comply regarding acceptance of payment cards for the payment of goods or services, as well as the service that we provide to the merchant.

We may terminate or modify the traditional agreement by giving two months' written notice; the merchant may terminate the contract without notice, in which case the merchant must cease to manage transactions with payment cardholders. In such cases, if a merchant terminates the contract, it must pay us any amounts due and must return all the related products we provided under the contract.

The licensing model is typically utilized by partner banks that seek to derive the full benefit from the economies of scale associated with our size in the Italian acquiring industry, the broad range of services we offer, our business know-how and specific knowledge of the industry.

The primary banks with whom we partner on a traditional licensing model are Banco BPM, BPER and Crédit Agricole.

Under a traditional licensing agreement, we obtain our revenue directly from merchants by charging a service fee for the acceptance of payment transactions (a "merchant fee") and service fees for POS management (rental, maintenance and management fee and one-off fees for technical assistance). The license agreements provide for a defined portion of these fees to be passed on to the partner banks. We must also pay fees to the issuer of the payment card ("interchange fees"), to the international and national card scheme operators ("scheme fees") and any interest accrued in connection with the advance of liquidity to merchants.

### *Associate Licensing Model*

Under our associate licensing model, we act as co-acquirer and manage the relationship with the card scheme operators on behalf of a partner bank, in addition to all POS management services. The partner bank then manages, unlike in the traditional licensing model, the relationship with the merchant (for instance with respect to commission collection). We receive a transaction fee from the partner bank for each transaction we process, which covers the costs we incur in connection with the transaction.

## Servicing Model

Under the servicing model, we provide a more limited range of acquiring services compared to licensing models. We provide all POS management services, which mainly relate to the set-up and maintenance of the merchant's payment acceptance hardware and software, while the partner bank enters into the contractual relationship with the merchant and also maintains its own contractual relationship with the card scheme operators. Partner banks typically use the servicing model when they prefer to maintain an exclusive relationship with the merchant. Our primary customers with whom we partner under a servicing agreement are ICCREA and Intesa Sanpaolo.

While the terms of our servicing agreements are customized and thus vary, servicing agreements often generate lower fees and lower revenues compared to licensing agreements. For every merchant acquiring transaction under a servicing agreement, we receive a flat fee from the partner bank which covers the costs we incur in connection with the transaction.

## Market Position

As of December 31, 2018, we estimate that the aggregate value of transactions managed by us through the Merchant Services & Solutions business unit amounted to €249 billion (CAGR of 6.1% for the 2016 - 2018 period), including acquiring transactions on ATM withdrawals, with the total number of transactions amounting to 3.2 billion (CAGR of 10.2% in the period 2016 - 2018). Between our licensing, servicing, direct acquiring and referral activities, we serve approximately 900,000 merchants, and manage 1.4 million POS terminals. In the six months ended June 30, 2019,

we estimate that the aggregate value of transactions managed by us through the Merchant Services & Solutions business unit amounted to €123 billion, an increase of 5.1% compared to the six months ended June 30, 2018, with the total number of transactions amounting to 1.7 billion, an increase of 11.8% compared to the six months ended June 30, 2018.

According to our estimates, our market share of the total volume traded through international card scheme operators, including cash advances from ATMs, was 72% for the year ended December 31, 2018 (or 53% including national card scheme operators); the remaining 28% is mainly covered by international acquirers and other Italian operators (14% each).

Our market share of online payments was approximately 21% by value for the year ended December 31, 2018.

## ***Cards & Digital Payments***

### *Overview*

Through this unit, we provide, in cooperation with its partner banks, a wide range of issuing services, relating to the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. To provide this wide range of services, the Cards & Digital Payments business unit makes use of approximately 370 dedicated professionals, belonging to different units, such as marketing, sales, ICT and operations, supported by approximately 430 contact center staff.

Our Cards & Digital Payments business unit generated €374.2 million, or 39%, of our operating revenues for the twelve months ended June 30, 2019. In the same period, we produced, personalized and dispatched approximately 10 million cards.

Our Cards & Digital Payments business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retail customers and large corporate customers without the involvement of partner banks.

Most of the cards issued are of the “balance” type, i.e., that require cardholders to pay off their balance on a monthly basis. We issue revolving cards, which allow the cardholder to pay off the balance in instalments, only in partnership with banks, which bear the risk of the insolvency of cardholders and thus all related credit risk.

Below is a description of both business models.

### *Direct Issuing*

We issue deferred and prepaid cards directly without the involvement of partner banks. Our customers are primarily companies that retain our services to manage their employees’ expenses or retail customers. As of June 30, 2019, we had issued approximately 583,000 cards directly, representing approximately 1.4% of the total stock of payment cards. Of these, approximately 47,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 536,000 were prepaid cards.

With respect to cards directly issued by us and not subject to factoring under the Factoring Agreement, the credit risk is assumed directly by us vis-à-vis the cardholders. The related working capital of cards issued directly by us and not subject to factoring under the Factoring Agreement as of December 31, 2018 represented approximately 1.5% of the total working capital generated by our issue activities. Lending by direct customers is subject to an assessment and credit scoring process, with possible requests for additional guarantees (e.g., bank guarantees).

Under direct issuing arrangements, we receive all the issuing fees generated by payment cards but also retain the ultimate credit risk associated with them. The credit exposure generated by our direct issuing business only accounts for approximately 2% of the aggregate credit exposure from all of our issuing activities.

## *Partnership-Based Issuing*

In this context, both the issuing activities and the associated commission income are divided between us and the relevant partner bank. Our partner banks originate the business relationship with cardholders, relying on their branch networks and existing relationships with cardholders, while we handle the authentication and execution of card payments. As with the Merchant Services & Solutions business unit, the allocation of additional services depends on the specific agreement with each partner bank, although our agreements can be mainly classified as either licensing or servicing agreements. A key determinant of whether the licensing or servicing model is the best fit for any partner bank is whether it has the necessary scale and strategic rationale to acquire its own BIN (*bank identification number*) from card scheme operators.

### *Licensing Model*

Under the licensing model, we handle all card issuing functions. We operate the licensing business through our traditional licensing and associate licensing models.

*Traditional licensing model.* Under the traditional licensing model, we act as the issuer of the payment card. We directly enter into a contractual relationship with each cardholder customer referred to us by a partner bank, manage the entire stock of cards for such partner bank, provide and manage the relationship with the card scheme operator and license our BIN to the partner bank. Additionally, we undertake the product development and marketing, customer care, fraud management and commission collection activities associated with the payment card.

Most of the payment cards issued pursuant to a licensing agreement are co-branded with both the Nexi logo and the partner bank's logo. Credit risk management, credit scoring, distribution and pricing is entirely managed by the co-issuing partner bank. Among our main customers adopting this solution are Banco BPM, Crédit Agricole-Cariparma, Mediolanum, Banca Popolare Sondrio and Unipol Gruppo Finanziario.

Under the traditional licensing agreement model, we collect revenue directly from customers holding payment cards, in the form of card management fees for certain services (e.g., for cash withdrawals and loyalty program membership) and from merchant acquirers through international card scheme operators (interchange fees). The license agreements provide for a portion of these revenues to be passed on to the partner banks. We also pay a fee to international card scheme operators (scheme fees) and interest in connection with the deferment of payments owed by cardholders.

We may amend the contract by giving cardholders two months' notice; however, where the amendment concerns tariffs, prices, conditions governed by consumer protection laws and legislation on transparency of payment services, amendments must be justified. We have the right to terminate such contracts for cause without notice or, in the absence of cause, by giving two months' notice. The circumstances in which it is possible for us to terminate a contract are numerous and include cardholder default.

Cardholders may also terminate at any time without penalty.

*Associate Licensing Model.* Under an associate licensing agreement, we act as co-issuer and manage the relationship with the card scheme operator on behalf of a partner bank which, in contrast to the traditional licensing model, manages the relationship with the cardholder (for instance, with respect to revenue collection). UBI Banca S.p.A and MPS are two examples of our customers who chose this associate licensing model.

Under the associate licensing model, we receive service fees from the relevant partner bank, to whom we charge a fixed fee based on the volumes of card stocks, number of transactions and transaction value.

We review the pricing of the commission components under the associate licensing model described above on an annual basis or whenever needed (for example, in the event of regulatory changes). Each year, we distribute a notice setting out the proposed pricing terms for the following year to each of our partner banks. The underlying contract entitles the partner bank to object to the proposed changes in pricing within 60 days, failing which the contract will automatically renew under the new terms for another one-year period. Revisions to service fees are generally accepted as changes that result from a variation to services offered or general cost structure changes. Each of our existing partner banks under an associate licensing model has been a partner bank for more than 15 years.

### *Servicing Model*

Under the servicing model, we provide a more limited range of card issuing services and also collect lower fees. Under this model, our partner banks are responsible for and handle product development, customer care, marketing, distribution, price setting and fee collection but rely upon us for operational processing services and other specific services

in the value chain (e.g., card supply and claims management). Under the servicing model, the partner bank (rather than us) enters into the contractual relationship with each cardholder customer and relies on its own BIN and relationship with the card scheme operators.

This model is typically used by financial institutions that have sufficient scale and strategic rationale to insource part of their payment card issuing business. Among our customers who cooperate with us under a servicing agreement are Intesa Sanpaolo S.p.A., Deutsche Bank, Banco BPM (with respect to the relationship with former Banco Popolare), BPER and ICCREA.

While our servicing contracts are customized and thus their duration and renewal terms vary, on average our servicing contracts have a duration of at least three years. Under this model, we receive a servicing fee from the partner bank that is based on the volumes of cards stock, number of transactions and transaction value.

### *Market Position*

Through our Cards & Digital Payments business unit we are the leading card issuer in Italy with an aggregate value of managed card transactions of €197 billion as of December 31, 2018 (CAGR of 55% for the 2016 - 2018 period). In 2018, we managed more than 41 million payment cards, including 11.6 million credit and revolving cards, million prepaid cards and 23 million debit cards on national and international card schemes. According to our estimates, in 2018 we had a 60% market share of the total transaction volume on the international Visa, Mastercard and Amex schemes, excluding the national Bancomat scheme, or 44% including the national Bancomat scheme.

### *Digital Banking Solutions*

Through this business unit, we provide three types of services: ATM Management, Clearing Services and Digital Corporate Banking Services. To provide this range of services, this unit makes use of more than 300 dedicated professionals belonging to different units, such as marketing, sales, ICT and operations, as well as three internal “digital factories” dedicated to the development of applications. Our Digital Banking Solutions business unit generated €120.0 million, or 13%, of our operating revenues for the twelve months ended June 30, 2019.

### *ATM Management*

We set up and maintain ATMs in Italy on behalf of our bank customers. ATMs are a key component of banks’ multichannel strategies, where the digital experience is becoming increasingly important. As of December 31, 2018, we managed approximately 13,400 ATMs on behalf of 15 partner banks and had a 29% market share (RBR (2017)).

The management of ATMs takes various forms and is subject to customer-specific requirements. The service may provide the complete management of the ATM machines (“full fleet”), which comprises purchasing, development of computer applications, processing, function monitoring and maintenance or may cover only parts of the listed services (e.g., only the management of processing services). Our commissions are typically dependent on the breadth of the service provided for each ATM machine, the number of ATMs managed and/or transactions executed.

### *Clearing Services*

Within the Italian market, we operate as a clearing house (ACH—Automated Clearing House) for domestic and international payments in compliance with standard interbanking schemes. Through a dedicated platform, we process collection and payment orders for our partner banks and provide for the calculation of bilateral and multilateral balances that have to be settled on a later date. Clearing services are provided both directly and through partner banks. The latter is typically the case for smaller banks that do not have an order volume significant enough to justify the costs of membership. We recently launched ACH Instant Payments focused on the management of instant transfers. The service differs from traditional clearing for the speed of execution and the continuous availability of the service.

In 2017, we executed 915 million clearing transactions, giving us a market share of 16%. In 2018, we executed 936 million clearing transactions (with a CAGR of 3.8% in the period 2016 - 2018) on behalf of approximately 130 bank clients. Revenue for the provision of our clearing services is generated from commissions based on the number of offsetting operations or fixed commissions charged for recurring services.

### *Digital Corporate Banking Services*

We provide digital solutions that help corporate clients of our partner banks manage their bank (so called corporate customers) accounts and payments, as follows:

- *Electronic/mobile banking:* We provide white label digital solutions allowing banks and corporate customers to establish their own branded corporate e-banking platform. In 2018, we granted (CBI Statistical Report) approximately 420,000 licenses for our e-banking platform, corresponding to a market share of 25%, through 18 partner banks, and more than 3 billion transactions were carried out, representing an increase of 9.2% compared to 2017. As of June 30, 2019, we granted 445,000 licenses for our e-banking platform.
- *CBI Gateway, pensions and collections:* We create, market and install specialized payment platforms providing group-wide bank accounts and payment management systems to banks and corporate customers. This business unit also provides our market-leading CBI Gateway services. The CBI Gateway is an Italian multi-bank payment platform that was initially designed to facilitate interbank payments and communication. CBI Gateway was subsequently integrated into a payment hub connected with public authorities allowing for direct payment collection and delivery of supporting documentation.
- *CBI Globe—Open Banking Gateway:* CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The service aims to simplify account management for customers by offering both information and device services, taking advantage of the business opportunities introduced by the PSD2 directive. The PSD2 directive provides that, by September 2019, banks and payment institutions must provide access to their payment accounts to third parties registered as payment institutions. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents more than 70% of the Italian banking market in terms of branches. The CBI Globe Open Banking Gateway is fully operational from June 2019.
- *Services for digital and multichannel payments:* We provide banks or companies with service, white label applications for electronic invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs.

Revenue in our digital corporate banking services unit is generated from commissions based on the number of e-banking licenses, fixed commissions charged for recurring services and service commissions for projects of realization and customization of platforms.

## Customers

As of June 30, 2019, we managed directly or through approximately 150 partner banks over 41 million payment cards and served more than 900,000 merchants.

Our customer base is built on referral relationships with approximately 150 partner banks, including two of the largest banking groups in Italy, Intesa Sanpaolo and BMPS. As of December 31, 2018, our partner banks account for more than 80% of the Italian banking sector by number of branches. Our top five and top 10 partner banks represented approximately 44.5% and 58.5% of our total revenues for the year ended December 31, 2018, on the basis of the 2018 Perimeter. As such, our activities and prospects are dependent on us maintaining and growing our relationships with our partner banks. Because we have partnerships with the majority of Italian banks, customer churn between banks does not usually affect us in a material way. However, because our distribution strategy is built on referral partnerships in which we rely on our partner banks' large branch networks and customer relationships for the marketing of our products, we depend on the continued success of these mutually beneficial partnerships.

We believe our industry is characterized by a significant degree of customer loyalty which deters our customers from insourcing their payment activities or switching supplier. Among the reasons for this tendency is our unique scale, which creates a significant cost advantage across production, processing and oversight that no single partner bank could match on its own. Another driver is the requirement to obtain a BIN from card scheme operators, which is a time-consuming process and requires sufficient capitalization and compliance with complex regulatory requirements. In addition, our business benefits from long-lasting and deeply-entrenched customer relationships with our partner banks, some of which date back to our formation in 1939, which are bolstered by the fact that a significant portion of our issuing and acquiring contracts renew automatically, including the contracts with Intesa Sanpaolo and BMPS. Our business also benefits from our long-standing experience and expertise in the industry and our deep understanding of the customer base in the Italian. For instance, because our co-issued payment cards are co-branded with our Nexi logo, a partner bank would incur costs when switching co-issuer as it would have to replace its existing card stock. Moreover, in connection with our acquisitions we have entered into agreements with our Former Shareholder Banks. The sellers in our original acquisition by Advent, Bain and Clessidra in 2015 agreed to extend the terms of their contracts with us until five years after closing of the acquisition, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. MPS Acquiring's acquiring contract

with BMPS and Mercury Payment’s card issuing and POS contracts with Intesa Sanpaolo each have terms of ten years as of acquisition closing in December 2016 and during 2017, respectively. Finally, under our cardholder and merchant agreements, the termination of our relationships with the end user could not be effected by the partner bank alone but would require the end user’s consent.

As a result, our business benefits from high rates of customer retention. Each of our top ten partner banks has been a customer for more than 15 years, which we believe illustrates our customers’ satisfaction with our services.

**Key Features of the Relationships with our Partner Banks**

The relationships with certain of our partner banks, including our top partners by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. These framework agreements have different terms. The partner banks, with whom we have in most cases open-ended agreements or contracts with automatic renewal (in both cases unless terminated by one of the parties), account for approximately 24% of our operating revenues for the year ended December 31, 2018. 86% of the operating revenues for our top five partner banks by total income derives from framework agreements with durations up to 2023, while 68% of operating revenues of our top five partner banks derives from agreements that expire in 2025 or later. The framework agreements that expire in 2023 or later represent approximately 54% of our operating revenues for the year ended December 31, 2018.

The tables below set forth the percentage of revenues recorded in the year ended December 31, 2018, on a pro forma basis by residual maturity of framework contracts with partner banks divided by positioning in generating our operating revenues:

	<b>Recurring annual contracts</b>	<b>2025+</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>Total</b>
<b>2018</b>								
Banks Nos. 1 - 5 .....	—	30.2%	—	8.0%	—	—	6.3%	44.5%
Banks Nos. 6 - 10 .....	2.8%	—	—	2.2%	0.6%	—	8.3%	14.0%
Banks Nos. 11 - 20 .....	8.3%	0.7%	—	—	1.1%	1.0%	1.2%	12.3%
Other banks .....	11.4%	—	—	—	—	—	4.1%	15.5%
Direct/referral .....	1.3%	12.5%	—	—	—	—	—	13.7%
<b>Total.....</b>	<b><u>23.8%</u></b>	<b><u>43.4%</u></b>	<b><u>0.0%</u></b>	<b><u>10.2%</u></b>	<b><u>1.7%</u></b>	<b><u>1.0%</u></b>	<b><u>19.9%</u></b>	<b><u>100.0%</u></b>



## Our New Products and Services

We have introduced significant new products and services. Since 2016, we have been renewing our commercial offer for our various business lines. In particular, the most significant products launched since 2016 include:

### *Cards & Digital Payments Business*

New products and services in our Cards & Digital Payments business line include:

- *Nexi Pay App.* The Nexi Pay App offers innovative tools for interaction with cardholders through a new smartphone app, the first version of which was launched in November 2017 (when we introduced the Nexi logo) and renewed in 2018.
- *Bancomat C-less.* Bancomat C-less is a card that allows holders of Bancomat payment cards to pay in contactless mode using NFC technology launched during 2018.
- *Prepaid Cards.* We renewed our offering of prepaid cards directed at non-bank customers during 2018, including cards for non-resident citizens and cards for teenagers between 12 and 18.
- *International Debit.* We also have a new international debit card, available also as a corporate card for micro-entrepreneurs and independent professionals, that allows for online purchases, mobile payments and international payments, currently not possible with Italian debit cards and therefore driving higher card usage domestically as a result of its superior product characteristics. This product allows for use of a debit card worldwide and online in complete security.
- *Instalment payment optionality.* We launched a service that allows for payment in instalments for single purchases.
- *Black Card.* We have developed and already commercialized a differentiating product with the Black credit card, the first contactless, metal-veneer card with dedicated services in Europe, exclusively designed for high net-worth individuals.
- *Spending Control.* This service allows customers to manage and control the use of the card by setting spending limits.
- *#iosi Engagement Program.* #iosi is a free service for all customers, consisting of a wide range of services dedicated to Nexi cardholders, including an assistant to remind customers of deadlines, book travel at exclusive conditions and book tickets for events; also exists in a paying version for premium customers. #iosi is a points collection program that rewards expenses made with the card.
- *Mobile Payment services.* We expanded our services with the launch of several mobile payment solutions such as Apple Pay, Samsung Pay, Google Pay and YAP (mobile pay solution dedicated to Millennials, launched during 2018).
- *Corporate Cards.* We expanded this product line with the renewal of business and corporate offers for companies that need to provide their employees with a payment instrument at favorable conditions for the company and for the employee. Our current range of corporate cards include the following:
  - corporate credit cards with centralized or individual debit;
  - credit cards for SMEs and VAT numbers; and
  - debit cards for SMEs and VAT numbers.
- *National Debit Card Business.* We are developing our national debit card business, where we already provide several core services along the value chain, aimed at enabling Bancomat innovation through product characteristics such as virtualization, e-commerce usage and selected mobile payment use cases, which in turn will contribute to driving more card usage.
- *Credit.* We are developing our core credit products to drive digitalization, usage and penetration. As an example, at the end of 2017 we launched a feature allowing repayment in instalments, and are working to

introduce a dynamic credit limit extension that would bring potentially significant commission inflows while not absorbing capital;

- *Customer Value Management.* We have a next generation customer value management, or CVM, services, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending. For example, our digital instant-win lottery, called “#iovinco” (or “#iwin”), was launched specifically to increase card usage and downloads of our Nexi Pay app.

During 2019, we have developed the following advanced functionalities to support our corporate offering:

- services for the creation and management of virtual cards to be used for specific purposes payments; and
- services for the creation and management of centralized virtual card for the management of employee travel and the purchase of goods and services for the companies.

