nexi

2019 REPORT AND FINANCIAL STATEMENTS

This is the English translation of the original Italian document
"Relazioni e Bilancio 2019".
In any case of discrepancy between the English and the Italian versions, the original Italian document is to be given priority of interpretation for legal purposes.

CONTENTS

LETTER FROM THE CHAIRPERSON AND THE CEO

Dear Shareholders,

2019 saw the consolidation of our position as the Italian PayTech leader in the digital payments' market. Our investments in technology and skills were at record high level in Europe in our sector, offering our Clients ever more innovation, quality and security. This allowed us to continue our path of sustainable growth and provide to our Partner Banks simple and highly innovative solutions to make life easier for citizens, businesses and public administrations.

Last year was also characterised by key strategic transactions that allowed Nexi to scale-up its investment capabilities and business opportunities - both essential to ensuring the Group is in a position to seize opportunities in a market that is increasingly dynamic and subject to consolidation on an international scale. Side by side with Partner Banks, we shall continue to pursue such investments in the belief that digital payments stand to provide a strategic platform for Italy's development.

Our daily commitment to operate alongside banks on several fronts to promote the best possible solutions for Clients has strengthened our role as the leading Paytech provider for the Italian banking sector.

For instance, in Merchant Services & Solutions segment, expanding the SmartPOS® range has allowed us to meet responsively for both major and small merchant business digitalisation needs. We have boosted the digital payments acceptance network infrastructure via both a renewal of the POS terminal range and extending acceptance to new circuits. On the e-commerce front and with significant results in terms of both physical and digital transaction volumes, we have further bolstered our payment gateway so as to meet the growing demands of both domestic and foreign merchants.

In the Cards & Digital Payments segment, we have worked together with Partner Banks to expand their card product range, from basic through to premium. More specifically, with reference to debit cards, as well as working towards the introduction of advanced domestic digital Bancomat debit cards for all Italian account holders, we have also promoted international debit card solutions designed to meet more advanced demands. With reference to credit cards, the pursuit of further product range development, especially in the premium and business segments, led to the 2019 market launch of virtual cards for cash-flow optimisation at medium and large businesses, as well as to completion of the mobile payment solutions product range. As well as assisting banks with respect to go-to-market innovation, we have deployed a wide range of Customer Value Management and End Client initiatives.

In Digital Banking Solutions segment, 2019 witnessed implementation of new and advanced ATM and Instant Payment services. We were Italy's first payment services provider to add TIPS - the new instant pay-

Chairperson
Michaela Castelli

ment settlement service managed by the European Central Bank within the Eurozone - to our existing real-time fund transfer services. Furthermore, the distribution of Digital Corporate Banking solutions was continued, with a view to streamlining corporate clients' access to banking, cashing and payment services.

Our role also as a key player in driving innovation into the banking sector was further consolidated in 2019 even within the Open Banking market. Following the roll-out of CBI Globe - the international platform facilitating connections between banks and third parties pursuant to the PSD2 directive - the CBI Consortium entrusted Nexi with developing new functionalities, allowing banks and fintech companies to deliver digital services that meet the growing needs of corporate and retail clients.

At the same time, we have continued to develop services that address the unique needs of the public sector by expanding digital payment acceptance within administrations, as with, for instance, the installation of multipurpose booths and the implementation of dedicated digital payment systems for public transport providers.

With a growing focus on excellence at the operations level, 2019 was a significant year also in respect of bolstering service quality. Key efforts in that area included continuous identification of client needs and further investments in technology and skills totalling in excess of Euro 167 million - the highest level in Europe.
With reference to our IT Strategy, we further developed and strengthened our cloud-based Nexi Blu systems comprising a hybrid in-house/external public architecture that is able to maximise security, flexibility and pace of innovation.

On the human capital front, in keeping with the two years prior, 2019 witnessed significant gains in terms of new resources with outstanding backgrounds in major hi-tech companies. With such new resources having further consolidated our team, contributing additional solidity and skills, we have continued to invest in developing and harnessing internal skills via wide-ranging and in-depth training.
On a broader footing, Nexi's people have demonstrated growing engagement, as signalled by burgeoning commitment to company values and strategy.

As for corporate transactions, several of the initiatives implemented allowed for an even greater Group focus, at scale, on the digital payments ecosystem. In January, Oasi, a domestic leader in integrated IT and software solutions for anti-money laundering and supervisory authority reporting, was sold to the Cedacri Group. In December Nexi signed an agreement with Intesa Sanpaolo concerning the acquisition of the bank's merchant acquiring activities, with execution pending in 2020.

In 2019 Nexi secured its listing on the Borsa Italiana equities market, signalling a major step forward in the Group's corporate development, allowing Nexi to chart its future growth with greater flexibility and on a stronger footing.

As for Nexi Group's financial performance, the year ended with Operating Revenues of €984 million, up 7.1% year-on-year net of zero-margin hardware reselling contracts (up 5.7% year-on-year on a reported basis), and EBITDA of €503 million, underscoring an overall growth at 18.5% with respect to the previous year thanks to a sizeable growth in revenue and to continued focus on cost-containment and operational efficiency. In 2019 we invested Euro 167 million on innovation, quality and security.

Proof of the Group's high standing and ability to innovate rests not just with its financials, but also with the numerous accolades received in 2019. In that respect Nexi

Chief Executive Officer
Paolo Bertoluzzo

received several awards for its SmartPOS®, its Digital Corporate Banking application, as well as for its engagement and brand programmes.

Such accomplishments clearly stem from great teamwork, continued efforts to bolster ties with our Partner Banks, ongoing and constructive dialogue with the public sector, and the positive energy of all the people at Nexi - all of whom inspired by a shared vision: to make all payments digital, because it is safer, simpler and more practical for everyone, and it is crucial for Italy's progress.

Having kicked off 2020 building on the momentum of 2019, Nexi, like the rest of Italy, is currently engaged in concerted efforts to manage the ongoing health crisis.

Right from the outset, we have committed our utmost efforts to ensure business continuity and thus provide for the constant availability of services that are strategic to the Country.

That said, the temporary closure of all businesses other than those catering for essential healthcare and retail needs are set to impinge on our ongoing initiatives. We are confident, however, that in the medium to long-term, will stand to reap the benefits of the investments both made, and ongoing, of the solid relations with Partner Banks, as well as of an acceleration in the evolution of digital services that are, now more than ever, in the face of the current emergency, essential to people, businesses and public administrations.

Our hopes rest with a swift end to the current crisis.
We, for our part, will continue to do our utmost in delivering pragmatic, constructive and tangible solutions that stand to benefit the Italian economy, and will continued to do so alongside our merchants, clients and Partner Banks.

CORPORATE BODIES

at March 6, 2020

BOARD OF DIRECTORS

		Expiry of mandate
Chairperson	Michaela Castelli (*)	2021
Deputy Chairperson	Giuseppe Capponcelli (*)	2021
Chief Executive Officer	Paolo Bertoluzzo (*)	2021
Directors	Luca Bassi (*)	2021
	Francesco Casiraghi (*)	2021
	Simone Cucchetti (*)	2021
	Federico Ghizzoni	2021
	Elisa Corghi	2021
	Jeffrey David Paduch (*)	2021
	Antonio Patuelli	2021
	Maurizio Mussi	2021
	Marinella Soldi	2021
	Luisa Torchia	2021

(*) Members of the Strategic Committee.

BOARD OF STATUTORY AUDITORS

Chairperson	Piero Alonzo
Statutory Auditors	Mariella Tagliabue
	Marco Giuseppe Zanobio
Alternate Auditors	Tommaso Ghelfi
	Andrea Carlo Zonca

OFFICE OF THE GENERAL MANAGER

General Manager	Paolo Bertoluzzo

FINANCIAL REPORTS MANAGER

Enrico Marchini

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

2019 CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

1

2019 CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

1.1

BOARD OF DIRECTORS' REPORT ON GROUP OPERATIONS

BOARD OF DIRECTORS' REPORT ON GROUP OPERATIONS

Introduction

The Nexi Group consolidated financial statements were drafted, as per Legislative Decree no. 38 of February 28, 2005, pursuant to IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relevant IFRIC (International Financial Reporting Interpretations Committee) interpretations, endorsed by the European Commission, as provided for by EC Regulation no. 1606 of July 19, 2002. In particular, the consolidated Financial Statements as at December 31, 2019, duly audited by PriceWaterhouseCoopers, transpose - as of January 1, 2019 - the first implementation of the IFRS 16 Leases standard.

The consolidated financial statements consist of a Statement of Financial Position, an Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash Flows and the Explanatory Notes, which include the adopted drafting criteria, the Board of Directors' Report on Group Operations ("Management Report") addressing management, assets and liabilities, financial position and profit or loss performance.

The information concerning corporate governance and the controlling structures called for by article no. 123a of the Consolidated Law on Finance (hereinafter, "TUF") are included in a separate statement, approved by the Board of Directors and disclosed together with this financial statement, which can be consulted under the *Governance* section of Nexi's website (www.nexi.it).

Published as a separate document under the *Sustainability* section of the aforesaid website, the Non-Financial Consolidated Statement, drafted pursuant to Legislative Decree no. 254 of December 30, 2016 and to Consob resolution no. 20267 of January 18, 2018, addresses issues concerning the environment, the social sphere, staff, respect of human rights and the fight against corruption relevant to ensuring an understanding of the Group's activities, trends, performance and impacts.

The website also discloses, pursuant to article no. 123 of the TUF and as per the relevant approval procedures, information on remuneration.

Nexi Group

The corporate group's holding company is Nexi SpA, a company listed on Borsa Italiana SpA's MTA equities market as of April 16, 2019. A leader in the domestic Italian digital payments market, Nexi Group as at December 31, 2019 is comprised of holding company Nexi SpA and the following subsidiaries:

- Mercury Payments Services SpA - 100% controlled;
- Nexi Payments SpA - 98.92% controlled;
- Help Line SpA - 69.24% controlled.

Consolidation scope also extends to non-core companies, such as BassmArt, concerning which disposal is underway, as well as associates RS Record Store SpA, Bassnet Srl and K.Red.

Based on representations provided pursuant to article 120 of Legislative Decree no.58/1998 and on further information available, upon the date of approval of this Management Report by the Board of Directors, Nexi SpA's major shareholders are:

Shareholder	Investment (%)
Mercury UK HoldCo Ltd	52.378
GIC PTE Ltd	3.823

International Economy

In 2019, the world economy experienced a slowdown in the early months, marked by mounting concerns linked to a number of factors (including trade tensions between the United States and China, Brexit and the slowing Chinese economy), while it stabilised as the year drew to a close - enough to ward off a more negative scenario.
This was due, among other factors, to the support provided by economic policies, a let-up in trade tensions and a resilient labour market, which in turn supported consumption. However, analysts believe that this relatively positive juncture has not offset fragilities within the global economy, which continues to be exposed to specific geopolitical risks and is characterised by an increase in the attacks on central bank independence, all of which stands to undermine the stability of macroeconomic policies.

Italian Economy

Economic data with reference to the latter months of the year confirm economic stagnation in Italy, with the country's GDP growing 0.2% in 2019. Having overcome financial tensions, with the BTP-Bund spread returning to prior stable levels, our country was impacted by international trade difficulties, with a consequent drop in exports and industrial output. The latter was significantly affected especially by a weakened German economy, which essentially led to a European slowdown, affecting countries that were enjoying economic growth, such as France and Spain.
Despite a constant growth in available income, consumer spending also dropped compared to the previous 2015-2017 three-year period, reflecting caution within households driven by low levels of confidence. A countertrend was noted in the construction industry and in construction investments, both displaying continued growth, albeit at slightly lower rates.

Reference markets

The following is an overview of the markets in which Nexi Group operates.

Payment systems

Globally and in the Eurozone, non-cash payments have been constantly and rapidly growing: between 2005 and 2017, Eurozone per capita transactions jumped from 166 to 261. With payment cards most resorted to as an alternative to cash at points of sale, payment card usage has risen considerably: in the aforesaid timeframe, their percentage share of transactions via alternative methods of payment soared from 30.1% to 59.5%.
On an international footing, Italy is as yet characterised by a low number of transactions with instruments other than cash: per capita transactions in Italy rose to 111 in 2018 from the previous year's 100. The use of these instruments in Italy, however, signals strong growth: on average, during the 2014-2017 period, payment card transactions rose 44.1% compared to a Eurozone figure of 36%.

The growth in *new digital payments* is an established trend in Italy. In 2018, contactless payments are estimated to have grown by 100%, mobile payments by 42%, e-commerce & e-payments by 8% and Mobile POS by 38%.

Electronic Money

The payment cards industry is going through a development phase, leveraging all products.
In 2018 the POS-enabled debit cards market grew in terms of both the number of cards (+5.7%) and usage (volumes +5.0%, transactions +9.4%).
The credit card data disclosed by the Bank of Italy are affected by a change in the reporting scope: as of 2018, figures also account for foreign operators present in Italy. Factoring in that change, credit cards have grown 21% in total number terms (active cards are up 9.8%); volumes and transactions were also up 22% and 23%, respectively.
Despite a slight drop in prepaid card circulation (-3.0%), prepaid card usage trends remained solid (volumes +19.5%, transactions +26.5%).

Nexi's market estimates for the first half of 2019 confirm recent market trends on the international issuing front, with POS credit card volumes up 5.7%, prepaid cards up 23.3% and international debit cards up 36.3.0%.
The trend in the revolving segment is positive: Assofin claims volumes were up 7% in 2019.

Significant Events during the Reporting Period

Throughout 2019, Nexi pursued the process of consolidating its position in the core business of digital payments, focussing on the disposal of non-strategic equity investments and signing binding agreements for a significant acquisition in the merchant acquiring sector.

Group Consolidation Scope

In this regard, February 2019 saw the closing of the disposals of Pay Care Srl to the Comdata SpA group and of Oasi SpA to the Cedacri SpA group; in late July 2019, Moneynet SpA was sold to IVS Group. After tax, the overall result deriving from the disposal of such stakes, previously classified as *assets held for sale*, was Euro 99.5 million. The amount was net of effects due to the recognition of financial commitments undertaken in accordance with the transfer contracts.

Subsequent to above mentioned corporate transactions, the Group settled into the current structure, comprising the holding company Nexi SpA, Nexi Payments SpA (to which BassmArt Srl is a subsidiary), Mercury Payment Services SpA and Help Line SpA, as well as the aforementioned associates RS Record store, Bassnet Srl and K.Red. It should be noted that on December 27, 2019, Win Join ceased operations, upon completion of its winding up.

IPO

On February 15, 2019 Nexi's Shareholders' Meeting and Board of Directors agreed to set in motion procedures geared towards listing Nexi SpA ordinary shares on Borsa Italiana SpA's MTA equities market.

The offer ended on April 12, 2019 with offer price set at Euro 9.00 per share, accounting for an Enterprise Value of Euro 7.3 billion. Trading officially commenced on April 16.

At the IPO price, Nexi market capitalisation stood at Euro 5.7 billion, including a capital increase of Euro 700 million. Those proceeds were used to part-extinguish debt as outlined below. The IPO transaction entailed costs totalling approximately Euro 34 million, 12 million of which directly associated with the share capital increase, therefore recognised as a net equity reduction. Reserved for institutional investors ("Institutional Placement"), the offer met with solid interest at both the national and international level, reaching some 340 potential qualified investors.

Upon completion of the Institutional Placement, including shares issuing from the greenshoe option agreed to by Mercury UK for price stabilisation purposes, Mercury UK retained a 60.15% stake in Nexi's equity.

Agreement with Intesa Sanpaolo for the Acquisition of its Merchant Acquiring Business

On December 19, 2019 Nexi announced that a strategic agreement was reached with Intesa Sanpaolo group (hereinafter, "ISP") for the acquisition of the latter's merchant acquiring business. Closing of the transaction is subject to clearance by the supervisory authorities.

The purchase concerns ISP's merchant acquiring business, consisting of about 180,000 merchants, which generated about Euro 66.2 billion transactions over the twelve-month period spanning from October 2018 to September 2019. The consideration payable shall be roughly Euro 1 billion. The agreement provides for the contribution by ISP of the business as a going concern in favour of a Nexi subsidiary. Against such contribution, ISP shall receive newly issued shares of said subsidiary, to be purchased in cash by Nexi.

The agreement also provides for a 20-year marketing and distribution partnership, by virtue of which ISP shall promote and distribute among its customers the technological solutions and innovative services developed by Nexi Group, with mechanisms allowing for an alignment of interests on the basis of pre-arranged targets. At the same time, the current partnership with ISP in issuing and ATM acquiring services - which began with the purchase of Setefi in 2016 - has been extended, thus aligning its duration with that of the aforesaid commercial agreement.

The closing of the transaction is expected to take place by summer 2020 and is subject to clearance by the supervisory authorities.

Changes in Group debt

The financial structure of the Group has changed significantly in 2019, mainly as a result of the listing of ordinary shares of its holding, Nexi SpA on Borsa Italiana SpA's MTA equities market and the accompanying restructuring of Nexi SpA capital. As part of the latter, the following repayments were affected:

i. on May 31, 2019, the "Senior Secured Floating Rate Notes" worth Euro 1,375 million with a quarterly floating-rate coupon, at a 3M Euribor rate for the period plus a spread of 3.625% p.a., maturing May 1, 2023 (Publicly Issued Floating Rate Bonds);
ii. on July 2, 2019, the "Senior Secured Floating Rate Notes" worth Euro 400 million with a quarterly floating rate coupon at the 3M Euribor rate for the period plus a spread of 3.625% p.a., maturing July 2, 2024 (Privately Placed Bonds);
iii. on October 21, 2019, the "Senior Secured Fixed Rate Notes" worth Euro 825 million with a half-yearly fixed rate coupon at 4.125% p.a., maturing November 1, 2023 (the "Initial Senior Secured Fixed Rate Notes" and, together with the Publicly Issued Floating Rate Bonds and the Privately Placed Bonds, the "Initial Senior Secured Notes").

Said repayments were funded through a combination of:

i cash available to Nexi SpA, most of which garnered via the proceeds of the aforementioned stock exchange listing;
ii. a five-year syndicated loan granted by a group of leading international banks (the "IPO Loan") with a principal amount of Euro 1 billion;
iii. the issuing, on October 21, 2019, of new "Senior Fixed Rate Notes" worth Euro 825 million with a half-yearly fixed rate coupon of 1.75% p.a. maturing October 31, 2024 (the "Publicly Issued Fixed Rate Bond").

The restructuring process has led to a substantial reduction in Group indebtedness, worth about Euro 765 million (from Euro 2,605 million at December 31, 2018 to Euro 1,840 million at December 31, 2019), mostly arising from the Publicly Issued Fixed-Rate Bond and the IPO Loan.

The IPO Loan consists of two lines of credit:

1) a credit line worth Euro 1 billion (the "IPO Term Line"), entirely allocated at December 31, 2019 and with repayment due in full on May 31, 2024, secured in aid of repayment of the aforesaid Senior Secured Notes;
2. a revolving credit line worth 350 million, with a repayment date identical to that of the IPO Term Line and providing for variable allocations, tranches and currencies (the "IPO Revolving Line"). At time of publication, the IPO Revolving Line, which replaces a similar revolving credit line worth Euro 325 million previously secured by Nexi Group in conjunction with the Bond Loans, is entirely available.

In view of the aforesaid repayments, at the time of publication Nexi's financial debt is no longer backed by collateral.
Furthermore, the refinancing transaction allowed for a reduction in overall debt and a reduction in the relevant weighted average coupon cost, which - excluding the effect of direct transaction costs - dropped from 3.8% on December 31, 2018 to 1.9% on December 31, 2019. It should be noted that at time of publication all covenants provided for by the loans - set forth under Note 42 of the Explanatory Notes - have been complied with.

In summary, as at December 31, 2019, the structure of gross debt is as follows:

(Amount in Euro mln)

Description/ Carrying amount	31.12.2019	31.12.2018
Publicly Issued Floating Rate Bonds		1,360
Privately Placed Bonds		394
Senior Secured Fixed Rate Notes		816
IPO Term Line	993	
Publicly Issued Fixed Rate Bonds	819	
Other financial liabilities	29	35
Total	**1,840**	**2,605**

Other financial liabilities are mainly comprised of leasing contracts accounted for in 2019 upon IFRS 16 first-time adoption.
The debt refinancing described above entailed (aside from a reduction in the total debt, as indicated in the table above) generated early-redemption costs of Euro 73 million, consisting of make-whole premiums and of the reversal of direct costs included in the amortisation of the paid off bonds.

On December 19, 2019, in view of the agreement reached by Nexi SpA and Intesa Sanpaolo SpA for the acquisition of the bank's merchant acquiring business, a number of leading banks issued a Commitment Letter, that guarantees Nexi SpA shall be granted, upon request until November 2020, a so-called Bridge Loan worth the value of the transaction (Euro 1 billion) whose conditions and terms are substantially the same as the IPO Loan ones, with a twelve-month maturity, that may be extended for a further twelve months, upon Nexi SpA's request.

Remuneration Policies

On March 12, 2019, the Shareholders' Meeting of holding company Nexi SpA, with reference to Group remuneration policies, approved the long-term incentive plan ("LTI"), which envisages the allocation of Nexi SpA shares to a select panel of Nexi Group employees based on the internal broadbanding system and criteria applicable to individual performance. In the third quarter 2019, the plan was assigned to recipients of such plan, as per the LTI Regulation. The cost accrued for in the 2019 income statement, with balancing entry to the Balance Sheet, with reference to the LTI plan, was Euro 2.4 million, as further detailed under Note 40 of the financial statements.

Furthermore, as further detailed under Note 40 of the financial statements, Mercury UK HoldCo has issued a share-based incentive plan ("Stock Grant" or "Plan") based on Nexi SpA shares, ascribable to over 400 Group employees with balancing entry to the Balance Sheet of Euro 51.4 million.

IFRS 16

IFRS 16 accounting standards entered into force on January 1, 2019. As further explained in the herein notes, the new standards envisage a new accounting model for operating leases. In the course of 2018, Nexi Group engaged in concerted planning with a view to identifying potential impacts. In 2019 the Group acquired a tool purposed with managing the new operating leases accounting model. The transition to IFRS 16 entailed the recognition of tangible assets and liabilities totalling Euro 36 million. For further details concerning the new accounting rules, see the notes' *Accounting Policies* section.

2019-2023 Business Plan

The Group's multi-annual business plan, drafted within the scope of listing the company on Borsa Italiana's MTA equities market, entered the executive stage during the year.

The plan's mission is to consolidate the Group's leadership within the domestic digital payments market via investments in technology, services and skills.
On a broader note, in the firm belief that "all payments will eventually be digital", Nexi, alongside its Partner Banks, aims to lead this transformation process on the Italian market and help the domestic economic level-up in terms of digitalisation, an area in which it has been lagging.

That strategy builds on five fundamental pillars:
- organic growth of its three business units (i.e. Merchant Services & Solutions, Cards and Digital Payments and Digital Banking Solutions), through product and customer experience leadership, so as to, in close cooperation with partner banks, expedite the transition towards digital payments;
- operating excellence, to serve customers more simply and efficiently;
- investing in technological excellence, in skills, in the commercial area and in partnerships with banks;
- developing the sector's best talents and cutting-edge skills;
- inorganic growth via targeted acquisitions and partnerships, to harness economies of scale and the development skills.

Nexi believes that this strategy will allow it to better exploit the remarkable growth opportunities stemming from a combination of favourable structural market trends and policymakers' greater focus on the digital agenda.

Pursuant to its performance forecasts at time of drafting, the strategic plan strives for levels of efficiency and profitability that exceed those currently witnessed among comparable companies at the present date. More specifically, it envisages:
- an increase in Group's operating revenues in the medium term (2019-2021) at an average compound annual growth rate of 6.5%, progressing at annual rates ranging between 5% and 7% during that period;

- thanks to integration synergies and other improvements in efficiency, a medium-term increase in the Group's EBITDA at an average compound annual growth rate of 14.3%, progressing at annual rates ranging between 13% and 16%;
- net of extraordinary expenses arising from the debt refinancing operation and from the IPO, a reduction in excess of 60% in non-recurring items impacting on EBITDA year-on-year in 2019, with a further and significant reduction expected from 2020 onwards;
- ordinary capital expenditure of approximately 8 to 10% of operating revenues over the long term, with total capital expenditure (including both ordinary and Transformation Project capex) trending towards this level over the medium to long term.

It should be noted that the business plan builds on a stand-alone basis and does not envisage either new acquisitions or business combinations, although the reference market shows intense consolidation activities. That said, on the basis of the information currently available, we expect to confirm the aforesaid outlook for medium-term revenue and EBITDA growth rate and for the trend of non-recurring/extraordinary items, following the purchase of the merchant acquiring business from Intesa Sanpaolo (excluding costs directly associated with said transaction; for further information, see *Agreement with Intesa Sanpaolo for the Acquisition of its Merchant Acquiring Business* section.

For further information, see the *Business Outlook* section.

Group Activities

Nexi is the largest group operating in Italy in the paytech sector and, either directly or through its partner banks, manages the transactions of some 30 million cardholders and provides its services to approximately 900,000 merchants.

The technologies leveraged by the Group are capable of connecting banks, merchants, businesses and consumers, allowing them to perform and receive digital payments. The business is built on long-standing relationships with some 150 partner banks, which together account for more than 80% of branches nationwide.

The Group's core activities involve three lines of business: Merchant Services & Solutions, Cards & Digital Payments, Digital Banking Solutions.

Main Group indicators for financial year 2019 (1)		
6,1 billion managed transactions (+10.6%)	Euro 984 million in Operating Revenue (+5.7%)	Euro 167 million in Capex (+11.1%)
Euro 463 billion managed transactions (+3.9%)	Euro 503 million in EBITDA (+18.5%)	Net Financial Position Euro -1,592 million

(1) Percentage changes are determined on a pro-forma basis with a view to neutralising the effects of extraordinary operations carried out in H2 2018.

Merchant Services & Solutions

Via this line of business the Group provides merchants with the services necessary for digital payment acceptance.
This includes customer care services delivered by Help Line.

The services provided by this company unit can be subdivided into payment acceptance services, or acquiring services, and POS management services.
The Group operates under several service models, which vary depending on the nature of the Group's relationships with partner banks, which vary and, therefore, determine value chain presence.

Acquiring services encompass the entire range of services that allow merchants to accept payments either through cards or other payment instruments belonging to credit or debit schemes.

POS management services include configuration, activation and maintenance of POS terminals (whether physical or e-commerce), their integration within merchant accounts software, fraud prevention services, dispute management, as well as customer support services via a dedicated call centre.

The level of the value chain covered by Nexi Group is dependent on the type of service model:

A. with the Direct and Referral models, the Group provides its services directly to selected merchants;
B. with partnership-based models (i.e. Licensing, Associate and Servicing models), the Group cooperates with partner banks in providing its acquiring and POS management services, leveraging their branches and their services relations to acquire and manage customers.

In 2019 the Merchant Services & Solutions business line generated operating revenue worth approximately Euro 479 million (or 49% of total Group revenue), up 6.9% on the same period of the previous year, as a result of greater transaction flows. The number of managed transactions has, in fact, increased by 11.1% and their value by 4.0%, confirming a general upwards trend in digital payments in Italy, including transactions involving small sums of money.

Cards & Digital Payments

Via this business line, the Group and its partner banks provide a wide range of issuing services, namely services relating to the supply, issue and management of private and corporate payment cards, with advanced fraud prevention systems ensuring fast, reliable and secure customer authentication and payments.

This business line is primarily tasked with satisfying partner banks' needs in respect of the issue of payment cards (i.e. cards issued in partnership with banks). To a lesser and more marginal extent, this business line supplies payment cards directly to private individuals and businesses without involving partner banks (i.e. direct issuing).

The majority of cards issued are charge cards, requiring customers to repay the balance in full each month. 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 shoulder the risk of their customers' insolvency. Therefore, the Group's credit risk in this business line is almost entirely shouldered by partner banks.

In 2019, the Business Cards & Digital Payments business line generated operating revenue worth approximately Euro 387 million (or 39% of total Group revenue), up 7.4% compared with the same period of the previous year, owing to greater volumes managed, especially with reference to credit, prepaid and international debit cards, and to marketing efforts designed to stimulate the usage of payment cards. The number of managed transactions increased by 9.9% and their value by 3.7%.
At the end of 2019, the Group was managing some 41.6 million cards.

Digital Banking Solutions

This business line of the Group provides, via Nexi Payments SpA, three types of service: ATM Management, Clearing and Digital Corporate Banking.

ATM Management

The Group is responsible for installing and managing ATMs (over 13,000 at the end of 2019) on behalf of partner banks.

Clearing Services

The Group operates in the Italian market as an Automated Clearing House (ACH) for domestic and international payments pursuant to standard interbank regimes. The Group also provides ACH Instant Payment services, which differ from traditional clearing services in terms of the speed of transfers and its 24-hour availability.
In 2019 the Group recorded an increase in customers' clearing transactions, resulting also from product innovation initiatives.

Corporate Banking Digital Services

The Group provides partner banks' corporate customers with digital banking services for the management of current accounts and payments. The latter fall within the following three categories:

- electronic banking/mobile services: the Group provides dedicated e-banking platforms (approximately 469,000 licenses granted in 2019) on behalf of banks or corporate clients;

- CBI, pensions and collection services: on behalf of banks and corporate customers, the Group provides payment platforms for group accounts and for payment management. Additionally, the Group provides the CBI interbank corporate banking service. Initially developed to facilitate interbank communication and payments, the latter service subsequently extended to the public sector, for the purposes of centralising payments, collecting them and all relevant documentation;
- digital and multichannel payments support services: the Group provides internet, smartphone and ATM software applications to banks and businesses for invoice management and storage, prepaid card reloading, bill payments and postal payments.

In 2019, the Digital Banking Solutions business line generated operating revenues worth approximately Euro 118 million (or 12% of total Group revenue), down 3.3% compared with the same period in 2018, which had also benefited from partly non-recurring revenues.

Performance of Holding and Group Companies

The financial results and the activities of the Holding Company and the subsidiaries subject to Nexi management and coordination are presented below.

Nexi SpA

Listed on Borsa Italiana's MTA equities market as of April 16 last, Holding Company Nexi SpA, while not directly involved in operating activities, carries out holding-company and management and coordination functions with respect to the three companies presented below.

Upon closure of the financial year, equity stood at Euro 1,264 million, including yearly profits worth approximately Euro 104 million, due to the economic effects stemming from the sale of the Oasi stake. In 2019, the company received dividends from subsidiaries worth approximately Euro 130 million, more than offset by the financial costs for the Group's debt service coverage (Euro 158 million) and other operating costs (Euro 25 million), affected by listing-related activities.

Nexi Payments SpA

The company, of which Nexi holds 98.92% of the share capital, performs activities connected to electronic money issuing and payment management services.
As a registered EMI company, it operates in all of the sectors described above.

The main economic indicators are the following:
- EBITDA, totalling Euro 362 million, which grew almost by 20%, owing to the positive trend in overall revenues (despite lower Digital Banking Solutions commissions) and to a reduction in non-interest costs (despite greater staff-related costs);
- Amortisation and Non-recurring costs, worth Euro 100 million and Euro 133 million, respectively;
- Income taxes, for a total of Euro 21 million;
- Net income totalling Euro 106.1 million, up 24% compared with the previous financial year, consistent with the operating revenue trend.

The main balance-sheet items are the following:
- Receivables from banks and customers, mostly associated with electronic money activities, worth Euro 366 million and Euro 938 million, respectively;
- Tangible assets worth Euro 143 million, comprising the effects of the implementation of IFRS 16 standards;
- Intangible assets, worth Euro 877 million, up 5% compared with 2018 in terms of ICT investments;
- Net equity totalling Euro 1,141 million, which includes the profits of the period.

Having completed integration of the platforms acquired in recent years, in 2019 Nexi Payments' activities have focused on commerce-side of its business lines, especially with reference to product innovation and supporting partner banks. More specifically:
- extensive marketing was carried out of the "Smart POS" advanced POS terminal, and the introduction, alongside the standard and cash-register integrated models, of the "Smart POS Mini" model, a portable device designed for mobility. The entire range of these products proved a commercial success with both small to medium-sized and large merchants;
- the constant growth in e-commerce product uptake was sustained via the marketing of e-commerce solutions to the POS-terminal customer base, the development of solutions to Public Administrations and partnership agreements with Developers;
- the drive towards alternative cash instruments was accelerated, with many minor international circuits being activated, meal vouchers and Digital and C-Less activations for Italian debit cards;

- further development was carried out in terms of marketing payment solutions for large merchants in major business verticals (e.g. insurance companies, large retailers, travel and mobility, etc.), while pursuing a new multichannel solution;
- further marketing of the Nexi Business App saw registered merchants exceeding 220,000;
- marketing of the licensed international debit card was boosted, a new credit-risk free product authorised for use on all channels and particularly well suited to the needs of bank customers in the e-commerce sector;
- the business offering was further expanded via the Samsung Pay and Google Pay apps for Android smartphones; meanwhile, the Nexi Pay app is under constant development and now boasts new features and services (active users are now in excess of one million);
- further momentum was given to the penetration of the YAP app, specifically designed for millennial prepaid cardholders;
- development of new business products for corporate customers has been completed (e.g. virtual B2B and lodge solutions); the marketing of such products has begun;
- customer value management activities have continued, via direct marketing campaigns targeting banks and engagement programmes targeting cardholders and upselling campaigns targeting merchants;
- further efforts were made to promote sales of the ACH Instant Payments service launched in 2018;
- June 2019 saw the roll-out of the new Open Banking (CBI Globe) platform, the first PSD2-compliant platform in the Eurozone.

Mercury Payment Services SpA

The company, which is directly controlled by Nexi SpA via a 100% stake in share capital, is a registered PI company.

The main economic indicators are the following:
- EBITDA, totalling Euro 144 million, which grew almost by 20%, owing to a remarkable and homogeneous trend in commission-generated revenues in the two business units (Merchant Services & Solutions and Cards & Digital Payments) and to a reduction in costs other than staff-related costs;
- Amortisation and Non-recurring costs, worth Euro 25 million and Euro 6 million, respectively;
- Income taxes, for a total of Euro 37 million;
- Net income totalling Euro 76 million, up 18% compared with the previous financial year, consistent with the operating revenue trend.

The main balance-sheet items are the following:
- Receivables from banks and customers, mostly associated with electronic money activities, worth Euro 139 million and Euro 153 million, respectively;
- Tangible assets worth Euro 38 million, comprising the effects of the implementation of IFRS 16 standards;
- Intangible assets, worth Euro 20 million, up 28.5% compared with 2018 in terms of ICT investments;
- Net equity totalling Euro 158 million, which includes the profits of the period.

The company has continued to provide processing services to its key customer, Intesa Sanpaolo, as well as acquiring services limited to its own customers. With reference to the Processing activities, the services provided between Mercury Payment Services, Intesa Sanpaolo and banks of the Intesa Sanpaolo Group are governed by specific agreements. As regards acquiring activities, almost all the contracts with merchants authorised to accept card payments were transferred to Intesa Sanpaolo in 2016. Issuing activities (issuing of proprietary payment cards) is an immaterial segment of the total operations of Mercury Payment Services. The risk profile for this activity is constantly monitored.

In the area of acquiring services, development of business and innovative projects continued. The trade sectors mainly targeted were: Telecommunications, Public Transportation, Petrol, Large Retail and the Luxury/Fashion industry.

The main initiatives that characterised 2019 and that will be further developed in 2020 are the following:

- continuing support for fulfilment of the new digital channels and the implementation of electronic money services for cardholders, as part of the integrated Multichannel Projects for Intesa Sanpaolo clients;
- development projects supporting Mobile POS marketing: a component capable of decoupling payment apps (developed by the company or by Intesa Sanpaolo for smartphones and tablets) from the POS device used to read the cards has been developed;
- developing of payment acceptance for two new alternative payments: Bancomat Pay and WeChat;
- continuing cooperation with Intesa Sanpaolo with reference to the project for the replacement of the POS and Cards (CJ) management/sales/post-sales system;
- making available Alipay solutions to Italian and foreign clients of Intesa Sanpaolo, for both the acceptance of the physical POS device and for payments made directs from the Merchant's cash register;
- developing management of Abu Acquirer, the new Mastercard service that allows merchants to check the validity of Mastercard cards;
- marketing of the *Acquiring* application component developed for the Transit model and adopted by ATM Milano; the service has been activated in several Italian cities (for example, Rome) and in France;
- activation of the Fast Fund solution for Money Send transactions for Maestro, Mastercard Debit and Visa circuits and for prepaid and credit cards;
- marketing of new debit card products, aimed at rationalising the set of Intesa Sanpaolo cards;
- marketing of new credit and debit card products, aimed at offering new Exclusive Services to specific Intesa Sanpaolo clients;
- continued development and activation of new Mobile Payments services (e.g. Swatch Pay) and tokenisation of Card On File (via la Visa and Mastercard platforms);
- implementation and development of a new Instant Issuing services that enables the issuing of cards, firstly in a digital format (thus allowing their immediate use), to be followed by the delivery of the physical card at the applicant's address;
- compliance with obligations under PSD2 for issuing and acquiring services, and planning of further measures in 2020, in particular for tailoring e-commerce solutions for Large Merchants.

Help Line SpA

The subsidiary Help Line SpA, of which Nexi SpA and Nexi Payments SpA hold 69.24% and 1.08% of share capital, respectively, carries out activities mainly for Nexi Group, but also operates for a number of major Italian banks, supporting their customers 24 hours a day, 365 days a year.

Upon closure of the financial year, equity stood at Euro 3 million, including yearly losses, just below Euro 0.9 million. EBITDA (Euro 1.2 million) dropped compared with the 2018 figure, due to higher assistance services costs.

Group Performance

Reclassified Consolidated Income Statement as at December 31, 2019

Figures for the income statement as at December 31, 2019 are not comparable with those for the same period of the previous year, namely, those reported in the internal statements produced by Nexi for the purposes of consolidation into Mercury UK, as a result of the reorganisations carried out in 2018 and effective from July 1, 2018. To allow a comparison, the reclassified income statement figures as at December 31, 2018, shown below, are presented on a pro-forma (not audited) basis, with the effects of business combinations carried out in 2018 reported as if they had been completed at the start of the year and by classifying non-core companies as non-current assets held for sale and discontinued operations.

The reclassified consolidated income statement highlights profit determinants by reporting items commonly used to provide a condensed overview of company performance. Said items are ranked as Alternative Performance Measures (APMs) pursuant to a Consob communication of December 3, 2015 which, in turn, encompasses the European Securities and Markets Authority (ESMA) guidelines of October 5, 2015. See the appropriate section on disclosures required pursuant to said communication.

(Amount in Euro mln)

	2019	2018(*)	Delta	Delta %
Merchant Services & Solutions	479.0	448.2	30.8	6.9%
Cards & Digital Payments	387.4	360.6	26.8	7.4%
Digital Banking Solutions	117.7	121.7	(4.1)	(3.3%)
Operating revenues	**984.1**	**930.6**	**53.5**	**5.7%**
Personnel-related costs	(166.6)	(155.3)	(11.3)	7.3%
Operating costs	(315.0)	(351.2)	36.2	(10.3%)
Total costs	**(481.6)**	**(506.4)**	**24.9**	**(4.9%)**
EBITDA (**)	**502.5**	**424.1**	**78.4**	**18.5%**
Amortisation and depreciation	(121.0)	(74.8)	(46.2)	61.8%
Customer Contract D&A	(36.8)	(40.2)	3.4	(8.5%)
Interests and financing costs	(159.9)	(108.5)	(51.4)	47.4%
Non-recurring items	(44.6)	(130.2)	85.7	(65.8%)
Pre-tax profit	**140.3**	**70.4**	**69.8**	**99.1%**
Income taxes	(4.2)	(49.0)	44.8	(91.5%)
Minorities	(0.9)	(1.5)	0.6	(39.1%)
Group net profit	**135.2**	**20.0**	**115.2**	**n.m.**

Note:
(*) Data presented on a pro-forma (non-audited) basis.
(**) EBITDA shown above is Normalised EBITDA whose definition is provided in the "Alternative Performance Measures" section.

The Group's operating revenues increased 5.7% in 2019, as a result of the positive trend recorded in the *Merchant Services & Solutions* and *Cards & Digital Payments* business lines, owing to clients' growing transactional flows and to positive developments in overall margins. More specifically:

- the *Merchant Services & Solutions* business line witnessed a 6.9% growth as a result both of greater transaction flows, which were also driven by the E-Commerce channel (up approximately 19% in terms of value) that are consistent with current developments in the reference market, and of the positive contribution of high-value added commercial initiatives;
- the *Cards & Digital Payments* business line witnessed a 7.4% growth, as a result of greater volumes (especially with reference to International card schemes), which were also the result of product-range expansion and of ensuing upselling and cross-selling synergies;
- in the wake of recent consolidation within the banking sector, the *Digital Banking Solutions* business line's operating revenue witnessed a 3.3% drop compared with 2018, which has also benefited from revenues that were not fully recurring.

Costs were down 4.9% year on year, reflecting, among other things, a full integration of the acquisitions carried out in recent years (in particular, Mercury Payment Services and Bassilichi), as well as efficiency improvement initiatives directed at major cost centres; all this despite an increase in staff-related costs linked to the hiring of new, skilled personnel.

Owing to the effect of the revenues and cost trends described above (excluding amortisation), EBITDA as at December 31, 2019 was Euro 503 million, up 18.5% year on year.

Major investments in software and technological developments for the purposes of Group digital transformation, combined with the first-time adoption of IFRS 16 standards, have led to a 61.8% increase in amortisation and impairment losses for tangible and intangible assets (excluding intangibles relating to Customer Contracts).

Interest & financing costs witnessed a 47.4% rise as a result of the Group's overall debt refinancing operations, herein described in greater detail, which included, among other things, early-redemption premiums (Euro 38 million) and charges for the residual amortisation of issuance costs (Euro 35 million) referring to the debt instruments that were refinanced during the year, on top of the costs associated with the new debt issuing.

Non-recurring items stood at a negative Euro 45 million, down from negative Euro 130 million in 2018 thanks to capital gains arising from the sale of Oasi Diagram SpA (Euro 109 million) and to the significant downsizing of transformation costs (down approximately 60%, to Euro 52 million). In 2019, one-off charges connected with the IPO totalled Euro 22 million, while stock grants for over 400 employees of the Group stood at approximately Euro 51 million.

Net of income taxes and profit/losses attributable to non-controlling interests, the Group's profits for the period stood at approximately Euro 135 million compared to a pro-forma Euro 20 million for 2018.

Financial Position Highlights

The main financial position indicators are presented below.

Investments (Capex)

The following table details Capex investments as at December 31, 2019 and December 31, 2018.

(Amount in Euro mln)

	31.12.2019	31.12.2018
Ordinary tangible and intangible assets	102.8	85.1
IT and Strategy Transformation projects	64.5	65.4
Investments (Capex)	**167.3**	**150.5**

The Ordinary Tangible and Intangible Assets item accounts for electronic systems (mostly connected to POSs e ATMs) as well as software and technology development.

The IT & Strategy Transformation Projects item refers to investments earmarked for the development of the Group's IT platforms and systems.

Net Financial Position as at December 31, 2019

During the year the Net Financial Position changed significantly as a result of liquidity generated by the IPO which, together with available liquidity, allowed for the repayment of part of the outstanding debt, further detailed in the *Changes in Group Debt* section.

The following table details the Group's Net Financial Position as at December 31, 2019 and as at December 31, 2018 on a pro-forma basis.

(Amount in Euro mln)

	31.12.2019	31.12.2018
A. Cash (*)	115.4	40.7
B. Cash equivalents (**)	133.0	-
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**248.4**	**40.7**
E. Current financial receivables	**-**	**-**
F. Current bank payables	(13.6)	(20.4)
G. Current portion of long-term debt	-	(7.2)
H. Other current financial liabilities	-	-
I. Current financial debt (F) + (G) + (H)	(13.6)	(27.6)
J. Net current financial position (I) + (E) + (D)	234.8	13.0
K. Non-current bank debt (*)	(15.3)	(7.5)
L. Bonds issued	(819.0)	(2,569.7)
M. Other non-current financial liabilities	(992.6)	-
N. Non-current financial debt (K) + (L) + (M)	**(1,826.9)**	**(2,577.2)**
O. Net financial position (J) + (N)	**(1,592.1)**	**(2,564.2)**

(*) Item A entirely refers to bank accounts with DEPOBank and item K includes Euro 1.4m referring to the IFRS 16 debt for the lease contract with DEPOBank, which is a correlated party.

(**) Available liquidity generated during the period that had not been reported in the pro-forma Net Financial Position for 2018 presented with registration document filed to Consob on March 29, 2019, with reference to the listing on MTA.

It should be noted that, at the time of publication, all the covenants provided for by the financings have been complied with. Such covenants and the negative pledges are further described under note 42 of the Explanatory Notes.

The Net Financial Position presented above ranks as an Alternative Performance Measure (APM), as described in the relevant section.

Alternative Performance Measures

In line with guidelines published on October 5, 2015 by the European Securities and Markets Authority (ESMA/2015/1415) and for the purposes of these consolidated yearly financial statements, Nexi Group, as well as reporting figures for income statement and net financial position envisaged under International Financial Reporting Standards (IFRS), also submits alternative performance measures derived from the aforesaid, providing management with a further means to evaluate Group performance.

Pursuant to standing rules and regulations, the following sections further detail Group APMs.

Operating Revenues

Nexi defines Operating Revenues as the Financial and Operating Income normalised in respect of non-recurring expenses and income, excluding, where applicable, financial charges on bond loans. The following table details the reconciliation of the financial and operating income to Operating Revenues at December 31, 2019 and 2018.

(Amount in Euro mln)

	At December 31	
	2019	2018 Pro-forma
Financial and operating income	813.7	816.2
Interests and financing costs (*)	159.9	108.5
Non-recurring costs/(income)(**)	10.5	5.9
Operating Revenues	**984.1**	**930.6**

(*) For 2019, the item includes interest and commissions on Nexi SpA funding (Euro 158.3 million) and IFRS 16 interest (Euro 1.3 million), on top of interest expenses on other loans (Euro 0.3 million). Such costs are reported under the interest income in the income statement.

(**) For 2019, the item mainly consists of non-recurring costs that, in the income statement, are reported under the item Financial and operating income, mainly referring to the trading-book derivative (Euro 8.3 million) and former Bassilichi (Euro 1.6 million).

Normalised EBITDA

Nexi defines Normalised EBITDA as profits for the period adjusted for (i) profits/losses after tax from discontinued operations, (ii) income tax on continuing operations, (iii) profit/loss on equity investments and disposals, (iv) interest and financing costs (included in the net interest income), (v) amortisation and impairment losses for tangible and intangible assets, and (vi) Non-recurring expenses and income.

The following table details reconciliation of Group profits and Normalised EBITDA for the twelve-month periods ended December 31, 2019 and 2018.

	2019	2018 Pro-forma
Profit for the period	136.1	21.5
Profits/losses, after tax, from discontinued operations	(99.5)	(0.3)
Period income tax on continuing operations	4.2	49.0
Profit/loss on equity investments and disposals	0.6	-
Interests and financing costs (*)	159.9	108.5
Amortisation and impairment losses for tangible and intangible assets	155.8	115.0
Non-recurring expenses and income	10.5	5.9
Other non-recurring expenses/ income impacting EBITDA (**)	135.0	124.7
EBITDA	**502.5**	**424.1**

(*) See previous table.

(**) For 2019, the item mainly consists of non-recurring costs associated with the stock grant assigned by Mercury UK (Euro 51.4m), IPO-related costs (Euro 22m), transformation costs (Euro 51.9m) and other charges for extraordinary transactions/operations (Euro 7.9m).

Investments (Capex)

Nexi defines Investments as tangible and intangible assets acquired in the period, as listed in the relevant table in the explanatory notes concerning changes to tangible and intangible assets.

Net Financial Position

The Net Financial Position is the balance between current and non-current financial liabilities and financial assets. More specifically, financial liabilities comprise the following items:

- securities issued, included under financial liabilities measured at amortised cost;
- IPO Facilities, included under financial liabilities measured at amortised cost;
- other financial liabilities, mostly consisting of liabilities under IFRS 16 and included under financial liabilities measured at amortised cost.

Financial assets, comprised of cash and cash equivalents and available liquidity generated by subsidiaries during the period, are included under financial assets measured at amortised cost.

Governance and Control structures

Board of Directors

On February 13, 2019 the Nexi Shareholders' Meeting resolved to establish the number of members on the Board of Directors as 13 and appointed its members, as listed below, until approval of the financial statements at December 31, 2021. On the same day, the Board of Directors appointed the Chief Executive Officer and the Deputy Chairperson.

Chairperson	Michaela Castelli
Deputy Chairperson	Giuseppe Capponcelli
Chief Executive Officer and General Manager	Paolo Bertoluzzo
Directors	Luca Bassi
	Francesco Casiraghi
	Simone Cucchetti
	Federico Ghizzoni
	Elisa Corghi(*)
	Maurizio Mussi
	Jeffrey Paduch
	Antonio Patuelli
	Marinella Soldi
	Luisa Torchia

(*) As of 26/9/2019, replacing resigning Mr. Robin Marshall

Internal Board Committees

On February 25, 2019 Nexi's Board of Directors appointed members of the following internal committees.

Remuneration and Appointment Committee (*)

Chairperson	Marinella Soldi
Members	Luca Bassi
	Luisa Torchia

Risk, Control and Sustainability Committee (*)

Chairperson	Elisa Corghi
Members	Francesco Casiraghi
	Marinella Soldi

Related Party Transactions Committee (*)

Chairperson	Luisa Torchia
Members	Antonio Patuelli
	Marinella Soldi

(*) Committees established as per the corporate governance code.

Strategic Committee

On February 13, 2019 Nexi's Board of Directors appointed the members of the Strategic Committee, which is now formed by the following:

Chairperson	Paolo Bertoluzzo
Members	Luca Bassi
	Giuseppe Capponcelli
	Michaela Castelli
	Francesco Casiraghi
	Simone Cucchetti
	Jeffrey Paduch

Board of Statutory Auditors

On February 13, 2019 the Nexi Shareholders' Meeting resolved to appoint, until approval of the financial statements at December 31, 2021, the following members of the Board of Statutory Auditors:

Chairperson	Piero Alonzo
Statutory auditors	Mariella Tagliabue
	Marco Giuseppe Zanobio
Alternate auditors	Tommaso Ghelfi
	Andrea Carlo Zonca

Financial Reports Manager

On February 25, 2019 Nexi's Board of Directors appointed Enrico Marchini as Financial Reports Manager pursuant to article 154-*bis* of TUF, effective as of the Company's listing date on Borsa Italiana's MTA equities market.

Independent Auditors

On February 13, 2019 the Nexi Shareholders' Meeting resolved to entrust PricewaterhouseCoopers SpA with the independent audit of the Group's statutory and consolidated financial statements for 2019-2027 and, for the same years, with limited audits of condensed consolidated interim financial statements for the six months ending June 30.

Group Internal Control Systems

In the second half of the year the projects targeting the development of the Internal Control Systems continued, consistent with the Group's evolution and with applicable legislation.

The Audit Function, as well as identifying issues and reporting findings arising during the course of audits - therefore useful for heightening the top executives' risk management awareness - implemented evolutionary measures in the area of methods and issued an internal Audit Manual that defines the benchmark standards and the crucial steps of the audit phase. The year 2019 witnessed the issuing of the policy that governs the auditing by third parties (independent auditors) of Nexi and its suppliers. Such actions, implemented by the Function's Monitoring & QA unit, are maintained with a view to continuously improving the effectiveness of audits, especially via an increasingly clear and direct correlation with major business risks.

On-site auditing was performed regularly, particularly focussing on the control of the Group's technological outsourcers, strategic business activities, IT security and operational continuity.