### ***Merchant Services & Solutions Business Line***

New products and services in our Merchant Services & Solutions business line include:

- *New e-commerce payment gateway:* We have launched and renewed many of the functions of our online and mobile payment acceptance platform including the acceptance of alternative payment methods (e.g., PayPal, Alipay).
- *Merchant App—Nexi Business:* This app gives merchants the opportunity to manage their business independently and receive regular updates on the progress of their business. We offer the Nexi Business App, a data-centric mobile application that allows smart tracking of a merchant’s business in real time (card payments, cash etc.), and through self-care activities and access to a business insights dashboard, powered by advanced analytics, where merchants can compare key performance indicators of their business versus their industry as well as against businesses of varying sizes, both at the local and national level, and gain insights on their customer profile. We believe that the Nexi Business App will contribute to merchants’ increased willingness to accept cashless forms of payment, given the possibility to access valued-add ancillary services such as business critical data.
- *Micropayments:* This is an offer that we launched to encourage the acceptance of micropayments by merchants by providing for the reimbursement of all commissions on digital payments of up to €10.
- *SmartPOS.* In order to drive digitalization and expand our merchant services portfolio from traditional acquiring further into value added and software services, we were the first in Italy to introduce SmartPOS devices, targeting both SMEs and innovative retail chains. Developed through an exclusive, multi-year strategic partnership with Poynt, a Silicon Valley-based company and leading player in developing smart terminals, the SmartPOS offering consists of advanced smart terminals and a powerful and flexible Android-based operating system. Beyond omni-acceptance traditional payment features, the SmartPOS proposition includes a proprietary app store onboard, which merchants can use to download apps and combine a variety of value-added services and software (with over 40 apps available) to help our merchants run their business more efficiently and in a more integrated way. Due to exclusive software partnerships with selected cash register providers, the SmartPOS (including SmartPOS Mini) can become an all-in-one device for SMEs, acting as an electronic cash register. Given its value-added features and convenience for merchants, we believe that the SmartPOS could contribute to increased merchant willingness to accept digital payments, thereby driving cashless penetration in Italy.
- *Other POS innovations:*
- New portfolio of available terminals, launched during 2018;
- Premium service to guarantee assistance within four hours; and
- SmartPOS (including SmartPOS Mini): This is a POS terminal launched during 2018 based on Android technology with a marketplace of services available to the merchant.
- *Protection Plus.* PCI merchant services to ensure consumer data protection. The Protection Plus service is a program to support and assist merchants with the certification against PCI-DSS (Payment Card Industry Data Security Standards) made mandatory by international circuits.

- *Omni-acceptance.* Extension of the offer of acceptance of payments by circuits alternative (e.g., meal vouchers and minor issuer circuits, such as UPI, JCB, American Express).
- *LAKA.* In the LAKA (Large and Key Accounts) segment, which includes our most sophisticated customers, we are investing to deploy omni-channel payments solutions to provide a seamless purchasing experience to end customers and building a specialized team of approximately 120 employees, comprising sales engineers, and industry product specialists to serve more sophisticated end-users operating under a multi-channel and, in some instances, multi-country model. In addition, through the acquisition of Sparkling, we provide large merchants with integrated apps or software components for omni-channel mobile payments solutions, with specific offers for industry niches. We serve most sectors, with a comprehensive offer for large retailers (such as Auchan, Carrefour, Coin and Esselunga), established restaurants (such as Roadhouse, Rosso Pomodoro and Eataly), some of the main telephone operators (such as Vodafone and Tim), international and national insurance companies (such as Allianz, Generali, Genialloyd, Linear and UnipolSai), companies in the wellness sector (such as Virgin Active), and transport companies (like ATM Milan).
- *Xpay.* In the eCommerce space, we offer a comprehensive, easy-to-deploy payment gateway solution, Xpay. Xpay gateway, serving a wide range of customers, from SMEs and mid-sized merchants to large merchants, offers a broad array of payment methods and is capable of accepting over 400 payment methods. A merchant can enroll with a streamlined, fully digital process and be live in 24 hours. In addition, Xpay offers plug-ins for many cart and shop management platforms such as Woo, Magento e PrestaShop. Given its many features, through our Xpay offering we have the ability to cross-sell our e-commerce proposition to our physical SMEs merchant clients.
- *Internet of Things.* We believe that we are well-positioned to capture the opportunities arising from invisible payments and the rise of Internet of Things, or IoT, payments. Xpay Invisible is our offering, for the app economy and for invisible payments which eliminates explicit exchange of credentials during each payment, therefore increasing efficiency of the payment experience and driving digital penetration domestically. We already serve important players in Italy such as Enjoy (car sharing), MiMoto (motorbike sharing), Enistation (fuel pumps) and many others via a wide and granular set of payment APIs.

### ***Digital Banking Solutions Business Line***

- *Check Image Truncation.* This allows for the electronic payment of checks through image exchange.
- *Instant Payments.* This is a platform for the interbank management of real time IBAN-based payments (average transaction execution time of 1.5 seconds). Our instant payments platform allows users to carry out instant clearing and manage real-time, IBAN-based, interbank payments with pan-European interoperability thanks to the agreement with the other major European instant ACH (EBA clearing) and the connection, which started in August 2019, with the ECB Tips infrastructure. In this segment, we provide important ACH VAS (e.g., anti-fraud) and support banks with co-marketing activities and in developing innovative use cases that can drive growth of the market. We currently offer instant payment gateway services to four banking groups that represent approximately 14% of the Italian banking sector by number of branches.
- *Digital Corporate Banking.* We are well-positioned in the B2B Corporate digital payments market, being the largest Italian corporate front-end/digital banking solutions provider, already helping a number of banks and corporates, with over 420,000 workstations installed, to simplify their daily business, ensure easy, efficient payment operations and optimize finance management. We are evolving our product proposition with a completely revamped Digital Corporate Banking solution, including a new state-of-the-art e-invoice management platform, fully integrated with payment and collection services, a dedicated mobile app for CFOs, and a digital signature document exchange platform, to become the main one-stop-provider of advanced digital payments solutions for business customers.
- *ATM Revolution.* We are undertaking a renewal of our ATM systems, with market launch planned for 2019. This will enable us to provide a 360° offer to our customers, starting from the development of the physical interface with the customer to increased speed of replacement of the ATM fleet (more than 1,200 ATMs replaced in the last twelve months) and speed of withdrawal (less than 30 seconds). In addition, we have completely modified the ATM monitoring and maintenance service, which has helped reduce the number of maintenance interventions by approximately 5 - 15% compared to the fleet of ATMs not subject to this modified service, through the implementation of advanced systems including automatic terminal recovery (approximately 95% of the cases resolved in 2018) and remote assistance, as well as dedicated on-site personnel, coordinated by about 20 staff members.

## ***Other Business Opportunities***

As we deploy these products and services, we continue to invest and seek out new business opportunities to support our long-term growth prospects. Such opportunities include the following:

- *Corporate Digital Payments.* We see significant future potential for corporate digital payments and we are well positioned to have a central role, thanks to our digital corporate solutions in Digital Corporate Banking, Collections and Commercial Cards. We are working on a new comprehensive and integrated offering, in order to best position ourselves to address the rise of B2B payments, which combines different businesses including corporate cards, virtual payment accounts, instant payments and electronic invoice management.
- *PSD2.* We have already made important steps toward capturing the opportunities created by the introduction of PSD2. We won the tender held by the consortium CBI (the consortium that is managing Italian corporate banking interoperability infrastructure) to build the pan-Italian open banking gateway, CBI Globe, which we launched in June 2019. The CBI Globe PSD2 gateway is the first PSD2-compliant platform in Europe and it not only allows Italian banks to comply with PSD2 requirements, but it also represents the key infrastructure needed to fully capture the wide range of open banking opportunities. Despite our favorable position in the open banking sector, as already mentioned, in the medium-/long-term open banking could lead to further market opening, higher competitive pressure from both domestic and foreign operators and partial disintermediation or cannibalization of the traditional value chain of digital payments in which we mainly operate.
- *YAP.* In the second half of 2018, we launched YAP, our mobile-centric payments platform (P2P and P2B) that has a fully digital onboarding process, is virtual card-based and was specifically designed for the “millennial” generation (approximately six million Italians). As of June 30, 2019, the YAP platform has already been used by more than 500,000 customers (70% of whom are under 30), with 92% of registered customers with at least one transaction, and who gave a rating above 4.8 in the App Store. YAP allows payments to other users (i.e. peer-to-peer or P2P) or to merchants, either online or in physical stores via POS contactless (peer-to-business or P2B). Yap represents an additional element of competitive diversification towards the entry and diffusion of payment instruments based on “rails” other than cards or disintermediation by new entrants (e.g. large digital players), which could still pose a threat to our future development considering that we could not be able to neutralize the effects of the entry of these technological players into the Italian market.
- *Big Data.* We are harnessing new data-enabled products, such as customer consumption analysis for large merchants, enhanced customer experience features for our consumers, developing existing bank tools and deploying dynamic real-time predictive tools enabling in-depth monitoring of activities and fraud prevention. Although we have sophisticated control and detection systems in place to alert our competent offices for the control of operations and risk of potential fraud, these may not be able to prevent all cases of fraud or be subject to technical malfunctions, causing increases in recharges (so-called chargebacks) or other liabilities associated with such events.

## **Suppliers**

### ***Overview***

We believe that we are not dependent on any single source supplier for any material part of our business, except that our business is dependent on our continued membership in the leading card schemes provided by Visa, MasterCard and Bancomat. We have a long-standing partnership with these card scheme providers which we expect to continue.

Our key suppliers include (i) equensWorldline and SIA for processing of payments as well as providers of mass printing and delivery services in relation to account statements and credit cards, (ii) suppliers of smart cards that comply with the EMV (Europay MasterCard Visa) technical standard and related personalization services, including Idemia (formerly, Oberthur), an Advent portfolio company, (iii) Poynt, our SmartPOS supplier, for advanced terminals characterized by a powerful and flexible operating system based on Android (iv) suppliers of POS terminals for our Merchant Services & Solutions (such as, Ingenico Italia and Verifone Italia), (v) suppliers of ATMs for our ATM management services and (vi) suppliers of certain outsourced services related to banking delivery services, check, cash letter and internet banking services. For a description of our contractual relationships with some of these suppliers, see “—*Material Contracts—Agreements with ICT Providers.*”

## **Card Scheme Operators**

Card scheme operators primarily include Visa, MasterCard and Bancomat, American Express, Diners Club, JCB and others. Card schemes are payment networks linked to payment cards (such as debit, charge or credit cards) of which banks or other eligible financial institutions can become members. See “—*Material Contracts—Agreements with Card Scheme Operators.*” By becoming a member of the scheme, the bank has the ability to issue or acquire payment cards operating on the network of that card scheme and to charge fees in respect thereof. The card scheme operator charges a scheme fee for such access.

The number of card scheme operators is limited, and Visa and MasterCard have significant scale, such that our business depends on our continuing relationship with these card scheme operators. See “*Risk Factors—Risks Related to Our Business—Changes in, or our failure to comply, with payment network rules or standards could adversely affect our business, financial condition and results of operations.*”

We primarily transact with Visa Inc., MasterCard Worldwide and Bancomat. For a description of our contractual relationships with these card scheme operators, see “—*Material Contracts—Agreements with Card Scheme Operators.*”

## **Material Contracts**

### ***Agreements with End-Users***

#### *Merchant Services & Solutions Agreements (Traditional Licensing)*

When operating under the traditional licensing model for our Merchant Services & Solutions, the partner bank originates the relationship with a merchant customer but we have the contractual relationship with the merchant.

Our relationships with the majority of the merchants that use our payment processing systems are governed by a standard-form, Italian law merchant agreement which allows merchants to accept payment cards. The agreement contains the terms and conditions of (i) the merchant’s rights and obligations regarding the acceptance of our payment cards for payment of goods or services and (ii) the service we provide to the merchant. In particular, under the terms of the merchant agreement, the merchant agrees to provide our cardholders with goods or services, and we agree to pay the merchant the amount which we collect in connection with the purchase of those goods or services. We may withdraw from or amend the merchant agreement by providing two months’ written notice. The merchant may withdraw from the agreement without advance notice, at which point the merchant is required to cease carrying out transactions with our cardholders. If it withdraws from the agreement, it must pay all amounts due and return to us all relevant materials. There are a number of variations to the standard merchant agreement which apply to specific industries and markets, such as those merchants engaged in electronic (internet) sales, mail and telephone sales, sales in a currency other than euro, hotel sales, and car rentals.

For a description of the credit risk we incur in connection with its card issuing agreements, see “*Description of Certain Financing Arrangements—Settlement Obligations.*”

#### *Card Issuing Cardholder Agreements (Traditional Licensing)*

When operating under the traditional licensing model in our Cards & Digital Payments business unit, we act as a co-issuer alongside a partner bank and enter into a contractual relationship with each cardholder customer referred to us by the partner bank.

Our relationship with cardholders is governed by a standard-form Italian law-governed cardholder agreement. Under the terms of this agreement, we agree to issue the cardholder with a payment card and provide relevant support services. Cardholders may purchase goods and services and withdraw cash using the Nexi payment card. In exchange, the cardholder agrees to pay us the amounts due under the payment card’s account statement, and authorizes us to automatically deduct these amounts from a nominated bank account. We may amend the agreement by giving two months’ notice to the cardholder. However, where the amendment relates to rates, prices, conditions that are governed by Italian consumer laws, or other contractual conditions, amendments may only be made for justified reasons (*giustificato motivo*). We may withdraw from the agreement with no notice where there is a justified reason, or otherwise by giving two months’ notice. We may terminate the agreement in a number of circumstances, including under circumstances in which the cardholder fails to comply with its payment obligations. The cardholder may withdraw from the agreement without penalty at any time. There are a number of variations to the standard cardholder agreement which take into account certain specific circumstances. For example, a variation of the cardholder agreement exists to allow for the issuance of company cards to employees, and for the issuance of cards to prepaid cardholders.

We also adopt the traditional licensing model when we issue credit and prepaid cards directly, without the involvement of a partner bank.

For a description of the credit risk we incur in connection with its card issuing agreements, see “*Description of Certain Financing Arrangements—Settlement Obligations.*”

### ***Agreements with Partner Banks***

#### *Traditional Licensing (Merchant Services & Solutions and Cards & Digital Payments)*

A partner bank acts as an intermediary in most of our relationships with merchants (for Merchant Services & Solutions) and cardholders (for Cards & Digital Payments). We use a standard-form agreement with most of these banks to provide for cooperation between the two parties in connection with our Merchant Services & Solutions and Cards & Digital Payments business units. Under these agreements, we agree to notify the bank of anomalous circumstances or transactions surrounding the use of our credit cards, send monthly statements and an annual summary of terms and conditions to customers, process payment authorizations, and handle claims and disputes with cardholders. Under our Merchant Services & Solutions agreements we agree to manage the merchant network, send invoices and an annual summary of terms and conditions to merchants, and handle claims and disputes with merchants. In the course of providing both our Merchant Services & Solutions and Cards & Digital Payments services, we agree to notify the *Centrale d’Allarme Interbancaria* and the international card scheme operators of revoked, lost and stolen credit cards, provide any other notices or reports required under law, and provide the bank with customer documentation and data necessary to fulfill its legal disclosure obligations. The partner bank makes a number of undertakings to Nexi. In relation to our Merchant Services & Solutions business units, the partner bank agrees to process merchants’ requests to be provided with our services, cooperate with us in supplying these merchants with the necessary materials and documentation, and pay us the amounts owed us by these merchants. In relation to our Cards & Digital Payments business unit, the partner banks agree to select eligible potential cardholders (in light of their creditworthiness), process requests for and delivery of payment cards to the cardholders and deduct payment amounts from cardholders’ accounts and credit our account with the corresponding amount, which means that the partner bank, and not Nexi, is responsible for payments made under a payment card. In relation to both our Cards & Digital Payments and Merchant Services & Solutions business units, the partner bank agrees to ensure that relevant legal and regulatory regimes (including anti-money laundering and know-your-customer (“KYC” procedures)) are complied with, provide us with the necessary personal and economic data for each cardholder and merchant, maintain its ATM and POS terminals at the merchant’s site in compliance with the networks rules established by the card scheme operators, and retain customer data for a certain minimum period.

Under the agreement, the partner bank is liable for damages arising from its failure to comply with the provisions of the agreement. We are liable: (i) except in the case of fraud by the cardholder, for losses arising from the use of lost or stolen payment cards or misuse of payment cards if the transaction occurred after the cardholder notified us of such a loss or theft (in accordance with the agreement and Italian law); (ii) for losses arising from fraud by merchants; (iii) for cardholder insolvencies arising from our failure to comply with the agreement; and (iv) cardholder insolvencies arising from unauthorized payment card use.

Either party may terminate the agreement by giving three months’ notice. We may unilaterally amend the terms and conditions of the agreement and the bank documents we prepared in connection with the execution of the agreement (*Circolari Banche*) by giving 60 days’ notice, during the first 30 days of which the bank may withdraw from the agreement. Where the bank withdraws from the agreement, we will continue to manage existing payment cards and the bank will continue to bear the risk of cardholder insolvencies until the relevant payment cards have expired.

#### *Associate Licensing and Servicing (Merchant Services & Solutions and Cards & Digital Payments), and Digital Banking Solutions*

The associate licensing and servicing agreements for our Merchant Services & Solutions and Cards & Digital Payments business units as well as the agreements in our Digital Banking Solutions business unit, all of which are entered into with partner banks, are customized and thus vary on a case by case basis.

For a description of the credit risk we incur in connection with our Cards & Digital Payments business unit agreements, see “*Description of Certain Financing Arrangements—Settlement Obligations.*”

### ***Agreements with Former Shareholder Banks***

We have entered into several agreements with our Former Shareholder Banks pursuant to which we undertook to provide the Former Shareholder Banks with several services related to our Merchant Services & Solutions and Cards & Digital Payments business units, including management of credit card transactions and ATM terminals, as well as the

management of the relationships with certain card scheme operators. In exchange, the Former Shareholders Banks have agreed to pay us certain agreed fees and maintain their level of business with the Group for a certain period of time. These agreements expire in 2020.

#### *Agreements with Intesa Sanpaolo*

We have entered into three core contracts with Intesa Sanpaolo, through our subsidiary Mercury Payment, pursuant to which we undertook to provide Intesa Sanpaolo with card management, ATM and POS services (the “ISP Agreements”). In particular, we have undertaken to provide to Intesa Sanpaolo (i) management of credit, debit and prepaid cards issued by Intesa Sanpaolo, including management of cards’ authorization process, clearing activity with the operators of the payment networks and all ancillary activities connected with the performance of the services under the agreement, (ii) POS processing and servicing, including the procurement of POS terminals, management of the authorization process of the electronic transaction, transaction monitoring and fraud prevention and management of financial flows, and (iii) ATM services, ATM withdrawals and card payment advances and settlement of financial flows. In exchange, Intesa Sanpaolo has agreed to pay us certain agreed fees. The ISP Agreements expire in December 2026, subject to tacit renewal for another two-year period. Either party may withdraw from the ISP Agreements by providing two years’ written notice.

#### *Agreements with BMPS*

##### BMPS Issuing and Acquiring Agreement

We entered into a commercial agreement with BMPS (in 2016) pursuant to which we undertook to provide BMPS with several services related to our Merchant Services & Solutions and Cards & Digital Payments business units, including management of credit card transactions and ATM terminals, as well as the management of relationships with certain card scheme operators (the “BMPS Issuing and Acquiring Agreement”). However, as of July 2017 and as a result of the acquisition of the MPS Acquiring business, the BMPS Issuing and Acquiring Agreement no longer governs our Merchant Services & Solutions business unit. In exchange for the provision of card issuing services, BMPS has agreed to pay us certain fees. The BMPS Issuing and Acquiring Agreement expires in May 2023 subject to tacit renewal for another two-year period. Both parties have agreed to waive their respective termination rights during this period.

##### BMPS Marketing and Distribution Agreement

We have entered into a marketing and distribution agreement with BMPS, pursuant to which BMPS will make available and promote, market and distribute our products and services to its merchant customers, on an exclusive basis for five years starting from June 2017, and will refer its customers interested in such products and services to Nexi (the “BMPS Marketing and Distribution Agreement”). In exchange, we have agreed to provide BMPS with our merchant products and services, meeting specific quality standards, and to pay BMPS certain agreed fees. The BMPS Marketing and Distribution Agreement expires in 2027, subject to tacit renewal for another five-year period. Both parties may withdraw from the BMPS Marketing and Distribution Agreement by providing one-year written notice.

##### BMPS POS, ATM and Corporate Banking Agreement

We entered into a framework agreement with BMPS (in 2016), through our subsidiary Bassilichi, which now merged into Nexi Payments, pursuant to which BMPS undertook to assign certain POS, ATM and CBI Gateway services to our subsidiary Bassilichi for agreed per annum fees and subject to a minimum turnover guarantee (the “BMPS Framework Agreement”). In addition, BMPS has the right to assign additional services (such as BMPS’s debit cards issuing platform, services related to corporate banking, and value-added services on POS terminals) to Bassilichi outside of the fixed fee arrangements, and Bassilichi is entitled to approach BMPS with offers for other services. As of July 2017, the POS services are no longer governed by the BMPS Framework Agreement as a result of the acquisition of the MPS Acquiring business. An intercompany agreement is in place for the provision of POS services between Nexi and Bassilichi. The BMPS Framework Agreement expires in 2023, subject to tacit renewal for another two-year period.