As for IT tools, with a view to improving the effectiveness of Group audits following reorganisation and in line with the aforementioned methodological developments, the implementation of a tool capable of supporting all stages of the audit process has been successfully completed. Lastly, in 2019, the Audit function arranged the definition and updating of the Organisational and Control Model pursuant to Italian Legislative Decree 231/2001 for Nexi, Nexi Payments and Help Line.

Second level controls for the Group's supervised companies, which aim to help define the business risk measurement methods, verify compliance with limits assigned by the various operating units and check that operations of individual production areas are consistent with assigned risk-return objectives and business operating rules, are entrusted to structures other than operations, and specifically to:
- the Risk Management Function, whose Operational Risks unit also features an Information Security Manager;
- the Compliance & AML Function, which includes the Anti-Money Laundering function and the Group DPO, which operate in specific reference to regulatory areas under their respective responsibilities;
- the Subject Matter Experts, namely business units with responsibility for continuously ensuring compliance of activities and processes with regulations under their respective responsibilities.

The Risk Management Function, tasked with oversight in the area of risk management, in 2019 began development of the new Enterprise Risk Management (ERM) framework. The latter, in line with top management's vision and pursuant to recommendations within Borsa Italiana's Code of Conduct for Listed Companies pertaining to risk management and control, focuses on the identification and handling of top risks impinging on value creation and protection. To that end, it is tasked with injecting a risk management culture and practices thereto pertaining in corporate processes relevant to strategic planning and performance management.

The mission of the ERM model is therefore to promote decision-making based on awareness, on the expected yields and on the underlying risk profile, guaranteeing a, adequate management that is consistent with the propensity to corporate risk. To this end, Nexi Group's ERM aims to achieve the following goals:
- identify, prioritise and periodically monitor corporate risks in order to direct investments and resources towards the most critical and relevant risks for the Group's business;
- assign roles and responsibilities for a clear and shared management of corporate risks;
- give due value to the existing Risk Management units, coordinating them and enhancing them if possible;
- spread a culture of risk awareness and a risk-based approach in the Group's decision-making processes, raising management's awareness of the major risks the company is exposed to.

The Enterprise Risk Assessment was conducted in 2019, in order to identify the foremost risk areas for the Group for the 2019-2021 three-year period.

Specifically, for such period, with assistance and adequate investigation provided by the Risk, Control and Sustainability Committee, the following activities were carried out:
- Definition and approval of the ERM methodology, of the model and of the risk-assessment scale;
- Risk-assessment interviews with the members of the Executive Committee, Strategic Committee and other managers, so as to identify Nexi Group risks over a three-year period;
- Evaluation and prioritisation of the risks that emerged from the assessment, according to impact scales, probability and risk-monitoring;
- Drafting of specific action plans, to be regularly monitored, focusing on the risks for the Group reckons it should strengthen permanent risk-monitoring activities.

The Compliance & AML Function of Nexi Payments, which continuously monitors its assigned rules according to a risk-based approach, during the year updated the scope of applicable regulations to incorporate regulatory changes and to expand the corporate scope as a result of the extraordinary transactions.

It also updated the applicable regulatory scope, so as to transpose the new rules, and - following the envisaged personnel increase - it redesigned the organisational structure in order to better monitor the correct implementation of the regulation, within a constantly evolving context.

Action continued to harmonise the compliance risk management model within the supervised companies.

Also, during the year planning continued with reference to implementing Directive (EU) 2015/849 on the prevention of the use of the financial system for money laundering or terrorist financing (the so-called AML IV directive) and Directive (EU) 2015/2366 on payment services in the domestic market (the so-called PSD2 directive).

Following planning with reference to implementing Regulation (EU) 2016/679 on data protection (the GDPR) into the Group Companies, a new Privacy organisational model was defined and internal regulations were reviewed. Specific training has been provided and consolidation activities are continuing.

Nexi Group Organisational Structure

Pursuant to provisions under art 154-bis of the TUF, on February 25, 2019 the Board of Directors of the Holding Company appointed the Financial Reports Manager, effective as of the Company's listing date on Borsa Italiana's MTA equities market. As a suitable candidate, the Board of Directors appointed Enrico Marchini, who was selected upon due consideration of requirements under article 19 of the new Nexi Articoles of Association, which sets forth the requirement of professionalism and integrity for prospective managers as well as a minimum three-year experience in administration, finance and control.

Nexi SpA's Board of Directors met on July 29 and approved the reviewed organisational structure, which involved the functions affected by the regulation enforced by the listed holding company in the following sectors:

- market abuse regulation (MAR);
- relations with Consob and Borsa Italiana;
- corporate social responsibility (CSR) e Non-Financial Report (DNF);
- enterprise risk management (ERM).

Specifically, the Risk Management office (which reports directly to the CEO) was set up; the Corporate & Regulatory Affairs and the External Communication & Media Relations offices were set up within the Corporate and External Affairs area; and the Investor Relations office was set up in the Chief Financial Officer area.

Nexi Payments SpA

With reference to the guidelines of the 2019-2023 Business Plan, in continuity with the transformation process underway and with reference to holding company Nexi's listing on Borsa Italiana's MTA equities market, the main interventions carried out during the first half of the year addressed:

- Digital Banking Solutions' Business Unit and Operations Office, with a view to focusing activities on monitoring of product marketing, product development and services, and direct sales channels, and to bring operations together under one management, pursuing a model based on effectiveness and the ability to capitalise on prior experience and to maximise standards of excellence in operations.
  In that respect, within the Digital Banking Solutions BU's ATM & Self Banking unit, two new Functions were created, namely the ATM & Self Banking Marketing and ATM & Self Banking Products functions, and within Digital Corporate Banking unit, monitoring of PSD2 impacts on products and services was bolstered via the establishment of the Open Banking PSD2 function.
  At the same time, the Digital Banking Solutions' Operations Unit was established within the Operations Office. The new unit manages operations previously handled by the Digital Banking Solutions' BU, namely the ATM & Self Banking function, the Digital Corporate Banking function (encompassing operations and customer service) and the ACH & Payments Platform function;
- the Operations Office, in which the Supply Chain & Cards Personal Enhancement staff position was established (within Operations Digital Payments & Cards), with a view to creating synergies in card management supply choices by way of monitoring process monitoring and assessing tech-market opportunities;
- the Merchant Services & Solutions' BU, with the establishment of the Referral Sales unit within Referral Books, as means to ensure and bolster a marketing presence with respect to the relevant customers;
- the Chief Financial Officer Area, with the establishment of the new Investor Relations unit, entrusted with investor relations;
- the Chief Administration Officer Area, with the establishment of the HR BP Operations & HL unit, tasked with bolstering business partner supervision;
- the Chief Information Officer Area, with the establishment of the Data Science function within the Data & Analytics unit, with a view to boosting resources in the area of big data and advanced analytics systems;
- the Compliance & AML function, with the establishment of new positions under Compliance Regulatory Projects.

Main interventions carried out during the second half of 2019 addressed:

- the Operations Division, with the establishment of the Digital Banking Security function within Frauds & Credits unit and the establishment of the MS Field Operations function within the Merchant Services & Solutions Operations unit and, also, the reallocation of activities and resources of the Field Operations Management teams in Milan, Padua and Florence (formerly allocated within the Test, Installation & Maintenance unit); furthermore, the MS Assistance MI and MS Assistance PD units have been consolidated into the MS Assistance & Referral unit (which has also centralised operations across the referral model);
- the CIO Area, with the establishment of the new Digital Merchant Services unit which, in line with Digital IT Competence objectives, aims to further promote the development of secure and reliable merchant management solutions via digital channels; furthermore, the Key Initiative and Applications Factor POS units,

formerly placed under the Merchant Services & Solutions IT function, have been transferred to the Digital function;
- the Commercial Department, with the establishment of the Commercial Partnership Development unit reporting to Commercial Planning & Operations;
- the Compliance & AML office, with the renaming of Privacy & Data Protection unit as IT & Data Protection Compliance.

Furthermore, with a view to continue the group-wide integration process and to bolster ties with Mercury Payment Services, *management integration* proposals involving Mercury Payments Services and Nexi Payments have been addressed and viewed positively and will be implemented as of 2020. These would involve establishing formal lines of reporting from specific departments at Mercury Payments Services to Nexi Payments. The integration process aims to drive goal alignment between management at Nexi Payments and the division heads at Mercury Payments Services, so as to bolster knowledge-sharing and to breed convergence on a common innovation roadmap, especially at C&EA, CAO, CFO, Operations and CIO division/department levels.

Mercury Payment Services SpA

In line with the "One Nexi" objective, the first half of the year saw completion of the moving plan for Mercury Payment Services and its employees, all of which now located in Nexi's Milan offices in Corso Sempione and Via Livraghi (where a new Contact Unit was established). On February 1, 2019, for the purposes of both optimising operations at the Marcallo con Casone-based Issuing Operations card personalisation facility and fostering Group-wide supply-chain synergy, the Staff Supply Chain & Cards Personal Enhancement unit, reporting directly to the Chief Operations Officer, was established.

On July 22, 2019, as part of a process supported by the interested functions at Nexi Group, a new organisational structure was adopted which led to the Risks, Compliance & AML function being divided into two distinct functions, namely Compliance & AML and Risk Management. With both of them still reporting to the Board of Directors, Nexi Payments managers for the respective functions remained unchanged, thus replicating the model as it stood.

With a view to continue the group-wide integration process and to bolster ties with Mercury Payment Services, the establishment of a new matrix management model was approved effective as of January 1, 2020.

The latter involves establishing formal lines of reporting from specific departments at Mercury Payments Services to their Nexi Payments management counterparts. Such management-level integration aims to drive goal alignment between management counterparts at the two companies, so as to bolster knowledge-sharing and to breed convergence on a common innovation roadmap, especially at the IT, CAO, C&EA, Operations and Business division levels.

Regulatory Compliance

The Board of Directors of the Group's companies have approved the Organisational Model pursuant to Law Decree 231/2001 and the Code of Ethics, first drafted for Nexi and subsequently updated for Nexi Payments and Help Line. In that regard, appropriate training was identified and carried out.

2019 saw continued activity in respect of implementing, subject to a preliminary assessment stage, solutions designed to curtailing data protection risks. Furthermore, procedures designed to assess said solutions were put in place.

Efforts continued in respect of compliance with new regulations introduced by Directive (EU) 2015/2366 on payment services in the Common Market (the Payment Services Directive, or PSD2), as well as with ensuing secondary regulations issued by the EBA and transposition measures adopted by Italy - the latter including updates to Supervisory Provisions for Payment and Electronic Money Institutes and Provisions on Banking and Financial Services Transparency. The implementation of actions to be taken was consistent with the overall compliance plan.

With reference to anti-money laundering, supervised companies' internal regulations were updated pursuant to requirements standing under the AML IV directive and actions were taken in respect of adapting business processes to ensure compliance with Bank of Italy provisions issued pursuant to the implementation of Legislative Decree 90/2017 (with a special focus on adequate customer verification, internal organisation, procedures and controls and transaction reporting).

With reference to Nexi's listing on Borsa Italiana's MTA equities market, internal procedures were updated with respect to the processing of relevant/privileged information, and to the drafting and keeping of both the insider list and the relevant information list (i.e. the RIL list) pursuant to provisions under the Market Abuse Regulation (MAR). The latter also sets forth procedures for mandatory reporting pursuant to internal dealing regulations.

Furthermore, in keeping with relevant Consob regulations, an internal procedure was set in place for related-party transactions; also, pursuant to article 154-*bis* of TUF, the Financial Reports Manager was appointed.

Group IT Systems

During the year, as well as carrying planned initiatives and providing for the issue and maintenance of applications services, the CIO Office focused on the following:
- pursuing the reorganisation and expansion of its staff via a hiring/insourcing plan and activating the Skillup programme;
- activating IT Strategy initiatives with respect to the entire applications range;
- activating key initiatives in support of business and across-the-board compliance programmes (e.g. PSD2),
- following up IT activities envisaged as part of corporate restructuring projects (DEPOBank, Bassilichi integration);
- start of activities pertaining to integration of Mercury Payment Services functions;
- consolidating IT Strategy & Governance by bolstering its PPM, IT Spending & Vendor Management and Enterprise Architecture units.

On the Issuing Systems front, the following activities were carried out:
- Issue-side, product range was expanded via new versions of existing international debit cards and the release of the new Corporate Pay and Travel Account cards;
- integration, now complete, of major banking partners with respect to international debit card products:
- starting the Chip&Pin migration pilot project and implementing new functions designed to reduce spending curtailment risk;
- start of bank roll-out with regards to contactless technology and PagoBANCOMAT Digit for PagoBANCOMAT circuit-enabled cards and terminals;
- successful launch of the PagoBANCOMAT card tokenisation service.

In the area of M&A, Operations and Corporate Systems, the following initiatives were set in motion:
- transformation of the CRM and the Dispute Management platforms via the adoption of the Salesforce systems framework;
- overhaul of the fraud-prevention systems platform, shifting from Stratus to Linux, so as to overcome load and capacity constraints; bolstering of the current rules engine via cloud-developed big data-based artificial intelligence and machine learning algorithms.

In the area of Merchant Services, the focus was on the following:
- Smart POS: launch of latest POS Android models (e.g. the Smart POS Mini);
- SME customers: activation of new products (e.g. taxi) and new services (e.g. acceptance of UPI and JCB cards) for small business customers;
- Merchant OnBoarding: release of new webware application for licensee banks and pilot activation at 13 banks;
- Core Platform: with discovery and mobilization complete, start of implementation phase concerning the development of the new platform;
- POS: production release of new GT POS platform and migration of former Bassilichi POS terminals; production release of VAS-enabling platform;

In the area of Payment Systems, DBS and ATM, the following activities were carried out:
- expansion of the Instant Payments infrastructure (ACH, Gateway) by connecting it to the EBA and TIPS pan-European systems;
- activation of CBI TPP-enabling infrastructure designed for competitive corporate Open Banking;
- completion of the ATM Blueprint (Stage 1) bringing roll-out full circle of the new front at approximately 5,000 ATMs;
- completion of bank roll-out of new technology stack for the ATM Terminal Operator.

In the area of Digital ICT activities, the focus was on the following:
- OBI - Onboarding Issuing: integration between first batch of licensee banks and the service centres of the new platform; expansion of the multi-processor management platform;
- Mobile Payments - Apple/Google/Samsung Pay: extending the MDES/VTS tokenisation service to serviced banks; activation of new Fitbit/Garmin Pay wallets; Digitalised PagoBANCOMAT: completion of the domestic debit card PagoBANCOMAT project with tokenisation for in-store c-less transactions to support POS rollout plans;
- YAP: evolving the platform to support customer base growth;
- Digital Channels - Cardholder Portal and Nexi Business: PSD2-Compliant Servicing white label portal, PIN View and extension of loyalty programmes; the new commercial cards portal;
- Launch of the new Merchant OnLine Store (MOS) direct sales channel (SmartPOS); Nexi Business continuous improvement;
- Release of the new 3D2.1 compliant ACS platform and Arcot migration; E-commerce XPAY evolution and adaptation (Shopify, Amazon Pay, new APM);

- PSD2: attainment of regulatory compliance with respect to authorisation and other channels; data opening (DB PSD2 Gateway and banks);
- Continuous banking API improvement and decommissioning of the legacy SOA platform; release of new mobile phone centralisation processes; Devops and Test Automation continuous improvement;
- Warm up of the Marketing Automation 2.0 Salesforce platform.

Activities at the Data & Analytics organisational unit focused on three main areas:
- set-up completion for the new organisational unit (Hub & Spoke model);
- implementation of strategic data projects, including completion of major IT and digital transformation projects, such as:
  a. Big Data infrastructure: completion of Amazon AWS cloud infrastructure for the development for Artificial Intelligence-driven projects;
  b. Enterprise KPI: the creation of a data platform and of analytical tools assigned to the calculation of some 100 company-wide strategic KPIs that will feed dedicated decision-making support tools for the Group's business lines;
  c. Analytics tools for banking: creation of advanced analytical tools for partner banks in order to monitor and respond to service performance issue and acquiring-side;
- activation of a medium-term data strategy to support the transition towards a more data-driven organizational model.

During 2019 infrastructure-side activities were focused on the full implementation of Nexi's IT Strategy in terms of infrastructure.
The main IT Strategy initiatives were:
- **Nexi Blu:** implementation of an advanced Data Centre architecture dubbed Nexi Blue, based on state-of-the-art technologies and the Private Cloud plus Software-Defined Data Centre paradigm. The Nexi Blu project provides a configuration that is extremely reliable, as required of payment authorisation systems, and whose versatile and time-to-market responsiveness is consistent with Nexi's digital product innovation strategy;
- **Data Centre Insourcing:** Mid-Range Facility Management services supplied by equensWorldline were terminated. The supplier's infrastructure assets were repurchased and migrated to the Nexi Blu Data Centre via a complex re-engineering process designed to overhaul and increase systems reliability, especially with reference to networks.
- **Nexi Blu Network Infrastructure:** creation of the Client and Partner network interconnection infrastructure. As strategic asset, it was implemented by maximising two-way data transport reliability and capacity in the direction Partners and Clients; the latter was achieved through interconnection with the networks of Italy's largest broadband operators. Legacy network consolidation and rationalisation was set underway;
- **Skills - skills insourcing:** with completion of the recruitment plan envisaged in the IT Strategy and subsequent merger of the IT Operations teams from Bassilichi/Consorzio Triveneto, Nexi has insourced the skills needed to manage the design, delivery and operational management of its infrastructure as well as Data Centre applications and services provided;
- **One Nexi - Unification and streamlining of Group infrastructures:** follow-up management of the DEPObank, Pay Care and OASI spinoff; post-merger management of Bassilichi/Consorzio Triveneto through on-boarding of their data centre infrastructure; migration of the Mercury Payments Data Centre into Nexi Blu initiated;
- **Service Monitoring:** review of monitoring systems following integration of former EquensWorldline and Bassilichi infrastructure; creation of a new service provision and quality monitoring platform based on the advanced machine learning suite dubbed Sixth Sense;
- **Workplace technology refresh:** replacement of outdated PCs and distribution of security compliant Windows 10 compatible software updates.

In the area of IT Security and Business Continuity, as part of the continuous improvement of both IT security systems and measures to combat cybercrime, the main activities included:
- technical certification of the main Group applications in respect of compliance with IT Security and Business Continuity regulations (including PCI DSS Certification, PCI Card Production, PCI 3-D Secure, PCI PIN Security, ISO 27001, , ISO 22301, etc.);
- continuation of a range of tactical and structural activities to improve IT Security and reduce potential vulnerabilities within Nexi Group IT systems,
- introduction of technologies designed to increase security of services offered to end customers (including the introduction of SCA, antimalware systems, Identity & Access Management infrastructure, etc.);
- boosting of the 24/7 security events monitoring service and development of a central platform to gather all security warnings.

During 2019, IT Strategy & Governance activities were predominantly focused on the following:
- overseeing the organisational development process for the CIO Area, especially with reference to continuing the hiring plan, starting the Skillup programme, and

the unit's organisational structure in the broader Group context;
- steering the strategic IT plan's implementation programme;
- defining and gradually implementing the technology sourcing strategy in keeping with the strategic IT plan;
- industrialisation of processes, methods and of monitoring & oversight with reference to portfolio projects and risks arising therefrom, with a special focus steering top-priority programmes (e.g. IT Strategy, PSD2) and Key Initiatives;
- IT management and oversight of extraordinary and/or across-the-board initiatives (e.g. IPO, PSD2, etc.);
- further development of IT expenditure monitoring tools and models and grounding of spending review initiatives;
- continuous verification of Group systems architecture developments, so as to ensure compliance with both the guidelines for IT strategy development and best practices within the market,
- CIO area document drafting and summary management reporting (Business Review, Executive Committee and Strategic Committee reports, among others).

Human Resources

With reference to human resources, Group workforce as at December 31, 2019 stood at 1,942 resources, compared to 2,292 as at December 31, 2018, broken down as follows among the legal entities.
With reference to seconded staff, note that said staff is head-counted within the relevant group company if and when their percentage secondment is ≥ 50%.

(Headcount data)

2019	NEXI	Nexi Payments	Help Line	Mercury	Bassmart	31.12.2019
Senior Managers	2	84	1	7	1	**95**
Middle Managers	-	591	11	36	-	**638**
Employees	-	653	286	259	6	**1,204**
Other*	-	2	-	-	3	**5**
Total	**2**	**1,330**	**298**	**302**	**10**	**1,942**
Open-Ended	2	1,328	298	290	10	**1,928**
Fixed-Term	-	2	-	12	-	**14**

* Includes associates (bar interns/temporary employees/board members).

(Headcount data)

2018	NEXI	Nexi Payments	Help Line	Mercury	Bassmart	OASI Diagram	Bassilichi	Consorzio Triveneto	PayCare	Moneynet	Sparkling 18	31.12.2018
Senior Managers	4	70	1	6	-	4	11	3	-	1	-	**100**
Middle Managers	-	498	11	28	-	39	27	8	2	1	6	**620**
Employees	-	439	254	268	5	52	179	60	202	69	11	**1,539**
Other	-	29	-	-	-	4	-	-	-	-	-	**33**
Total	**4**	**1,036**	**266**	**302**	**5**	**99**	**217**	**71**	**204**	**71**	**17**	**2,292**
Open-Ended	4	1,028	266	278	5	98	217	71	204	71	17	**2,259**
Fixed-Term	-	8	-	24	-	1	-	-	-	-	-	**33**

Information on Staff and the Environment

In the area of training, 2019 witnessed continued implementation of the training plan titled *Train to Accelerate the Digital Transformation of Payments*. Funded under the 2018 Banking and Insurance Fund, the Plan is still at disbursement stage.

The goals set forth in the training plan proposal attached to the grant application were:
- dissemination of a digital culture throughout the entire company and development of a common knowledge base with respect to innovations within the financial services and payment services sectors;
- establish a common shared knowledge base on the topics of customer experience and service logic for customer centricity;
- development of a strong sense of belonging to Nexi so as to better direct the transformation procedure.

Training was provided based on six sets of skills requirements:
- **compulsory training:** the goal being to provide for the knowledge necessary to ensure legal and regulatory compliance (e.g. privacy, safety & security, etc.);
- **specialist training:** the goal being to provide for learning, updating and enhancement of specialist knowledge relevant to specific professional and business area categories;
- **technical training:** these specialist courses were provided by third-party training services providers and issued in certification, the goal being to both instruct participants on required tools, methods and knowledge and enhance operational performance;
- **management training:** the goal being to provide for learning and enhancement of interpersonal skills, management effectiveness, human resources management through broadbanding, performance management and leadership, and management style within the group context;
- **business training:** to goal being to breed knowledge of relevant market sectors and their trends, as well as Nexi's positioning, strategy, products and services.

In the area of Health and Safety, a new round of workplace risk assessments was carried out at all Nexi Group offices. Special attention was paid to offices formerly used by Bassilichi SpA (i.e. Florence, Monteriggioni, Padua and Granarolo dell'Emilia).

As part of health and safety regulatory compliance monitoring and oversight activities, closer attention was paid not only to verification of the technical and professional credentials of Nexi Group suppliers, but also to potential interference risks within the workplace.

Further focus was drawn to building-site compliance requirements pursuant to Title IV of Legislative Decree 81/2008. The scope of compliance covered not just prospective sites where the client is also the employer, but also any sites where any of the Nexi Group companies is the contractor (e.g. ATM installation at bank branches and offices).

The Group adopted a Health and Safety Management System (i.e. the SGSL system) compliant with the UNI-INAIL Guidelines. The SGSL system consists of a company policy in the field of health and safety, and of a manual that is the backbone of the Management System and Operational Procedures specific to the individual regulatory areas subject to supervision - namely, Communication and Consultation, Emergency Management, Health Surveillance, Information and Training, Qualification and Evaluation of Service Providers, Workplace Accident and Sickness Management, Workplace Risk Assessment, Risk Factor Monitoring and Management of the Interference Risk Assessment Document (i.e. the DUVRI document), Survey Management and Amelioration Actions.

The SGSL system's implementation in 2019 was geared towards transitioning from current compliance with UNI-INAL Guidelines to UNI ISO-45001 certification.

In the area of Risk Assessment, Focus Groups were set up in order to closely monitor Occupational Stress Risks. Homogeneous staff focus groups were rolled out during the last two months of 2019 and activities will end during the first half of 2020.

External Communication and Media Relations

With reference to the communications plan as implemented in 2019, note in particular:
- media initiatives aimed at ensuring communication both consistent with the share listing process and pursuant to regulatory compliance requirements attached to the IPO;
- press office activities aimed at consolidating Nexi's standing as the banking sector's leading paytech provider and at promoting its corporate products and services, as well as its foremost commercial and business agreements;
- media relations engagement at sector-relevant events and conferences, as well as monitoring thereof, with a view to promoting the company's standing;

- formal and informal engagement activities to internally disseminate Nexi culture and values and to speed up the company transformation process;
- organisation of meetings on Nexi projects and ongoing activities;
- content management and distribution of the internal newsletter.

Main Risks and Uncertainties

Nexi Group operates within a rapidly evolving context, the outlook for which continues to be a favourable one. Said context, however, is impinged upon by certain specific risk factors, which could potentially impact growth and stand to do so to an extent and in ways that may not be precisely foreseeable and present.

The present section, therefore, reviews Nexi Group's main risks - as identified through Enterprise Risk Management - and provides a breakdown thereof within the scope of the current macroeconomic, political and regulatory scenario.

For further details concerning financial, operational and reputational risks, as relevant to the specific nature of business conducted by the Group, refer to the appropriate section of the Notes - which also address risk management policies adopted at Nexi Group.

Risks Linked to Economic Conditions and Political Uncertainty in Italy

Nexi Group operates in and derives its revenue from the Italian market only, making it vulnerable to risks linked to the weakness of the Italian economy.

Revenue from received fees, especially that generated in the Merchant Services & Solutions and the Cards & Digital Payments business lines, is strictly dependent on the number and volume of payment transactions. The latter, in turn, track overall consumer, business and Italy's public administration expenditure levels.