Pursuant to the terms of the BMPS Framework Agreement, our subsidiary Bassilichi has entered into three commercial agreements with a subsidiary of BMPS, under which Bassilichi undertook to provide BMPS with (i) services related to ATM management, including help desk, hardware assistance and installation, (ii) services related to the POS management, including help desk, hardware assistance, eCommerce and POS rental, and (iii) services related to interbanking corporate payments service, including services related to the CBI Gateway.

*Agreement with Deutsche Bank S.p.A.*

#### Deutsche Bank S.p.A. Marketing and Distribution Agreement

We have entered into a marketing and distribution agreement with Deutsche Bank S.p.A., pursuant to which Deutsche Bank S.p.A. will make available and promote, market and distribute our products and services through its network, on an exclusive basis for five years starting from June 2017, and will refer its customers interested in such products and services to Nexi (the “DB Marketing and Distribution Agreement”). In exchange, we have agreed to provide Deutsche Bank S.p.A. with our merchant products and services, meeting specific quality standards, and to pay Deutsche Bank S.p.A. certain agreed fees. The DB Marketing and Distribution Agreement expires in 2022 subject to tacit renewal for another five-year period. Both parties may withdraw from the DB Marketing and Distribution Agreement by providing six months’ written notice.

#### ***Agreements with Card Scheme Operators***

##### *Visa Inc. Agreement*

#### Visa Inc. and Visa Europe Limited

Visa Europe is a leading European card scheme operator, providing the brand, systems, electronic money services and operating rules that govern its European payments business and infrastructure. Visa Europe was spun off from the joint predecessor of Visa Europe and Visa Inc. in October 2007 in preparation of Visa Inc.’s initial public offering on the New York Stock Exchange in 2008. When Visa Europe was spun-off, it was restructured as a not-for-profit membership association and cooperative and became owned by those banks and other service provider members who, as members of Visa Europe, issue payment cards or who provide card acquiring services (such as Nexi Payments). Visa Europe determines certain cardholder and related fees. At the time of spin-off, Visa Europe was owned by the approximately 3,700 European banks and other payment service providers that operate Visa branded products and services within Europe. See “—*Acquisition of Visa Europe by Visa Inc.*”

#### Visa Membership Deed

We became a member of Visa Europe on September 10, 2009. At that time, each member of Visa Europe owned one redeemable ordinary share in Visa Europe. These shares have limited economic value and their voting and economic rights are mainly based on sales volumes of the particular member or group of members. We also own €83.1 million Class C shares in Visa Europe, which will be converted into ordinary shares of Visa Inc. at the end of the lock-up period. The conversion into ordinary shares will occur on the basis of a conversion factor determined by Visa on the basis of the status of the Visa Europe litigation. See “*Risk Factors—Risks Related to Our Business—We are subject to the risk of litigation and other claims.*”

Under the membership deed we have been granted certain rights of membership and given participation entitlements as permitted by the Visa membership regulations. Under the membership deed, Visa Europe agreed to grant us the right to use certain intellectual property of Visa Europe (which grant of rights is set out in a separate Trade Mark Agreement and Technology License Agreement). In exchange, we agreed to comply with the obligations imposed on us by various membership documents and to comply with Article 30 of the articles of association of Visa Europe, which is described below. Visa Europe had the right to change our participation entitlements at any time. We may terminate our membership by giving 180 days’ notice, while Visa Europe may terminate our membership for good cause, or for a termination event as defined in the Visa membership regulations.

By virtue of our former membership in Visa Europe, we have potential joint and several liability that is unlimited in terms of both time and amount under the terms of the Visa Europe operating regulations, along with all other members of Visa Europe in respect of actual losses incurred by Visa Europe in Visa Europe’s operation of the card scheme.

#### Rebates

Historically, the Group received certain benefits of membership, including periodic and one-off rebates of a certain proportion of the scheme fees paid to Visa Europe. Through our membership in Visa Europe, we received a rebate on our scheme fees, calculated by reference to the volume of transactions we process through Visa Europe. Subsequent to Visa Europe’s incorporation into Visa Inc. in 2016, we have ceased to be a member of Visa Europe, and since October 2016 have been in the process of renegotiating the terms of our business relationship with the Visa card scheme. There can be no assurance that this will lead to us being able to negotiate and establish new terms that are equally commercially attractive as our previous terms.



## Acquisition of Visa Europe by Visa Inc.

On November 3, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe of which we were a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. On June 21, 2016, Visa Inc. closed its acquisition of Visa Europe for a total consideration of up-front cash consideration of €12.2 billion (\$13.9 billion) and preferred stock convertible upon certain conditions into class A common stock or class A equivalent preferred stock of Visa Inc., equivalent to a value of €5.3 billion (\$6.1 billion) at Visa Inc.'s closing stock price of \$77.33 on June 21, 2016, and following the third anniversary of the closing, an additional €1.0 billion, plus 4% compound annual interest. Because we were a shareholder of Visa Europe at the time, we participated in the sale proceeds and received upfront consideration in an amount equivalent, net of non-controlling interests and taxes, to €219.7 million.

### *MasterCard Agreement*

On January 1, 1986, Servizi Interbancari, S.p.A. (Nexi's predecessor) entered into a card member license agreement with MasterCard, which is the only material agreement governing our relationship with MasterCard. Under this agreement, MasterCard granted Servizi Interbancari S.p.A. a perpetual license to use MasterCard's marks. Servizi Interbancari agreed to cause those merchants with whom Servizi Interbancari had an agreement to honor all MasterCard payment cards, and to disburse cash advances at its non-U.S. offices to MasterCard holders. MasterCard has the right to terminate the agreement if Servizi Interbancari ceases to be a card member of MasterCard, fails to comply with the standards for use of MasterCard's marks, or discontinues use of MasterCard's marks for a period of one year. Servizi Interbancari has the right to terminate the agreement by giving 30 days' written notice.

### *Bancomat/PagoBancomat Agreements*

In 1999, Nexi Payments entered into a card member license agreements with CO.GE.BAN., which was the licensee of the Bancomat and PagoBancomat trademarks. Following the conversion of CO.GE.BAN. into the Bancomat consortium in 2008, and the acquisition by the latter of the ownership of the PagoBancomat trademarks, Nexi Payments has become a member of the Bancomat consortium entitled to use the Bancomat and PagoBancomat trademarks. Under these agreements, the Bancomat consortium granted Nexi Payments a license to use Bancomat and PagoBancomat's trademarks both in our Merchant Services & Solutions and Cards & Digital Payments business units. In exchange, Nexi Payments agreed to pay certain membership fees. The Bancomat consortium has the right to terminate the agreements if Nexi Payments fails to pay membership fees or if Nexi Payments is expelled from the consortium. The license agreements have a duration of one year and are subject to automatic renewal, unless Nexi Payments serves a three-month written notice of termination or Nexi Payments is subject to merger or demerger transactions.

### ***Agreements with ICT Providers***

#### *equensWorldline and SIA Agreements*

Below is a description of the key terms and conditions of the agreements between us and, respectively, SIA and equensWorldline.

#### *SIA Agreements*

On December 28, 2005, SIA (formerly known as *Società per i Servizi Bancari S.p.A.*) and Nexi Payments entered into an agreement, subsequently amended, regulating the provision of certain services from SIA (in compliance with specific quality standards referring, among others, to SIA's processing activity in the following areas: Cards & Digital Payments, Merchant Services & Solutions and Payments Services. The agreement, with an original expiration date of December 31, 2011, is subject to automatic annual renewal. The parties can indicate an intention not to renew the agreement with at least 12 months' written notice before the expiration date. In the event that SIA exercises its right to withdraw from the agreement, Nexi Payments can request, and obtain, that SIA (by means of a notice sent by Nexi Payments within 180 calendar days prior to the termination date) continues to provide the services for up to 24 months from the effective date of termination. The agreement also prohibits Nexi Payments from soliciting SIA employees for the entire duration of the agreement (including any renewal thereof).

#### *equensWorldline Agreement*

On November 3, 2015, we, Equens SE and Worldline SA signed a term sheet that sets forth the principal terms and conditions to be reflected in any new and future service supply agreement for processing activity within the merchant acquiring value chain (each, a "New Supply Agreement"). This term sheet provides that each New Supply Agreement shall have a duration that varies according to the successful completion of Worldline SA's acquisition of Equens SE (the term

sheet provides that the duration of each New Supply Agreement is five years from the closing of the corporate transaction mentioned above, completed in 2016, with the establishment of equensWorldline). The term sheet provides that neither it nor any New Supply Agreement shall be interpreted as implying a commitment by us to acquire a minimum level of services from equensWorldline and/or to maintain a minimum level of expenditure in equensWorldline's favor.

With respect to intellectual property rights, we acknowledge that the intellectual property rights in the software relating to the IT platform operated and/or used by Equens SE for the provision of the services remain with Equens SE or any of its suppliers. We shall have ownership rights in any software which, in agreement with Equens SE, Equens SE will develop specifically for us. Such software shall be entirely and exclusively funded by us. Finally, the term sheet provides that Equens SE is not our exclusive supplier of the services detailed in (i) the New Supply Agreements and (ii) the two service agreements signed on November 1, 2008 between ICBPI and Equens Italia S.p.A. and between Nexi Payments and Equens Italia S.p.A. In addition, on November 3, 2015, ICBPI and Equens SE entered into an agreement to establish an exclusive distribution relationship relating to the services offered by ICBPI to banks and customers active in the Italian market, on the basis of the above-mentioned term sheet expires in 2024 and may be terminated before then in the event of any material deviations from the key financial terms set forth in the term sheet.

## **Sales and Marketing**

In our Merchant Services & Solutions business unit we typically pair with partner banks. Our partner banks' branch networks have deep local roots and are present across all of Italy. Leveraging these capabilities and relationships with existing and new customers, the partner banks make referrals of both eligible, potential cardholders (for Cards & Digital Payments) and merchants (for Merchant Services & Solutions). Since we are the leading card issuer and merchant acquirer in Italy, this creates a mutually dependent relationship between ourselves and our partner banks.

In the Digital Banking Solutions business unit we employ a direct sales model to market our services to bank, corporate and public sector customers. We generally rely on a wide range of marketing channels including traditional advertising channels and materials, as well as online content management and direct marketing.

## **Information and Communications Technology**

Information and communications technology ("ICT") is a critical part of our business. We rely on an IT system which, through an integrated architecture encompassing the whole Group, allows us to manage our IT processes centrally. More specifically, the entire value chain associated with software development and implementation is controlled through this system. We utilize a broad portfolio of software applications and technical infrastructures, both for internal purposes and to provide services to our customers. We have developed a sophisticated matrix to decide which ICT systems we outsource and which ones we develop in-house.

The IT processing platform of our Group consists of the following application components: (i) Physical Digital Channels and Connection Layers, (ii) Transaction Processing Hub, (iii) Customer Management and (iv) Technology and Security Infrastructure.

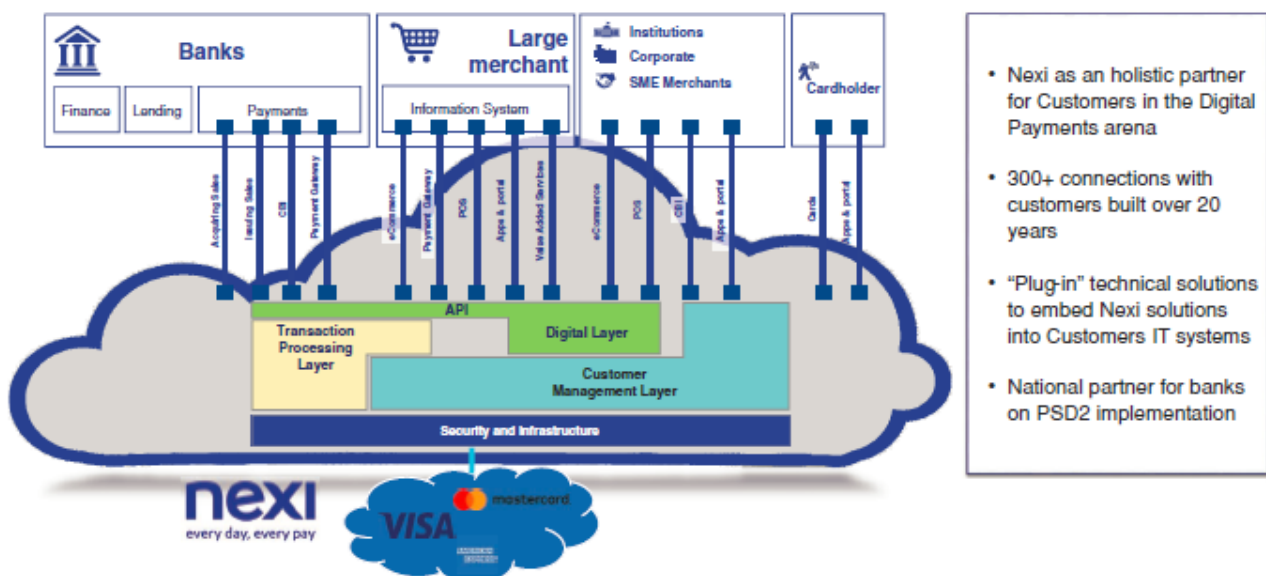
- *Physical Digital Channels and Connection Layers.* The architectural component consists of the set of software programs and hardware infrastructures suitable for creating and managing the interface between the physical access channels and our Information System. The following elements form this component:
  - the systems that produce and manage the user interface and that guarantee an efficient information management by users of our systems;
  - the software layers that guarantee an interchangeability of the protocols of communication with external bodies, such as payment platforms;
  - the publication of APIs (Application Programming Interfaces), including those that comply with current standards (PSD2); and
  - the specific application systems referring to the access channel, such as, for example, the life cycle management of ATM and POS channel devices.
- *Transaction Processing Hub.* The structural component consists of the software programs and hardware infrastructures designed to manage various aspects of a payment transaction, ensuring its integrity, security and speed of execution. This architectural component specifically and separately manages the transactions related to:

- the management of payment cards according to the different models of service of licensing and servicing, and divided into issuing and acquiring components;
- the management of payment transactions relating to e-commerce and digital corporate banking; and
- the parametric access to international card scheme operators such as example VISA, Mastercard and American Express.
- *Customer Management.* The structural component is made up of the whole of the software programs and hardware infrastructure suitable for connecting in a parametric access flows from the physical channels with the processing systems of the transactions, so as to allow efficient customer management.
- *Technology and Security Infrastructure.* The structural component consists of the set of software programs and hardware infrastructures, aimed at providing the IT service as a whole, i.e.:
  - to ensure the continuity of operation of the IT service;
  - to provide adequate performance in terms of quality, reliability and speed of the transactions; and
  - to ensure the security, confidentiality and protection of the IT system with respect to access, use and integrity of the information contained therein.

Our IT solutions allow us to be a reference partner for our customers in the field of digital payments. Our ecosystem boasts more than 300 connections with our customers, developed over the last 20 years, which are the basis of long-standing relationships with our customers.

We have further strengthened our relationships with our customers through the development of plug-in solutions that supplement our product offering within our customers' IT systems. Our technological skills enjoy considerable recognition at national level, as shown by our selection as national partner of Italian banks for the implementation of PSD2. We expect that in the coming years, the CBI Globe initiative (i.e., the development of the pan-Italian open-banking gateway) will strengthen our strategic positioning in the field of digital payments.

### Our Digital Architecture



Source: Management data.

### Cloud Architecture and Customer Service Management

We have benefited from our cloud architecture and Customer Management Service systems to increase commercial effectiveness and improve our customer service. We have developed a sales tool that provides a 360-degree

view of the customer, from sales reporting to customer management and marketing campaigns. This tool will be integrated into the customers' banking systems, thereby strengthening the technological partnership between us and our customers.

### ***Use of Strategic Partnerships or Internal Capabilities to Manage Processing Activities***

We use a combination of internal capabilities and strategic partnerships. For example, some payment features are managed in cooperation with our strategic partners, while we manage the gateway connections and technology. In particular, we have relationships with SIA and equensWorldline for the supply of services of processing.

Robust technology infrastructure that includes security technologies and a hybrid cloud data center for reliability, scalability and rapid deployment

Our data center and IT infrastructure are built and optimized to support the digital transformation. We use hybrid technology that combines an in-house data center with public cloud service providers such as AWS and Azure. We also maintain a higher level of service by operating our data centers in active-active mode. The applications are divided between two main sites ensuring reliability in the event of any failure, including the malfunction of an entire data center.

In the financial years from December 31, 2016 to December 31, 2018, we invested over €325 million (including capex and operating expenses in the 2016-2018 period) in the technological infrastructure, starting a process of efficiency and cost reduction, with the completion of more than 50 transformation projects.

## **Employees**

### ***Overview***

As of June 30, 2019, we had a total of 1,838 full-time equivalent employees, excluding temporary workers. Our total number of employees included 96 top managers, 967 middle managers and 947 white collar employees.

### ***Stock Options***

We currently have in place a stock option plan under which Mercury UK has granted 59 Group employees (the "Beneficiaries") the right to the free assignment by Mercury UK of our shares, vested over 24 months, under the circumstances set out in the plan documentation (the "Mercury UK Grant Plan"). The purpose of the Mercury UK Grant Plan, the full cost of which is borne by Mercury UK, is to further align the interests of the Beneficiaries, whose contribution is deemed to be of significant strategic importance, with the objectives of the shareholders.

### ***Unionization***

Our employees are subject to the following Italian national collective bargaining agreement (*Contratto Collettivo Nazionale del Lavoro or CCNL*): (i) the "CCNL" for employees of credit companies (*Contratto Collettivo Nazionale di Lavoro per le Imprese Creditizie*); (ii) the "CCNL" for managers of credit companies (*Contratto Collettivo Nazionale di Lavoro per i Dirigenti delle Imprese Creditizie*), applicable to our top managers; (iii) the "CCNL" for employees of commercial companies (*Contratto Collettivo Nazionale di Lavoro del Commercio*); (iv) the "CCNL" for employees of industrial telecommunication companies (*Contratto Collettivo Nazionale Metalmeccanico*); and (v) additional collective bargaining agreements that govern working hours, bonus payments, contributions to pension funds and other benefits.

### ***Pensions***

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. We make pension contributions on behalf of our employees as required by applicable Italian law. In addition, we have pension commitments in respect of former executives and their relatives. Other than increases in contributions required by law, we do not expect significant pension liabilities going forward. As of June 30, 2019, the amount set aside under our severance indemnities under employees' contracts of employment amounted to €15.1 million.

There is no central works council for the entire Group. However, all of its employees are represented by works councils at the company level. We consider our relations with employees, works councils and unions to be satisfactory and has not had any significant labor issues during the past three years.

## **Intellectual Property**

### ***Brands***

We operate a broad business portfolio and use a number of recognizable brands across our businesses and business units. We use the Nexi brand to market our services in our Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business units. Since most of our payment cards are co-branded with the Nexi brand appearing alongside the partner bank's logo, the Nexi brand is well established in the marketplace, with strong growth since its launch in November 2017. We use the Help Line trademark in our Digital Banking Solutions business unit. We use the Nexi brand to market our services in our Cards & Digital Payments business unit. In our Cards & Digital Payments business unit we also use the FastInvoice brand for products and services in connection with e-invoicing. Additionally, we leverage our Papen brand for the management and collection of pension payments for our bank customers. We expect to register additional brands and trademarks in the future.

### ***Trademarks, Domains and Patents***

As of the date of this Information Release, we hold numerous trademark registrations in Italy and Europe including Nexi, Help Line, GIANOS, Moneynet, Mercury Payment, Mercury Payment Services, Moneta & Figura and others. We hold numerous internet domains relating to each of our brands and business units, and we believe that we hold all internet domains that are material to our businesses. We do not hold any patents that are material to our businesses.

We aim to protect our domain names through a strategy aimed at preventing misuse of domain names lexically identical or similar to the name Nexi. We have purchased numerous domain names resembling (even remotely) "Nexi" or goods, trademarks and/or our subsidiaries over a wide range of domains, so as to inhibit misuse of domains similar to our official domain names. Regular internet scans are also carried out by the relevant offices or by external companies to identify, for example, any cases of the misuse of the "Nexi" name and to take the necessary protective action. We also use an external service for the technical and orderly management of the registration and maintenance of domains and for their renewal. Two separate offices (IT and Marketing/Communication) independently supervise the management of our domain names in order to increase effectiveness and to prevent operational errors.

### ***Licenses***

We have obtained a license to perform payments services, under our Moneynet business. In addition, we are dependent on the licenses we have obtained from each of Visa, MasterCard, Bancomat, PagoBancomat, American Express, Diners Club and JCB to participate in national and international card schemes, perform payments services and issue payment cards. The underlying license agreements include a change of control clause and can be terminated at any time, subject to notice periods of between three and twelve months. See "*—Material Contracts—Agreements with Card Scheme Operators.*"

## **Property, Plant and Equipment**

As of the date of this Information Release our headquarters at Corso Sempione 55, 20149, Milan, is the only real estate asset that we consider to be a material part of our business.

## **Insurance**

As part of our insurance program, we maintain liability and property/business interruption insurance policies, professional liability, cyber risk and electronic equipment insurance. We are not currently involved in any material claims under any of our insurances.