Any macroeconomic event that negatively impacts Italy's economic growth may impact Nexi Group revenue in terms of both volumes and installed base (e.g. card, POS and ATM fees). In fact, a worsening of the macroeconomic scenario my negatively impact not just transaction volumes but also the number of cards issued or the number of next-generation POS terminals distributed to merchants.

Uncertainty linked to Italy's economic policies may breed further strains in respect of Italian government bond yield spreads and of the institutional liquidity market and, hence, the banking sector's financial supply chain, triggering a generalised rating downgrade.

Any consequent rise in the average cost of funds for banks that finance Nexi Group, or any tightening of lending standards, may result in an increase in the cost of banking credit lines or a lower cap on lending. Furthermore, should economic conditions dictate that partner banks tighten credit requirements, the number of cardholders may dwindle and so too the number of digital payment transactions and the average ticket per transaction.

Lastly, prospective domestic policy initiatives or provisions addressed at the payments market may impact its growth and profitability, accelerating or decelerating either of them.

Risks Linked to the Italian Banking Sector and to Industry Consolidation

A sizeable proportion of Nexi Group activities is linked to the provision of services to banks. More specifically, Nexi Group products distributed via the Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business lines are delivered as part of commercial agreements with a number of leading Italian banks, whose performance stands to significantly influence Group activities.

In recent years, as a result of the enduring financial crisis, Italian banks have had to contend with the increasing volume of non-performing loans. The situation may further deteriorate in the face of greater than forecast economic slowdown or of enduring global trade tensions.

Italy's leading banks, many of which are Nexi Group customers, have had to shoulder a high burden of cost and have met with significant difficulties in meeting financial stability regulatory requirements set forth by EU policymakers.

Should a Nexi Group partner bank be the subject of forced liquidation or of crisis resolution measures, said bank may be unable to provide for the execution of contracts entered into with Nexi and, therefore, to fulfil obligations.

In addition to the above, mergers and consolidations within the Italian banking and financial sectors are broadly expected to continue. Such processes, depending on the parties involved, may reduce the number of corporate customers (current and future) and of partner banks.

Should partner banks merge or be acquired by parties that are either lie outside Nexi Group's distribution partnerships or are less reliant on the Group's services, significant losses are probable.

Another potential consequence of mergers and consolidations is that the larger entities arising from banking or financial institute mergers may hold greater bargaining clout in negotiations with Nexi Group. Lastly, the extent of Nexi Group's dependence on partner banks increases with the latter's size, such that the loss of even one partner bank stands to breed a substantial impact on revenue, profitability and cash flow.

Risks Linked to Competition within Nexi Group's Operations Sector

The reference markets for Nexi Group's business lines are highly competitive and within each of them the Group faces competition in the following areas: technology, speed, performance, quality, reliability, reputation, customer support and pricing.

At present Nexi Group faces competition from the likes of processors such as SIA, specialising in transaction processing management in respect of payment transactions. Such suppliers provide services similar to those offered by Nexi to its partner banks. In the foreseeable future Nexi Group will face competition from both market entrants in the fintech sector and service expansion by incumbent competitors.

Currently, Nexi Group also faces new pressure from international competitors such as Adyen and Stripe and from non-traditional payment service providers such as Google, Apple and Samsung. Current competitors in the area of e-commerce and m-commerce include Amazon and PayPal. All of the above currently compete with Nexi Group on the level of one or more services. Said companies boast considerable financial resources, solid commercial networks and high levels of consumer uptake.

Also, prospective consolidation between European players - e.g. Ingenico and Worldline merger announcement - contributes to heightening competitive tensions.

Risks Linked to Strategic Outsourcers EquensWordline and SIA

Transaction processing on Nexi Group's ICT infrastructure domain is, for the most part, outsourced to third-party service providers. These include, first and foremost, given their strategic relevance, SIA and EquensWorldline.

Nexi Group, having made significant investments in SIA and EquensWorldline equipment and software, would face a complex task were it to choose to replace such suppliers. That scenario would entail additional charges and costs, combined with the potential for disruptions and delays to service, certain of which inevitable, whichever replacements are made.

While, to date, there have been no instances of appreciable issues arising in connection with either the activities conducted by said suppliers or the commercial ties therewith, Nexi Group, however, cannot rule out that said suppliers may, in future, breach contractual obligations, or fall short of consistently delivering to Nexi Group quality standards, to an extent such as to compromise Nexi Group's operations, all of which with clear negative impacts.

Nexi Group also relies on said suppliers to connect its platforms with those of third parties, including Visa and MasterCard platforms. Hence, any damages ascribable to service providers, as much as any failure to perform data centre maintenance, or any network infrastructure malfunction, may issue in a service breakdown.

Lastly, it is worth noting that SIA stands not only are eligible to enter into agreements with Nexi Group competitors, but can also engage in direct competition with Nexi Group. For instance, provided it doesn't leverage information available to it by way of its supply contract, as per unfair competition provisions, SIA can provide card issuing and clearing services.

With reference to outsourced IT processing and Facility Management activities, the services rendered by outsourcers are governed by specific service contracts, covering aspects which include but are not limited to the following: service levels (i.e. SLAs), penalty fees, and audit rights. Nexi Group is planning, furthermore, on the formal appointment of a contract manager, tasked with representing the Group in respect of all issues arising with respect to service contract.

Outsourcing procedures are subject to the Group's policy on *Outsourcing and Business Functions,* whose rules provide a frame of reference via which to ensure that procedures pertaining to supplier selection and to risk monitoring and mitigation with respect to activities carried out by suppliers are subject to specific oversight and accountability criteria.

Risks Linked to Delay or Failure in Implementing Growth Strategy

The Group is exposed to the risk of either delayed attainment of, or failing to attain as expected, the goals envis-

aged under the growth programmes set in place during the course of the three years to 2018.
More specifically, during such period the Group incurred extraordinary costs of Euro 315 million in conjunction with (i) the company transformation programme (also involving the rebranding from CartaSi to Nexi), (ii) the restructuring of Nexi and Bassilichi and (iii) Group acquisitions and integration on top of costs arising from extraordinary financing operations and Group start-ups (e.g. YAP).
Should the Group fail to complete within the planned timeframe the business and IT programmes and initiatives set in motion during said three years and/or should it fail to attain envisaged goals, it may incur unforeseen extraordinary costs which would negatively impact its financial performance.

Risks Linked to ICT Infrastructure Operations

The operational integrity, reliability and performance of the Group's ICT infrastructure and technology networks underpin the Group's activities, market prospects and reputation.
An especially crucial part of its ICT infrastructure are the merchant acquiring and card issuing platforms, whether debit or credit, domestic or international. Said platforms comprise systems tasked with digital payments' authorisation and settlement processing, card issuing and management, POS and ATM terminal and payment services management - all of which subject to interbank standards, involving, among other requirements, features such as two-way messaging, transactions and notifications, as well as Digital Corporate Banking systems.
Crucially, in respect of platforms handling merchant acquiring, card issuing, terminals management, bank payment systems and other products, operability may be compromised by Group or third-party service provider ICT systems damage or malfunctions.

Malfunctions may result, for instance, wherever major infrastructure overhaul takes place, from migration towards new systems. One such instance occurred in 2014 when the Group carried out SEPA migration of its IT infrastructure, with providers EquensWorldline incurring service disruptions that bred temporary shutdowns and delays that cascaded down to the Group's clients. Shutdowns, albeit mitigated by procedures and systems already in place, may be caused by cyberattacks, human error and natural disasters (e.g. earthquakes, fires, flooding, etc.), or service infrastructure failures (e.g. grid power outages or network connectivity). In that respect, note that the Group rates system disruptions and cyberattacks based on severity, ranking them between "critical" and "low/null" impact. During the reporting period, no critical Group systems or third-party provider systems suffered critical malfunctions, no service infrastructure failures occurred, nor did any less severe instances occur that impacted on the economic, equity and/or financial standing of the Group and any of its companies.

In order to limit the impact of potential critical IT failures or malfunctions, the Group has set up a specialist IT unit tasked with, among other things, scheduling and carrying out annual disaster recovery testing on critical ICT systems, both in-house and at third-party providers. Said unit also provides for back-up plans and systems, such that, should the need arise, data can be recovered and restored to prior-to-outage conditions.
Should the latter provisions prove inadequate in the face of service and system disruption, that may result in failure to deliver on agreed service levels with reference to either availability of service or transaction processing reliability. That, in turn, may lead to loss of earnings as well as clients opting for another payment services provider, compensation fees, damage to reputation, operating expenses in light of repairs, as well as other losses and liabilities.
Should any of the above circumstances arise, they may negatively impact the economic, equity and/or financial position of the Issuer and/or Nexi Group.

Risks Linked to Personal Data Storage and Processing

In carrying out its activities the Group processes the personal data of cardholders, including their names and addresses, credit and debit card numbers and bank account numbers, of merchants, including their enterprise names and addresses, sales figures and bank account numbers. As such, the Group is held to comply with domestic Italian and European laws pertaining to data protection and privacy rights. Additional rules apply in respect of credit card circuits, such as Visa and Mastercard.
Given the Group's access to the data of current or potential clients and customers, said rules and regulations as well as binding the Group to designated data protection and security standards, also, among other things, place liability with the Group for loss of privacy resulting from unauthorised third-party access to such data.

Note that the Issuer is held to maintain certification with respect to the PCI's *Payment Card Industry Data Security Standards* (PCI-DSS), including the PCI 3D-Secure, PCI Card Production Logical Security, PCI Card Production Physical Security and PCIPIN certification. The Issuer, in that respect, is also responsible for ensuring PCI-DSS compliance among certain third parties, such as merchants and service providers.

Although the Issuer's incident monitoring and management service operates 24/7 all year long, unauthorised personal data disclosures may occur, for instance, as a result of IT security violations, either due to human error or cyberattacks, malicious conduct or physical security breaches by unauthorised staff. Note that the Issuer classifies cyberattacks based on severity, ranking them between "critical" and "low/null" impact.

Any unauthorised use of personal data or any IT security breach stands to damage the Group's reputation as well as to discourage clients and customers from using digital payments, in general, and the Group's services in particular; also, said uses and breaches may increase operating expenses as a result of redress of violations or malfunctions, to make the Group liable for expenses not covered by insurance, increase the risk of Supervisory Authority inspections, make it liable to legal claims, lead to substantial fines and penalties either pursuant to domestic, European Union and applicable international rules and regulations, or pursuant to payment circuit contracts. Said uses and breaches may also prejudice the Group's continued participation in credit card issuing partnerships with banks.

Furthermore, unauthorised disclosure of merchant and cardholder data may result in the Group being charged by credit card issuers for issuance of new payment cards, for merchant compensation, as well as for fines and sanctions, all of which may negatively impact the economic, equity and/or financial position of the Issuer and/or Nexi Group. Additionally, any of the above circumstances may lead to payment card circuits may even ban the Group from operating on their payment services networks.

On a final note, while service contracts with all third-party providers - whether engaged in transaction processing, such as SIA and EquensWorldline, or debt collection, IT, marketing, etc. - that may have access to merchant, client and customer data include non-disclosure and privacy and security compliance agreements as standard, the Group cannot rule out that said parties may breach contractual provisions, thus leading to disclosure of personal data without due authorisation by the owners of such data.

Breach of contractual and/or regulatory obligations with reference to consumers' personal data, whether by the Group or by third parties, may lead to the loss of cardholder data by merchants and third parties for whom the Group is ultimately liable. In such instances, the Group may have to terminate contract with the merchants responsible for the breach, leading to reputational damage, fines and/or penalties issued by payment card circuits and/or loss of international credit card circuit membership, negatively impacting the economic, equity and/or financial position of the Issuer and/or Nexi Group.
For the purposes of partly mitigating the prospective adverse impact of this type of risk has secured coverage with leading insurance companies.

Risks Linked to Credit Exposure With Respect to Partner Banks and Clients
The Group is exposed to credit risk as specified below.

Credit Risk in Acquiring Activities
The settlement between counterparties carried out as acquirer implies that the merchant-customer receives the funds before the Group receives them:
- from the Factor, for receivables generated by cards issued by the Group under the Factoring Contract;
- from the Banks or card-holders, for all other receivables generated by credit cards issued by the Group and not subject to the Factoring Contract; and/or
- from the international circuits of payment cards for the cards issued by other issuers.

Furthermore, in regard to the acquiring services provided under traditional, associate and referral licence agreements governed by the business line Merchant Services & Solutions, the Group, in its capacity as acquirer, is exposed to the counterparty risk arising from the amounts paid to merchants before the goods or services are provided to the consumer or contested by the cardholder. In this case, the amount of the transaction is normally charged back to the merchant and the purchase price is refunded by the Group, in its capacity as acquirer, to the cardholder.
Also, wherever the Group should fail to recover the amounts charged back to the merchant, under international circuit rules, the acquirer is under obligations to refund the full transaction amounts, including fees, to the card issuer. In that instance the Group is liable for losses in respect of the amounts refunded to either the cardholders or, for cards issued outside the Group, international circuits.

Credit Risk in Issuing Activities
The Group companies, in their capacity as issuers, grant credit to the cardholders to fund their purchases using payment cards managed by the Cards & Digital Payments business lines.
The collection times from cardholders depend on the type of card used. If the purchase is carried out with a debit card, no exposure is expected for the issuer; vice versa, with credit cards, the issuer is often exposed to an average range between 15 and 45 days.
If the cardholder is not able to pay the balance due to

bankruptcy or insolvency, the partner bank arranges repayment of the amounts due from the cardholder. In the case of insolvency of a partner bank, the issuer can try to recover the amounts directly from the credit cardholder. In this regard it should be noted that if the card of an insolvent cardholder is blocked, the partner bank remains liable for any insolvency related to purchases made in the 5 days following card revocation. Once that period has elapsed, if the issuer has not yet revoked the card, any additional amounts (i.e. purchases made as of the sixth day subsequent to card revocation) are under the responsibility of the issuer.

Credit Risk in Servicing Activities

With reference to the Cards & Digital Payments business line's servicing model and special covenants with banks, the Group is exposed to counterparty risk for the payment of services provided to these parties and to the credit risk associated with the POS and ATM management services with merchants and with customer banks of these services.
Any of the above events may negatively impact the economic, equity and/or financial position of the issuer and/or Nexi Group.

Risks Linked to Merchant, Cardholder, Supplier or Other Third-Party Fraud

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 Merchant Services & Solutions and Cards & Digital Payments business lines.
Examples of commercial fraud may include the sale of counterfeit goods, the malicious use of either stolen or counterfeit credit or debit cards, use by merchants or other parties of payment card numbers or of other card details to register a false sale or transaction, the processing of an invalid card, and the malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.
The parties engaging in criminal counterfeiting and fraud resort to increasingly sophisticated methods. Failure to identify theft, as well as ineffective risk management and fraud prevention, may increase the Group's chargeback liability or cause the Group to incur other liabilities, including penalty fees and fines. Although the Group is equipped with sophisticated monitoring, detection and alert systems that allow for verification of suspicious transactions and potential fraud, these may not prevent all and any fraud instances and are liable to technical malfunction. Furthermore, fraud may increase in the future. Increased chargebacks or any other liability arising from fraud may negatively impact profitability and the economic, equity and/or financial position of the issuer and/or Nexi Group.

Risks Linked to Reliance on Third-Parties for Services/Products

In order to conduct its business, Nexi relies on third-party service providers and product suppliers. Its main suppliers and providers include: (i) EquensWorldline and SIA (transaction processing), (ii) Idemia, formerly Oberthur, now part of the Advent portfolio (suppliers of EMV-standard smart cards and card personalisation services), (iii) Poynt, (suppliers of advanced SmartPOS terminals featuring flexible Android-based operating systems), (iv) Ingenico Italia and Verifone Italia (suppliers of POS terminals), (v) ATM suppliers, (vi) providers of other outsourced services, such as branch deliveries, cheques, cash, mail and internet.

The main risks linked to reliance on said companies include potential interruptions to critical services/supplies, the transfer of critical knowledge arising from failures to protect it, and the unauthorised use of confidential data or information. Any of the above instances stands to negatively impact Nexi Group's profitability and reputation.

Risks Linked to the Group's Ability to Attract, Retain and Motivate Skilled Professionals

Nexi Group performance and the future success of its businesses are significantly dependent on its ability to attract, retain and motivate certain very specific skills sets in middle and senior management, namely individuals with significant levels of specialisation and technical knowhow. Therefore, the loss of one or more key figures in either middle or senior management and/or failure to attract and retain highly qualified and/or highly experienced managers, may lead to the reduced Group competitiveness and may affect the Group's ability to secure of its goals and implement its strategy, breeding potential adverse impacts on the economic, equity and/or financial position of the Group.

The Group's performance and the future prospects of its business are also dependent on its ability to advantageously adapt to rapidly unfolding technological, social, economic and regulatory changes. To that end the Group must leverage as broad a set of diverse specialist skills as possible in the fields of engineering, technical servicing, finance and control, sales, administration and management. That places the Group under the constant requirement of having to attract, retain and motivate staff that is able to provide the professional skills and knowhow required to cater for the entire spectrum of the Group's activities.

The high-skills labour market is highly competitive and the Group may not be able to replace outgoing human resources with equally skilled new staff. The Group, therefore, cannot ensure that it will be able to identify or hire candidates, whether internally or externally, that are suitably skilled and qualified. In that respect the Group places a special emphasis on selecting, recruiting and training its human resources, with a view to maintaining high standards within its staff. Despite its recruitment and training policy, the Group cannot rule out that at some future time, as a result of errors of judgement in assessing candidates and/or of inadequate prior training, its staff will not be able to deliver to the required quality standards, leading to negative impacts on the economic, equity and/or financial position of the Issuer and/or Group.

Risks Linked to Continuous Developments in the Regulatory Environment

In the wake of a number of regulatory interventions at the European and Italian levels and of ensuing domestic implementation rules, the industry's regulatory environment is subject to ongoing change on several fronts. Adaptation in such a scenario requires concerted effort and can also be time-constrained, and may thus directly impinge on profitability and compliance costs.

Pursuant to the PSD2 directive, Nexi Group is under obligations to comply with, among other things, rules pertaining to data security reporting, systems interoperability and consumer protections in respect of payments.

With reference to the AML IV anti-money laundering directive, Nexi Group is under obligations to enact new customer acceptance and monitoring procedures and to expand compliance with money laundering and terrorist funding regulations, by directing further efforts towards local and alternative payment methods such as electronic money.

With reference to the GDPR regulation, it is worth noting that Nexi Group, in pursuing its activities, manages the personal data of cardholders and merchants, and, as such, is under obligations to comply with data protection laws issued at the domestic Italian and EU levels.

Within the context of commercial ties to international card schemes, among which Visa and Mastercard, and as part of its acquiring and issuing activities, Nexi Group operates under specific licensing agreements. Such agreements require that Nexi Group comply with binding rules (i.e. mandates, which are periodically updated by the international circuit operators themselves), and that it secure certification under the Payment Card Industry Data Security Standard issued by the Payment Card Industry Security Standards Council.

With reference to recently modified regulations issued by the Bank of Italy on the transparency of banking and financial sector transactions and services, Nexi Group continues to implement actions designed to maintain full compliance. Its efforts focus especially on payment services transparency, customer pre-contract information and claims management.

Nexi Group companies are subject to domestic Italian and European competition rules and regulations. To ensure compliance with the latter, as of July 2019, Nexi Group has established an internal Antitrust Compliance Programme, aimed both at expanding Nexi employee awareness of antitrust rules and regulations and of their impact on Group activities, and at providing guidance as to how to prevent actions, behaviours and any shortcomings that may constitute a violation of said rules and regulations. The Group department entrusted with preventing and fighting actions unlawful in respect of antitrust rules and regulations is the Legal Affairs & Strategic Projects function.

As a listed company, holding company Nexi SpA is subject to the entire range of special listing rules, which include but are not limited to the TUF and Consob regulations, the EU's MAD II directive and MAR regulation, Law 262/2005, as well as the code of conduct and best practice rules applicable to listed companies.

Non-compliance risk management is entrusted to Nexi organisational and operational functions established with a view to averting any departures from standing rules and regulations.

More specifically, within the context of Internal Control Systems, Nexi features the Compliance & AML function, tasked with overseeing compliance risk management. The function identifies regulations applicable to Nexi SpA on an ongoing basis, by tracking developments within its operating, strategic and/or regulatory environment.

The Compliance & AML function also encompasses the Anti-Money Laundering function, a function tasked with preventing and fighting money laundering and the financing of terrorism. The function's Compliance & AML Officer also serves as both Nexi's AML Manager and Money Laundering Reporting Officer. In the latter role, the Officer is responsible for reporting suspicious transactions pursuant to standing laws. The current Compliance & AML Officer has also been appointed Data Protection Officer (DPO).

The company also features Subject Matter Expert (SME), namely business units with responsibility for continuously ensuring compliance of activities and processes with regulations under their respective responsibilities.

Risks Linked to Debt Refinancing and Factoring

The Group's sizeable financial debt largely consists of Publicly Issued Fixed-Rate Bonds and the IPO Loan. With respect to the latter, the Group incurs high financial charges that could generate negative effects on Nexi Group results and on its capacity to generate cash flows and distribute dividends, with potential effects on its capacity to repay debts at their due dates, as well as the capacity to support the investments necessary for business development.

The Group, via Nexi Payments, has also executed a factoring agreement with Unicredit Factoring SpA. The contract involves the daily transfer of receivables deriving from the large majority, in revolving capital terms, of its own credit cards issued under agreement with the partner credit institutions; said receivables, more specifically, refer to receivables for which partner banks have shouldered the risk of their clients' defaulting on debt.

Nexi Group cannot rule out that at a future date it may have to refinance its debt at due date or that, for whatever reason, it will not replace its current line of factoring and that that may not lead to higher charges and costs and/or lead to disruptions or delays in service provision also due to the required timeframe for replacement, to the extent that that may compromise Nexi Group operations.

Business outlook

In keeping with strategic lines of action envisaged by the business plan, during 2020 the Group will be committed to broadening its commercial offer directed at partner banks and clients. The latter commitment is further driven by new domestic regulatory measures aimed at reducing cash transactions and promoting wider reliance on digital payments with a view to establishing greater transparency and security in commercial trades.

Nexi Group will pursue progress in respect of such business plan initiatives as reducing operating costs and generating synergies via the integration of recent acquisitions and via the development and launch of new products, with a view to reaping, in increased EBITDA terms, the full benefits of said initiatives by close of the current year.

Information available at time of drafting warrants confirmation of forecasts as to a gradual improvement in financial performance, in line with the medium- to long-term objectives set forth in Nexi Group's Business Plan (see section titled *2019-2023 Business Plan*).

With reference to non-organic initiatives, the Group is currently engaged in activities preparatory to the acquisition of Intesa Sanpaolo bank's merchant acquiring business unit and all its assets, pursuant to the December 19, 2019 agreement (refer to section *Agreement with Intesa SanPaolo for the Acquisition of the Merchant Acquiring Business* for more information). Closing of the transaction is subject to conditions, including relevant authorities granting authorisation.

Related-Party Transactions

Pursuant to relevant rules and regulations, Nexi SpA has established an internal procedure for related-party transaction approval and disclosure, the contents of which are published on its website. It is worth noting that Nexi Group has availed itself of temporary exemptions under article 10 of Consob Resolution no. 17221 dated March 2, 2010 issuing the "Regulation on Related Party Disclosures". Said exemption allows a recently listed company to apply disclosure procedures normally applicable to immaterial transactions to material transactions also, until such time as the approval of its second annual financial statements from date of listing.

Pursuant to article 5(8) of said Regulation, the company, on prudential grounds also, has recognised the above-described A*greement with Intesa SanPaolo for the Acquisition of its Merchant Acquiring Business* as a related-party transaction. Given that the agreement ranks among transactions material to disclosure (as defined under point (a) of article 4(1) of said Regulation, and that it is, therefore, subject to identification within the aforementioned approval and disclosure procedure established pursuant to said Regulation's Annex 3), the company has started said procedure and has, pursuant to article 5 of same said Regulation, made its public disclosure document available via its www.nexi.it website on December 23, 2019.

Note that during 2019, other than the above agreement, no related-party transactions were carried out that significantly influenced either the group's consolidated balance of assets and liabilities or its business performance.

Information pertaining to financial and economic transactions between Nexi Group companies and related parties, are detailed in section 39 of the Explanatory Notes of these consolidated financial statements as at December 31, 2019.

Unusual or Non-Recurring Transactions

No unusual or non-recurring transactions, other than those described under *Significant Events during the Reporting Period,* were carried out in 2019.

Research & Development

Note that the Group did not undertake any research and development activities in 2019.

Treasury Shares

At reporting date the parent company and Group companies did not hold treasury shares.

Financial Instruments

As well as receivables from operating companies, the Group holds Visa Class C shares convertible into ordinary shares. No derivatives contracts are in place.

Going Concern

The Directors confirm the reasonable expectation that the Group will continue to operate in the foreseeable future. We emphasise, therefore, that no indications have been found in the assets and financial structure and in operating performance that could constitute cause for uncertainty regarding the business as a going concern.

Rating

During 2019, following Nexi's listing on Borsa Italiana's MTA equities market and the financial restructuring thereto, rating agencies Moody's, Standard & Poor's and Fitch upgraded Nexi ratings and those of its debt securities with respect to December 31, 2018. Note that the IPO Loan is not rated.

With Nexi having announced its acquisition of Intesa Sanpaolo's merchant acquiring business unit, while Standard & Poor's affirmed both rating and outlook, Fitch issued a *Rating Watch Negative* that, should the acquisition be closed at the announced terms, may result in a single-notch downgrade, from BB to BB-. Meanwhile, in January 2020, Moody's confirmed its rating, shifting the outlook from *positive to stable*.

The following table lists Nexi ratings at reporting date.