For the benefit of our directors and officers, we have entered into a global directors and officers ("D&O") insurance policies to cover our present, former and future directors and officers, general managers, authorized officers and senior staff. The D&O insurance policies cover financial losses resulting from liability of our directors and officers and we believe the limitations of the Group's coverage are in line with industry practice.

## **Legal Proceedings**

As of the date of this Information Release, we are involved in legal proceedings in the ordinary course of our business. We have assessed the potential liabilities that may arise from pending litigation and have determined provisions on the basis of prudential criteria. As of June 30, 2019, we set aside total provisions for disputes in an amount of € 4.2 million against aggregate claims of €14.6 million. In addition, we have included €0.8 million in "*Other Provisions*" for

certain labor disputes. In this respect, we note that the outcome of legal proceedings can be extremely difficult to predict and we offer no assurances in this regard.

## **Ongoing Disputes**

Ongoing disputes as of the date of the Information Release are set forth below.

### *Disputes with Customers*

#### BNL vs. Union Delta—BASE

On January 7, 2014, BNL commenced proceedings against Bassilichi, BASE and Union Delta before the Court of Rome, in which it sought payment of an amount found missing in a money counting room of Turin which was managed by Union Delta, on the basis of a transport and money counting agreement. The claim amounts to €5,000,000.00. Under the aforementioned agreement, BNL was acting as the client and Bassilichi as professional intermediary in accordance with Article 115 of the Consolidated Law on Public Security, which in turn availed itself of Base as a supplier in accordance with Article 115 of the Consolidated Law on Public Security, and Union Delta as local service provider by virtue of the license in accordance with Article 134 of the Consolidated Law on Public Security. Base and Union Delta requested the joinder of their insurance companies for indemnification purposes. On January 8, 2015, the Court of Rome declared the bankruptcy of Union Delta and, on March 31, 2015, the proceedings were interrupted and then timely resumed.

On November 7, 2018, the Court of Rome issued its first instance judgment against Bassilichi, dismissing the claims against Union Delta as unenforceable, and ordered Bassilichi, jointly and severally with Base, to pay the amount of the claim, as well as legal costs equal to €120,000. The Court of Rome, however, upheld the application of Bassilichi to be indemnified by Base in full from any sum to be paid to BNL as well as legal costs. This part of the judgment was not challenged by Base and, as such, is final. The Court of Rome also upheld Base's request to be held harmless by its insurer (Lloyd's) from all sums to be paid to BNL (except for an allowance of €100,000.00) including legal costs. This part of the judgment was appealed by Lloyd's. As of the date of the Information Release, the appeal proceedings have started. Based on the opinions received from our legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

#### Be Think (formerly Bee Team) Litigation

On March 9, 2010, Be Think instigated proceedings against Bassilichi before the Court of Siena seeking €661,000 as consideration for services billed to Bassilichi but rendered in favor of the Consortium Monte Paschi Siena as end customer. The services in question are back-office services including processing of checks, bills of exchange and delegations of payment. Bassilichi has challenged these claims, asking that the above amounts be offset against penalties charged by the Consortium Monte Paschi di Siena to Bassilichi as contractor, equal to €556,221 as Bassilichi considers Be Think, as a sub-contractor, to be liable for the claimed non-performances. Be Think has challenged such claims, claiming not to be liable for these penalties and, in the alternative, asking the Court to equitably reduce the amount of the penalties.

As of date of this Information Release, the parties are trying to reach an amicable settlement based on an offer from Nexi to pay €290,000 to the consortium in addition to €475,000 to be paid to Be Think for a total reimbursement of €765,000. Given ongoing negotiations, on February 22, 2019 the court adjourned the hearing to file the final requests for relief (*precisazione conclusioni*) until June 25, 2019. Based on opinions received from legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

#### Tourist Service vs. CartaSi

On October 1, 2010, Tourist Service commenced proceedings before the Court of Cagliari against Nexi Payments, as merchant acquirer, and Banco di Sardegna S.p.A., as banking institution where Tourist Service held a bank account, seeking approximately €400,000, relating to a payment blocked by CartaSi (and Banco di Sardegna S.p.A.) and returned to its owners that was considered by CartaSi to be the result of fraudulent transactions. In addition to the above, Tourist Service has sought damages against Nexi Payments and Banco di Sardegna S.p.A. equal to €3,000,000 (direct damage and loss of profit) due to the alleged economic repercussions and the damage to its reputation that Tourist Service has allegedly suffered due to the disputed facts.

Nexi has claimed that the Court of Cagliari lacks territorial jurisdiction and has requested that the opposing party's claims be dismissed as unfounded in fact and in law. The proceedings, which were commenced as summary proceedings, have been converted to ordinary proceedings. Following the filing of the submissions in the discovery stage, Nexi's case file, held at the Registry of the Court of First Instance of Cagliari, went missing. Nexi then refiled its case, and Tourist Service claimed that the new case file was different from the old one. Nexi then filed specific submissions to prove the conformity of the new case file with the previous file submitted. At the hearing for the filing of the final requests for relief,

Tourist Service's lawyer renounced his engagement as lawyer for Tourist Service. Tourist Service failed to appoint a new lawyer, thereby binding the current lawyer to continue to represent it in the proceedings.

At the last hearing held in March 2018, the judge adjourned the hearing for the filing of the final requests for relief to October 16, 2019 to ensure that Tourist Service has sufficient time to appoint the new lawyer. Based on the opinions received from the legal advisors, the risk of a negative outcome of the proceedings is assessed as unlikely.

#### *Labor Law Disputes*

As of the date of the Information Release, we are involved in a series of labor law disputes, both in the first instance and on appeal. Bassilichi is a defendant in 30 proceedings relating to unlawful use of third-party workers (*interposizione illecita di manodopera*) and the invalidity of a transfer of two employment contract (from Bassilichi to Pay Care). Bassnet S.r.l. is a defendant in eight proceedings relating to the same matters. Finally, Nexi Payments is the defendant in two proceedings, the first relating to a request to declare the transfer of an employment contract from Nexi S.p.A. to Nexi Payments S.p.A., which occurred in July 2018, with the ensuing re-employment within Depobank, and the second relating to unlawful use of third-party workers. As of June 30, 2019, the overall amount of these claims was €0.8 million. Based on opinions received from legal advisors, the risk of a negative outcome of the proceedings is assessed as possible for all of the above disputes.

#### *Intellectual Property Litigation*

Nexi Payments has received four complaints from third parties concerning its use and/or registration of certain trademarks. As of the date of this Information Release:

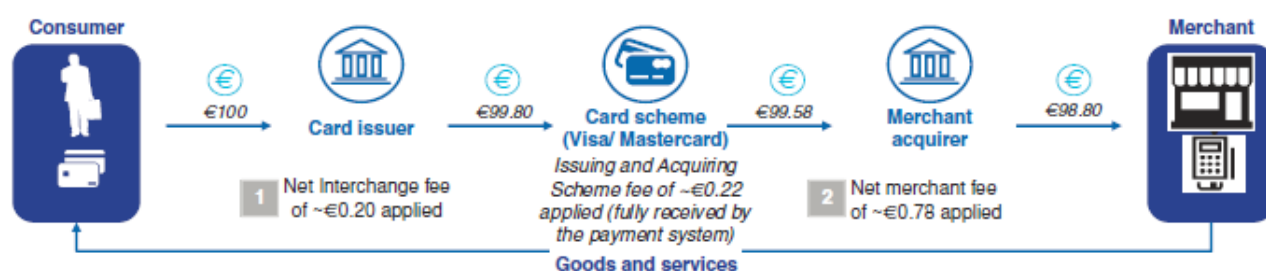
- two of these disputes (in August and October 2018) were not followed by administrative and/or legal proceedings against Nexi Payments;
- the opposition action (No 003018119) brought by Euronext N.V. (proprietor of the word and figurative mark "Next") against the European trademark application "Nexi" No 17124793 was defined by an agreement signed by Nexi Payments on October 11, 2018, by which Nexi Payments undertook to amend the trademark application and the further trademark registrations concerning the term "Nexi" by specifically limiting the services for which protection is sought and Euronext N.V. undertook to waive the opposition and not to contest the validity of the other trademark registrations. Nexi Payments is waiting to receive the settlement agreement signed by Euronext N.V.; and
- the opposition (No. 003018762) to the European trademark application "Nexi" No 017124793 filed by Next Retail Limited (owner of certain trademark registrations ("Next")) is pending. The parties are discussing the possibility of settling the matter and the proceedings have been suspended until January 16, 2020.

## INDUSTRY

Certain of the projections and information set forth in this section have been derived from external sources, including industry publications and surveys, industry reports prepared by consultants, internal surveys as well as from customer feedback. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See “Risk Factors.” This industry section includes certain technical terms that are commonly used in our industry. See “Glossary” for a detailed explanation of these terms.

### Economic Model of the Card Payments Industry

Card payments involve a number of services and players performing several different roles along the value chain. Participants in the industry generate revenue from fees that are typically calculated as a fixed fee on the transaction, to which an additional fee, based on a percentage of the transaction value, is added. Services and associated revenue streams are illustrated below:



The graph above illustrates a notional payment transaction, using hypothetical financial figures for Visa/MasterCard credit and debit cards in Italy based on general market estimates that are not indicative of the actual terms of our commercial agreements.

### Cardholder

Initiating the payment cycle, a cardholder intends to make a digital payment instead of a cash payment and presents a payment card (or mobile device which features contactless payment technology and is linked to a payment card) to pay for its purchase at a merchant (which may be a retail outlet or online store).

### Card Issuer

The card issuer is a bank or other service provider which manages the cardholder’s payment card and charges the underlying bank account or credit allowance. Through the hardware and software connecting the card issuer with the card scheme operator, the card issuer receives a digital request to authorize the card transaction. The card issuer verifies that the cardholder has sufficient funds available and authorizes the payment transaction via a digital message to the card scheme operator, registering a charge on the cardholder’s balance (in the case of charge or credit cards) or placing a hold on the funds reserved for settlement of the transaction (in the case of prepaid or debit cards). Generally, one business day after the card purchase has been made, the card issuer pays the transaction value (€100) to the card scheme operator, net of the interchange fee (approximately €0.20). Card issuers may also outsource the transaction processing activities of the acquiring value chain to other companies, such as, for example, equensWorldline and SIA, or process the transactions themselves.

### Card Scheme

One business day after receipt of the transaction value (€100) from the card issuer on the day after the card purchase, the card scheme operator passes the payment through to the merchant acquirer net of the scheme fee (€0.22) and the interchange fee charged by the card issuer.



## Merchant Acquirer

The merchant acquirer typically settles the transaction value with the merchant on the day following the card purchase. Because the merchant acquirer itself receives payment from the card scheme operator only on the subsequent business day, the merchant acquirer on average provides funding to the merchant for one business day. As compensation for its services, the merchant acquirer charges a merchant service fee, based on a percentage of the transaction value, at the end of each month. After paying any additional applicable fees, the merchant acquirer retains a net merchant services fee.

Card issuing and merchant acquiring services may be offered either directly to the final customer (consumer, trader or business) or under a partnership model whereby a bank places on the market the products/services of a company specializing in payments. In the latter case, the revenues from the provision of payment services are divided between the two partners.

## Key Trends in the Digital Payments Market

The digital payments market has shown two key trends in recent years:

- the progressive replacement of cash payments with digital tools; and
- the sustained growth of payments generated by e-marketing.

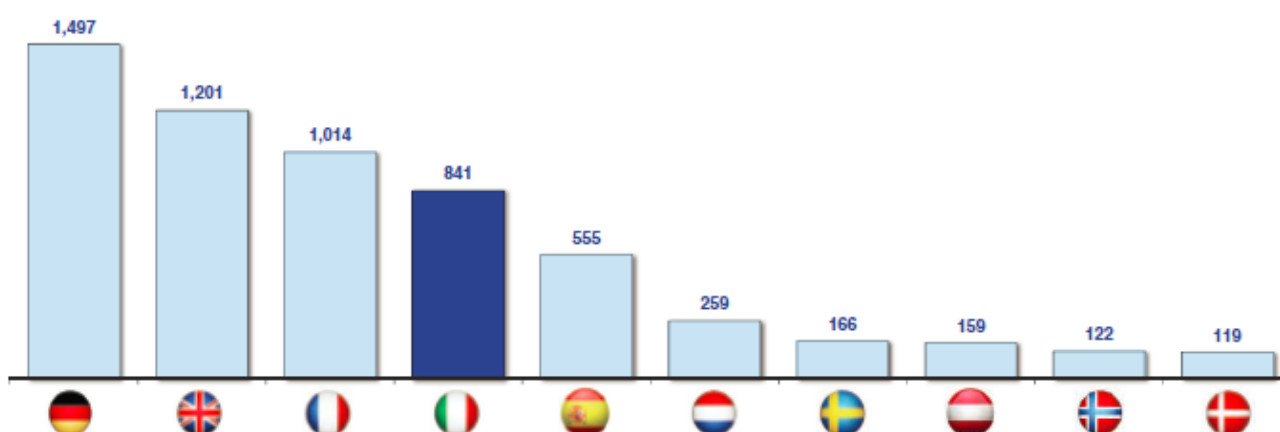
The development of the Italian digital payments market was as a result of:

- changes in the behavior and needs of end customers (consumers, merchants and businesses);
- technological innovations; and
- regulatory interventions.

## Gradual Replacement of Cash Payments with Digital Instruments

Italy, where we operate, is Europe's fourth largest economy by total consumer spending (estimated in €841 billion in 2018 according to Euromonitor International), as shown in the chart below.

**Total Consumer Spending 2018, Selected European Countries (€ billions)<sup>(1)</sup>**



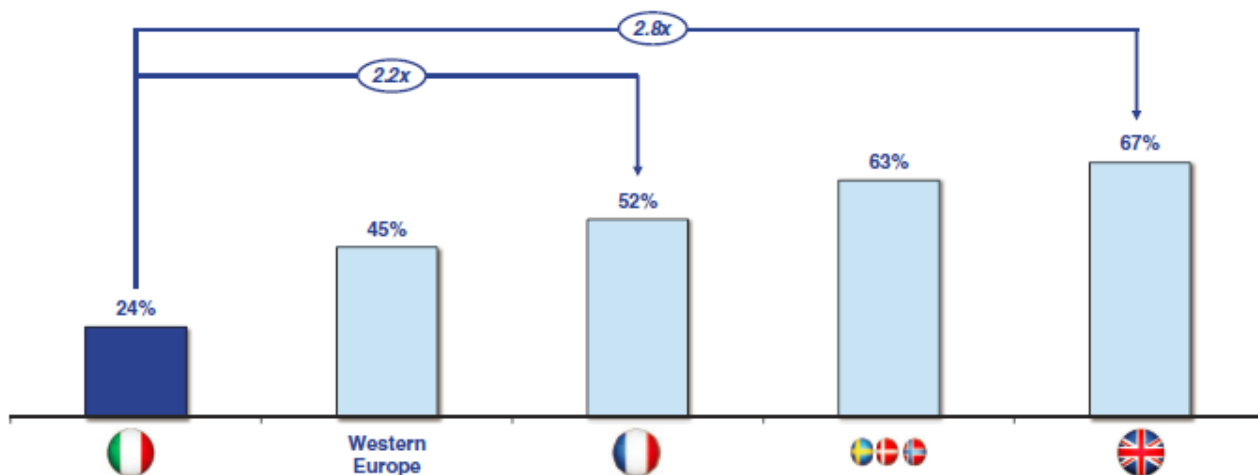
Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries with the exception of Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (excluding Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. Excluded Transactions include peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate).

Despite Italian payments infrastructure being well-developed, with an average number of payment cards per capita largely consistent with other major Western European economies, payments cards in Italy are used less frequently than on

average in Western Europe, with card payments penetration of 24% compared to 45% in Western Europe. As illustrated by the chart below, Italy shows one of the lowest rates of card payments penetration in Europe.

**Consumer Card Payment Penetration, Selected Countries (% by value of transactions; 2018)<sup>(1)</sup>**

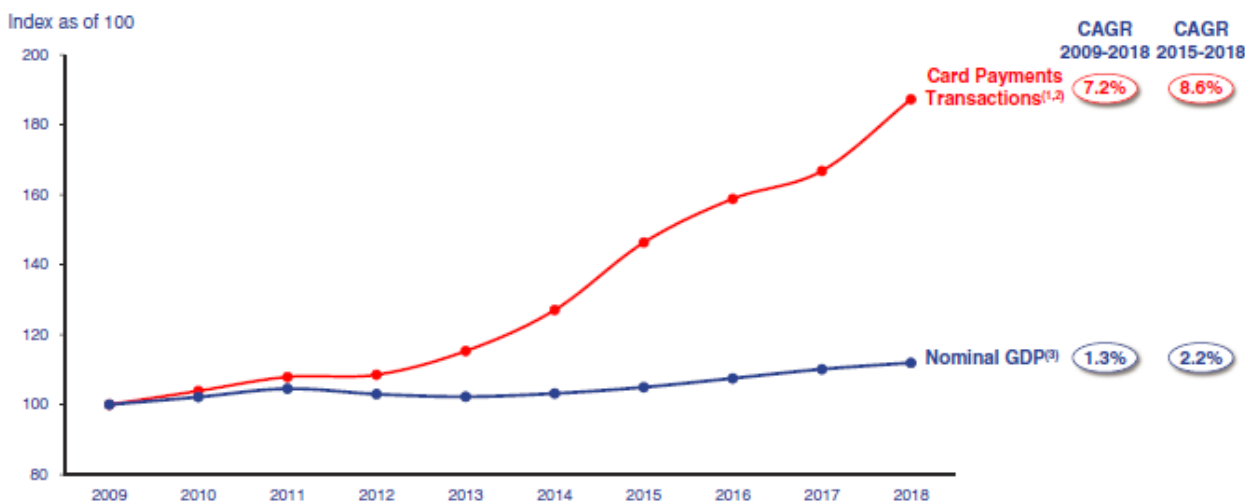


Source: (1) Euromonitor International Consumer Finance 2020 Edition.

Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl. Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl. Commercial) divided by Total Consumer Spending

Card payments penetration in Italy is increasing, supported by the growth in the number of card payments transactions, which registered a CAGR of 8.6% in the period 2015-2018, according to Bank of Italy data. The rapid and substantial growth of card payments in Italy has taken place notwithstanding the Italian macroeconomic and political backdrop in recent years. As shown in the chart below, the value of card payment transactions in Italy grew at a CAGR of 7.2% between 2009 and 2018, faster than the overall economy, as represented in terms of nominal GDP over the same period.

**Growth of Italian Card Payments (in values) outperforming Italian nominal GDP Growth from 2009 to date (indexed at 100)<sup>(1)(2)(3)</sup>**



Source: (1) Bank of Italy—Appendix to the Annual Report as published in May 2019. (2) Value of card payment transactions (including credit, debit and prepaid cards); (3) ISTAT.

## Sustained Growth of Payments Generated by e/m-Commerce

The Italian market for card payments grew at a CAGR of 8.6% between 2015 and 2018 in terms of transaction value (source: Bank of Italy—Appendix to the Annual Report as published in May 2019) reflecting the progressive move from cash to digital payments.

During the period from 2016 until 2018, we estimate that our Merchant Services & Solutions business unit grew 10.2% by number of transactions and our Cards & Digital Payments business unit grew by 9.8% by number of transactions (source: management data).

We expect card payments to continue to penetrate the payments market, in part based on the following factors:

- the increased availability of POS terminals, which are necessary to accept card payments; and
- the substantial growth in penetration of card payments over the past several years.

Growth of the reference market could also be supported by regulatory interventions to increase the digitization of the country, as described in greater detail below.

Supported by the evolving needs of end consumers, online commerce, or e-commerce (which includes m-commerce, or commerce conducted over the internet via a mobile device), has grown significantly in recent years, due to increased ease and security of online payments. Payment cards represent a key tool in online commerce transactions since they provide the opportunity for consumers to pay remotely for purchased goods and services.

The expansion of e/m-commerce continued in 2018. The value of online purchases in the world exceeded €2,500 billion (+20% compared to 2017). In Europe, the countries in which e/m-commerce has relatively high penetration rates are Great Britain (€110 billion market in 2018 (+11% compared to 2017) and a 19% penetration rate), Germany (€82 billion (+9% compared to 2017) and a 15% penetration rate) and France (€ 65 billion (+9% compared to 2017) and a 14% penetration rate). There are also countries where e/m-commerce is under development, characterized by lower penetration rates, such as Italy (€27.4 billion (+16% from 2017) and a 6.5% penetration rate), and Spain (€21 billion (+13% from 2017) and a 6% penetration rate) (source: Politecnico of Milan, Osservatorio e-commerce B2c, October 2018)

*e-commerce penetration<sup>(1)</sup> and growth*



Source: Politecnico of Milan, Osservatorio e-commerce B2c, October 2018.

(1) E-commerce penetration calculated as the ratio between online spending and total spending (online and physical). Online spending includes purchases of products and services, excluding digital-only contents. Total spending is calculated on those categories of products that are sold online but that are also available offline markets sold online (i.e., excluding cigarettes, gaming, betting etc.).

Online commerce is also facilitated by tools such as electronic wallets and as a result, providers of payment services to merchants are supporting electronic wallet technologies to guarantee that their merchants can accept these payment methods. We have developed, through the Nexi Pay App, what we believe to be one of the most complete mobile payment platforms in the Italian market, which will allow customers of our partner banks to use Apple Pay, Samsung pay and Google Pay for purchases through their smartphone.

It is expected that these innovative payment solutions will continue to increase their level of penetration among customers and transform the payment experience for customers and merchants. It is unlikely, however, that these payments solutions will lead to a radical change in the payment sector in the short term, since they are based on existing card schemes and payment systems. For example, Apple Pay and Samsung Pay users are required to associate their payment card to the Apple Pay system or the Samsung Pay system, as the case may be. As a result, each transaction is processed in the exact same way and through the exact same players of a purchase made with a traditional, plastic card. In addition, aside from a limited fee payable by the card issuer to Apple or Samsung, there is no significant change in the unitary revenues of the merchant acquirer and the card issuer.

### ***Evolution of End-customers***

#### *Individuals*

The first element of consumer evolution concerns the growing interest in online commerce, which includes both e-commerce and m-commerce and involves the exchange of products or services through computers and wireless devices such as smartphones and tablets. Consumers are interested in buying online for the flexibility offered, since the restrictions in terms of location and opening hours of brick-and-mortar stores are removed. In addition, online commerce allows consumers to purchase goods and services from other countries without the need to travel.

In addition, mobile communication tools are increasingly at the center of many consumers' daily lives, ultimately driving commerce through the mobile channel. As a result, consumers are showing an increased interest for omni-channel purchase experiences, characterized by an integration of all the interaction channels (physical, web and mobile channels).

Changes in consumer preferences have been further accelerated by demographic shifts, with 18-25 year olds tending to be more comfortable with, and adapting more quickly to, new technologies. In general, they are enthusiastic users of digital services, tend to be less attached to traditional banks and make significant use of their smart phones for acquisitions and transferring money between other individuals.

This behavioral shift in consumer preferences favors those merchants that are able to tailor their product offers to the specific, evolving needs of consumers, offering the possibility of leveraging data collected in electronic transactions to create loyalty programs and increase customer involvement.

Finally, immigration is gradually changing the composition of end consumers. Once foreign nationals have established themselves in Italy, their financial and payment needs tend to change, and they require dedicated products, services and distribution channels.

Consumers' needs regarding digital payment methods are also becoming polarized, with wealthy consumers demanding a higher level of service, while the mass market demands higher security, cost control, access to credit and digital services.

#### *Merchants*

Italy is a country dominated by small- and medium-sized enterprises ("SMEs"), with large companies representing only 0.1% of the total number of businesses (Eurostat). Based on managerial data and analysis, we estimate that, in 2018, our core market, composed of Italian SMEs and large national merchants operating physical stores or through multiple channels, represented 80% of the acquiring market (measured by value of payment card transactions).

Payment services offered to merchants are increasingly becoming a technological service that is disconnected from financial services. Merchants, beginning with large players, are adopting omni-channel service models, demanding solutions that are tailored to their specific vertical segment of reference and recognizing payments as the enabling factor for a service or a customer's experience. SMEs are following the same path, albeit at a slower pace, mainly to respond to their customers' new demands.

Within this new context, providers of payment solutions to merchants play a dual role. First, they provide solutions for accepting payments and corresponding ancillary products that allow merchants to meet their customers' current payment expectations including acceptance of payments, payment of balances, settlement of any payment dispute, compliance with PCI regulations, customer payment information storage, reports and data analytics. Second, they offer value added services to support the merchants' activity, developed both internally and by third parties, including management of orders and bookings, inventory, employees, marketing activities, loyalty programs and customer involvement.

As a result, the pairing of payment services with management software, accounting software and other functions that allow customers to make multi-channel purchases are becoming a key element of the large merchants' offer and are expected to become so for SMEs as well. Supported by these integrated services, software and payment system providers are evaluating the possibility of providing payment services for SMEs alongside banks, following a path that has already been followed in more mature markets.

Large merchants also need tailored solutions that can cover the whole range of payment services, including cards and digital payments services (for example, corporate cards) and digital banking solutions (for example, corporate digital banking).

### *Corporate Clients*

In recent years, Italian companies (both large and medium-sized enterprises) have become more international, both by increasing the volume of products and services they export as well as by seeking out international suppliers that may be better performing or offer better pricing.

In parallel with these developments, businesses have begun to adopt more sophisticated supply-chain and inventory management systems to support their production and the provision of complex and de-localized services within supply chains that are increasingly based on just-in-time principles.

This increased organizational complexity has, in turn, increased these businesses' requirements for advanced payment services, including, for example, the need for cross-border and multi-currency payment capacity, as well as instant payments, financing of import or export commercial activities and centralized management of the liquidity.

Business customers are increasingly demanding flexible and more responsive solutions for clearing and settlement, and in particular, solutions that enable them to monitor and manage intra-day and within-day liquidity. Moreover, businesses operating in multiple geographical areas and managing complex cross-border supply chains often require real-time payment settlement to be able to operate efficiently.

The current market for business-related payment services shows significant areas for improvement because:

- payment processes are fragmented, manual and often paper-based;
- payment flows are often decoupled from the accounting flows of the liability cycle; and
- e-invoicing is being introduced on a large scale.

In addition, there is potential for greater penetration of payment cards among our corporate clients.

### *Technological Innovation*

Technological innovation is one of the key factors in the increasingly global sector of payment solutions. The possibility for end customers to choose from a wider range of solutions, resulting from innovative payment technologies, has driven a change in consumer preferences, with consumers becoming increasingly more exacting in the way they interact with commerce. With the increased number of payment options available, consumers have demanded payment solutions that are simpler, fast and secure.

Technological innovation, paired with consumers' expectations, is leading the development of new payment methods. Contactless payment methods, for example, have been forecast to grow in Italy at a CAGR of 40% over the 2017 - 2020 period, in line with the increase of contactless payments in similar economies in Western Europe. Payment system innovations have been numerous in recent years and have focused primarily on:

- the development of electronic portfolios, programs or web services that allow users to store and control online shopping information such as log-ins, passwords, shipping addresses and credit card details in one central location. Online wallets provide a quick and convenient method for consumers to purchase products from any person or store across the globe. Smartphones equipped with Near Field Communication (NFC) may be used to complete contactless transactions with compatible POS terminals, by interacting with the current players of the payment chain (including card scheme merchants, card issuers and merchant acquirers) to offer cardholders functions that are easy and secure to use even at brick-and-mortar stores. International companies that offer these services jointly with more traditional players in the payment chain, include, among others, Apple, Samsung and Google;

- increasing scalability and integration of merchant payment acceptance products as their customization, for example, to be able to accept payments in multiple currencies and with different payments tools;
- introducing next generation physical tools for accepting payments (SmartPOS), which pair the well-known payment functions of a traditional POS with next generation payment functions, including the possibility to download applications from a marketplace by offering to SMEs the possibility to access useful services for the management of their business; and
- on the development of instant payments platform that allows customers to instantly clear and settle account-based money transfers.

Following is a list of the main technological innovations of recent years that are likely to have an impact on the payment industry:

- Machine learning and artificial intelligence;
- Distributed ledger, also known as blockchain;
- Internet of Things, or IoT; and
- Biometry.

Artificial intelligence, machine learning and similar technologies will enable processing of very large amounts of data, analysis of internal processes and data analytics, ultimately creating opportunities in sectors like anti-fraud, automation of processes, designing of customers' digital experience, management of the relationship with clients and definition of prices. Some of the possible services that this new technology will introduce—such as benchmarking with competitors, customer profiling, antifraud, and dynamic reports—will soon become necessary elements in the development of an interesting commercial offer for large merchants and will ultimately increase SMEs' loyalty to their payment service supplier.

With regard to blockchain technology, which eliminates the individual broker by using algorithms to verify and safely authorize transactions, some occasional uses linked to payments are now turning into services to be offered to clients. For example, it is now possible to simplify the management of cross-border payments, which are currently dependent on the role played by the correspondent banks. However, some uncertainties still remain, especially with regard to blockchain's scalability and standardization.

It is likely that IoT, a network of "smart" and interconnected tools, will include the possibility to make payments, although in limited volumes, at least in the short and medium term. The diffusion of "smart objects" will extend the purchasing activity of end users to new contexts. For example:

- users will be able to make purchases in their cars, activating the related payments (e.g., for supplies, tolls, parking or fast-food chains);
- new-generation domestic appliances will be able to purchase goods autonomously, for example products needed to bring stocks back to a pre-established level, activating the relevant payments; and
- intelligent microphones will be able to execute purchase orders dictated to them, activating the relative payments.

Biometry enables identification of a customer by physical or behavioral features. It will simplify the user experience and represents an enabling factor that will further the spread of digital payments, by strengthening users' perception of their security.

### ***Regulatory Changes***

Changes to European regulations, and especially the enactment of the regulation on payment services, PSD2, are providing additional opportunities and promoting competition in the payment services industry.

EU Member States transposed PSD2 into national law by January 13, 2018. PSD2 represents a significant regulatory development that impacts the payments value chain in Europe and is aimed at promoting current account-based payments and supporting the creation of a level playing field for participants in the payment system infrastructure, including for new participants.

PSD2 has also expanded the scope and range of regulated services and has updated the conduct of business requirements for payment service providers. PSD2's main objectives are to contribute to a more integrated and efficient EU market, to make payments safer and more secure, to protect consumers and to encourage a reduction in the cost of payments.

PSD2 is creating a more collaborative environment between incumbents and new entrants, spurring innovation and driving competition with the aim of providing more diverse and technologically advanced payment offerings to customers. PSD2 furthers cooperation between banks and third-party providers ("TPPs"), by encouraging the safe and secure, scalable and accelerated mutual sharing of data between banks and TPPs.

PSD2 requires banks to provide, upon a customer's request, a significant amount of data related to the customer's bank account to TPPs, to allow the providers to proceed with payments or use such data to develop new personalized offers. This allows TPPs to develop new payment offers in specific market segments.

Another payment-integration initiative affecting the European payments industry is the implementation of the Single Euro Payments Area ("SEPA"). The objective of SEPA is to extend European integration to non-cash euro retail payments and foster efficiency and competition within the Eurozone.

SEPA has introduced uniform payment instruments across Europe, including SEPA credit transfers and SEPA direct debits, and it eliminates interbank fees for payment transactions within the Eurozone. As a consequence of the introduction of SEPA and increased competition, clearing and settlement margins are expected to decrease and prices are expected to stabilize at levels below those existing prior SEPA's introduction.

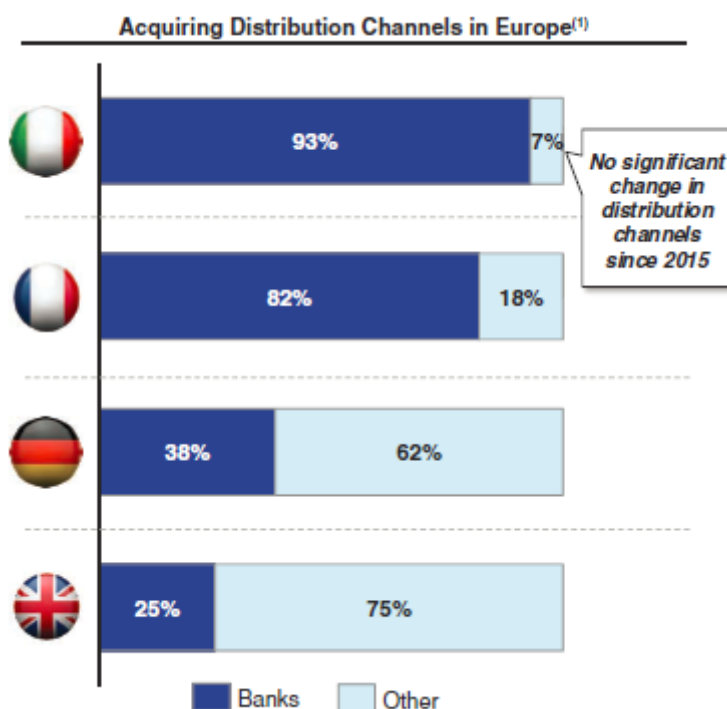
In addition to the PSD2 and SEPA changes, recent Italian governments have implemented other initiatives in recent years, with the aim of increasing the digitalization of the country. In particular:

- the Monti government (2011 - 2013) introduced a requirement for all operators and professionals to offer the possibility of paying by card;
- the Letta government (2013 - 2014) relaunched the digital agenda for Italy;
- the Renzi government (2014 - 2016) introduced a new system for the acceptance of digital payments by the public administration known as PagoPA and, beginning in January 2019, along with a requirement for electronic invoicing between certain categories of tax payers and a requirement that fuel be purchased digitally in order to benefit from tax exemptions; and
- the first Conte government introduced a citizens' income ("Reddito di Cittadinanza"), that it will distribute by way of prepaid cards.

### ***Evolution of Banking Partners***

The banking sector represents the largest distribution channel in Italy of payment solutions, for approximately 90% of all payment services to merchants. In addition, the Italian banking sector is substantially fragmented and characterized by a high number of branches in order to have a widespread presence in the territory, as shown in the following graph.

## Italian Banking System



Source: (1) management data.

In recent years, the banking sector has been under considerable pressure, generated by four main elements:

- difficulties in increasing revenues due to low interest rates as a result of an uncertain economic recovery;
- cost pressures to try to sustain margins and shareholder returns;
- reduction in the cost of risk, due to a gradual improvement in the quality of lending and extraordinary operations to dispose of impaired assets; and
- potential requirements to improve their capital position, due to low asset quality and increasingly stringent regulation.

These elements will continue to apply pressure to Italian banking groups, leading to further consolidation of the banking system. However, the timing and direction of the consolidation trends are impossible to predict, considering the different factors affecting industry dynamics.

Regarding the possible development of our business as a result of the consolidation trends in the Italian banking sector, mergers and consolidation of financial institutions, depending on the entities involved, could reduce the number of customers (current and potential) and partner banks for the companies of our Group. As a result, the larger banks or financial institutions resulting from mergers or consolidation may have more bargaining power in negotiations with our Group.

In addition, in the event that customers or partner banks should go bankrupt, merge or be acquired by other entities that are not customers or distribution partners of our Group or that make less use of its services, there may be a negative impact on the scope of services offered by our Group. For example, the recent acquisition of the former Venetian banks (Veneto Banca and Banca Popolare di Vicenza) by Intesa Sanpaolo has led to a change in the scope of our business with them, with a consequent reduction of the same.

In the event of significant consolidation, it is possible that clients will be able to replicate our economies of scale autonomously, thus deciding to insource their payment services we currently provide for them. However, in this regard, it should be noted that, faced with increasingly stringent capital requirements and greater regulatory complexity, banks are increasingly interested in accelerating the outsourcing of many products and development of services, particularly when it comes to technologically-specialized products such as payment services. Even large banks have found it convenient to



outsource payment activities to a specialized provider. In fact, insourcing payment activities is complex and characterized by significant investment with uncertain returns. The two main Italian banks, resulting from a long process of consolidation (Intesa Sanpaolo and UniCredit), do not handle their own payment services, but outsource them to specialized external companies.

Finally, regardless of future merger scenarios, all Italian banks have started to restructure their distribution networks and branches in order to reduce costs and make full use of available digital technologies (for example, the new self-banking services offered by advanced ATMs, which we also provide).

### **Competitive Landscape**

Globally, the payment industry has become a more complex and innovative environment, where industry participants must become highly specialized and technologically advanced, in order to guarantee a product offer that includes all the different types of payment services.

The increased complexity of products and services, and the demand for efficient operating platforms, has led to industry consolidation, which is expected to continue into the near future. Set forth below are some of the main mergers and acquisitions that have taken place recently:

- Acquisition of Total System by Global Payments (May 2019);
- Acquisition of Worldpay by FIS (March 2019);
- Acquisition of First Data by Fiserv (January 2019);
- Acquisition of Bambora by Ingenico (July 2018);
- Merger between Nets A/S and Concardis Payment Group (June 2018);
- Acquisition of SIX Payments Services by Worldline (May 2018);
- Acquisition of iZettle by PayPal (May 2018); and
- Acquisition of BS PayOne by Ingenico Group (May 2018).

Notwithstanding this consolidation process, the European payment services market remains rather fragmented. The market includes international companies and national companies with a strong position in their domestic market. We do not expect the emergence of a single market leader on a European scale in the near future, in light of the long-term relationships existing between national payment companies and their partner banks.

We do not believe we have a single competitor for all of the businesses we carry out, since no other company in the industry has the same coverage in terms of products and services offered or customer segments served.

### ***Payment Services for Merchants (Acquiring and POS)***

The Italian market is relatively competitive. We have a stronghold in both the SME and the large merchant segment.

We and our partner banks mainly compete with other Italian non-partner operators.

The main competitors include:

- *UniCredit*

UniCredit is an Italian banking and financial services group with one of the largest distribution networks and client bases;

- *Poste Italiane*

Poste Italiane is the main provider of prepaid cards as a result of its Postepay prepaid card, which was launched in 2003 and among the first prepaid cards in Italy. Poste Italiane focuses on SMEs;

- *Gestpay*

Gestpay is a payments gateway owned by Banca Sella. Gestpay focuses on e-commerce; and

- *BNL Positivity*

BNL Positivity, a company in the BNL group, specializes in the management of electronic payment.

As of the date of this Information Release, we still have a limited share of the e-commerce/m-commerce market, approximately 21%, based on management's estimate of the e-commerce market at €31 billion, an increase of 19% from 2016. This positioning in this market segment is the result of:

- a significant presence of approximately 50% of the e-commerce and m-commerce market based on our estimates of large global operators (e.g., Amazon and Booking.com), usually serviced by foreign payment service providers; and
- our lower penetration in the e-commerce and m-commerce market compared to brick-and-mortar market penetration.

Analyzing the Italian market for acquiring services, our core market is comprised of SMEs and large national operators active in the physical or multi-channel channels. We estimate that our core market, as of the date of this Information Release, represents approximately 80% of the Italian market.

We renewed our offer of products and services in order to support the operators in our core market in their multi-channel transformation (with particular reference to the enhancement of the XPay e-commerce gateway), in order to fully benefit from the growth of the e-commerce and m-commerce market.

Among our Italian non-partner competitors, banking groups are increasingly considering the outsourcing of their payment solutions as a more cost-efficient solution due to the increasing complexity of the payment industry.

However, our core market does not include large digital global merchants, as they are usually supplied by foreign payment service providers.

Large international acquirers that compete with us in the e-commerce market or with regard to services for large global merchants include, for example:

- *Adyen*

a listed firm based in Amsterdam, The Netherlands, providing multi-channel payments services mainly to large, international merchants through its single payment platform; and

- *Stripe*

a United States-based privately held software firm that has been increasing its presence in Europe, including in Italy. Stripe provides the technical risk management infrastructure for internet businesses.

Compared to large international acquirers, however, we can identify further areas of collaboration, in particular in simplifying the customer's purchasing experience, based on our position and experience in the issuing market. If we exclude from the e-commerce and m-commerce market the top 20 global acquirers, we have a market share of approximately 40% based on our management estimates.

Finally, we may face competition from businesses interested in partnering with our existing bank partners, including the following:

- Acquirer processor which may offer payment transaction processing services directly to our partner banks and may choose to extend their coverage along the value chain. These include SIA, which is one of our suppliers, and SIX payments, the payments division of SIX Group, recently acquired by the international group Wordline with dominant positions in Switzerland and significant market shares in Austria and Germany; and
- possible integrations along the value chain by original equipment manufacturers which are active in the POS market, and may extend their coverage along the value chain.

## ***Card Issuing***

Payment cards are linked to a bank deposit or credit line. The payment card enables the cardholder to access funds to make payments by electronic funds transfer or cash withdrawals at ATMs.

Payment cards come in a wide variety of types and designs, with a description of the most common types set forth below:

- *credit cards*

characterized by an underlying revolving credit account established by the card issuer from which the cardholder can borrow money and can roll over outstanding balances from month-to-month, with interest accruing on the outstanding balance;

- *charge cards*

similar to credit cards except that holders of charge cards have to settle their outstanding balance each month;

- *debit cards*

unlike in the case of credit and charge cards, debit cards immediately withdraw funds from the cardholder's bank account when a payment or withdrawal is made; and

- *prepaid cards*

characterized by a stored value with which payments can be made until the underlying account, which can be held by a bank or another provider, is depleted.

Companies operating in the Italian card issuing market may be large commercial banks serving their own client bases or card issuers that are not commercial banks but have strong partnerships with commercial banks. In Italy, payment cards are primarily distributed through the branch networks of commercial banks. As a result, card issuers that are not commercial banks, like us, operate in partnership with banks that do not have the scale or the strategic rationale to handle card issuing and management functions in-house.

We and our partner banks mainly compete with other Italian non-partner operators. Our main competitors include Italian banks such as UniCredit and BNL. Other card issuers that are not commercial banks include American Express, which has a meaningful presence in credit cards, and Poste Italiane, which is the main Italian provider of prepaid cards.

We may face competition from other types of players that sell directly to end consumers, including:

- Natively digital banks, such as N26 or Revolut;
- Big Tech, such as Amazon; and
- International merchants, such as Wirecard and PayPal.

We could also face competition in the card issuing business from other players that might partner with our partner banks. These include issuer processors that may offer payment transaction processing services directly to our partner banks and may choose to extend their coverage along the value chain.

## ***Digital Payment Solutions***

Wholesale, large-value payments in Italy are processed through TARGET2, the interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, operated by the European Central Bank.