	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
Corporate Family Rating / Long-Term Issuer Credit Rating / Long-Term Issuer Default Rating	Ba3	BB-	BB (1)
Outlook	Stable	Positive	Stable
Issue Rating	Ba3	BB-	BB (1)

(1) Rating Watch Negative

Registered Office

The holding company's registered office is Corso Sempione 55, Milan. The parent has no secondary offices.

Significant Events after the Reporting Period

Note that between December 31, 2019 and the approval for issue of the present financial statements, no events occurred that may impinge in any relevant way on the balance of assets and liabilities and profit and loss accounts as determined by IAS 10 paragraph 9.

For the sake of full disclosure , note that:
- in January 2020 Mercury UK carried out a secondary placement of Nexi shares, reducing its stake from 60.096% as at December 31, 2019 to the current 52.378%;
- at time of drafting of the hereby consolidated financial statements, the outbreak of the Covid-19 virus ("Coronavirus") is to be ranked as a factor of macroeconomic instability. During the early weeks of 2020 the economic impact of the virus was first felt by China and later spread to other countries, including Italy. Said factor may impinge, even significantly, on growth prospects for the global economy, influencing the general macroeconomic outlook as well as financial markets and, hence, the company's sector of operations by curbing cardholder spending, for instance, with reference to travel (especially in light of decisions taken by gov-

ernments to contain the outbreak). Currently available information does not allow for reliable forecasts as to potential impacts, during the first quarter and the ensuing months, on the economy in general and on the company's sector of operations in particular. In fact, the emergency may foreseeably come to an end in the ensuing months thanks to the virus containment measures set in place by national governments and authorities. The Directors believe that these circumstances have no significant bearing on estimates attached to these consolidated financial statements as at December 31, 2019 and, furthermore, fall within the scope of sensitivity analysis with respect to items as detailed in paragraph 9.3.

Reconciliation Summary

The table below details reconciliation between holding company Nexi SpA equity and profits and their corresponding value in the consolidated financial statements for Nexi Group.

(Amount in Euro thousand)

	Net equity	Net profit
Balance of accounts for Parent Company at December 31, 2019	1,264,345	103,971
Effect of consolidation of controlled subsidiaries	170,016	161,687
Effect of measurement at net equity for controlled subsidiaries	(718)	(718)
Other adjustments including comprehensive income	13,609	-
Dividends collected for the period	(129,773)	(129,773)
Balance of consolidated accounts at December 31, 2019	**1,317,478**	**135,166**

Milan, March 6, 2020
The Board of Director

1.2

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

CONSOLIDATED BALANCE SHEET

(Amount in Euro thousand)

ASSETS	Note	31.12.2019		31.12.2018 Restated	
Cash and cash equivalents	3		**115,388**		**40,688**
Financial assets at fair value through profit or loss	4		**-**		**10**
Financial assets at fair value through OCI	5		**118,581**		**100,114**
Financial assets measured at amortized cost	6		**1,595,709**		**1,668,452**
a) loans and receivables with banks		507,024		561,209	
b) loans and receivables with financial entities and customers		1,088,685		1,107,243	
Equity investments	7		**-**		**730**
Property, equipment	8		**193,102**		**156,193**
Investment Property	8.1		**2,229**		**3,151**
Intangible assets	9		**2,684,671**		**2,668,298**
Goodwill		2,093,428		2,093,428	
Tax assets	10		**101,909**		**62,873**
a) current		37,614		29,299	
b) deferred		64,295		33,574	
Non-current assets held for sale and discontinued operations	11		**2,262**		**80,498**
Other Assets	12		**474,442**		**405,705**
Total assets			**5,288,293**		**5,186,712**

(Amount in Euro thousand)

LIABILITIES	Note	31.12.2019		31.12.2018 Restated	
Financial liabilities measured at amortized cost	13		**3,140,389**		**3,716,834**
a) due to banks		1,952,072		792,896	
b) due to financial entities and customers		369,303		354,249	
c) securities issued		819,014		2,569,689	
Financial liabilities held for trading	14		**-**		**3,154**
Hedging derivatives	15		**-**		**16,557**
Tax liabilities	10		**131,896**		**163,180**
a) current		1,820		31,124	
b) deferred		130,076		132,056	
Liabilities associated with non-current assets held for sale and discontinued operations	11		**335**		**39,069**
Other liabilities	16		**644,628**		**716,375**
Post-employment benefits	17		**14,528**		**14,084**
Provisions for risks and charges	18		**31,967**		**46,552**
Share capital	19.1		**57,071**		**50,000**
Share premium	19.2		**1,082,204**		**389,275**
Reserves	19.3		**29,428**		**(47,735)**
Valuation reserves	19.4		**13,609**		**36,899**
Profit for the year (+/-)	20		**135,166**		**35,905**
Equity attributable to non-controlling interests (+/-)	19.5		**7,072**		**6,562**
Total liabilities			**5,288,293**		**5,186,712**

Note

For more information on the restatement, please refer to note 45.

CONSOLIDATED INCOME STATEMENT

(Amount in Euro thousand)

	Note	31.12.2019		31.12.2018 Restated	
Fee for services rendered and commission income	21		1,642,500		906,948
Fee for services received and commission expense	22		(647,071)		(328,118)
Net fee and commission income			**995,429**		**578,830**
Interest and similar income	23		18,036		45,640
Interest and similar expense	24		(183,543)		(79,741)
Net interest income			**(165,507)**		**(34,101)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss	25		(7,526)		(265)
Dividends and profit / loss from investments and sale of assets at fair value through OCI	26		(8,685)		(5,470)
Financial and operating income			**813,711**		**538,994**
Personnel expenses	27.1	(223,721)		(105,444)	
Other administrative expenses	27.2	(391,016)		(270,955)	
Total administrative expenses			**(614,737)**		**(376,399)**
Other operating income, net	28		(2,056)		(264)
Net value adjustments on assets measured at amortized cost	29		(6,239)		100
Net accruals to provisions for risks and charges	30		6,455		(14,353)
Amortization, depreciation and net impairment losses on tangible and intangible assets	31		(155,817)		(84,434)
Operating margin			**41,317**		**63,644**
Profit (Loss) from equity investments and disposal of investments	32		(598)		20,717
Pre-tax profit from continuing operations			**40,719**		**84,361**
Income taxes	33		(4,180)		(40,247)
Income (Loss) after tax from discontinued operations	34		99,547		(7,431)
Profit for the year			**136,086**		**36,683**
Profit for the year attributable to the owners of the parent			**135,166**		**35,905**
Profit for the year attributable to non-controlling interests	35		920		778
Basic earnings per share	43		**0,22**		**0,07**
Diluted earnings per share	43		**0,22**		**0,07**

Note

For more information on the restatement, please refer to note 45.

STATEMENT OF COMPREHENSIVE INCOME

(Amount in Euro thousand)

	2019	2018
Profit for the year	**136,086**	**36,683**
Items that will not be reclassified subsequently to profit or loss		
Financial assets at fair value through OCI	17,257	52,002
Hedging of equity instruments designated at fair value through OCI	(39,951)	(15,407)
Defined benefit plans	(712)	565
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges	(161)	161
Other comprehensive income (net of tax)	**(23,567)**	**37,322**
Total comprehensive income	**112,519**	**74,005**
Comprehensive income attributable to non-controlling interests	643	1,209
Comprehensive income attributable to the owners of the parent	**111,876**	**72,795**

STATEMENT OF CHANGES IN EQUITY - 2019 CHANGES IN SHAREHOLDERS' EQUITY

(Amount in Euro thousands)

31.12.2019	Balance as at January 1, 2019	Change in opening balance	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends	Change for the period: Change in Reserves	Change for the period: Transaction on net equity	2019 Comprehensive income: Profit for the year	2019 Comprehensive income: Other comprehensive income items	Balance at December 31, 2019
1. Equity attributable to the owners of the parent:	**464,372**	**(28)**	**-**	**-**	**41,257**	**700,000**	**135,166**	**(23,290)**	**1,317,478**
Share capital	50,000					7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	(47,735)		35,906		41,257				29,428
Valuation reserves	36,899							(23,290)	13,609
Profit for the year	35,933	(28)	(35,906)				135,166		135,166
2. Equity attributable to non-controlling Interests	**6,516**	**46**	**-**	**(841)**	**708**	**-**	**920**	**(277)**	**7,072**
Total	**470,888**	**18**	**-**	**(841)**	**41,965**	**700,000**	**136,086**	**(23,567)**	**1,324,550**

Note
For more information on the change in opening balance, please refer to note 45.

STATEMENT OF CHANGES IN EQUITY - 2018 CHANGES IN SHAREHOLDERS' EQUITY

(Amount in Euro thousands)

31.12.2018	Balance as at January 1, 2018	Change in opening balance	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends	Change for the period: Change in Reserves	Change for the period: Transaction on net equity	2018 Comprehensive income: Profit for the period	2018 Comprehensive income: Other comprehensive income items	Balance at December 31, 2018
1. Equity attributable to the owners of the parent:	**1,067,457**	**-**	**-**	**(56,000)**	**33,184**	**(653,092)**	**35,933**	**36,890**	**464,372**
Share capital	50,000	-							50,000
Share premium	989,672					(600,398)			389,275
Reserves	(3,551)		31,326	(56,000)	33,184	(52,694)			(47,735)
Valuation reserves	9							36,890	36,899
Profit for the year	31,326		(31,326)				35,933		35,933
2. Equity attributable to non-controlling Interests	**-**	**-**			**5,306**		**778**	**432**	**6,516**
Total	**1,067,457**	**-**	**-**	**(56,000)**	**38,491**	**(653,092)**	**36,711**	**37,322**	**470,888**

CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD)

(Amount in Euro thousands)

	2019	2018 Restated
A. OPERATING ACTIVITIES		
1. Operations		
Profit for the year	136,086	36,683
Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets	8,178	265
Net accruals for risks and charges and other costs/income	(6,455)	14,353
Net impairment losses on assets held for sale and disposal group	10,166	6,050
Amortization, depreciation and net impairment losses on property, equipment and investment property and intangible assets	155,817	84,434
Unpaid taxes, duties and tax assets	(26,744)	20,342
Other adjustments	(78,168)	(2,021)
	198,879	**160,106**
2. Cash flows generated by financial assets		
Financial assets at fair value through other comprehensive income	-	-
Financial assets held for trading	10	158
Loans and receivables with banks	54,024	(190,034)
Loans and receivables with customers	18,558	1,473,037
Assets held for sale	-	-
Other assets	(68,737)	13,784
	3,855	**1,296,945**
3. Cash flows used by financial liabilities		
Due to banks	163,735	(1,689,988)
Due to customers	(11,512)	314,316
Financial liabilities	(70,821)	(158)
Liabilities associated with disposal groups	-	-
Other liabilities	(103,925)	(296)
	(22,523)	**(1,376,125)**
Net cash flows generated by operating activities	**180,211**	**80,925**
B. INVESTING ACTIVITIES		
1. Cash flows used by:		
Acquisitions of property and equipment	(60,201)	(31,569)
Disposal of property, equipment and investment property and intangible assets	-	-
Acquisitions of intangible assets	(107,078)	(58,841)
Acquisitions/sales of subsidiaries and business units, net of cash acquired	150,641	(2,422)
Net cash flows used in investing activities	**(16,638)**	**(92,832)**
C. FINANCING ACTIVITIES		
Repayment of loans and securities	(2,589,812)	(380,000)
Dividends paid	-	(56,000)
Issues/purchases of equity instruments	684,197	(2,202,750)
Issues of debt securities	1,817,582	2,556,960
Dividends distributed to third parties	(841)	-
Sales/acquisitions of non-controlling interests	-	-
Net cash flows used in financing activities	**(88,874)**	**(81,791)**
Net Cash Flows Generated (Used) in the Year	**74,700**	**(93,697)**
Net cash flows for the year	74,700	(93,697)
Opening cash and cash equivalents	40,688	134,385
Closing cash and cash equivalents	**115,388**	**40,688**

Note

For more information on the restatement, please refer to note 45.

1.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The Consolidated Financial Statements as at December 31, 2019 comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the financial statements, which include the criteria used for their preparation. The Consolidated Financial Statements also include the Report on Operations by the Directors setting out the operating performance, economic results achieved and equity and financial position of the Group.
The Consolidated Financial Statements include comparative information in respect of the preceding year for all amounts reported in the current year's financial statements.
The Consolidated Financial Statements as at December 31, 2019 are prepared in euros which is the Company's functional currency. Unless otherwise specified, figures are stated in thousands of euros.

The measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of relevance and significance of the accounting information and substance over form. Furthermore, no netting is made between costs and revenues or between assets and liabilities except in cases expressly provided for or accepted by the accounting standards in force.
The Report on Operations and the Notes provide the information required by international accounting standards and the law, as well as any additional information that, although not mandatory, is considered equally necessary in order to assure a correct, truthful representation of the Group's results.
These Consolidated Financial Statements have been prepared in accordance with the international accounting standards (IFRS) in force to date.

These standards have changed from those used to prepare the FY 2018 financial statements, following the mandatory application, starting January 1, 2019 (for companies whose reference period is the calendar year), of the following new standards or amendments:
- IFRS 16 - Leases: published by the IASB on January 13, 2016, the new standard defines the principles relating to the recognition, measurement, presentation and disclosure of leasing contracts for both the lessor and the lessee, replacing the previous IAS 17 standard;
- Amendment to IFRS 9: Financial Instruments: Prepayment features with Negative compensation: the amendments are intended to clarify the classification of some financial assets repayable in advance when applying IFRS 9. Specifically:

  - for financial assets: the possibility of evaluating at amortized cost also those loans which, in the event of early repayment, require payment by the grantor;
  - for financial liabilities: in the event of a change in the contractual terms of a liability which do not result in a derecognition, it is expected that the effect of the change on the amortized cost must be attributed to the income statement date of the modification itself.
- IFRIC 23: Uncertainty over Income Tax Treatments: the interpretation aims to provide clarifications on how to apply the criteria for recording and measuring income taxes provided for by IAS 12, in the presence of uncertainties about a specific tax treatment.
- Amendment to IAS 28: Long term interests in Joint Venture and Associates: the amendments are intended to clarify that the provisions relating to impairment in IFRS 9 "Financial instruments" apply to long-term interests in associates and joint ventures.
- Amendment to IAS 19 Employee Benefits: the aim is to clarify the accounting treatment of the changes, reductions or extinctions of defined benefit plans, with reference to the method of determining the cost relating to past work services, profits and losses at the time of extinction, the cost relating to current employment services, net interest on net defined benefit liabilities (assets).
- Annual improvements to IFRS 2015-2017 entailing changes to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs: the purpose of the annual improvements is to provide some clarifications aimed at resolving some inconsistencies in the principles in question or terminological clarifications.

With the exception of IFRS 16 (see section "Transition to the international accounting standard IFRS 16" below), the other standards, amendments and interpretation applied from 2019 had no significant impact on the Group's consolidated financial statements.
As of January 1, 2020, the following new standards or amendments must now be applied, following their approval by the European Union:
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform.

Starting from this consolidated financial statements, the IFRS 2 accounting principle for Share Based Payments is applicable to the Group, which was not previously applied as a case that is not present. Please refer to the specific section.
The table below shows the standards for which changes have been issued but not yet approved by the European Union.

IASB Document	IASB Publication date
IFRS 17: Insurance contracts	May 18, 2017
Amendment to IFRS 3 Business Combinations	October 22, 2018
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 23, 2020

As none of these has been approved by the European Commission, they have not impacted the preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements are accompanied by a statement by the Managing Director - CEO and by the Chief Financial Officer, in accordance with Art. 154 bis of the Consolidate Finance Act and subjected to a statutory audit by the independent auditing firm PricewaterhouseCoopers SpA.

Transition to the international accounting standard IFRS 16

IFRS 16, which replaces IAS 17, introduces, for lessees, a single accounting model for operative and financial lease contracts, which must also be applied to all contracts that include a lease.
More specifically, the lessee must book:
- amongst "assets", the right of use of the asset underlying the contract, which also entails the booking of amortization on the income statement. The initial value of the asset for the right in use includes not only the value of the lease liability but also the direct costs of the transaction, the charges paid in advance, the costs for the removal and restoration of the asset and the lease incentives received from the lessor;

- amongst "liabilities", the lease payable, representing the lease charge payment obligations. This payable entails the booking to the income statement of interest expense according to the amortized cost logic.

In terms of disclosure, the minimum information required of lessee companies includes, amongst others:
- the breakdown into the different "classes" of leased assets;
- an analysis by maturity of the liabilities connected with the lease contracts;
- information potentially useful to better understand the corporate business with reference to the lease contracts (e.g. early redemption or extension options).

Instead, there are no substantial changes to the accounting of leases by lessors, where in any case the distinction continues to be drawn between operating leases and financial leases.
It is also specified that the scope of application of IFRS 16 excludes software, which is therefore booked according to the rules of IAS 38.
In 2018, the Nexi Group had launched a project for the implementation of IFRS 16, in order to analyze and define the qualitative and quantitative impacts and identify and implement the application and organizational interventions necessary for a consistent adoption of the standard. From a procedural viewpoint, a specific application has been implemented on a Group level, to determine the values in accordance with IFRS 16.
The IFRS 16 project led to the identification of the following types of contracts coming under the scope of application of the new standard:
- real estate leases;
- company car rental;
- ICT and mainframe equipment rental.

The Group has decided, at first time application of IFRS 16, not to redetermine the comparative data (which would be termed "modified retrospective application"), thereby meaning that the initial impacts have been noted in opening equity as at January 1, 2019. Additionally, in order to measure the right of use, the Group has decided to opt for the following practical expedients:
- possibility of assigning the right of use a value equal to that of the lease liability;
- determination of the value of the lease liability, according to the discount rate as at the date of first application of the standard;
- exclusion of the initial direct costs from the valuation of the right of use asset.

In light of these options, during the first application of IFRS 16, no impacts were recorded on Group equity, insofar as the value of the "Right of use" coincides with the value of the "Debt", save for any prepaid charges already booked. More specifically, the first application of IFRS 16 has determined, with reference to January 1, 2019, an increase in assets following the booking of the new Rights of use and the Lease Debt for Euro 36.2 million. As at January 1, 2019, the Rights of use are as follows:

(Amount in Euro thousand)

Class	Right of use
Real Estate Leases	22,166
Business Car Rental	1,490
ICT & Mainframe Equipment Rental	12,607
Total	**36,263**

With reference to the main assumptions made, please note the following:
- contract term: as at the transaction date and start date of each contract stipulated after January 1, 2019, the Group has defined the contract term, taking into account the presence of any extension and/or early closure clauses. More specifically, for rental contracts that renew automatically, the total duration was considered, in general, considering only the first renewal period as reasonably certain;
- discounting rate: for each lease contract, the Group uses the contract interest rate whenever available. If not available, the Group has developed a method by which to define the incremental interest rate, which reflects the lessee's credit rating as at the date of stipulation;
- lease and non-lease component: if the contract envisage separate prices for the service component, the Group has proceeded to separately book the two components. Vice versa, if the contract does not envisage separate prices, the Group has opted for the possibility not to separate out the service components and consequently book the entire contract as a lease.

In order to better represent any differences between the IAS 17 scope and the new standard, the table below shows (as required by paragraph C12 of IFRS 16), the reconciliation of the two scopes, in particular highlighting:
- the commitments deriving from the operative leases, applying IAS 17 as at December 31, 2018;
- the lease liabilities noted in the balance sheet as at the initial application date.

(Amount in Euro thousand)

Lease Debts	Amount
Operating lease commitments as at December 31, 2018	38,301
Discount effect on operating lease commitments	(2,037)
Operating Lease Debts as at January 1, 2019	**36,263**
Financial Lease Debts (IAS 17) as at January 1, 2019	462
Lease Debts IFRS 16 as at January 1, 2019	**36,725**

Contents of the accounting statements

Balance Sheet and Income Statement

The statement of the Balance Sheet and the Income Statement consist of items, sub-items and additional, more detailed information. In the Income Statement, revenues are indicated with no sign, while costs are preceded by the minus sign.

Statement of Comprehensive Income

The Statement of Comprehensive Income starts out from the profit (loss) for the year to show the items of income recognized as counter-entries in the valuation reserves, net of the relevant tax effect, in compliance with the international accounting standards.

Statement of Changes in Equity

The Statement of Changes in Equity shows the changes to equity accounts that took place during the reference period of the financial statements, divided up into share capital, capital reserves, profits and valuation and the economic result. Treasury shares reduce equity. No capital instruments were issued other than ordinary shares.

Statement of Cash Flows

The Statement of Cash Flows provides information on cash flows for the period under review and the previous period, and has been prepared using the indirect method whereby, in reporting cash flows from operating activities, profit or loss is adjusted for the effects of non-monetary transactions.
Cash flows are broken down into those generated by operating, investing and financing activities.
The cash flows generated in the period are indicated with no sign, while the cash flows absorbed in the period are preceded by the minus sign.

Content of the Notes

The Notes give the information considered necessary to provide a correct, truthful representation of the economic and financial position.
The measurement criteria, described below, were adopted to determine all information given in these Consolidated Financial Statements.

Consolidation criteria

The Group has established the consolidation scope in accordance with IFRS 10 Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

The Group therefore consolidates all types of entities when all three the control elements are present. As a rule, when an entity is mainly managed through voting rights, control derives from the holding of more than half of the voting rights.
Assessment of whether control exists may be more complex in other circumstances and require a greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the context of the Nexi Group, all the consolidated entities are controlled through voting rights. Accordingly, Nexi did not have to exercise judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.
The financial statements of Nexi and the financial statements of the in-scope companies were used for consolidation purposes, after reclassifications and adjustments to comply with the consolidation requirements of the IFRS.

Companies controlled have been consolidated by recognizing all the assets, liabilities, revenue and costs on a line-by-line basis and making the following adjustments:
- the carrying amount of investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated;
- non-controlling interests in equity and the profit (loss) for the year have been recognized separately.

The differences resulting from the above adjustments, if positive, are recognized - after any allocation to items of the assets or liabilities of the subsidiary - as goodwill in item "Intangible Assets" as at the date of first consolidation. Any negative differences are recognized in the income statement.
Intragroup assets, liabilities, revenue, costs, gains and losses are eliminated.
Revenue and costs of the subsidiaries are included in the carve-out consolidated financial statements from their acquisition date. Revenue and costs of an entity or a business sold during the year are recognized in the income statement up to the sales date, which is the date on which the Nexi loses control thereover, except when the effect is immaterial, in which case it is included in the gain or loss on the sale of the equity investment.
Pursuant to IAS 28, the Consolidated financial statements also include the results of investees, i.e., entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement based on the Group's share of the investee's equity. The Group's share of the associate's profit or loss is recognized separately in the income statement.

The difference between the investment's carrying amount and the Group's share of its equity is included in the investment's carrying amount. If there is indication of impairment, the Group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognized in profit or loss.

At the date of preparation of these Consolidated financial statements, the in-scope companies are not party to joint arrangements as defined by IFRS 11 either in the form of joint ventures or joint operations (when the parties have rights to the net assets of the arrangement).

Investments in subsidiaries

During 2019 Oasi SpA, Pay Care Srl and Moneynet SpA have been disposed (such entities were classified as assets held for sale together with BassmArt Srl, for which the disposal process is approaching completion).

The Group's subsidiaries at 31 December 2019 are set out below:

Company name	Operating Office	Registered Office	Type of relationship (1)	Parent	Investments %	Voting rights %	Share capital (in Euro thousand)	Net Equity (in Euro thousand)
Nexi SpA	Milan	Milan	1	Mercury UK Holdco Ltd	60.1	60.1		
Nexi Payments SpA	Milan	Milan	1	Nexi SpA	98.92	98.92	66,018	1,140,368
Mercury Payment Services SpA	Milan	Milan	1	Nexi SpA	100	100	7,109	157,848
Help Line SpA	Cividale del Friuli / Milan	Cividale del Friuli	1	Nexi SpA	69.24	69.24	2,139	3,009
			1	Nexi Payments SpA	1.08	1.08		
BassmArt Srl (2)	Florence	Florence	1	Nexi Payments SpA	95	95	855	1,927

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings.
(2) Company that is fully consolidated but recognized as held for sale pursuant IFRS 5.

The consolidation area of the Consolidated Financial Statements as at December 31, 2019 of the Nexi Group includes not only the companies listed above and consolidated on a line-by-line basis, but also the following companies, which, considering the percentage held and/or related relevance, are measured using the equity method:

Business name	Registered office	Operative office	Investment		Voting rights %
			Investing company	% share	
Rs Record store	Piacenza	Piacenza	Nexi Payments SpA	30	30
Bassnet Srl	Monteriggioni	Monteriggioni	Nexi Payments SpA	49.68	49.68
K.Red	Milan	Milan	Nexi Payments SpA	50	50

Significant judgements and assumptions adopted to define the consolidation scope

As stated above, as control is principally based on holding the majority of voting rights, there were no situations that would have made it necessary to make judgements or significant assumptions to define the consolidation scope and method.

Significant restrictions

In terms of significant restrictions relating to the limits to the transfer of resources within the Nexi Group, please note that Mercury Payment Services SpA and Nexi Payments SpA are subject to the rules envisaged by supervisory regulations; therefore, the capacity of these subsidiaries to distribute capital or dividends is restricted to compliance with applicable regulations in terms of equity requirements.
Instead, there are no significant limits or restrictions to the exercise of voting rights with reference to subsidiaries.

Other information

No financial statements of subsidiaries used in preparing the consolidated financial statements refer to a different date to that of the consolidated financial statements.

Main accounting policies

Financial assets at Fair Value through profit or loss

Classification criteria

This category comprises financial assets other than "Financial assets at Fair Value through OCI" and "Financial assets measured at amortized cost".
According to the general rules laid down by IFRS 9 on the reclassification of financial assets (with the exception of equity securities for which no reclassification is permitted), reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In these cases, which are extremely infrequent, financial assets may be reclassified from the category measured at Fair Value through profit or loss to one of the other two categories under IFRS 9 ("Financial assets measured at amortized cost" or "Financial assets at Fair Value through OCI"). The transfer value corresponds to the Fair Value at the time of the reclassification, which is applied prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is calculated based on its Fair Value at the reclassification date, which is considered to be the date of initial recognition for the stage assignment for impairment purposes.