In contrast, clearing sub-systems handle retail, low-value electronic and paper-based transactions between participants on a net settlement basis.

Clearing and settlement of Italian domestic transactions between local clearing sub-systems are managed through "BI-COMP," the national multilateral clearing and settlement platform managed by the Bank of Italy.

Local clearing subsystems act as assigned operators and are in charge of the multilateral clearing phase, while the Bank of Italy, through BI-COMP, is responsible for calculating clearing balances and transmission for settlement in TARGET2. Currently, there are three assigned operators in Italy: Depobank, SIA and ICCREA. Smaller banks without access to the BI-COMP platform settle their transactions through local platforms, such as Depobank or ICCREA. Settlement activities require a banking license.

SEPA transactions are cleared according to two alternative clearing models: a pan-European Automated Clearing House (“ACH”) model, which is managed by EBA Clearing, and the European Automated Clearing House Association (“EACHA”) model, which is based on the interconnection of local clearing sub-systems. Settlement of SEPA transactions is then executed by national European central banks, or by the European Central Bank. In Italy, Depobank and ICCREA operate a joint SEPA-compliant ACH which, following the EACHA model, is interconnected to other local clearing sub-systems, EBA Clearing and central banks.

SIA provides processing services to EBA Clearing but does not act as an ACH. Depobank, which formerly belonged to the Group, is responsible for transmitting our payments for settlement.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

### Facilities Agreement

#### *Overview and Structure*

On March 20, 2019 the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment, entered into a facilities agreement (the “Facilities Agreement”), with certain banks, financial institutions and other persons, with respect to a €1,000 million term loan facility (the “Term Loan Facility”) and a €350 million revolving credit facility (the “Revolving Credit Facility” and, together with the Term Loan Facility, the “Credit Facilities”). The Facilities Agreement is governed by English law.

Pursuant to the Facilities Agreement, additional credit lines may be established, and auxiliary credit lines (“Ancillary Facilities”) may be granted in lieu of all or part of the Revolving Credit Facility, up to the limits available under the Revolving Credit Facility.

The Issuer, Nexi Payments and Mercury Payment entered into the Facilities Agreement as original borrowers and original guarantors (“Original Guarantors”). See “—*Representations and Warranties*” below. In addition to these entities, the Facilities Agreement provides that other members of the Group may become parties to the Facilities Agreement as additional obligors and, in particular, as additional borrowers or additional guarantors (“Additional Guarantors”).

#### *Purpose*

The Issuer used the proceeds of the Term Loan Facility, together with the proceeds arising from the capital increase of the Issuer and the available cash, to reimburse the nominal value, the reimbursement premium and the interests accrued but not yet paid on the Redeemed Notes, as well as to pay related commissions, costs or expenses (including certain costs and commissions relating to the Listing process). The Revolving Credit Facility is available to finance or refinance working capital and/or for general corporate purposes of the Group.

#### *Conditions of Utilization of the Credit Facilities*

The Term Loan Facility is fully drawn as at the Issue Date. The Revolving Credit Facility can be used for the entire availability period, from the first date of funding of the Term Loan Facility (the “Closing Date”) to the last month prior to the final repayment date for the Revolving Credit Facility (as described below). The interest period of any utilization of the Term Loan Facility may be equal to three or six months, at the option of the borrower, depending on what is indicated in the relevant utilization request (in respect of the first interest period for such utilization) or selection notice (in respect of subsequent interest periods). The Revolving Credit Facility may be repaid and redrawn from time to time during its availability period. Any part of the Term Loan Facility which is repaid or prepaid may not be redrawn. The interest periods for a loan under the Revolving Credit Facility may be equal to one, two, three or six months, at the option of the Borrower, depending on what is indicated in the relevant utilization request. The Revolving Credit Facility can also be used in the form of letters of credit (subject to the accession of one or more issuing banks to the Facilities Agreement) or Ancillary Facilities, which could be either a bilateral or syndicated facility made availability in lieu of all or part of one or more Lenders’ commitments under the Revolving Credit Facility.

#### *Maturity and Prepayment*

The Facilities Agreement provides for a bullet repayment of the Term Loan Facility on May 31, 2024. The Facilities Agreement provides for the repayment of the Revolving Credit Facility by way of repayment of each utilization of such facility on the last day of the relevant interest period (subject to the right to redraw such amounts as described above and the customary ability to make rollover loans). The final repayment date for the Revolving Credit Facility is May 31, 2024.

The Facilities Agreement provides for a mandatory prepayment of the Credit Facilities in each case of: (i) change of control (i.e., if one person, or a group of parties acting in concert, (except for the Equity Investors and any entity directly or indirectly controlled by them), which on the signing date of the Facilities Agreement (i.e. March 20, 2019) does not control the Issuer holds, directly or indirectly, more than 50% of the share capital with voting rights of the Issuer); and (ii) in case of sale of all or substantially all of the assets of the Group to third parties (whether through individual sales or a series of related transactions) (each, an “Exit Event”).

In such cases, without prejudice to the rights and obligations of other lenders, each lender (i) is released from the obligation to finance additional utilization requests (or to issue new letters of credit) and (ii) may request the agent to terminate its obligations under the Facilities Agreement and immediately declare all outstanding amounts to be due and

payable, in each case by notification to the agent within 30 days from the notification of the Exit Event of its intention to exercise the rights under (i) and (ii) above. If a lender fails to timely notify the agent, it will automatically waive the exit rights described above with respect to the specific Exit Event.

The Facilities Agreement also contains a standard mandatory prepayment provision in the event that it becomes illegal for a lender to fulfill any of its obligations under the Facilities Agreement. Subject to certain exceptions, the Facilities Agreement provides for voluntary prepayment of the Credit Facilities (i) at any time, with prior notice, and (ii) upon the occurrence of a change of control, without the requirement for prior notice, as described above. In any case of prepayment, the Issuer must also pay accrued interest on the prepaid amounts and, in the event of repayment on a date other than an interest payment date, market-standard breakage costs as set out in the Facilities Agreement.

### ***Interest***

Loans drawn under the Term Loan Facility accrue interest at a variable margin, equal to the Euribor for the relevant interest period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the relevant interest period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage. Utilization of the Revolving Credit Facility accrue interest rate, equal to the Euribor for the relevant interest period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the relevant interest period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage. In the event of a delay by the Issuer in making any payment (of principal, interest or fees) due under the Facilities Agreement, default interests will accrue on the overdue amount at a rate higher than the above-mentioned interest rates.

### ***Main Undertakings Under the Facilities Agreement***

As customary for financing transactions of similar complexity and nature, the Facilities Agreement sets forth certain obligations of the Issuer, Nexi Payments and Mercury Payment (each, an "Obligor"). Failure to comply with any of these obligations would result in a default, remediable within customary periods varying with the type of default, from the date of the default. The Facilities Agreement provides for the following obligations, among others:

- (i) with respect to the Issuer only, reporting obligations, through the delivery of annual and semi-annual consolidated financial statements and compliance certificates (to verify compliance with the financial covenant described in point (ii) below);
- (ii) on each test date (i.e., June 30 and December 31 of each year), starting from June 30, 2020, compliance with a leverage ratio (the "leverage ratio," i.e., ratio between total net debt and consolidated pro forma EBITDA) to be verified in the annual and semi-annual consolidated financial statements and which will have to comply with the specified ratios;
- (iii) prohibition of substantial change in the business of the Group (i.e., the Issuer must ensure that there is no material change to the nature of the Group's business (considered as a whole) from that carried on at the date of the Facilities Agreement);
- (iv) obligation to promptly obtain, comply with and do all that is necessary to maintain in full force and effect any authorization required under any law or regulation, to enable to enter into and perform the finance documents;
- (v) obligation to comply in all respects with all applicable laws, if failure so to comply would have a material adverse change for the Issuer;
- (vi) negative pledge: no Obligor shall create or permit to subsist (and the Issuer shall make that no other Group company creates or subsists) any security on their assets, except for securities and restrictions expressly permitted pursuant to the Facilities Agreement, including:
  - (a) any security existing on the Closing Date;
  - (b) netting or set-off arrangements entered into by any member of the Group in the ordinary course of its business for the purpose of netting its debit and credit balances;
  - (c) any security over or affecting any asset acquired by a member of the Group after the date of the Facilities Agreement if:
    - (i) the security was not created in contemplation of the acquisition of that asset; and

- (ii) the principal amount secured has not increased in contemplation of or since the date of the acquisition of that asset by a member of the Group;
- (d) any security or quasi-security with respect to capital stock of any joint venture to secure obligations of such joint venture or other joint venture partners;
- (e) restrictions with respect to cash pooling agreements between members of the Group;
- (f) restrictions arising out of a legal proceeding which are contested in good faith;
- (g) restrictions arising out of any sale, lease, sublease, license, transfer or other disposal or similar arrangements incurred in the ordinary course of business;
- (h) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of, or assets owned by, any joint venture;
- (i) any restriction over any asset to secure indebtedness incurred to finance the purchase, improvement or construction of such asset provided that (x) the only recourse the creditor of such indebtedness has is to that asset and (y) the total principal amount of indebtedness secured does not exceed €150,000,000 or, if higher, an amount equal to 30% of LTM EBITDA (as such term is defined in the Facilities Agreement) outstanding at any time;
- (j) any restriction arising out of or entered into pursuant to any finance document including cash collateral;
- (k) any restriction arising out of or in connection with any sale, lease, sublease, license, transfer or other disposal which is permitted pursuant to the Facilities Agreement;
- (l) any restriction over any rental deposit in respect of any property leased or licensed by a member of the Group or on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (m) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which any member of the Group has easement rights or any leased property and subordination or similar arrangements relating thereto; and (ii) any condemnation or eminent domain proceedings affecting any real property;
- (n) any restriction in respect of taxes or other charges which are not yet due or the liability in respect of which is being contested by the relevant member of the Group in good faith by appropriate proceedings;
- (o) any restriction which constitutes, is part of or is made under or in connection with any indebtedness borrowed or incurred by a member of the Group which is not expressly prohibited under the terms of the Facility Agreement;
- (p) any cash collateral provided in respect of letters of credit or bank guarantees to the Issuer of those letters of credit or bank guarantees;
- (q) deposit to secure the performance of bids, tenders, trade contracts, governmental contract completion guarantees, surety, indemnity, customs, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), pledges, deposits or liens or securities under workers compensation laws or insurance related obligations;
- (r) any restriction granted or arising over any shares or other ownership interests issued in connection with any employee or management incentive scheme or similar arrangements operated by or on behalf of any member of the Group which is not a member of the Group as at the date of the Facility Agreement;
- (s) any restriction granted in the ordinary course of business on arms' length or better terms relating to office equipment held under operating leases;
- (t) any restriction granted over the shares of Visa Inc. held by a member of the Group;
- (u) any restriction to which the majority of the lenders shall have given their prior written consent; and

- (v) any restriction securing indebtedness the outstanding principal amount of which does not exceeds €103,800,000 (or its equivalent in other currencies) or, if higher, an amount equal to 20% of LTM EBITDA outstanding at any time;
- (vii) prohibition to carry out disposals (sales, leases, transfers or other deeds), except as expressly permitted under the Facilities Agreement, including the following disposals:
  - (a) of assets by any member of the Group made in the ordinary course of business and at arms' length or better terms;
  - (b) of assets in exchange or replacement for other assets which are useful towards the ordinary business of the Group;
  - (c) of assets between members of the Group;
  - (d) of assets which are obsolete, damaged or no longer useful for the purpose of the business of the relevant persons;
  - (e) of cash, cash equivalent investments or investments grade securities where that disposal is not prohibited by the finance documents;
  - (f) constituted by a license or sub-license of intellectual property rights or other general intangibles (in the case of any exclusive license or sale to a person which is not a member of the Group) if such intellectual property or other general intangibles are not required for the operation of the business of the Group;
  - (g) of assets which are required by law or regulation or are seized, expropriated or acquired by compulsory purchase by (or by the order of) any central or local governmental agency or authority or other regulatory body;
  - (h) of any asset (including shares in any subsidiary) provided that the asset(s) being sold had not contributed more than €25,950,000 (or its equivalent in other currencies) of consolidated EBITDA, or if higher, an amount equal to 5% of consolidated EBITDA;
  - (i) pursuant to the grant or termination of leasehold interests in, or licenses or sub-licenses of, property provided that (in the case of any exclusive lease or license to a person which is not a member of the Group) such property is not required for the operation of the business of the Group;
  - (j) pursuant to the terms of any agreement or contractual arrangement in existence on the Closing Date or of any assets (including any person which has become a member of the Group) acquired by a member of the Group after the Closing Date pursuant to the terms of any agreement or contractual arrangement in existence at the date on which it was acquired, in each case as any such contractual commitment may be replaced, renewed or extended from time to time;
  - (k) of any shares of the Issuer or any other member of the Group (including any treasury shares in connection with share incentive schemes) or which constitutes the making of a lawful distribution by a member of the Group;
  - (l) of assets under finance lease, hire purchase, capital lease, conditional sale agreements, retention of title or other agreements for the acquisition of assets on deferred payment terms;
  - (m) of assets arising as a result of any security or right of set-off or netting permitted and not expressly prohibited under the terms of the Facilities Agreement;
  - (n) of assets pursuant to:
    - (1) any sale and leaseback, asset securitization or other similar arrangements entered into on arms' length or better terms (including any disposal of assets to another member of the Group (or a partnership or other entity owned by members of the Group)) in order to facilitate such a transaction and any disposal of a member of the Group whose only material assets are subject of such sale and leaseback arrangements;



- (2) any sale and leaseback, asset securitization or other similar arrangements which are outstanding or is committed on the closing date (i.e. the date on which the first utilization of the term loan facility made available under the Facilities Agreement occurs) or is an amendment extension, renewal, refinancing of any of the foregoing; and
- (3) to the extent not permitted by sub-paragraph (1) and (2) above, any other sale and leaseback, asset securitization or other similar arrangements provided that in the case of such arrangements with a person who is not a member of the Group, the net proceeds of all such disposal does not exceed €77,850,000 (or its equivalent in other currencies) or, if higher, an amount equal to fifteen (15) per cent of LTM EBITDA (as such term is defined in the Facilities Agreement) over the life of the Credit Facilities;
- (o) of assets which become subject to vendor financing, deferred consideration or payment or other similar arrangement not expressly prohibited under the terms of the Facilities Agreement;
- (p) of a loan, credit or any other indebtedness outstanding as a result of, or in connection with, the conversion of such loan, credit or any other indebtedness outstanding into distributable reserves or share capital of any member of the Group or any other capitalization, forgiveness, waiver, release or other discharge of that loan, credit or indebtedness;
- (q) of assets to a joint venture;
- (r) which is a use of cash for purposes not otherwise prohibited by the terms of the finance documents;
- (s) of capital stock as part of or pursuant to equity incentive or compensation plan approved or ratified by our Board of Directors or such other member of the Group;
- (t) of all or part of the shares in Visa Inc. held by the Issuer or a member of the Group;
- (u) (1) any dividend, distribution, payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or other similar transaction (however described) (a "Permitted Payment") or (2) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make any Permitted Payment provided that such Permitted Payment is made within 180 days of such asset sale, lease, transfer, issuance or other disposition;
- (v) of assets in connection with enforcement, foreclosure, condemnation, taking by eminent domain or any similar action with respect to any such assets;
- (w) of contract rights (including by way of surrender or waiver of such rights) or the settlement, release, surrender or waiver of contract, tort or other claims of any kind;
- (x) of assets to a person who is providing services related to such assets, the provision of which have been or are to be outsourced by a member of the Group to such person provided that the Board of Directors of the Issuer or relevant member of the Group shall certify that, in the opinion of such Board of Directors, the outsourcing transaction will be economically beneficial to the relevant member of the Group (considered as a whole);
- (y) of preferred stock or redeemable capital stock; and
- (z) disposals of assets which are permitted to be disposed of under any of the preceding paragraphs above to a special purpose vehicle which is a member of the Group and the subsequent disposal of that special purpose vehicle provided that the assets transferred to the special purpose vehicle are the only material assets of that special purpose vehicle and such assets are similarly able to be disposed of in accordance with the preceding paragraphs above;
- (viii) the Issuer shall ensure that, for the entire duration of the Facilities Agreement, members of the Group that are not parties to the Facilities Agreement will not incur indebtedness towards entities that are not members of the Group in an amount which exceeds €348,000,000 or, if higher, an amount equal to 20% of the total net indebtedness of the Group (as determined on the basis of the last consolidated financial statements);
- (ix) prohibition on granting guarantees to any member of the Group, except for the guarantees expressly permitted under the Facilities Agreement;

- (x) requirement to conduct business in compliance with applicable anti-corruption laws;
- (xi) obligation of all members of the Group to ensure that:
  - a. its payment obligations under any hedging, derivative or other financial instrument or transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (“Treasury Transaction”) which it enters into shall rank *pari passu* with or junior to the facilities;
  - b. each hedging agreement is based on either a 1992 ISDA Master Agreement or 2002 ISDA Master Agreement (or any such replacement) or another framework agreement which is similar in effect to such ISDA Master Agreement; and
  - c. it does not enter into any Treasury Transaction for speculative purposes;
- (xii) requirement of all members of the Group to promptly do all such acts or execute all such documents as the security agent or the agent may reasonably specify;
  - a. to complete the perfection requirements in relation to the securities created under the finance documents or for the exercise of any rights, powers and remedies of the security agent provided by or pursuant to the finance document or by law; and
  - b. in case of default, to facilitate the realization of the assets which are, or are intended to be, the subject of the security documents;
- (xiii) prohibition of any member of the Group to incur or permit to subsist any super senior liabilities, until the occurrence of the release date (i.e. the earlier to occur of the date on which the Notes achieve the investment grade status or the Notes are repaid or redeemed in full);
- (xiv) obligation of the Issuer to ensure that each member of the Group shall, within ten (10) business days of the Closing Date (excluded), provide copies, executed and delivered, to the securities agent of the documents listed in the Facilities Agreement; and
- (xv) prohibition on undertaking any merger or restructuring or other transactions, excepts for those transactions expressly permitted under the Facilities Agreement.

#### ***Borrowers, Guarantors and Third-party Guarantors***

The Issuer, Nexi Payments and Mercury Payment are borrowers and guarantors pursuant to the Facilities Agreement. The Facilities Agreement provides mechanisms through which other members of the Group can become borrowers or guarantors (in compliance with certain agreed securities principles). If a member of the Group becomes an Additional Borrower, this company must also be a guarantor.

Pursuant to the Facilities Agreement, the Issuer agreed to ensure that EBITDA (calculated on the same basis as the “Consolidated EBITDA” (as defined in the Facilities Agreement) but considering each entity on an unconsolidated basis and excluding, *inter alia*, goodwill and any infragroup entry) of the members of the Group who are guarantors is equal to at least 80%, respectively, of the consolidated EBITDA of the Group (the “Guarantor Coverage Test”);

Pursuant to the Facilities Agreement, the Guarantor Coverage Test was first tested on the date falling 90 days from (and excluding) the Closing Date (all parties necessary to comply with this obligation will be Original Guarantors, party to the Facilities Agreement on the signing date) and is tested thereafter by reference to the audited consolidated annual financial statements of the Group (commencing with the audited consolidated annual financial statements for the financial year ending December 31, 2018).

With respect to the Italian guarantors (all the guarantors are currently Italian guarantors, i.e., the Issuer, Nexi Payments and Mercury Payment), pursuant to the Facilities Agreement, the obligations and liabilities of each guarantor shall not exceed, *inter alia*, the sum of:

- (i) the aggregate amount of any facility made available to the such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) as borrower under the Facilities Agreement and outstanding as at the date of enforcement of the guarantee; and

- (ii) the aggregate amount of any intercompany loans or other financial support in any form (not including equity contributions) made available to such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by any Obligor (whether directly or indirectly) out of the proceeds of any utilization under the Facilities Agreement and outstanding as at the date of enforcement of the guarantee,

provided that the maximum liability of any Italian guarantor under its guarantee may not exceed 120% of the amounts under the Credit Facilities.

### ***Representations and Warranties***

In addition to the undertakings listed above, the Issuer, together with Nexi Payments and Mercury Payment, will provide (a) customary representations and warranties on the Closing Date and a sub-set of such representations are repeated on the first day of any interest period (subject to default, remediable within 30 business days from the default), which are in certain cases subject to materiality and relevance (such as the occurrence of an event that is prejudicial to the activity of the Issuer) thresholds. These representations and warranties include: (i) the absence of litigation, arbitration and administrative proceedings; (ii) lack of misleading information provided to the lenders; (iii) the correctness and truthfulness of the financial statements; (iv) compliance with relevant laws; (v) validity and incorporation of the Issuer; (vi) validity and effectiveness of the obligations assumed pursuant to the financial documents; (vii) absence of conflicts between the stipulation of the Facilities Agreement and the constitutional documents, laws or other applicable obligations; (viii) possession of the necessary powers and authorizations; (ix) choice of the applicable law; (x) absence of defaults and, to the Issuer's knowledge, the absence of events that would constitute a default; and (xi) *pari passu* ranking of the obligations deriving from the financial documents with any other unsecured and unsubordinated debt (present and future).