Recognition criteria

"Financial assets at Fair Value through profit or loss" are initially recognized at Fair Value, which is normally represented by the transaction price.

Measurement criteria

After initial recognition, financial assets measured at Fair Value through profit and loss are measured at Fair Value.
Any gain or loss resulting from the Fair Value is allocated as income/(expense) from trading on the income statement.
The Fair Value is determined on the basis of the criteria explained in the section on "Fair Value disclosure".

Derecognition criteria

The financial assets or parts of financial assets are derecognized if the contractual rights over cash flows have expired or been transferred, substantively transferring all related risks and benefits.
More specifically, financial assets sold are derecognized when the entity retains the contractual rights to receive cash flows from the asset, but subscribes to a simultaneous obligation to pay such cash flows, and only such cash flows, without any significant delay, to third parties.

Financial assets at Fair Value through OCI

Classification criteria

As at the reporting date, this category includes only equity instruments other than those held for trading, for which the Group has applied the option of measuring these instruments at Fair Value through other comprehensive income.
Indeed, non-derivative financial assets held under the scope of the "Held to Collect and Sell" business model show a nil balance at the reporting date as they are factored on a daily basis.
According to the general rules established by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which reclassification is not permitted), reclassifications to other categories of financial assets are only allowed if the Group changes its business model to manage such financial assets. In these cases, which should be extremely infrequent, financial assets may be reclassified from the category measured at Fair Value through other

comprehensive income to one of the other two categories under IFRS 9 ("Financial assets measured at amortized cost" or "Financial assets at Fair Value through profit or loss"). The transfer value corresponds to the Fair Value at the time of the reclassification, which is applied prospectively from the reclassification date. If the asset is reclassified from the category concerned to amortized cost, the Fair Value of the financial asset at the reclassification date is adjusted by the accumulated gain/(loss) presented in the valuation reserve. If the asset is reclassified to Fair Value through profit or loss, the accumulated gain/(loss) previously recognized within the valuation reserve is reclassified from equity to profit or loss for the period.

Recognition criteria

They are initially recognized at the settlement date and measured at Fair Value, which includes the directly related transaction costs.

Measurement criteria

They are measured at Fair Value through other comprehensive income. Dividends are recognized in the income statement while any impairment losses and gains or losses on their sale are not recognized in profit or loss. The Fair Value is determined on the basis of the criteria explained in the section on "Fair Value disclosure".

Derecognition criteria

Financial assets or parts of financial assets are recognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.
Specifically, transferred financial assets are derecognized when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.
With reference to the receivables transferred under the scope of factoring contracts without recourse, for which derecognition is being carried out, the result of disposals is equal to the difference between the carrying value and the price of sale and is recognized under "Dividends and profit/loss from the investment and sale of assets at Fair Value through OCI" on the income statement.

Financial assets measured at amortized cost

Classification criteria

This category includes non-derivative financial assets held in the "Held to Collect" business model, the contractual terms of which generate cash flows that are solely payments of principal and interest (SPPI criterion).
The item mainly comprises receivables due from holders and merchants, in addition to positions toward the international networks.
According to the general rules laid down by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets.
In these cases, which are expected to be very infrequent, the financial assets may be reclassified from the category measured at amortized cost to one of the other two categories under IFRS 9 ("Financial assets at Fair Value through OCI" or "Financial assets at Fair Value through profit or loss"). The transfer value is represented by the Fair Value at the time of the reclassification, the effects of which are applied prospectively from the reclassification date. Gains or losses arising from the difference between the amortized cost of the financial asset and the relevant Fair Value are recognized through profit or loss if the asset is reclassified to "Financial assets at Fair Value through profit or loss" or, if it is reclassified to "Financial assets at Fair Value through OCI", through equity, within the specific valuation reserve.

Recognition criteria

They are initially recognized at the agreement signing date, which is usually the disbursement date, based on the financial instrument's Fair Value, which usually equals the amount disbursed including transaction costs.

Measurement criteria

They are subsequently measured at amortized cost using the effective interest method.
Financial assets at amortized cost are tested for impairment at each reporting date. The impairment rules described below also apply to loan commitments and financial guarantee contracts. Impairment is calculated considering the financial asset's expected credit losses. Application of the related method requires classification of the financial assets into three stages depending on whether there has been a significant increase in credit risk since initial recognition.
A different recognition level is applied to each stage.
Specifically:
- Stage 1 includes performing financial instruments that have not seen a significant increase in credit risk since their initial recognition or financial instruments with a low credit risk at the reporting date. The loss allowance for a financial instrument is measured at an amount equal to the 12-month expected credit losses.
- Stage 2 includes performing financial instruments that have seen a significant increase in credit risk since their initial recognition. Impairment is measured using their lifetime expected credit losses.
- Stage 3 includes credit-impaired financial instruments. Impairment is measured using their lifetime expected credit losses. Credit-impaired financial assets include financial assets classified as bad, unlikely to pay or past due by more than 90 days according to Bank of Italy's rules and the IFRS.

With respect to impairment:
- the Group defined the methods to monitor changes in credit quality of its financial assets at amortized cost and Fair Value through profit or loss;
- it established the criteria to determine when a significant increase in credit risk takes place, in order to correctly allocate the performing exposures to stage 1 or stage 2. Since the IFRS definition of exposures at default is now aligned with the regulatory definition, the approach used to classify exposures as credit-impaired, which are now allocated to stage 3, has not changed.

The entity considers historical information and all the information available at the reporting date, including forward-looking information on the potential worsening in the historical losses.

Impairment losses are recognized in profit or loss as net impairment losses.
An entity recognizes an impairment gain on credit-impaired debt instruments when the reasons for the impairment no longer exist and the gain is objectively related to an event that took place after recognition of the impairment loss. Impairment gains are recognized in profit or loss and may not exceed the amortized cost the asset would have had had the impairment loss not been recognized.

Derecognition criteria

Financial assets or parts of financial assets are derecognized when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.
Specifically, transferred financial assets are derecognized when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

Hedging

Classification criteria

The items of the assets and liabilities include hedging derivatives, which, as at the reference date of the financial statements, respectively have a positive and negative Fair Value. The hedges seek to mitigate potential losses that can be recognized on a given financial instrument or group of financial instruments, attributable to a specific risk, compensating these with the earnings that can be recognized on a different financial instrument or group of financial instruments. As at December 31, 2019, there are no hedges in place. Moreover, during the year and the previous year, the following types of hedge contracts were used, as envisaged by IFRS 9:
- Fair Value hedges, which aim to hedge the exposure to changes in Fair Value (attributable to the different risk categories) of assets and liabilities recognized, or part thereof; this type of hedge is used to hedge the exposure to changes in the Fair Value of a specific asset, attributable to the foreign exchange and price risk;
- cash flow hedges, which aim to hedge the exposure to movements in future cash flows attributable to specific risks associated with accounting items. This type of hedge is essentially used to neutralize the foreign exchange risk deriving from highly likely future transactions.

As established by IFRS 9, derivatives are designated as hedges as long as the hedge ratio between the instrument hedged and the hedging instruments is formally documented and meets all requirements envisaged by the standard, including those relating to the effectiveness of the hedge.

Recognition criteria

Hedging derivatives are initially recognized at Fair Value on the transaction date.

Measurement criteria

Hedging derivatives are measured at Fair Value. More specifically:
- Fair Value hedges: the hedging derivative in place is intended to hedge a capital instrument for which the Group has chosen to present the changes in Fair Value on the Statement of Comprehensive Income. Consequently, both the hedged instrument and the hedge itself are measured at Fair Value, with a counter-entry in Comprehensive Income;
- cash flow hedges: the hedging instruments consist of USD deposits held with the aim of hedging the foreign exchange risk relative to an expected purchase of tangible fixed assets. Consequently, the exchange effect deriving from the valuation in euros of the deposit, classified under "Financial assets measured at amortized cost" is recognized in Equity (cash flow hedge reserve). When the future transaction is realized, these amounts are removed from the cash flow hedge reserve and included in the book value of the asset acquired.

Derecognition criteria

If the hedge efficiency test is not passed, the risk management objective underlying the hedging contract is modified. The hedge is interrupted and the derivative classified amongst trading transactions.
The hedge contract is also interrupted when:
- the derivative expires;
- the hedge instrument is derecognized;
- the hedged items are derecognized.

Equity investments

This item includes equity investments in associates, measured using the equity method, as described in the section on "Consolidation criteria".

After applying the equity method, the investment is subjected to an impairment test if there is objective evidence of impairment that could have an impact on the investee's cash flows and therefore on the recoverability of the carrying amount of the investment itself. Investments in entities other than subsidiaries, associates or joint ventures are classified in the portfolio of financial instruments measured at Fair Value against the income statement or the portfolio of financial instruments measured at Fair Value against comprehensive income.

Property, equipment and investment property

Classification criteria

Property, equipment and investment property include land, instrumental properties, furniture, furnishings, valuable artistic heritage, POSs and ATMs, electronic machinery and equipment of all types, expected to be used for more than one year. The item also includes rights of use acquired through lease contracts, as envisaged by IFRS 16.
Items of property and equipment held for use in production or for the supply of goods and services are classified as such under IAS 16. Property held for investment purposes held to earn rentals or for capital appreciation or both is classified as investment property under IAS 40.

Recognition criteria

Assets acquired on the market are recognized as assets when the main risks and rewards connected with the asset are transferred. Initial recognition is at cost, which includes all directly related charges.
The rights of use recognized in accordance with IFRS 16 are entered according to the current value of payments due, net of any transaction costs and prepaid charges. The entry is made when the asset is available for use.
Land is recognized separately, even when purchased jointly with the building, taking a component-based approach. The breakdown of the value of the land and that of the building is prepared on the basis of independent expert appraisals. The costs of major repairs which increase the future economic benefits associated with the asset are recognized in the carrying amount of the asset, when the criteria for capitalization are met, while the costs of day-to-day servicing are recognized in the income statement.

Measurement criteria

Property, equipment and investment property with a finite useful life are subsequently measured at cost, adjusted for accumulated depreciation and any impairment losses or reversals thereof.
The depreciable value of property and equipment, equal to the cost of the assets insofar as the residual value at the end of the depreciation process is held to be insignificant, is split systematically on a straight-line basis throughout the estimated useful life, according to a criterion of allocation that reflects the technical-economic duration and the residual possible use of the individual elements.
The useful life with reference to the main categories of property, equipment and investment property is as follows:
- instrumental property: maximum 33 years;
- electronic office machines: 5 years;
- the instrumental ATMs and POSs, classified as electronic equipment, are respectively depreciated in 3 and 7 years, as this period is considered representative of the useful life of the assets.

Land is not depreciated insofar as it has an undefined useful life, and artistic heritage is not depreciated insofar as the useful life cannot be estimated and its value normally increases over time.
The rights of use recognized in accordance with IFRS 16 are depreciated over a period equal to the lesser of the asset's useful life and the term of the lease contract.
At each reporting date, the Group weighs up whether or not there is any indication showing that property, equipment, investment property and rights of use may have suffered a loss in value. If there is evidence of any such loss, the book value is compared with the recoverable value, intended as the greater of Fair Value and value in use.

Derecognition criteria

Property, equipment end investment property are derecognized when disposed of or when no further future economic benefit is expected from their use or decommissioning.

Intangible assets

Classification criteria

The assets recognized amongst intangible fixed assets are non-monetary assets with no physical consistency, which can be identified and are able to generate future economic benefits that can be controlled by the company.

Recognition criteria

Intangible fixed assets are recognized at the cost of acquisition when the main risks and benefits connected with the asset are transferred, but only if it is likely that the related future economic benefits will be realized and if the cost can be reliably measured. If not, the cost is recognized as profit and loss in the year in which it is incurred.
More specifically, the cost of software development includes only the expenses incurred that can be directly attributed to the development process and constitute intangible assets only if all the following conditions are met:
- the cost attributable to the development activity can be reliably determined;
- the entity has the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits.

There are also intangible assets linked to the customers represented by the valuation, during aggregations, of contracts with customers and permanent relations, again with customers.

Measurement criteria

All intangible assets recognized, other than goodwill, are considered of finite useful life and consequently amortized considering the cost of the individual assets and the related useful life.
More specifically, intangible assets based on technology, such as application software purchased with permanent user's licenses and the costs for software development, are amortized according to their expected technological obsolescence and in any case over a period of no more than five years.
Assets to which the difference between the acquisition price and Fair Value is allocated have a useful life that is estimated individually for each transaction:
- Customer contracts: on the basis of the contract terms;
- Customer relationship: approximately 20 years.

The residual value of the various assets is assumed as equal to zero.
The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of Fair Value and value in use.

Derecognition criteria

An intangible asset is derecognized when disposed of or when no further future economic benefit is expected from its use or decommissioning.

Goodwill

The goodwill arising during a business combination is the difference between the purchase cost, including accessory expenses, and the Fair Value, as at the date of acquisition, of the Group's assets and liabilities acquired. If positive, it is entered at cost as an asset (goodwill), representing a payment made by the buyer in view of future economic benefits deriving from assets that cannot be identified individually and recorded separately. If negative, it is recognized directly as profit and loss (surplus on cost).
Goodwill is recognized in the statement of financial position at cost, net of any accrued losses, and is not subject to amortization.
Even if there is no indication of impairment, goodwill is impairment tested once a year.
The goodwill deriving from a business combination is allocated to the cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. The value able to be recovered on an asset or CGU is the greater of its value in use ("VIU") and its Fair Value less costs of disposal ("FVLCD"). A loss of value is recognized if the book value of the CGU exceeds its recoverable value. Impairment of goodwill is recognized on the consolidated income statement and not restored in subsequent years.

Non-current assets held for sale and discontinued operations/liabilities associated with non-current assets held for sale and discontinued operations

"Non-current assets held for sale and discontinued operations" (in the assets) and "Liabilities associated with non-current assets held for sale and discontinued operations" (in the liabilities) include all non-current assets or groups of assets/liabilities for which a decision has been made to dispose and the sale of which is considered extremely likely.
These assets/liabilities are measured at the lower of carrying amount and Fair Value net of disposal costs. Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognized as such during the year, are presented in the income statement in a separate item.

Other assets

Other assets essentially include items awaiting arrangement and items that cannot be traced to other items of the balance sheet, including receivables deriving from the supply of non-financial goods and services, tax items other than those recognized under own item (for example connected with the activity of tax substitute), accrued income other than that capitalized on the related financial assets, including that deriving from contracts with customers in accordance with IFRS 15, paragraphs 116 *et seq.* and costs incurred to fulfil contracts with customers as envisaged by paragraphs 91 *et seq.* of IFRS 15. The item also includes inventories related to POS and ATM (including spare parts) and plastics for cards managed by the Group. These inventories are valued respectively at weighted average cost and at FIFO. At the end of the year, impairment losses are eventually recognized if the Fair Value minus the selling costs is lower than the book value.

Current and deferred tax

The provisions made for income tax are determined on the basis of a forecast of the current, prepaid and deferred tax expense.
Current tax, determined on the basis of the "tax consolidation", not yet paid as at the reporting date, in full or in part, is included amongst the tax liabilities on the balance sheet. If the payment for period current tax or previous years' current tax has exceeded the related tax payable, the surplus is entered amongst the assets of the balance sheet, under "Tax assets - a) current".
Current and deferred tax is recognized as profit and loss under "Income taxes" with the exception of that relating to profit or loss recorded in specific valuation reserves (defined benefit plans, financial instruments measured at Fair Value through other comprehensive income and related hedging derivatives); these latter are instead allocated directly to the same valuation reserves, which, therefore, are stated net of the relevant tax.
Deferred tax assets and liabilities are recognized as equity with open balances and without netting, stating the first under "Tax assets" and the second under "Tax liabilities".
The provision for income taxes is determined on the basis of a forecast of the current and deferred tax expense. Deferred tax assets and liabilities are computed in respect of the temporary differences arising between the value assigned to an asset or a liability, according to statutory criteria, and their corresponding assumed value for tax purposes. For temporary deductible differences that will reverse over the next few years and for previous tax losses that have not been used, a deferred tax asset has been recognized insofar as, on the basis of the strategic plans, it is considered likely that over that time frame, taxable income will be recognized against which said asset can be used.
Deferred tax liabilities are calculated on all taxable timing differences.
Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the year in which the tax asset is realized or the tax liability will be extinguished, in accordance with current tax legislation.
Deferred tax assets and liabilities are systematically measured to reflect any alterations to tax rules or rates as well as any possible changes in the Group Companies' subjective positions.

Financial liabilities measured at amortized cost

Classification criteria

A financial instrument issued is classified as a liability when, on the basis of the substance of the contractual agreement, a contractual obligation is held to deliver money or another financial asset to a third party. More specifically, the item mainly includes loans in place and facilities in place in support of the Group's electronic money business, as well as lease debts.

Recognition criteria

Payables are recognized as at the date on which the contract is stipulated, which normally coincides with the time when the amounts collected are received and debt securities issued.
Financial liabilities are initially measured at Fair Value, which normally coincides with the amount collected or issue price, plus the directly related costs/income. Internal administrative costs are excluded. Lease payables are initially recognized at the current value of payments due, calculated considering the implicit rate in the contract, where existing. Alternatively, the incremental rate is determined according to the market rates curves and the lessee's spread.

Measurement criteria

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.
Interest is recorded under the "Interest and similar expense" item of the income statement.

Derecognition criteria

Financial liabilities, or part thereof, are derecognized when extinguished, i.e. when the obligation has been met, cancelled or expired.

Financial liabilities held for trading

As at December 31, 2019, the item included the negative value of derivative trading contracts.
All trading liabilities are measured at Fair Value with the allocation of the result of the measurement to the income statement.
The Fair Value is determined on the basis of the criteria explained in the section on "Fair Value disclosure".

Share-based payments

Staff share-based remuneration plans are recognized in the income statement with a corresponding increase in equity, on the basis of the Fair Value of the financial instruments attributed at the assignment date, breaking up the expense throughout the plan period.
If options are present, their Fair Value is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The measurement model measures, separately, the option and the probability of fulfilment of the conditions on which basis the options have been assigned.
The combination of the two values is the Fair Value of the stock option.
Any reduction in the number of financial instruments assigned is recognized as the cancellation of a portion of such.

Employee benefits

Employee benefits are all types of remuneration disbursed by the company in exchange for the work of employees.
Employee benefits are divided up into:
- short-term benefits (other than benefits due to employees for the termination of the contract of employment and remunerative benefits in the form of a share in the capital), expected to be paid in full within twelve months of the end of the year during which the employees worked and recorded fully on the income statement at the time they are accrued (this category includes, for example, wages, salaries and "extraordinary" provisions);
- post-employment benefits due after the termination of the contract of employment that oblige the company to make a future payment to employees. These include severance indemnity and pension funds, which, in turn, can be divided up into defined contribution plans and defined benefits plans or corporate retirement funds;
- benefits for the termination of the contract of employment, i.e. compensation that the company acknowledges to employees in exchange for the termination of the contract of employment following its decision to terminate the contract of employment ahead of the standard retirement date;
- long-term benefits other than the foregoing, which are not expected to be extinguished in full within twelve months of the end of the year in which the employees worked.

Post-employment benefits

Post-employment benefits are a form of deferred staff remuneration paid at the end of the contract of employment. They accrue proportionally to the duration of the contract and is an additional element of the payroll costs.
As payment is certain, but when it will be made is not, just like for defined benefits plans, severance indemnity ("TFR") is classified as a post-employment benefit.
Following the complementary welfare reform, as per Italian Legislative Decree no. 252 of 5 December 2005, portions of severance indemnity accrued by staff starting January 1, 2007, are determined without applying any actuarial method, as the expense, paid by the companies, is limited to the contribution at their charge, as defined by the provisions of the Italian Civil Code (defined contributions plan in accordance with IAS 19).
Severance indemnity, accrued as at December 31, 2006, instead continues to be recognized as a defined benefits plan, in accordance with the provisions of IAS 19. Actuarial gains and losses are recognized to the Statement of Comprehensive Income, whilst interest accrued on the net liabilities is carried as profit and loss.

Provisions for risks and charges

Provisions for risks and charges include all provisions made in relation to current obligations originating from past events for which an economic outlay is probable, as long as a reliable estimate can be made of the relevant amount.
At the close of all financial statements, the provisions made are periodically reviewed and, if the incurrence of possible expenses should become unlikely, the provisions are entirely or partially released to profit and loss.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. The provision is recognized on the income statement.

Foreign currency transactions

Initial recognition

At initial recognition, foreign currency transactions are converted into the money of account, applying the exchange rate current at the date of the transaction.

Subsequent recognition

At the time of recognition, at the next reporting date:
- the monetary elements are converted at the current exchange rate in force at the reporting date;
- non-monetary items measured at historical cost are converted at the exchange rate as at the date of the transaction;
- non-monetary items measured at Fair Value are converted at the exchange rate in force on the date on which the Fair Value is determined.

Exchange differences relative to monetary items are recognized to profit and loss when they arise; those relating to non-monetary items are entered as equity or profit and loss consistently with the method of entering profits and losses that include this component.
The costs and revenues in foreign currencies are recognized at the exchange rate current as at the time of booking or, if being accrued, at the exchange rate current as at the reporting date.

Other information

Income Statement and statement of comprehensive income

Interest and similar income and expense
Interest income and expense is recognized on the income statement for all instruments measured in accordance with the amortized cost criterion, using the effective interest method, including commissions and transaction costs.

Fee for services rendered and commission income

Commission income other than that included in the amortized cost and fee for services provided are recognized when the obligation of the provision is satisfied, transferring the service to the client or when all the following conditions are met:

- the contract with the client must have been identified - in order to identify a contract, the parties must have approved the contract (in writing or in compliance with other standard commercial practices) and must have undertaken to fulfil their respective obligations;
- the performance obligations contained in the contract must have been identified - the goods and services to be transferred must be identified;
- the price has been determined - the prices and payment methods must be defined;
- the price has been allocated to the individual performance obligations contained in the contract - if a contract envisages the delivery/supply of multiple goods or services, the prices agreed must be allocated to the individual goods/ services;
- the performance obligations set out in the contract must have been satisfied - goods and services must be effectively transferred to the client.

Additionally, in accordance with IFRS 15, the service is transferred to the client and, therefore, revenues can be recognized:

- at a specific moment in time, when the entity fulfils the obligation to do, transferring the good or service promised to the client, or
- over time, gradually, as the entity fulfils the obligation to do, transferring the good or service promised to the client.

The asset is transferred when, or during the period in which, the client acquires control over such.

The variable components of the prices, mainly relating to year-end balances and variable incentives, are included in the price if they can be reliably determined and if any refund is considered to be a remote or unlikely event.

Specifically:

- association fees are entered on the income statement according to the credit card validity date;
- commission income from merchants and systems are entered on the income statement, according to the trading date and expenses incurred by the holders;
- up-front revenues connected with the start of new clients, new products, are recorded throughout the expected term of the contracts;
- revenues for design activities specifically requested by clients are recorded during development (over time), if any of the following conditions apply:
  a. the client simultaneously receives and uses the benefits deriving from the provision, as it is made;
  b. the provision is provided on client’s assets;
  c. the asset produced has no alternative uses and Nexi has the right to be paid for the work carried out up to that point; if not, the costs and revenues of the project are suspended and recorded at the end of the design phase;
- the revenues connected with recurring services (mainly maintenance and rental of POSs and ATMs and processing services) are split in a linear fashion throughout the contract term.

It is also noted that, in application of IFRS 15, the value of the commission is rectified in order to take the Fair Value of the premiums connected with the Loyalty program into account. The Fair Value of the catalogue is calculated as the average unitary value of the points with respect to the market value of the premiums, including VAT and delivery expenses, so as to link the Fair Value to the value perceived by the client. The unitary Fair Value is applied to the number of points in circulation, net of the points that, on the basis of the analysis performed, are expected not to be redeemed (on the basis of the redemption estimates). Deferred commission is recorded as profit and loss according to point redemption.

Commission considered in the amortized cost to calculate the effective interest rate are excluded and recognized instead under interest income.

Commission expense

Commission expense, other than that included in the amortized cost, is recognized when incurred or when the related revenues are recorded.

Fee for services received

Fee for services received are recognized when incurred or when the related revenues are recorded.
Costs for the implementation of the contract with the client (such as, for example, costs for the emission of cards and ICT services incurred during the start-up of new clients/products or non-substantial contractual changes) are recognized on a straight-line basis in connection with the useful life of the underlying contracts.

Dividends

Dividends are recognized in the income statement when their distribution is resolved.

Basis for presentation of the segment disclosure

The segment disclosure of the Nexi Group is based on the elements that the management uses to make its operative decisions and is therefore consistent with the information requirements envisaged by IFRS 8.
More specifically, although the Nexi Group identifies two different CGUs, which substantively coincide with the two operative legal entities of the Group (the Electronic Money CGU, coincides with Nexi Payments SpA and the Mercury CGU coincides with Mercury Payment Services SpA), they relate to a single operating segment, i.e. that of electronic money and the technological services related to the payments segment.
More specifically, the identification of a single operating segment is based on the consideration that the information that the "chief operating decision maker" (i.e. the highest operative decision-making level, as defined by IFRS 8) receives and uses for the purpose of decision-making in regard to the resources to be allocated and the assessment of results, prepared exclusively on a consolidated basis.

Business combinations

Business combinations are accounted for using the "purchase method", which requires: (i) the identification of the buyer; (ii) the determination of the combination costs; (iii) the purchase price allocation ("Purchase Price Allocation").
According to the IFRS 3, an acquirer is identified for all business combinations. The acquirer is the entity that obtains control over another entity, which is the power to determine the financial and management policies of that entity in order to receive benefits from its activities.
The consideration transferred in a business combination is equal to the Fair Value, at the acquisition date, of the assets sold, the liabilities incurred and the equity instruments issued by the buyer in exchange for obtaining control of the acquiree.
The consideration that the buyer transfers in exchange for the acquired entity includes any assets and liabilities resulting from an agreement on the "potential consideration", to be recognized on the acquisition date on the basis of Fair Value.
Based on the purchase method, on the acquisition date, the buyer must allocate the cost of the combination (so-called PPA, "Purchase Price Allocation") to the identifiable assets acquired and the liabilities measured at the relative Fair Value on that date, also recognizing the value of the minority interests of the acquired entity.