### ***Fees***

Pursuant to the Facilities Agreement, the Issuer shall pay the following fees:

- (i) a commitment fee equal to a percentage of the applicable margin on the undrawn amounts under the Revolving Credit Facility for the period commencing on the Closing Date and during the entire duration of the Facilities Agreement;
- (ii) a utilization fee with respect to the Revolving Credit Facility, increasing for each day on which the aggregate amount of the Revolving Credit Facility which has not been repaid (A) exceeds 33<sup>1</sup>/<sub>3</sub>% but is less than or equal to 66<sup>2</sup>/<sub>3</sub>% of the total commitments available under the Revolving Credit Facility or (B) exceeds 66<sup>2</sup>/<sub>3</sub>% of the total commitments available under the Revolving Credit Facility; and
- (iii) an agency fee (as governed by a fee letter) and a security agency fee (as governed by a fee letter).

### ***Guarantees***

The Credit Facilities are guaranteed by guarantees from the Guarantors, as defined in the Facilities Agreement (i.e., the Issuer, Nexi Payments and Mercury Payment). The undertakings of the Issuer pursuant to these guarantees are joint and several with the other financial counterparties of the Facilities Agreement (including, among others, the agent, the security agent, the Mandated Lead Arranger, and each of the financing parties), subject to certain customary limitations (including as described above).

### ***Security***

The Credit Facilities are currently secured by a security package granted by the Issuer and certain other members of the Group in favor of the creditors under the Credit Facilities (the "Existing Security Package"). However, following the Refinancing, the Existing Security Package will be released and the Credit Facilities will continue on an unsecured basis provided that the Facilities Agreement contains a provision (similar to that governing the Notes) pursuant to which equal and rateable security is required to be granted in certain circumstances.

### ***Collateral***

The Credit Facilities are secured by certain collateral that already secures the Existing Notes. Upon completion of the Refinancing, the security in favor of the Credit Facilities shall be released, and the Credit Facilities will be unsecured.

### ***Events of Default***

The Facilities Agreement also sets forth, in line with market practice, a series of events of default, including:

- (i) payment default of the principal and interest under the Credit Facilities (including principal and interest, unless such non-payment is made within ten business days of its due date);
- (ii) failure to comply with the financial covenant (deemed cured if complied with in the next testing period and the Credit Facilities have not been accelerated);
- (iii) the occurrence of an insolvency, even if not judicially ascertained (for example, mere financial difficulties of the applicable borrower or guarantor in fulfilling its payment obligations when due) or the commencement of insolvency proceedings;
- (iv) untruthfulness of any of the representations and warranties;
- (v) cross acceleration with other indebtedness of the Issuer, Nexi Payments and Mercury Payment (subject to a customary *de minimis* exception);
- (vi) failure to comply with other obligations under the finance documents; and
- (vii) unlawfulness or repudiation of a financing document.

Pursuant to the Facilities Agreement, the occurrence of an event of default would allow the Majority Lenders (as defined below), acting through the agent, to, among other things, accelerate all or part of the outstanding loans and/or cancel the commitments and/or declare all or part of the loans payable on demand.

### ***Lenders' Decisions***

The Facilities Agreement provides that lenders' decisions concerning their rights pursuant to the Facilities Agreement are taken collectively and, depending on the subject matter of the decision; (i) by majority of the lenders whose commitments aggregate 66<sup>2</sup>/<sub>3</sub>% of the total commitments under the Facilities Agreement (the "Majority Lenders") (ii) 80% of the total commitments under the Facilities Agreement depending on the subject matter of the decision or (iii) in some circumstances specified in the Facilities Agreement, unanimously.

### **Intercreditor Agreement**

On May 18, 2018, the Issuer and certain other parties entered into an intercreditor agreement (the "Intercreditor Agreement") to govern the relative rights of the Issuer's creditors under certain of its financing arrangements. Following the Refinancing, the Existing Security Package securing the Credit Facilities will be released and the Credit Facilities will thereafter continue on an unsecured basis. However, the Intercreditor Agreement will not be terminated and will continue to subordinate the intra-group liabilities of certain members of the Group to the liabilities under the Credit Facilities. The Trustee will not be required to enter into the Intercreditor Agreement on the Issue Date and the liabilities under the Notes will not be governed by the Intercreditor Agreement. However, the Intercreditor Agreement could provide a framework agreement to govern the relative rights of any secured indebtedness granted by the Issuer in the future (including pursuant to the requirement governing the Notes to grant equal and rateable security in certain circumstances).

### **Settlement Obligations**

As of June 30, 2019, after giving effect to the Refinancing, we had €1,218 million of settlement obligations and pass-through fee payments. A description of our settlement obligations is set forth below.

### ***Funding Requirements***

Our business revolves around the settlement of card payments and the provision of short-term funding to both cardholders and merchants. In the context of card payments, funds are routed from the cardholder's account bank via the card scheme's network to the merchant's account bank, with payment processors such as Nexi acting as pure intermediaries in the funds flow. See "*Risk Factors—Risks Related to Our Business—Our business requires funding to manage our settlement needs.*"

In our licensing business, we have direct relationships with cardholders and merchants:

- *Issuing licensing:* When acting for a charge cardholder in its issuing licensing business, we settle the payable owed by the cardholder to the card schemes one day after the card purchase is made but receive payment from the cardholder only on a monthly basis when the balance shown in the cardholder's account statement becomes due. As a result, we provide funding to our customers for between 15 and 45 days in average,

because the first day in each billing period is the first day of a given month, whereas the outstanding balance for that period covers the entire month and generally only becomes due on the 15<sup>th</sup> day of the next subsequent month. Our partner banks provide collection guarantees in respect of the receivables outstanding from those cardholders who fall into remit. In the twelve months ended June 30, 2019, our monthly balance of accounts receivable outstanding from charge cardholders averaged approximately €1,800 million and peaked at approximately €2,900 million. We also provide funding to holders of credit cards, who can elect to pay their outstanding balance in instalments or roll it over from month to month. The underlying contracts provide that partner banks fund the full amount of the outstanding balance on a monthly basis by way of an overdraft facility made available to us, regardless of the proportion of the balance that the credit cardholder decides to roll over. When we receive payment on receivables outstanding from credit cardholders, we use such funds to reduce the outstanding balance under the relevant partner bank's overdraft facility. Because the number of our managed credit cards has historically been substantially smaller than the number of our managed charge cards, during the twelve months ended June 30, 2019, the monthly average balance of accounts receivable outstanding from partner banks in relation to credit cards was only €190 million, with peaks reaching up to €219 million.

- *Acquiring licensing:* When acting for a merchant customer in its acquiring licensing business, we settle the payable owed by the card scheme to the merchant one day after the card purchase is made, thereby acquiring the merchant's corresponding receivable against the card scheme which is settled only on the next subsequent business day. Pursuant to the clearing and authentication process the card scheme will only authorize the attempted card purchase if sufficient funds are available. As a result, we have virtual certainty that our back-to-back receivable against the card scheme will be settled on the next business day, without incurring any material credit risk. However, due to the one-business day funding gap, we incur a negative settlement balance. In the twelve months ended June 30, 2019, our daily negative settlement balance from these activities averaged approximately €211 million and peaked at approximately €588 million.

In our servicing business, we service the issuing and acquiring needs of our partner banks but have no direct relationship with cardholders or merchants:

- *Issuing servicing:* When acting for a partner bank in its issuing servicing business, we settle the payable owed by such partner bank's cardholder to the card schemes one day after the card purchase is made and receive payment from our partner bank on the next subsequent business day. As a result, we have a back-to-back receivable against the partner bank during the period between settling the payable and receiving payment from the partner bank. Due to the one-business day funding gap, we incur a negative settlement balance from these activities.
- *Acquiring servicing:* When acting for a partner bank in its acquiring servicing business, we settle the payable owed by the card scheme to the partner bank's merchant one day after the card purchase is made, but receive payment from the card scheme only on the next subsequent business day. As a result, we have a back-to-back receivable against the card scheme during the period between settling the payable and receiving payment from the card scheme. Due to the one-business day funding gap, we incur a negative settlement balance from these activities.

Our daily negative settlement balance from servicing activities in the twelve months ended June 30, 2019, averaged approximately €114 million and peaked at approximately €469 million. Such balance is directly managed by Depobank under the Credit Mandate and is not recorded in our balance sheet.

Licensing agreements generate higher settlement requirements than servicing agreements, whose funding requirements are directly covered by Depobank, pursuant to the terms of the Credit Mandate. As far as our issuing licensing activity is concerned, which accounts for the large majority of our settlement obligations generated by the licensing agreements, the underlying agreements with our partner banks provide that the funding costs generated by the settlement lines dedicated to the issuing licensing activity are passed through to them.

### ***Funding Sources***

We continually review our funding sources to ensure we manage our funding requirements in the most efficient manner for our customers. Set forth below is a description of our funding sources for the card issuing and merchant acquiring settlement. We manage funding exposure associated with credit cards through drawings on our partner banks' overdraft facilities. Our funding exposure in connection with cards issued under the licensing scheme is managed mainly through the use of two revolving credit lines and a bridge facility under the Factoring Agreement, the material terms of which are described below, as well as through bilateral bank credit lines. With respect to merchant acquiring settlement exposure, we fund acquiring licensing activities directly, drawing on bank lines or overdrafts sourced from other banks. With respect to our issuing and acquiring servicing activities, Depobank acts as settlement bank on the partner banks'

behalf pursuant to the Credit Mandate described below without funding us. In addition, Mercury Payment utilizes capacity available under the Mercury Funding Facility, which is also described below.

Finally, the Revolving Credit Facility is also available to finance or refinance our settlement obligations and/or for general corporate purposes. See also “—*Facilities Agreement*.”

### ***Credit Risk***

Based on our historical data, we believe that our issuing and acquiring business involves only an immaterial amount of credit risk. In the issuing licensing business, under our agreements with partner banks, such partner banks assume the credit risk of their cardholders. As a result, we have recourse in our issuing licensing business both against the cardholder (whose deposits are generally covered by deposit insurance in case of bank failure, up to a cap of €100,000) and the relevant partner bank in case we fail to collect payment on a receivable. The agreements further provide that our partner bank is obliged to notify us of a payment default of its cardholder customer, which is when we would normally stop funding receivables of such cardholder. The partner bank’s guarantee only ceases to be effective five days after our receipt of their notification. In our issuing servicing business, we have recourse to the issuing partner bank only. In our acquiring business, each transaction is only cleared and executed when the card scheme has irrevocably confirmed that it can be executed, which means that all settlement participants (including the card scheme, card issuer and merchant acquirer) have approved and guaranteed execution. As a result, we have virtual certainty that we will collect payment on the next following business day. See “*Risk Factors—Risks Related to Our Business—We are subject to potential credit risk from our customers, as well as short-term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses.*”

### ***Factoring Agreement***

On June 26, 2018, Nexi Payments and UniCredit Factoring S.p.A. (“UniCredit Factoring”) entered into a factoring agreement, as subsequently amended on July 3, 2018 and August 3, 2018 (the “Factoring Agreement”) governing the terms of the transfer by Nexi Payments (“Transferor”) to Unicredit Factoring (the “Factor”), on an ongoing basis, of its present and future accounts receivable: (i) deriving from the use of balance credit cards (i.e., cards that require cardholders to pay off their balance on a monthly basis) issued by the Transferor and inclusive of the service fee applied by Nexi (and, therefore, excluding revolving credit cards, which allow the cardholder to pay the balance in instalments) (the “Nexi Credit Cards”); (ii) owed by the Transferor to cardholders of the covered Nexi credit cards (the “Debtors”) who are also customers of the partner banks distributing the Nexi credit cards where the accounts underlying such cards were opened; and (iii) backed by the undertaking of the partner banks arising out of the agreements in force with Nexi Payments concerning the Nexi credit cards, which can be traced back to the predefined contractual schemes included in the Factoring Agreement (the “Bank’s Framework Agreement”), concerning the amounts resulting from the monthly records prepared and issued by such partner banks (hereinafter the “Receivables”).

Receivables with one or more of the following characteristics are expressly excluded from the Factoring Agreement: (i) whose risk of insolvency of the Debtors is not guaranteed by the relevant partner banks pursuant to the Bank’s Framework Agreement; (ii) which are subject to repayment postponements arising from the use of both balance and revolving credit cards or in respect of which cardholders are allowed to pay the balance in instalments; (iii) which refer to a Bank’s Framework Agreement that has become ineffective and/or is substantially different from the relevant scheme included in the Factoring Agreement (where such difference may have a detrimental effect on the Guarantee (as defined below)); (iv) arising from the use of Nexi credit cards not settled through the SDDs or for which Nexi has recalled the SDDs; (v) arising from the use of cards issued by the Transferor for which customers have requested repayment or revocation of the SDD; and (vi) relating to Debtors’ credit positions.

The relationship between the Transferor and the partner banks in relation to the Receivables are governed by the Bank’s Framework Agreement, which includes an undertaking by the partner banks to guarantee the insolvency risk of its customer’s Debtors (the “Guarantee”) whose benefit is assigned to the Factor.

To enable the transfer of the Receivables, the Factor has made available to the Transferor the following credit lines for the duration of the Factoring Agreement and for a total amount of outstanding factored receivables not exceeding €3,200,000,000 (together the “Credit Facilities”):

- (a) a non-recourse, revolving credit line for up to €2,899,230,000 intended for non-recourse (i.e., pro-soluto) final purchase of Receivables with a maximum duration of three months falling within the pro-soluto limit (i.e., the maximum amount granted to each partner bank (other than those with a recourse limit) which applies to non-recourse factoring (the “Non-Recourse Credit Facility”). These Receivables are transferred on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed ceiling for: (i) the Non-Recourse Credit Facility; and (ii) the recourse ceiling granted to

each partner bank concerned, with the Factor undertaking the risk of Debtor insolvency and bearing the loss if the Debtor does not pay the amount of the related Receivables;

- (b) a recourse, revolving credit line for up to €300,470,000 intended for the advance with recourse of Receivables with a maximum duration of three months up to the recourse ceiling (i.e., the maximum amount granted to each partner bank (other than those with a non-recourse ceiling) which applies to recourse factoring (the “Recourse Credit Facility”). These Receivables are thus on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed limit: (i) the Recourse Credit Facility; and (ii) the recourse provided for each partner bank concerned. The advances paid by the Factor to the Transferor to allow the transfer of the Receivables included in the recourse ceiling is thus made within the thresholds available under (i) the Recourse Credit Facility and (ii) the ceiling granted to each partner bank with the Factor being excluded from the risk of insolvency of the assigned Debtors and relating to failures by them to pay the amount of the related Receivables; and
- (c) a bridge facility of €200,000,000, aimed at obtaining financing through an advance on Receivables that have come into existence and are transferred on the same business day on which the Recourse Credit Facility is provided (or, as the case may be, on the following non-business day as identified in the Factoring Agreement). Such Receivables are identified by the Transferor to the Factor, on the business day following their transfer, through a notice providing the relevant data on an aggregate basis (the “Bridge Facility”). The draw-down period of the Bridge Facility is normally one working day and, in any case, may not exceed seven calendar days.

With respect to the non-recourse ceiling granted to each partner bank referred to in paragraph (a) above, the Factor has the right to revoke the credit lines in the following cases:

- (a) a partner bank does not comply with the capital requirements provided for by law, regulations or guidelines of the relevant regulatory bodies concerning (a) the minimum CET1 ratio requirement or (b) the total capital ratio;
- (b) the 20% risk weight does not apply in the calculation of the risk-weighted assets in respect of the relevant partner bank; or
- (c) in the event of the partner bank’s insolvency (without prejudice to the validity and effectiveness of any transfer of the Receivables already effected, even if not yet collected).

In the event of revocation under paragraphs (a) and (b) above, the Factor shall be required to grant a Recourse Credit Facility in the same amount following the revocation of the Non-Recourse Credit Facility.

The Transferor may, starting from January 1, 2019, and for no more than twice a year, request an increase of the non-recourse ceiling with reference to one or more partner banks.

If the Factor refuses to accept the request to raise the ceiling submitted by the Transferor, the Transferor will be released from its obligation to transfer additional Receivables owed to the Debtors of the partner bank having a ceiling in relation to which the request to increase the ceiling has been rejected (the “Additional Receivables without Recourse”) and shall have the right to transfer the Additional Receivables without Recourse to other parties.

With regard to the recourse ceiling granted to each partner bank under paragraph (b) above, the Factor is entitled to revoke such plafond if the partner bank is insolvent and, concurrently, the Transferor is released from the obligation to transfer other Receivables relating to that partner bank (without prejudice to the validity and effectiveness of the transfer in relation to the Receivables already assigned, even if not collected). The Transferor has also the right, starting from January 1, 2019 and for no more than twice a year, to request an increase of the recourse ceiling with reference to one or more partner banks. If the Factor refuses to accept the request to increase the recourse ceiling submitted by the Transferor, the Transferor will be released from the obligation to transfer additional receivables owed to the Debtors of the partner bank granted with a recourse ceiling in relation to which the request to increase the plafond has been rejected (the “Additional Receivables with Recourse”) and will have the right to assign the Additional Receivables with Recourse to other parties.

The Transferor, in exchange for the provision of the Credit Facilities by the Factor, transfers to the Factor on an ongoing basis from the date of the first transfer (i.e., July 1, 2018) all the Receivables due from the Debtors. The Factor purchases the Receivables undertaking to pay, as the case may be: (i) the transfer price, for the Receivables included in the non-recourse ceiling; or (ii) the advances for the Receivables within the non-recourse ceiling. Payments made by the

Debtors through the partner banks relating to the Receivables are collected by the Transferor on a pledged account and subsequently transferred, on a daily basis, to the Factor.

In line with market practice, the Factoring Agreement provides for the issuance by Nexi Payments of customary representations and warranties to the Factor. In addition, the Factoring Agreement contains a cross default clause under which Nexi Payments has undertaken not to breach any provision contained in any financing agreement other than the Factoring Agreement which may result in the request for a payment (in advance of the original due date) in excess of €100,000,000.

The Factoring Agreement has a duration of three years, expiring on June 30, 2021. The Factor has undertaken to negotiate in good faith the agreement's renewal upon the Transferor's request at least twelve months prior to its expiration. Should Nexi Payments receive, at least two years after the signing of the Factoring Agreement, offers from other parties for the structuring of a factoring transaction involving the provisions of credit lines having similar characteristics to the Credit Facilities, the Transferor has agreed, on equal terms, to prefer the Factor (so-called "right to match").

Nexi Payments may terminate the Factoring Agreement at any time, without justification or cause, by giving at least five working days' notice to the Factor and paying the Factor a variable penalty to be calculated according to the date of exercise of the right of withdrawal (the "Penalty Fee"). In addition to the above, Nexi Payments may withdraw in the following cases: (i) if, as a result of the change in the 20% risk weighting for the purposes of calculating risk-weighted assets (RWA), the Factor revokes, in respect of one or more partner banks, the non-recourse ceiling; and (ii) if, for whatever reason, the portion of the advances with recourse is equal or exceeds the portion of the Receivables acquired within the non-recourse ceiling (to be calculated gross of the deleted receivables, i.e., credits excluded from the transfer since directly financed by the partner banks (the "Deleted Receivables")). In the event of withdrawal under (i) and (ii) above, Nexi Payments must pay the Factor a one-off all-inclusive amount, regardless of the date of exercise of the right of withdrawal and will not be compelled to pay the Penalty Fee. In any case, Nexi Payments will be entitled to withdraw from the Factoring Agreement at any time and without any penalty or charge in the event of a breach by the Factor of its confidentiality obligations under the Factoring Agreement.

Deleted Receivables and Additional Receivables without and with Recourse (where existing) result in a corresponding reduction in the Credit Facilities by an amount corresponding to the non-recourse ceiling or the recourse ceiling granted to the partner bank concerned by the aforesaid deletion/exclusions. This reduction does not entail charges to be borne by Nexi Payments where it does not exceed the total amount of €800 million. If, as a result of exceeding the above threshold, the weighted average of the probability of default of a partner bank (whose Receivables are still being transferred under the Factoring Agreement) worsens, the Factor may request an increase (up to a maximum of 20 bps) in the spread applicable to the non-recourse ceiling. If Nexi Payments and the Factor do not reach an agreement on the new financial terms within 45 days from the first day of trading, Nexi Payments may withdraw by paying a one-off all-inclusive amount and will not be compelled to pay the Penalty Fee.

The Factor has the right to terminate in the event that the Transferor, among others: (i) is no longer registered with the register of electronic currency institute or does not comply with the capital requirements required by the regulations; (ii) defaults on a payment under the Factoring Agreement and such failure is not remedied within 15 days; (iii) does not transmit the information flows in accordance with the contractual provisions; (iv) does not fulfill one of the contractual obligations set forth in the Factoring Agreement and such failure is not remedied within 15 days; (v) is subject to monitoring or emergency, or executive or precautionary measures for an amount exceeding €50,000,000; (vi) receives a judicial conviction for an amount exceeding €25,000,000 or a judicial or legal mortgage is registered on assets owned by the Transferor; (vii) is subject to an insolvency procedure, including voluntary ones; (viii) receives notices of assessment, tax files and/or registration for the payment of taxes, unless the payment of the related debt is discharged within 30 days or documents are provided within the same period proving (a) that the claim is groundless, or (b) that the amount has been paid in instalments. Finally, the Factor may terminate the Factoring Contract in the event that the board of directors of the Transferor is dismissed, in whole or in part, as a result of a measure of the administrative judicial authority, or a measure is issued by the administrative judicial authority that prevents the latter from carrying out its activity or limits its performance.

### ***Credit Mandate***

Nexi Payments provides some of its partner banks with the support needed in order to meet their issuing and acquiring exposures, respectively, to international circuits (mainly Visa and Mastercard) and affiliated merchants. These activities, including the settlement, are carried out by Nexi Payments on behalf of and/or in the interest of the partner banks in accordance with the servicing and/or processing agreements agreed. In particular, the management of the above issuing and acquiring activities causes a mismatch between (i) the cash flow settlement operations carried out by Nexi Payments, on behalf and/or in the interest of the partner banks, with the international circuits and with the affiliated merchants (settlement activities) and (ii) the reimbursement, by the partner banks, of the amounts advanced by Nexi Payments in the context of the cash flow settlement.



In order to allow for continuation of the above servicing activities following the redefinition of the existing relationships with Depobank resulting from the Reorganization, on June 29, 2018, Nexi Payments has therefore granted Depobank a credit mandate (the “Credit Mandate”), pursuant to Article 1958 et seq. of the Italian Civil Code, pursuant to which Depobank undertakes to make daily advances on behalf of or in the interest of its partner banks, as requested from time to time by Nexi Payments, up to a maximum daily amount of €500,000,000.

As a result of the granting of the Credit Mandate, pursuant to Article 1958, first paragraph, of the Italian Civil Code, Nexi Payments guarantees Depobank full and timely fulfilment of all and each of the payment obligations of the partner banks, which will arise for the latter from the advances made in their favor by Depobank and for an amount equal to the amounts from time to time advanced and in any case up to a maximum amount of €500,000,000 (the “Guarantee”).

Following the failure of any of the partner banks to reimburse in full: (i) amounts overdue by at least ten working days; or (ii) amounts overdue in excess of €25,000,000, Depobank has the right to enforce the bank guarantee, up to the amounts outstanding, by written notice to Nexi Payments, following receipt of which Nexi Payments must pay Depobank the amount requested within five working days, without prejudice to Nexi Payments’ right to contest the validity of the request. Following Nexi Payments’ fulfilment of the Guarantee, it assumes Depobank’s rights as creditor of the partner banks whose fulfilment triggered the Guarantee.

The Credit Mandate has a duration of three years, with tacit renewal for a period of the same duration, unless Depobank communicates in writing its intention to withdraw within twelve months of the expiry of this period.

Nexi Payments may revoke the Credit Mandate by written notice to Depobank, received with at least 30 working days’ notice, holding Depobank harmless and indemnified against all costs, expenses, damages or liabilities arising from such revocation.

Each party may terminate the Credit Mandate, following six months’ written notice, where: (i) the execution of the Credit Mandate becomes impossible and/or excessively burdensome as a result of recommendations issued by the relevant regulator; (ii) the parties do not reach an agreement on the new fee (as indicated below) to be applied to the portfolio of new client banks; and (iii) the parties do not reach an agreement on the portfolio of new partner banks, on the maximum amount, or on the subject of the Credit Mandate.

The Credit Mandate provides for a yearly flat fee in favor of Depobank. The amount paid in the financial year ended December 31, 2018 under the Credit Mandate amounted to €1.4 million on a pro forma basis.

### ***Bilateral Credit Facilities***

We have entered into a number of bilateral credit facilities with an aggregate available amount of €910.0 million as of the date of this offering memorandum, in place at Nexi Payments, which are utilized to cover acquiring activities, receivables from issuing activity not covered by the Factoring Agreement or by revolving credit facilities and other potential short-run operational funding needs.

### ***Mercury Funding Facility***

On December 15, 2016, Intesa Sanpaolo, as lender, and Mercury Payment, as borrower, entered into a master credit agreement and a supplement thereto (together, the “Mercury Funding and Settlement Agreement”), providing for unsecured, unguaranteed borrowings in an aggregate principal amount of up to €365 million. The Mercury Funding and Settlement Agreement provides for a current account credit facility in an available amount of up to €365 million which bears interest at a floating rate per annum. The proceeds of such facility must be used in connection with the settlement and collection of payments. When used for this purpose, we categorize the facilities under the Mercury Funding and Settlement Agreement as settlement obligations of Mercury Payment. In addition, up to €15 million of the amount available can be utilized for receivables factoring (other than settlement obligations) and €20 million may be utilized for other working capital obligations (such as payment of salaries, taxes, social security contributions and purchases from suppliers). The Mercury Funding and Settlement Agreement provides for customary representations, warranties and covenants for the Italian funding market. Mercury Payment is required to ensure that all payments received from the card schemes or Intesa Sanpaolo (in its capacity as partner bank), as well as any payments of invoices factored to Intesa Sanpaolo under the Mercury Funding and Settlement Agreement, are transferred to a designated account of Mercury Payment with Intesa Sanpaolo. The term of the Mercury Funding and Settlement Agreement is indefinite.

### ***Other Liabilities***

In addition to the above, we have (i) credit lines with an aggregate principle amount of €1.3 million in place at Nexi Payment, which can be utilized for general corporate purposes, and (ii) €31.3 million of other financial liabilities,

mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Comparability of our Results of Operations—Changes to Accounting Standards—IFRS 16.*” On a pro forma basis as of June 30, 2019, we had debt in an amount equal to €32.6 million outstanding under these financial liabilities.

## DEFINITIONS

“2018 Perimeter” .....	our Group structure as of December 31, 2018 following the Reorganization.
“2024 Notes” .....	The Issuer’s % Senior Notes due 2024 offered hereby.
“2027 Notes” .....	The Issuer’s % Senior Notes due 2027 offered hereby.
“Acquisitions” .....	collectively, our acquisitions of Mercury Payment, MPS Acquiring, Basilichi, DB Acquiring, Carige Acquiring and Sparkling.
“Advent” .....	Advent International Corporation and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them. In the context of its investment in Mercury (AI) S.à r.l., references to Advent include its co-investors in such investment.
“Basilichi” .....	Basilichi S.p.A. and its subsidiaries, which merged into Nexi Payments as of December 31, 2018.
“BMPS” .....	Banca Monte dei Paschi di Siena S.p.A.
“business unit” .....	means each of the business units specified in our Financial Statements: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions.
“Carige Acquiring” .....	the merchant acquiring business of Banca Carige S.p.A. and its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A.
“Clessidra” .....	Clessidra SGR S.p.A. in its capacity as managing company of and on behalf of the fund Clessidra Capital Partners 3. In the context of its investment in Fides S.p.A., references to Clessidra include its co-investors in such investment.
“Contracts with Depobank” .....	the signing of certain agreements with Depobank effective from the date of completion of the Reorganization.
“Credit Facilities” .....	the Revolving Credit Facility and the Term Loan Facility, collectively.
“DB Acquiring” .....	the merchant acquiring business formerly owned by Deutsche Bank S.p.A.
“Depobank” .....	DEPObank—Banca Depositaria Italiana S.p.A. (formerly, ICBPI).
“Disposals” .....	the sales of our shares in Mercury Processing Services International, Basilichi Business Services, Basilichi CEE, PayCare, Oasi and Moneynet.
“EU” .....	European Union.
“euro,” or “€” .....	the lawful currency of EU Member States participating in the European Monetary Union.
“Existing Notes” .....	the €825,000,000 4 <sup>1</sup> / <sub>8</sub> % Senior Secured Fixed Rate Notes due 2023 issued by the Issuer pursuant to an indenture dated as of May 18, 2018, as amended by a supplemental indenture dated as of July 2, 2018.
“Existing Notes Redemption” .....	means the redemption on or around the Issue Date of the entire outstanding aggregate principal amount of the Existing Notes, together with the payment of accrued interest and prepayment premiums thereon, in connection with the Refinancing.
“Facilities Agreement” .....	has the meaning set forth in “ <i>Description of Certain Financing Arrangements—Facilities Agreement.</i> ”
“Factoring Agreement” .....	has the meaning set forth in “ <i>Description of Certain Financing Arrangements—Settlement Obligations—Factoring Agreement.</i> ”
“Former Shareholder Banks” .....	the banks that sold all or the majority of their interests in ICBPI to Mercury under the sale and purchase agreement dated as of June 19, 2015, or otherwise.
“Group,” “Nexi,” “we,” “us” and “our” .....	and other similar terms means the Issuer and its subsidiaries, except where the context otherwise requires.
“Help Line” .....	Help Line S.p.A.
“ICBPI” .....	Depobank (formerly, Istituto Centrale delle Banche Popolari Italiane S.p.A.) and Nexi S.p.A. (prior to the Reorganization), collectively.
“IFRS” .....	International Financial Reporting Standards, as adopted by the EU.
“Information Release” .....	The information release in relation to the Notes.
“Issue Date” .....	The date on which the Notes will be delivered in book entry form through a common depository for Euroclear and Clearstream.
“Issuer” .....	Nexi S.p.A.
“Mercury Funding Facility” .....	the Mercury Payment funding facility described under “ <i>Description of Certain Financing Arrangements—Settlement Obligations—Mercury Funding Facility.</i> ”
“Mercury Payment” .....	Mercury Payment Services S.p.A.
“Mercury Processing” .....	Mercury Processing Services International d.o.o., which was disposed of in December 2016.
“Mercury UK” .....	Mercury UK Holdco Limited.
“Mercury UK Group” .....	Mercury UK and its subsidiaries.
“MPS Acquiring” .....	the merchant acquiring and POS business formerly owned by BMPS.
“Nexi Payments” .....	Nexi Payments S.p.A. (formerly, CartaSi S.p.A.).

“Notes” .....	the 2024 Notes and the 2027 Notes offered hereby, collectively.
“Oasi” .....	Oasi Diagram S.p.A.
“Offering” .....	the pending offering of the Notes.
“Redeemed Notes” .....	the Redeemed Private Notes and the Redeemed Senior Secured Floating Rate Notes, collectively.
“Redeemed Private Notes” .....	€400,000,000 Senior Secured Floating Rate Notes due 2024 issued by the Issuer pursuant to an indenture dated as of July 2, 2018, which have been redeemed on July 2, 2019.
“Redeemed Senior Secured Floating Rate Notes” .....	€1,375,000,000 million of Senior Secured Floating Rate Notes due 2023 issued by the Issuer pursuant to an indenture dated as of May 18, 2018, as amended by a supplemental indenture dated as of July 2, 2018, which have been redeemed on May 31, 2019.
“Refinancing” .....	the issuance of the Notes offered hereby and the use of the gross proceeds from the Offering, together with cash on hand, to (i) fund the Existing Notes Redemption and (ii) pay related fees and expenses. For descriptions of our current and anticipated indebtedness and certain financing arrangements, see “ <i>Description of Certain Financing Arrangements.</i> ” and “
“Reorganization” .....	the separation of the technological and digital payment activities from those that require a specific banking license.
“Revolving Credit Facility” .....	the revolving credit facility established under the Facilities Agreement, which is described in more detail in “ <i>Description of Certain Financing Arrangements—Facilities Agreement.</i> ”
“SEC” .....	the U.S. Securities and Exchange Commission.
“Securities Act” .....	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
“settlement obligations” .....	the obligations under the agreements described under “ <i>Description of Certain Financing Arrangements—Settlement Obligations.</i> ”
“Sparkling” .....	the digital payments startup Sparkling 18 S.r.l.
“Term Loan Facility” .....	the term loan facility established under the Facilities Agreement, which is described in more detail in “ <i>Description of Certain Financing Arrangements—Facilities Agreement.</i> ”
“Transformation Program” .....	several strategic initiatives that we undertook following our acquisition by Advent, Bain and Clessidra in 2015. See also “ <i>Business—Our History.</i> ”
“Trustee” .....	U.S. Bank Trustees Limited in its capacity as trustee under the Indenture.
“U.S. dollars,” “dollars,” “U.S.\$” or “\$” .....	the lawful currency of the United States.
“United States” or “U.S.” .....	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

## GLOSSARY

“ACH” .....	Automated Clearing House, an electronic network established to process the credit and debit transactions of the public and private sectors.
“Account Information Service Providers” or “AISP” .....	providers of information consulting services relating to users’ current accounts or payment accounts. AISPs offer to all users who have a current account or payment account the possibility of aggregating information on their accounts in a single consultation point, through a “bridge” software connecting the users’ various accounts.
“acquirer” or “acquiring bank” .....	the bank or financial institution that executes card payments on behalf of a merchant.
“acquiring” .....	the full scope of services necessary to enable a merchant to accommodate and execute digital payments.
“active-active” .....	a configuration of two hardware systems in which each system performs a group of services. If one of the systems does not operate correctly, the other activates and performs both groups of service. This configuration is also known as symmetric configuration.
“Application Programming Interface” or “API” .....	set of software libraries that perform specific functions, which can be activated through a set of public and extensively documented parameters or variables.
“ATM” .....	automated teller machine.
“Bancomat” .....	an Italian interbank network for cash withdrawals.
“BI-COMP” .....	the Italian national clearing and settlement system for euro-denominated retail payments which is managed by the Bank of Italy.
“BIN” or “bank identification number” .....	the first few figures on the face of a payment card which identify the card issuer and card scheme.
“blockchain” or “distributed ledger technology” .....	<p>technology based on the architecture of a distributed and decentralized database, i.e. managed by a network of nodes, each of which has a private copy of the database that is constantly updated. This database operates as a historical log of transactions. The log is immutable and shared among all the participants in the registry. This allows preserving and validating the information:</p> <ul style="list-style-type: none"> <li>• participants create “blocks,” i.e. small files containing information about transactions;</li> <li>• these blocks are then validated by affixing a timestamp;</li> <li>• each transaction is inserted into a new block by repeating the timestamp of the last block created. In this way, blocks are always connected the one each other in chronological order (hence the name blockchain, i.e., a “chain of blocks”); and</li> <li>• blocks are immutable: no actions can be made on blocks that have already been validated or that are aimed at modifying the information contained therein without generating a new timestamp.</li> </ul> <p>This generates a public register in which verifiable and permanent transactions that occur between two users belonging to the same network are securely stored.</p>
“cardholder” .....	a person to whom a payment card has been issued.
“card payments penetration” .....	except where expressly stated otherwise, the value of card payment transactions divided by private consumer spending.
“card scheme” .....	a payment network linked to payment cards (e.g. credit, charge, debit and prepaid cards) which can be accessed by banks by entering into the scheme.
“card scheme operator” .....	the operators of card schemes, primarily including Visa, MasterCard, American Express, Diners Club and JCB.
“card spending” .....	the measure of the value of transactions executed through payment cards (including credit, charge, debit and prepaid cards) issued in a particular country, regardless of whether the payment card is used in the country of issuance or abroad.
“CBI Gateway” .....	the <i>Corporate Banking Interbancario</i> platform, an Italian interbank transaction network which acts as a payment hub connecting public authorities and corporations and allowing for direct payment collection and delivery of supporting documentation between banks and authorities.
“charge card” (see also, “credit card”) .....	a payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which must be settled in full each month.
“COMI” .....	centre of main interests.
“CONSOB” .....	Commissione Nazionale per le Società e la Borsa.

“credit card” .....	a payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which may be rolled over from month to month or settled in full each month.
“debit card” .....	a payment card which allows the cardholder to withdraw funds from a designated bank account to make payments.
“EACHA” .....	European Automated Clearing House Association, a clearing model based on the interconnection of local clearing systems.
“EBA” .....	The European Banking Authority, an independent EU agency which works to ensure effective and consistent prudential regulation and supervision across the EU banking sector.
“EBA Clearing”.....	a provider of pan-European payment infrastructures and clearing systems including EURO1 (for single euro transactions of high value), STEP1 (for single euro payments for small and medium-sized banks), STEP2 (for euro retail payments) and MyBank (for online payments).
“e-commerce” .....	electronic commerce or commerce conducted over the internet.
“EEA Agreement” .....	the agreement on the European Economic Area, which came into force on January 1, 1994, which brings together the EU Member States and Iceland, Liechtenstein and Norway into a single market.
“EMV” .....	Europay MasterCard Visa, a technical standard for “smart” (or “chip”) payment cards and for the payment terminals and ATMs that accept them.
“EU Interchange Fee Regulation” ..	Regulation (EU) 2015/751 of the European Parliament and of the Council of April 29, 2015 on interchange fees for card-based payment transactions.
“EU Member State” .....	the 28 member states of the European Union.
“GACS scheme” .....	an Italian government introduced guarantee mechanism used to facilitate the removal of non-performing loans from the books of commercial banks ( <i>Garanzia sulle Cartolarizzazioni delle Sofferenze</i> ).
“GIANOS” .....	<i>Generatore Indici di Anomalia per Operazioni Sospette</i> , a software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles.
“gift card” .....	a type of prepaid card that cannot be recharged and can no longer be used when the stored value is depleted.
“ICT” .....	information and communications technology.
“interchange fee” .....	a fee paid by a merchant acquirer to the card issuer per transaction. The card issuer may or may not deduct the fee from the amount it pays to the merchant acquirer, subject to the applicable agreement.
“IoT” .....	Internet of Things.
“issuer,” “issuing bank” or “card issuer” .....	a bank or financial institution that provides payment cards and the services necessary to execute digital payments.
“issuing” .....	the process of issuing credit, charge, debit and prepaid cards to consumers.
“KYC” .....	know-your-customer, which denotes the heavily regulated process of banks and other service providers verifying the identity of their customers.
“m-commerce” .....	mobile commerce or commerce conducted over mobile devices such as tablet computers and smart phones.
“merchant acquirer” .....	an entity that provides services necessary to enable a merchant to accommodate and execute digital payments.
“merchant service charge” .....	a fee paid by the merchant to the acquiring bank, typically at the end of each month. The interchange fee is a cost to merchant acquirers and is recovered from merchants through the merchant service charge which merchants pay. For an illustrative description of the Italian payment solutions fee cycle, see “ <i>Industry—Economic Model of the Card Payments Industry</i> .”
“Millennials” .....	the generation born, indicatively, between 1980 and 2000.
“NFC” .....	Near Field Communication, a technology which allows smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity.
“offline POS” .....	a physical POS terminal. Physical POS terminals may be used in brick-and-mortar stores.
“online commerce” .....	e-commerce and m-commerce.
“online POS” .....	a POS that is incorporated into a website or mobile application and enables online payments.
“PagoBancomat” .....	an Italian payment network for debit card transactions at enabled POS terminals.
“payment card” .....	a card which can be used to make non-cash payments, including charge, commercial, credit, debit or prepaid cards.

“Payment Initiation Service Providers” or “PISP” .....	payment service providers that offer their customers the ability to initiate a payment transaction from their bank account directly (e.g., to purchase goods or services online) without using a payment card. PISPs allow making a payment from the purchaser’s account to the seller’s account through a “bridge” software between the two accounts.
“paytech” .....	payment technology.
“P2P transaction” .....	person-to-person transactions, i.e., payments made by an individual to another individual. P2P transactions typically are small payments made in cash or through mobile devices or computers through the internet. In digital P2P payment solutions, each person pairs its bank account/payment card to the service management platform. When a transaction is authorized, the payer’s account puts the value defined in the transaction at the beneficiary’s disposal.
“Person-to-business transaction” ....	person-to-business transactions are payments made by an individual to a merchant. These payments are typically made in cash or by using physical or virtual POS terminals. In the event of alternative P2B payment options, customers paying with mobile devices can identify the operator thanks to geo-location by searching for the store-sign or directly in-store by reading the QR Code, then entering the amount to be paid and initiating the money transfer transaction with a click. The operator can see the payment in real time, check the amount and confirm the transaction.
“Person-to-government transaction” .....	person-to-government transactions, payments made by an individual to a state/local public institution or agency. These payments are typically made in cash or (rarely) by using physical or virtual POS terminals. In the event of alternative P2G payment options, customers paying with mobile devices can identify the institution by searching for the store sign or directly through the reading of the QR Code of the communication received from the institution, then entering the payment amount and initiating the money transfer transaction with a click.
“POS” .....	the point of sale at which a customer makes a payment to the merchant in exchange for goods or services. A POS may be an offline POS or an online POS.
“POS terminal” .....	a physical terminal or online portal that allows for non-cash payments at a POS, such as a merchant or website.
“prepaid card” .....	a payment card which bears a stored value through which payments can be made until the stored value is depleted. Prepaid cards can be rechargeable or non-rechargeable (such as gift cards) and may be limited in their use to a particular store or group of stores (such as store cards) or unlimited.
“scheme fee” .....	the fee paid by an issuing bank to the card scheme operator.
“SEPA” .....	the Single Euro Payments Area, a European initiative which integrates and simplifies the processing of electronic euro payments within SEPA’s jurisdiction.
“SME” .....	small or medium sized enterprise, defined as enterprises that generate annual merchant acquiring transaction values of less than €2.0 million and between €2.0 million and €10.0 million, respectively.
“TARGET2” .....	an interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, used for wholesale, large-value payments.
“value-added services” .....	software applications that optimize the benefit merchants derive from POS and other parts of their digital payments infrastructure. Value-added services can be tailored to the specific needs of a customer and often aim at developing customer loyalty (through tailored couponing, discounts, advertisements, promotions and product information), user experience (through enabling foreign currency payments, electronic receipts and VAT reimbursement) or improved analysis of customer spending habits and patterns.
“white label” .....	means the digital solutions or applications where our customers purchase a fully supported product from us, then apply their own brand and identity to it.