Use of estimates and assumptions in preparing the Consolidated Financial Statements

Financial statement aggregates are measured according to the standards set out above.
The application of these standards sometimes involves the adoption of estimates and assumptions that can have a significant impact on the values entered on the consolidated balance sheet and consolidated income statement.
In stressing that the use of reasonable estimates is an essential part of preparing financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant:
- measurement of the financial instruments measured at Fair Value (including derivatives) not listed on active markets;
- measurement of the financial assets measured at amortized cost and loan commitments;
- measurement of intangible fixed assets, including goodwill;
- measurement and estimated useful life of tangible fixed assets;
- quantification of provisions made for risks and charges and payables for Loyalty programs;
- quantification of deferred taxation.

To this end, please also note that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the income statement of the year in which the change is made and, potentially, those of future years.

Subsequent events (after December 31, 2019)

Since the financial statements reference date, no significant events have taken place over and above those described in the Report on Operations.

Transfers between portfolios of financial assets

There were no transfers of financial assets between portfolios.

Fair Value disclosure

The international accounting standards IAS/IFRS prescribe the Fair Value measurement for financial products classified as "Financial assets at Fair Value through OCI" and "Financial assets at Fair Value through profit or loss".
Accounting standard IFRS 13 regulates the Fair Value measurement and related disclosure.
More specifically, the Fair Value is the price that would be received for the sale of an asset, or which would be paid for the transfer of a liability in a regular transaction between market operators (i.e. not in a compulsory liquidation or sale below cost) as at the valuation date.
In determining the Fair Value of a financial instrument, IFRS 13 establishes a hierarchy of criteria in terms of the reliability of the Fair Value, according to the degree of discretion applied to businesses, giving precedence to the use of parameters that can be observed on the market, which reflect the assumptions that the market participants would use in the valuation (pricing) of the asset/liability. Three different levels of input are identified:

- Level 1: inputs consisting of listed prices (unadjusted) on active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2: inputs other than the listed prices included on Level 1, which can be observed, directly (as in the case of prices) or indirectly (insofar as deriving from the prices) for assets or liabilities to be measured;
- Level 3: inputs for assets or liabilities that are not based on observable market data.

The measurement method defined for a financial instrument is adopted continuously over time and modified only following significant changes in market conditions or subjective conditions of the financial instrument issuer.

For financial assets and liabilities recognized on the financial statements at cost or amortized cost, the Fair Value given in the Notes is determined according to the following method:

- for bonds issued: Fair Value obtained from active markets where the liability is traded;
- for assets and liabilities at fixed rates in the medium/long-term (other than securities issued): discounting of future cash flows at a rate obtained from the market and rectified to include the credit risk;
- for variable rate, on demand assets or those with short-term maturities: the book value recognized net of the analytical and collective impairment is considered a good approximation of the Fair Value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk;
- for variable rate and short-term fixed rate liabilities: the book value is considered a good approximation of the Fair Value, for the reasons given above.

Qualitative disclosure

Fair Value levels 2 and 3: measurement techniques and inputs used

The assets and liabilities measured at Fair Value on a recurring basis mainly consist of Visa Inc shares held in the portfolio and derivatives stipulated in view of the price and foreign exchange risk deriving from such instruments. Please note that the derivative in place expired during the year.
For these instruments, without prices that can be directly observed on active markets, the Fair Value is determined as follows:

- Unlisted equity securities: these are measured according to the market value of Visa Inc class A shares, listed on active markets where the portfolio shares (class C) will be converted, adjusting the value to reflect both the liquidity risk of class C shares and the potential adjustments to the conversion ratio deriving from potential future liabilities of Visa Europe.
- OTC derivatives: these have been measured, using commonly recognized models in market practice (Black&Scholes with continuous processing of future dividends) and using market parameters as model inputs. As these are derivatives backed by CSA (Credit Support Annex), the counterparty risk is mitigated by the daily settlement of collateral with the counterparty.
- For share-based payments in place, the Fair Value has been determined using available market data and commonly recognized measurement models. For further details see note 40.

Measurement processes and sensitivity

Not applicable due to the absence of level 3 instruments.

Fair Value hierarchy

Transfers between Fair Value levels derive from the empirical observation of intrinsic phenomena of the instrument taken into account or the markets on which it is traded.
Changes from Level 1 to Level 2 are brought about by a lack of an adequate number of contributors or the limited number of investors holding the float in issue.
Conversely, securities that at issue are not very liquid but have high numbers of contracts - thereby classified as Level 2 - are transferred to Level 1 when the existence is seen of an active market.
There have been no transfers between categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

Quantitative information

Fair Value hierarchy

Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels

	31.12.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at Fair Value through profit or loss		-	-	-	10	
Financial assets at Fair Value through OCI		118,581		-	100,114	-
Property, equipment and investment property	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Total	**-**	**118,581**	**-**	**-**	**100,125**	**-**
Financial liabilities held for trading		-		-	3,154	
Hedging derivatives		-	-	-	16,557	-
Total	**-**	**-**	**-**	**-**	**19,711**	**-**

The item "Financial assets at Fair Value through OCI" consists of equity instruments that are not held for trading purposes and for which the Company has made the irrevocable choice at initial recognition to classify and evaluate them at FVOCI.
There have been no transfers between categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

Annual changes to assets measured at Fair Value on a recurring basis (level 3)

No such present.

Annual changes in liabilities measured at Fair Value on a recurring basis (level 3)

No such present.

Assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis: breakdown by Fair Value levels

	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total Financial Statements	Level 1	Level 2	Level 3	Total Financial Statements
Loans and receivables with banks		507,024	-	507,024		561,209	-	561,209
Loans and receivables with customers	-	1,087,181	1,504	1,088,685	-	1,106,295	948	1,107,243
Investment properties	-	2,244	-	2,229	-	3,780	-	3,151
Total	**-**	**1,596,449**	**1,504**	**1,597,938**	**-**	**1,671,283**	**949**	**1,671,603**
Due to banks	-	1,952,072	-	1,952,072	-	792,896	-	792,896
Due to customers	-	369,303	-	369,303	-	354,249	-	354,249
Securities	-	850,208	-	819,014	-	2,582,285	-	2,569,689
Total	**-**	**3,171,583**	**-**	**3,140,389**	**-**	**3,729,430**	**-**	**3,716,834**

Information on "day one profit or loss"

Not present insofar as, for the Nexi Group, no transactions are recorded that can be ascribed to this situation.

2. Balance Sheet

(Amount in Euro thousands)

ASSETS

3. Cash and cash equivalents

	31.12.2019	31.12.2018
a) Cash	27	34
b) Deposits and current accounts	115,361	40,654
Total	**115,388**	**40,688**

The item "Deposits and current accounts" refers to the liquid funds freely available in the bank current accounts pertaining to Nexi SpA. The change is mainly connected with the share capital increase for the IPO, the income from the sale of the equity investment in Oasi Diagram SpA, the dividends collected from subsidiaries and is net of the effects of the repayments and refinancing of debt carried out during the year.

The item total is included in the Net Financial Position.

4. Financial assets at Fair Value through profit or loss

This item, which zeroed in 2019, referred exclusively to shares in Intesa Sanpaolo, connected with the incentive plans and assigned to various employees of Mercury Payment Services SpA.

5. Financial assets at Fair Value through OCI

5.1 BREAKDOWN BY PRODUCT

	31.12.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt instruments	-	-	-	-	-	-
Equity instruments	-	118,581	-	-	100,114	-
Financing	-	-	-	-	-	-
Total	**-**	**118,581**	**-**	**-**	**100,114**	**-**

5.2 BREAKDOWN BY ISSUER

	31.12.2019	31.12.2018
a) Banks	60	60
b) Financial Institutions	118,521	100,012
- *Visa Europe Limited*	-	-
- *Visa Inc.*	*118,478*	*99,968*
- *Other financial companies*	*44*	*44*
c) Non-Financial Institutions	-	42
Total	**118,581**	**100,114**

The item "Other financial companies" regards financial assets in which the Group does not exercise control, joint control or a significant influence. More specifically, the item consists almost entirely of preferred shares in Visa Inc., assigned following the sale of the equity investment in Visa Europe. More specifically, these are Visa Serie C Shares, which can be converted into Visa Serie A Shares at a variable conversion factor according to the expenses deriving from the potential liabilities of the former Visa Europe.

The 2019 increase in the item is connected with the value increase in the Visa shares held in the portfolio.

6. Financial assets measured at amortized cost

6.1 DUE FROM BANKS: BREAKDOWN BY PRODUCT

	31.12.2019					31.12.2018				
			Fair Value					Fair Value		
	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3
Loans and receivables with banks										
Deposits and Current accounts	353,753		-	353,753		403,586		-	403,586	
Prepaid cards liquidity	37,440	-	-	37,440	-	45,864	-	-	45,864	-
Other assets	115,831	-	-	115,831	-	111,759	-	-	111,759	-
Total	**507,024**	**-**	**-**	**507,024**	**-**	**561,209**	**-**	**-**	**561,209**	**-**

The current account balance includes the liquid funds of the operating companies. More specifically, it includes the daily settlement balance of transactions processed by Mercury Payment Services SpA on behalf of Intesa Sanpaolo and the liquidity at the level of the operating entities only. More specifically, please note that these deposits and current accounts include Euro 133.0 million in liquidity generated during the period, which has been included in the Group's Net Financial Position.

The liquidity of the prepaid cards relates to the electronic money institution business carried out on said cards.
This liquidity is considered as separate from operational liquidity insofar as it is deposited in a restricted current account held with DEPObank, on which transactions can only be implemented to cover uses of prepaid cards by cardholders.
The item "Other assets" mainly refers to receivables for services for Euro 57.3 million (Euro 58.6 million as at December 31, 2018), mainly relating to services provided by Mercury Payment Services SpA to Intesa Sanpaolo SpA. The item also includes the escrow accounts connected with the factoring transactions on the balances of credit cards (equal to Euro 52.9 million as at December 31, 2019 and Euro 53.2 as at December 31, 2018).

It should be noted that the existing factoring contract is guaranteed by a pledge on the current account of Nexi Payments in which those receivables that have been assigned to the factor are collected. These accounts amount to approximately Euro 50.5 million as at December 31, 2019.

6.2 AMOUNTS DUE FROM FINANCIAL INSTITUTIONS AND CUSTOMERS: BREAKDOWN BY PRODUCT

	31.12.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stages 1 and 2	Stage 3					Stages 1 and 2	Stage 3				
		Purchased	Other	L1	L2	L3		Purchased	Other	L1	L2	L3
Ordinary Credit Cards	375,399				375,399		378,797				378,797	
Receivables with international schemes and merchants	398,821		1,504		398,821	1,504	433,825		948		433,825	948
Revolving Credit Cards	225,875				225,875	-	212,528				212,528	
Personal Loans	3,589				3,589		5,790				5,790	
Other assets	83,497				83,497	-	75,355				75,355	
Total	**1,087,181**	**-**	**1,504**	**-**	**1,087,181**	**1,504**	**1,106,295**	**-**	**948**	**-**	**1,106,295**	**948**

The item for Ordinary credit cards (or charge cards) represents the balance in place at the end of each month, of the amount cumulatively spent up to that date by the customer cardholders during the last operative month. This amount, through the partner banks, is generally debited to the current accounts of holders on the 15th day of the following month. The balance as at the reporting date is significantly reduced insofar as the 2018 stipulation of a factoring agreement for the sale of receivables deriving from such credit cards issued by agreement with the partner credit institutions, meant that a significant portion of the receivables originated by the Group has been derecognized. Please also note that the item "Ordinary credit cards" includes loans transferred "with recourse", equal to Euro 193.4 million, which have not been derecognized.
The positions in regard to the international networks regard the daily settlement balances on the Visa-Mastercard schemes of which Nexi Payments SpA and Mercury Payment Services SpA are direct members and include the deposit paid by Nexi Payments SpA to its customer merchants on the transactions yet to be settled. All these positions are settled over the space of a few days (generally 1 to 3 days). These year-end balances are, moreover, influenced by the number of non-working days running across the end of each period, days on which the settlement systems are closed, determining a greater build-up of transactions and consequent drawdown of funding facilities.
Other assets mainly include the amount due from the factoring company of Euro 77.0 million (Euro 70.0 million in 2018), connected with the balance to be settled daily with the counterparty.

6.3 LOANS TO CUSTOMERS: GROSS AND NET VALUES AND VALUE ADJUSTMENTS ON PERFORMING AND NON-PERFORMING LOANS

	31.12.2019				31.12.2018			
	Gross	Allowance	Net	Partial write off *	Gross	Allowance	Net	Partial write off *
Performing								
- First Stage	1,089,198	2,017	1,087,181		1,107,953	1,657	1,106,296	
- Second Stage	-	-	-		-	-	-	
Non-performing								
- Third Stage	8,815	7,311	1,504		5,922	4,973	949	
Total	**1,098,013**	**9,328**	**1,088,685**		**1,113,874**	**6,630**	**1,107,244**	

* Value for disclosure purposes.

7. Equity investments

As at December 31, 2019, the balance of the item "Equity investments" had zeroed (Euro 730 thousand as at December 31, 2018) as a result of the disposal of the equity investment in Win Join and the value adjustments relative to other equity investments.

8. Property, equipment

8.a) Property, equipment: breakdown of assets measured at cost

	31.12.2019	31.12.2018
1. Owned	**-**	**-**
a) land	18,228	19,593
b) buildings	60,383	51,310
c) furniture	1,779	1,318
d) electronic systems	100,383	83,631
e) other	250	341
2. Rights of use deriving from lease contracts		
a) land		-
b) buildings	6,305	-
c) furniture		-
d) electronic systems	5,738	-
e) other	34	-
Total	**193,101**	**156,193**

The value of real estate includes the effect of the write-back to Fair Value of the assets acquired in 2015 with the establishment of the Mercury Group, as a result of the completion of the price allocation process (PPA).
The amount entered is net of depreciation until the reporting date.
The item "Electronic systems" includes, in particular, the POSs and the ATMs.
The "Rights of use deriving from lease contracts" refer to the assets recognized as from 2019, as a result of the application of IFRS 16, which, as specified in the section on accounting policies, has not affected the comparative data.
Please note that for real estate for which 2019 saw the recording of impairment indicators, the Group has carried out specific impairment tests and recognized total reductions in value for Euro 1.4 million.

8.b) Property, equipment: changes

	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Opening balance	**19,593**	**51,310**	**1,318**	**83,631**	**341**	**156,193**
B. Increases	**-**	**26,724**	**760**	**70,249**	**176**	**97,909**
B.1 Purchases	-	657	760	58,783	-	60,201
B.2 Capitalized improvements costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive Fair Value adjustments recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	26,067	-	11,466	176	37,709
C. Decreases	**1,365**	**11,345**	**299**	**47,758**	**233**	**61,001**
C.1 Sales	-	-	-	105	-	105
C.2 Depreciation	-	9,255	299	47,653	188	57,395
C.3 Impairment losses recognized in:	1,365	2,090	-	-	-	3,455
a) equity	-	-	-	-	-	-
b) profit and loss statement	1,365	2,090	-	-	-	3,455
C.4 Negative Fair Value adjustments recognized in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	46	46
D. Closing balance	**18,228**	**66,689**	**1,779**	**106,121**	**283**	**193,102**

8.1 INVESTMENT PROPERTY

8.1.a) Investment property: breakdown of assets measured at cost

	31.12.2019				31.12.2018			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned								
a) land	413				733			
b) buildings	1,816				2,418			
Total	**2,229**	**-**	**2,244**	**-**	**3,151**	**-**	**3,780**	**-**

The item changed as a result of the depreciation and impairment recognized in 2019.

The item includes the following properties:
- Via Selvamaggio, Colle di Val d'Elsa (SI), owned by Nexi Payments SpA;
- Strada delle Frigge, Monteriggioni (SI), owned by Nexi Payments SpA;
- Via Nazionale 3, San Giovanni al Natisone (UD), owned by Help Line SpA.

These investments are recorded in accordance with IAS 40 and include properties held (both owned and through finance leases) to obtain remuneration through their rental, or to benefit from a return on invested capital, as they appreciate in market value. It should be noted that the annual rent generated by these properties amounts to Euro 462 thousand.

Investment property is measured at cost, net of depreciation.
As at the reporting date, there are no:
- restrictions or limits to the sale of property or collection of rental charges;
- obligations or contractual commitments for the purchase, construction, development, repair or extraordinary maintenance of these properties.

8.1.b) Investment property: changes

	31.12.2019	
	Land	**Buildings**
A. Gross opening balance	**733**	**2,418**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalized improvement costs	-	-
B.3 Reversals of impairment losses	-	-
B.4 Positive Fair Value adjustments	-	-
B.5 Exchange rate gains	-	-
B.6 Transfers from property and equipment	-	-
B.7 Other increases	-	-
C. Decreases	**320**	**602**
C.1 Sales	-	-
C.2 Depreciation	-	101
C.3 Impairment losses	320	501
C.4 Negative Fair Value adjustment	-	-
C.5 Exchange rate losses	-	-
C.6 Transfers to other portfolios	-	-
C.7 Other decreases	-	-
D. Closing balance	**413**	**1,816**

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN BY ASSET TYPE

	31.12.2019		31.12.2018	
	Finite life	**Indefinite life**	**Finite life**	**Indefinite life**
A.1 Goodwill	-	2,093,428	-	2,093,428
A.2 Intangible assets - Customer contracts	386,912		423,396	
A.3 Other intangible assets	204,331	-	151,473	-
Total	**591,243**	**2,093,428**	**574,869**	**2,093,428**

Goodwill as at December 31, 2019 is as follows:
- goodwill deriving from the 2016 acquisition of Mercury Payment Services SpA, in the amount of Euro 590.8 million, already net of the amount allocated upon completion of the PPA process in 2017, to customer contracts for Euro 365.5 million;
- goodwill deriving from the consolidation of the equity investments held in Nexi Payments SpA and Help Line SpA, purchased in 2018 and equal to Euro 931 million;
- goodwill recognized for Nexi Payments SpA in the amount of Euro 571.6 million, as follows:
  - Euro 433.4 million referring to books acquiring of Monte dei Paschi di Siena and Deutsche Bank, for which the PPA process entailed the allocation of Euro 126.7 million to customer relationships;
  - Euro 18.5 million referring to the book acquiring of Banca Carige, purchased on September 30, 2018, with reference to which the Purchase Price Allocation process was completed in 2019. The amount is therefore net of the value attributed to customer relationships for approximately Euro 4.0 million;
  - Euro 119.7 million referring to the payment BU purchased by DEPObank in 2018.

The other intangible assets consist of:
- software purchases and technological developments;
- intangible assets with a finite useful life as resulting from the above PPA processes. More specifically, these activities, net of accumulated amortization as at the reporting date, consist of: customer contracts for Euro 274.1 million and customer relationships for Euro 112.8 million.

9.2 INTANGIBLE ASSETS: CHANGES

		Other acquired intangible assets		Other intangible assets		
	Goodwill	Finite life	Indefinite life	Finite life	Indefinite life	Total
A. Opening balance	**2,093,428**	**423,396**	**-**	**151,473**	**-**	**2,668,298**
A.1 Total net write-downs	-	-	-	-	-	-
A.2 Net opening balance	**2,093,428**	**423,396**	**-**	**151,473**	**-**	**2,668,298**
B. Increases	**-**	**-**	**-**	**110,419**	**-**	**110,419**
Purchases	-		-	107,080	-	107,080
Other increases	-	-	-	3,339	-	3,339
C. Decreases	**-**	**36,484**	**-**	**57,561**	**-**	**94,045**
Sales	-	-	-	-	-	-
Value adjustments	-	36,484	-	57,561	-	94,045
Other decreases	-	-	-		-	-
D. Net closing balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**
D.1 Total net write-downs		-	-	-	-	-
E. Gross closing balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**

9.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

Nexi SpA - Nexi Group only impairment tested intangible assets with an indefinite useful life insofar as no triggers were seen in regard to intangible assets with a finite useful life.

Impairment testing was carried out with the support of external experts for the following CGUs (cash generating units) identifiable as at the reference date:

CGU	Carrying value (Group share)	of which Goodwill
CGU Monetica Nexi Payments SpA	2,075,247	1,502,600
CGU Mercury Payment Services SpA	932,162	590,828
Total	**3,007,409**	**2,093,428**

The goodwill entered for the above CGUs has been allocated in continuity from the CGUs identified for the 2018 impairment testing.

The CGUs were identified taking into account the way in which each Group activity generates cash flows, as well as the method with which the management monitors the Group's operations. With reference to the year 2019, these criteria led to the identification of two separate CGUs that substantially coincide with the two legal operating entities of the Group: the Monetica CGU coinciding with Nexi Payments SpA and the Mercury CGU coinciding with Mercury Payments Services SpA.

It is also noted that intangible assets with a finite useful life, connected with customer contracts and customer relationships deriving from the Purchase Price Allocation processes carried out respectively with reference to the acquisition of Mercury Payment Services SpA and the business units MPS, DB and Carige, have not been impairment tested insofar as no events have taken place such as to require this type of action.

The recoverable value of a CGU is the greater of:
- Fair Value less costs of disposal;
- value in use.

As regards the determination of the value in use, the discounted cash flow ("DCF") method has been adopted in the "unlevered" version. The method in question is inspired by the general concept that the value of a business is equal to the sum of the discounted value of the following two elements:
- cash flows, which it will be able to generate within the forecasting time frame;
- residual value, i.e. the value of the business complex deriving from the period outside the forecasting time frame.

In order to reflect the specific growth forecasts of the reference segment and the CGUs analyzed, starting from 2019, the DCF was applied in the H-model variant, assuming two growth phases beyond the explicit planning period. More specifically, the first phase assumes a progressive, linear reduction in the growth rate forecast in the last period of explicit planning, through to alignment with the long-term growth rate.
The DCF was developed as of the Nexi Group 2019-2023 Business Plan and the 2020 Budget, approved by the Nexi Board of Directors.

The main parameters used in estimating the Cost of Capital, in order to determine the Value in Use, are as follows:

Cost of capital	
Risk-free rate as at December 31, 2019	1.9%
Equity market risk premium	5.55%
Beta median (levered)	0.97
Ke	7.3%
Kd	2.0%
Kd (net of tax)	1.4%
WACC	**6.6%**
Growth rate	**2.0%**

The above parameters have been determined as follows:
- Risk-free: equal to the return offered in the medium/long-term by investments such as government securities (Source: Info Provider);
- Beta: the observations considered refer to a sample of comparable and relate to a period of 5 years with monthly frequency;
- Equity Market Risk Premium: in line with the best valuation practices.

With reference to the estimate of the CGU's Terminal Value:
- Growth rate (g): 2.0%, reference was made to the ECB target inflation rate for the Eurozone.

The Fair Value was determined by applying the stock market multiples method with specific reference to the EV/EBITDA multiples, obtained from a sample of comparables.

The verifications, carried out by means of the above impairment testing, have shown that the book values can be fully recovered.

As the Value in Use is determined by using estimates and assumptions that may include elements of uncertainty, as required by the IAS/IFRS standards, sensitivity analyses have been performed to verify the sensitivity of the results obtained to changes in certain underlying parameters and hypotheses.
More specifically, the impact has been verified on the Value in Use of an increase of up to 25 bps for discounting rates and a reduction for the growth rate in terms of Terminal Value. Additionally, variation analyses have been carried out on the Value in Use, consequent to a worsening of the cash flows used for the purposes of the Terminal Value.
None of the CGUs tested revealed any impairment in the cases analyzed, even with a 25 bps increase in the discounting rates or a reduction of the rate "g" by this same amount or a 10% reduction in the Terminal Value flow.

The table below shows the sensitivity (in percentage terms) of the Value in Use for all CGUs for which intangible assets remain with an indefinite life upon variation of the growth rate "g" or the discounting rate respectively by -/+ 25 bps, as well as a 10% reduction in cash flows used for the Terminal Value.

	Growth rate (g) -25 bps	Discount rate +25 bps	Terminal value flow -10%
CGU Nexi Payments	-4.7%	-5.4%	-8.8%
CGU Mercury Payment Services	-4.7%	-5.4%	-8.8%

Additionally, further sensitivity scenarios have been developed with respect to hypotheses of annual reductions (both in the explicit period and for terminal value purposes) in EBITDA and Revenues, which showed the following break-even values:

- haircut of EBITDA: break-even point at approximately 55% annual reduction for the Nexi Payments CGUs and approximately 59% for the Mercury Payment Services CGUs;
- haircut of revenues only: break-even point at approximately 35% annual reduction for the Nexi Payments CGUs and approximately 40% for the Mercury Payment Services CGUs.

As regards the recent instability factors seen in connection with the spread of the COVID-19 (the Coronavirus), as described in the paragraph entitled "Subsequent events" of the Report on Operations, although this is not considered an event entailing a change to the financial statement balances in accordance with IAS 10.21, it is considered that, in view of the information presently available, this phenomenon has already factored into the sensitivity scenarios.

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

As at December 31, 2019, the Financial Statements show Euro 37.6 million (Euro 29.3 million as at December 31, 2018) relative to current IRES tax assets; current tax liabilities of Euro 1.8 million (Euro 31.1 million as at December 31, 2018) refer to the payable for additional IRES (Euro 0.7 million) and IRAP payable (Euro 1.1 million) of Mercury Payment Services SpA. More specifically, it is noted that current tax liabilities have benefited from the effect deriving from the use of tax losses acquired from the companies Sparkling 18 Srl and Bassilichi SpA, incorporated at end 2018 into Nexi Payments SpA, the effects of which were recognized on the 2019 financial statements upon specific query.
Please note that starting FY 2019, the current tax consolidation scheme, which involved not only the Parent Company Nexi SpA, but also the subsidiary Mercury Payment Services SpA, has been extended to also include Nexi Payments SpA and Help Line SpA.

10.2 DEFERRED TAX ASSETS

	31.12.2019	31.12.2018
Deferred tax assets		
- of which: recognized in equity	553	1,299
- of which: recognized in profit and loss statement	63,742	32,275
Total	**64,295**	**33,574**

Deferred tax assets are as follows:

- tax recorded with a counter-entry recognized in equity has reduced as a result of the maturity of the hedging derivative in place in 2018;
- tax recorded with a counter-entry recognized in profit and loss mainly refers to value adjustments to loans and the effects of the first-time adoption of IFRS 15. In 2019, the item also includes prepaid tax referring to the tax asset deriving from the spin-off, which entailed the transfer to Nexi SpA of certain equity investments of DEPObank SpA and which was recognized in 2019 following a response to a specific query.

10.2.1 Changes in deferred tax assets (recognized in equity)

	31.12.2019	31.12.2018
1. Opening balance	**1,299**	
2. Increases	**3,002**	**1,299**
2.1 Deferred tax assets recognized in the year	3,002	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		1,299
3. Decreases	**3,748**	**-**
3.1 Deferred tax assets de-recognized in the year		
3.2 Decrease in tax rates	-	-
3.3 Other decreases	3,748	-
4. Closing balance	**553**	**1,299**

10.2.2 Changes in deferred tax assets (recognized in profit and loss statement)

	31.12.2019	31.12.2018
1. Opening balance	**32,275**	
2. Increases	**38,623**	**32,275**
2.1 Deferred tax assets recognized in the year	19,354	
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	19,269	32,275
3. Decreases	**7,156**	**-**
3.1 Deferred tax assets derecognized in the year	7,156	
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**63,742**	**32,275**

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	31.12.2019	31.12.2018
Deferred tax liabilities		
- of which: recognized in equity	4,725	3,439
- of which: recognized in profit and loss statement	34,690	27,882
- of which: recognized in profit and loss statement due to elimination of the equity investments	90,660	100,735
Total	**130,075**	**132,056**

Deferred tax liabilities are as follows:
- tax recorded with a counter-entry recognized in equity mainly refers to deferred tax relative to the Fair Value measurement of Visa Shares held in the portfolio;
- tax recorded with a counter-entry recognized in profit and loss refers to the temporary differences on goodwill entered, as well as incorporating the effects of the first-time application of IFRS 15;
- deferred tax with a counter-entry recognized in profit and loss due to the derecognition of equity investments refers to the derecognition of the equity investment in Mercury Payment Services SpA and the allocation of part of the purchase price to intangible assets with a finite useful life.

10.3.1 Changes in deferred tax liabilities (recognized in equity)

	31.12.2019	31.12.2018
1. Opening balance	**3,439**	**-**
2. Increases	**1,286**	**3,439**
2.1 Deferred tax liabilities recognized in the year	1,286	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		3,439
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognized in the year	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**4,725**	**3,439**

10.3.2 Changes in deferred tax liabilities (recognized in profit and loss statement)

	31.12.2019	31.12.2018
1. Opening balance	**128,617**	
2. Increases	**8,824**	**128,617**
2.1 Deferred tax liabilities recognized in the year	8,824	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		128,617
3. Decreases	**12,091**	**-**
3.1 Deferred tax liabilities derecognized in the year	12,091	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**125,350**	**128,617**

11. Non-current assets held for sale and discontinued operations and liabilities associated with non-current assets held for sale and discontinued operations

	31.12.2019	31.12.2018
A. Assets held for disposal		
A.1 Financial assets	2,229	6,149
A.2 Property, equipment	33	449
A.3 Intangible assets		37,615
A.4 Other assets		36,285
Total (A)	**2,262**	**80,498**
B. Liabilities associated with assets held for disposal		
Payables to banks		
B.1 Other Liabilities	335	39,069
Total (B)	**335**	**39,069**

These are assets and liabilities referring to BassmArt, with regard to which the 2018 decision has been confirmed to proceed with the sale.
The reduction with regard to the balance as at December 31, 2018 is connected with the 2019 sale of the investments held in Oasi SpA, Moneynet SpA and Pay Care Srl.
There are no circumstances such as to determine the need to note impairment on assets held for disposal in respect of the expected value of the sale.

12. Other assets

	31.12.2019	31.12.2018
Tax assets	55,964	51,905
Other assets for commissions to be collected	220,647	191,225
Deferred costs	67,348	58,098
Other assets	130,482	104,477
Total	**474,441**	**405,705**

The item "Deferred costs" refers to the deferred expenses of costs for the fulfilment of contracts with customers (IFRS 15.91) for Euro 50.5 million, as well as to the deferred expenses for costs paid but not yet accrued.
Furthermore, it should be noted that the item includes inventories for Euro 9,015 thousand, of which Euro 2,018 thousand relating to plastic in stock, Euro 6,393 thousand relating to ATM and related spare parts and Euro 604 thousand to POS.

LIABILITIES

13. Financial liabilities measured at amortized cost

13.1 FINANCIAL LIABILITIES DUE TO BANKS (BREAKDOWN BY PRODUCT)

	31.12.2019				31.12.2018			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Financing	1,289,480	-	1,289,480	-	266,476	-	266,476	
2. Other liabilities	647,233	-	647,233		526,420	-	526,420	
3. Lease debts	15,359		15,359					
Total	**1,952,072**	**-**	**1,952,072**	**-**	**792,896**	**-**	**792,896**	**-**

The item "Financing" refers to the new IPO facility for Euro 992.6 million, which, as better described in the Directors' Report, is a syndicate loan granted by a pool of leading banks, with a maturity of five years. The carrying amount as at the reporting date includes direct transaction costs of Euro 9.9 million.
The item also includes the bilateral facilities in support of revolving cards and the facilities with Intesa Sanpaolo used by Mercury Payment Services SpA for the daily settlement of transactions with ISP customers.
The item "Other liabilities" includes the facilities used to finance the settlement of the acquiring and payments services and the residual portion of the direct issuing, not covered by the factoring facilities, payables for commercial services used by Group companies.
The item total includes Euro 992.6 million in IPO Loan and Euro 15 million in Lease debts included in the Net Financial Position.

13.2 FINANCIAL LIABILITIES DUE TO FINANCIAL ENTITIES AND CUSTOMERS (BREAKDOWN BY PRODUCT)

	31.12.2019				31.12.2018			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Financing	318,436	-	318,436	-	301,535	-	301,535	-
2. Lease debts	12,768		12,768					
3. Other liabilities	38,099	-	38,099	-	52,714	-	52,714	-
Total	**369,303**	**-**	**369,303**	**-**	**354,249**	**-**	**354,249**	**-**

The item "Financing" refers for Euro 306.8 million to payables due to the factoring company for advances on ordinary credit cards transferred with recourse and for the remainder to the technical balance facilities in place with the factoring company.
The item "Other liabilities" refers to liabilities due to financial institutions for amounts yet to be paid.
The item "Lease debts" includes the liability deriving from the application of IFRS 16 to operating leases, equal to the current value of the payment flows envisaged by current contracts. As indicated in the section on "Accounting policies", at first-time application, the Nexi Group exercised the option envisaged by the standard, not to restate the comparative data.
"Lease debts" of Euro 13.0 million are entirely included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

La voce include i titoli emessi nel 2019 da Nexi.

	31.12.2019				31.12.2018			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Fixed rate securities	819,014		850,208		816,198		819,357	
2. Floating rate securities	-		-		1,753,491		1,762,928	
Total	**819,014**	**-**	**850,208**	**-**	**2,569,689**	**-**	**2,582,285**	**-**

As better explained in the Directors' Report, also following the IPO, in 2019, all securities were redeemed early as in place as at December 31, 2018 and in October 2019, a new debenture loan was issued, "Senior Fixed Rate Notes", for a nominal amount of Euro 825.0 million, with six-monthly fixed-rate coupon of 1.75% per year and maturing on October 31, 2024.
The early redemptions of these positions entailed the booking on the income statement, by way of closure costs, of an amount of Euro 72.6 million, which includes both the premium paid for the early redemption and the direct costs included in the amortized cost of the extinguished bonds.
As at the reporting date, the carrying amount includes the direct costs of the transaction relative to the new debenture loan, which is Euro 9.1 million.

The item total is included in the Net Financial Position.

14. Financial liabilities held for trading

	31.12.2019	31.12.2018
Cash liabilities		
Financial derivatives	-	3,154
Total	**-**	**3,154**
Fair Value - Level 1		
Fair Value - Level 2	**-**	**3,154**
Fair Value - Level 3	**-**	**-**
Total Fair Value	**-**	**3,154**

As at December 31, 2018, the item included the portion of the derivative in place that had not been included in the hedge of the Visa Inc. shares held in the portfolio. This contract expired in September 2019, with a consequent zeroing of the item.

15. Hedging derivatives

	31.12.2019	31.12.2018
Equity derivatives	-	16,557
Total	**-**	**16,557**
Fair Value - Level 1		
Fair Value - Level 2	**-**	**16,557**
Fair Value - Level 3		
Total Fair Value	**-**	**16,557**

As at December 31, 2018, a hedge was in place for the foreign exchange risk and the price risk relative to the positions in Serie C Visa Shares, classified under "Financial assets at Fair Value through OCI", through a collar zero cost with strike in EUR and underlying Serie A Visa Shares; this matured in September 2019.

16. Other liabilities

	31.12.2019	31.12.2018
Tax Liabilities	8,741	15,325
Due to employees	48,467	53,587
Other liabilities for fees and commissions	249,416	219,340
Unsettled transactions	190,175	256,614
Other liabilities	56,168	74,153
Deferred loyalty fees	44,213	49,554
Prepaid cards unsettled transactions	1,104	1,766
Cash advance to be settled	46,345	46,035
Total	**644,628**	**716,375**

The item "Deferred loyalty fees" refers to the deferred commission connected with the Loyalty Plan, as established by IFRS 15.

The item "Other liabilities" includes the liabilities deriving from contracts with customers equal to Euro 13.0 million, mainly connected with one-off revenues for projects relating to the start-up of new customers or new products.

17. Post-employment benefits

Italian legislation establishes that upon termination of a contract of employment, the employee has a right to receive severance indemnity defined according to the annual salary and the inflation rate. As at December 31, 2019, the payable amounted to Euro 14.5 million.

17.1 POST-EMPLOYMENT BENEFITS: CHANGES

	31.12.2019
A. Opening balance	**14,084**
B. Increases	**1,248**
B.1 Accruals	168
B.2 Other increases	1,080
- Business combinations	-
- Other increases	*1,080*
C. Decreases	**804**
C.1 Payments	778
C.2 Other decreases	26
- Business combinations	-
- Other decreases	*26*
D. Closing balance	**14,528**

17.2 MAIN DEMOGRAPHIC AND ACTUARIAL ASSUMPTIONS USED TO MEASURE POST-EMPLOYMENT BENEFITS AT DECEMBER 31, 2019

Mortality among aged pensioners	Rate for the Italian population broken down by age and gender shown in the RG48 mortality tables published by the State General Accounting Office.
Mortality among total and permanent disability pensioners	Rate inferred from the INPS invalidity tables, broken down by age and gender.
Annual advances rate	2.35%
Annual turnover	1.56%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance.
Inflation	1.30%
Annual discount rate	0.72% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees.

17.3 MAIN DEMOGRAPHIC AND ACTUARIAL HYPOTHESES FOR THE MEASUREMENT OF THE POST-EMPLOYMENT BENEFITS SENSITIVITY ANALYSIS

As required by IAS 19, a sensitivity analysis has been performed on the obligation relating to post-employment benefits with respect to the actuarial hypotheses considered most significant. This aimed to show how much the liability recognized would vary in connection with the reasonably possible oscillations of each of the actuarial hypotheses.
More specifically, the table below provides evidence of the change in post-employment benefits provision in the event that the main parameters used should increase or decrease.

		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Discount rate			
changes	(0.50%)	808	5.56%
changes	0.50%	(749)	(5.15%)

18. Provisions for risks and charges

18.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	31.12.2019	31.12.2018
1. Internal pension funds	-	-
2. Other provisions for risks and charges	31,967	46,552
2.1 Legal and tax disputes	2,619	4,245
2.2 Employees	1,538	2,804
2.3 Other provisions	27,810	39,503
Total	**31,967**	**46,552**

18.1.1 Provisions for risks and charges: changes

	Funds for other commitments and other guarantees issued	Retirement funds	Other provisions for risks and charges	Total
A. Opening balance	-	-	46,552	46,552
B. Increases	-	-	4,284	4,284
C. Decreases	-	-	18,870	18,870
D. Closing balance			31,967	31,967

The "Provision for risks and charges for legal and tax disputes" of Euro 2.6 million (Euro 4.2 million as at December 31, 2018) refers to the provisions made as a result of litigations for which the risk is considered "probable". The reduction is linked to both uses and releases made where the associated risks cease to be.
"Other provisions" of Euro 27.8 million (Euro 39.5 million as at December 31, 2018) mainly refer to:

a. provision to cover the contractual commitments made during the acquisition of the equity investment held in Bassilichi, for Euro 13.3 million, down Euro 2.7 million on December 31, 2018 due to period use;
b. provision established to cover the costs for the disposal of non-core equity investments held by the Bassilichi Group, equal to Euro 5.3 million (Euro 6.4 million as at December 31, 2018), the reduction of which is connected with the period use;
c. provision to cover the risks connected with transactions on hold and other disputes relating to routine operations, equal to approximately Euro 8 million (Euro 8.5 million at December 31, 2018);
d. provision to cover fraudulent transactions, of Euro 1.2 million, in line with last year;
e. provision for potential tax disputes connected with the application of the benefits envisaged by current legislation of Euro 4.0 million as at December 31, 2018; this zeroed in 2019 as the relative risks ceased to apply.

19. Shareholders' equity

As at December 31, 2019, Shareholders' equity comprised the following items:

	31.12.2019	31.12.2018
Share capital	57,071	50,000
Share premium	1,082,204	389,275
Reserves	29,428	(47,735)
Valuation reserves	13,609	36,899
Profit for the year (+/-)	135,166	35,905
Equity attributable to non-controlling interests (+/-)	7,072	6,562
Total Equity	**1,324,550**	**470,906**

Shareholders' equity as at December 31, 2019 incorporates the effects of the IPO, which resulted in a Share Capital increase of approximately Euro 700 million.

"Equity attributable to non-controlling interests", which has a balance of Euro 7 million, mainly refers to minority equity relative to the investee companies Nexi Payments SpA (Euro 6 million) and Help Line SpA (Euro 0.9 million).
As at December 31, 2019 share capital comprised no. 627,777,777 of ordinary shares, all fully paid up.

On March 12, 2019, the outstanding shares as at December 31, 2018 were grouped together and on April 16, 2019, new shares were issued as a result of the IPO, as shown below.

	Number of shares	Nominal value	Share Capital
No. of shares as at January 1, 2019	5,500,000,000	0.01	50,000,000
No. of shares as at March 12, 2019	550,000,000	0.09	50,000,000
No. of shares issued as at April 16, 2019	77,777,777	0.09	7,070,707
No. of shares as at December 31, 2019	**627,777,777**		**57,070,707**

20. Income Statement

(Amount in Euro thousand)

Please note that the figures given on the Income Statement here are not comparable with the corresponding figures as at December 31, 2018, insofar as, as a result of the Group's reorganization during the second half of 2018, the companies Nexi Payments SpA, Help Line SpA and the companies for the former Bassilichi Group, all contributed towards the Nexi Group result starting July 1, 2018. In order to facilitate the comparability of data, the Report on Operations gives a comparison of the results of the first half of 2019 with the pro-forma data of 2018.

21. Fee for services rendered and commission income

	31.12.2019	31.12.2018
Issuing & Acquiring fees	1,268,608	705,479
- Trading fees	*1,035,220*	*614,512*
- Fees from cardholders	*233,387*	*90,963*
- Other fees	*-*	*4*
Revenues from services	373,892	201,468
Total	**1,642,500**	**906,948**

The item "Issuing & Acquiring fees" mainly consists of:
- Commissions from counterparties, which include the interchange fees recognized by the schemes, the acquiring commissions paid by merchants and the commissions for processing issuing/acquiring and servicing paid by partner banks;
- Commissions from cardholders, which include commissions debited to licensed cardholders, mainly represented by charges.

The item "Revenue from services" mainly consists of POS and ATM rental and maintenance charges deriving from the Digital and Corporate Banking services, revenues deriving from activities linked to Payment Services and revenues connected with Help Desk services.

Revenues recognized, in accordance with the provisions of IFRS 15 "At a point in time" mainly refer to revenues connected with transaction volumes, which, as at December 31, 2019 came to approximately Euro 1,047 million.

As required by IFRS 15.116, please note that the fee for services rendered and commission income include revenues recognized during the year, included in the opening balance of liabilities deriving from customer contracts for Euro 9.8 million.

22. Fee for services received and commission expense

	31.12.2019	31.12.2018
Bank charges:	642,963	326,742
- fee due to correspondents	*444,624*	*228,770*
- fee due to banks	*198,340*	*97,972*
Other fees	4,107	1,376
Total	**647,071**	**328,118**

This item mainly comprises:
- Commissions to correspondents, mainly comprising the interchange fees and other charges debited by the schemes;
- Commissions to banks, mainly comprising the fees paid to partner banks.

23. Interest and similar income

	31.12.2019	31.12.2018
Receivables from banks	(234)	(35)
Receivables from customers	18,184	45,620
Other assets	86	55
Total	**18,036**	**45,640**

Interest income with customers mainly refers to operations using revolving credit cards.

24. Interest and similar expense

	31.12.2019	31.12.2018
Financial liability measured at amortized cost:		
- payables to banks and customers: leasing	*1,319*	
- payables to banks and customers	*46,809*	*12,924*
- securities issued	*135,147*	*66,765*
Other liabilities and funds	269	52
Total	**183,543**	**79,741**

Interest expense mainly refers to:
- credit facilities with recourse connected with the factoring contract stipulated in 2018 by Nexi Payments SpA;
- securities issued in place, which, as described in the Directors' Report, were early redeemed in 2019;
- IPO loan stipulated in 2019 following the funding restructuring, as described in the Directors' Report;
- bond issued by Nexi SpA in October 2019, as described in the Directors' Report.

Please note that the item is not comparable with the figure as at December 31, 2018 insofar as, as a result of the 2018 reorganization, the funding was assigned to the Nexi Group as from May 2018.

25. Profit/loss on trading activity/hedging on financial assets and liabilities designated at Fair Value though profit or loss

	31.12.2019	31.12.2018
Net trading income on financial assets	(7,526)	(265)
Net hedging income on financial assets		-
Total	**(7,526)**	**(265)**

This item mainly includes the Fair Value change of the derivative stipulated in view of the risk and price of the Visa shares held in the portfolio, for the portion classified as held for trading. As described with reference to item 15, the derivative matured in September 2019.
The item also includes the exchange gains/losses deriving from the Nexi Group's recurring operating activities, which have a limited impact insofar as the risks connected with the positions in foreign exchanges are mitigated by the presence of positions in foreign currency of the opposite sign, which naturally mitigate exposure to said risk.

25.1 PROFIT / LOSS ON TRADING ACTIVITY / HEDGING ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THOUGH PROFIT OR LOSS: BREAKDOWN

	31.12.2019			31.12.2018		
	Trading income	Trading losses	Total	Trading income	Trading losses	Total
Financial Asset held for trading - debt instruments	137	(3)	133	2	(12)	(10)
Other financial assets and liabilities: exchange differences	5,300	(4,781)	518	2,389	(2,537)	(148)
Financial derivatives	-	(8,178)	(8,178)	-	(107)	(107)
Total	**5,437**	**(12,962)**	**(7,526)**	**2,391**	**(2,656)**	**(265)**

26. Dividends and profit/loss from investments and sale of assets at Fair Value through OCI

	31.12.2019	31.12.2018
Dividends	532	156
Profit/Loss from disposal of financial assets at Fair Value through OCI	(9,217)	(5,626)
Net Result	**(8,685)**	**(5,470)**

The item's balance mainly refers to the expense deriving from the transfer without recourse by Nexi Payments SpA under the scope of the factoring contract, of a significant portion of the loans portfolio obtained from the credit card issue.

27. Administrative expenses

27.1 PERSONNEL EXPENSES: BREAKDOWN

	31.12.2019	31.12.2018
1) Employees		
a) wages and salaries	174,919	61,063
b) social security charges	30,619	17,939
c) post employment benefits	1,338	10,023
d) pension and similar costs	25	8
e) accrual for post employment benefits	197	544
f) accrual for pension and similar provisions:		-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds		
- defined contribution plans	*7,205*	*4,017*
- defined benefit plans	-	-
h) costs of share based payment plans	-	-
i) other employee benefits	7,217	10,516
2) Other personnel	**2,201**	**1,334**
Total	**223,721**	**105,444**

Payroll costs also include costs linked to the stock grant plan guaranteed by Mercury UK to Nexi Group employees and the costs connected with the Long-Term Incentive plan, as better described in note 40.2.

27.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

	31.12.2019	31.12.2018
1. Third party services	191,460	152,409
2. Rent and building management fees	2,381	3,753
3. Insurance companies	2,008	1,464
4. Rentals	6,452	14,860
5. Maintenance	47,107	12,922
6. Shipping costs	18,336	8,258
7. Telephone and telegraph	12,114	4,491
8. Cards and accessories	4,822	4,596
9. Printed matter and stationery	4,336	1,600
10. Other taxes	8,043	5,438
11. Legal, notary and consultancy services	35,112	43,742
12. Agents' commissions and expense reimbursement	61	43
13. Advertising	5,181	4,849
14. Promotional materials and competition prizes	24,948	5,355
15. Other commercial costs	1,841	1,368
16. Other general expenses	26,814	5,806
Total	**391,016**	**270,955**

As required by IFRS 15.128, please note that the costs for the execution of customer contracts recognized during the year and included in the opening balance of assets deriving from customer contracts, amounted to Euro 23.1 million.

28. Other operating income, net

	31.12.2019	31.12.2018
Other operating income	8,112	18,423
Other operating expenses	(10,168)	(18,687)
Total	**(2,056)**	**(264)**

29. Net value adjustments on assets measured at amortized cost

The item, equal to Euro 6.2 million, refers to the net value adjustments applied to receivables due from customers, mainly connected with direct issuing and acquiring carried out by Nexi Payments SpA.

	Impairment losses			Reversals of impairment losses		31.12.2019	31.12.2018
		Stage 3					
	Stages 1 and 2	Write - off	Other	Stages 1 and 2	Stage 3	Total	Total
A. Loans and receivables with banks	-	-	-		-	-	-
B. Loans and receivables with customers	365	-	5,885	(5)	(6)	6,239	100
Total	**365**	**-**	**5,885**	**(5)**	**(6)**	**6,239**	**100**

30. Net accruals to provisions for risks and charges

The item equal to a positive Euro 6.4 million incorporates the effects of changes to the provision for risks and charges. The positive effect on the income statement is mainly connected to use of the provision made to cover the contractual commitments made when acquiring the equity investments and the release of the provision established for the tax risks that have ceased during the year.

	31.12.2019	31.12.2018
Net accruals to provisions for fraud of Nexi Payments	(7,622)	13,516
Total	1,167	837
Totale	**(6,455)**	**14,353**

31. Amortization, depreciation and net impairment losses on tangible and intangible assets

	31.12.2019	31.12.2018
Depreciation and net impairment losses on property, equipment and investment property	61,772	26,305
Amortization and net impairment losses on intangible assets	94,045	58,129
Total	**155,817**	**84,434**

31.1 AMORTIZATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS: BREAKDOWN

	Amortization	Impairment losses	Reversals of impairment losses	Carrying amount
A. Intangible assets				
A.1 Owned	94,045	-	-	94,045
- Acquired	36,484	-	-	36,484
- Other	57,561	-	-	57,561
A.2 Leased	-	-	-	-
Total	**94,045**	**-**	**-**	**94,045**

31.2 AMORTIZATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON TANGIBLE ASSETS: BREAKDOWN

	Depreciation	Impairment losses	Reversals of impairment losses	Carrying amount
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	45,318	3,455	-	48,773
- Investment property	101	821	-	922
A.2 Leased	-			-
- Property and equipment	12,076			12,076
- Investment property	-			-
Total	**57,495**	**4,276**	**-**	**61,772**

32. Profit (loss) from equity investments and disposals of investments

The item totals approximately a negative Euro 598 thousand and mainly includes the reduction in value of equity investments in associates.

	31.12.2019	31.12.2018
Profit		
Profit on investments	-	90
Profit on sale of investments	226	21,262
Loss		
Loss on investments	(824)	(630)
Loss on sale of investments		(5)
Net Result	**(598)**	**20,717**

33. Income taxes

	31.12.2019	31.12.2018
Current tax expense	(5,186)	(56,859)
Changes in current tax expense from previous periods	233	
Change in deferred tax assets	(2,493)	3,842
Change in deferred tax liabilities	3,266	12,770
Total	**(4,180)**	**(40,247)**

Please note that period income tax has benefited from the impact deriving from the use of previous tax losses (for Euro 79 million), with reference to which, given the uncertainty as to the effective possible use of such, no prepaid tax has been recognized. In 2019, these elements of uncertainty have ceased to exist; consequently, current period tax has benefited from this effect in the amount of approximately Euro 21.8 million.
Please also note that as at the reporting date, there is prepaid tax on previous tax losses not used, in the amount of Euro 0.3 million.

33.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNIZED

IRES	31.12.2019
Theoretical tax rate	27.50%
Non-deductible costs	6.7%
Tax Exemption income and other decreases	(59.0%)
Effective rate	(25%)

IRAP	31.12.2019
Theoretical tax rate	5.57%
Non-deductible costs	37.9%
Revenues - Not relevant costs	(8.0%)
Effective rate	35.5%

The item " Tax Exemption income and other decreases" includes the effects described above in relation to the effects deriving from the use of previous tax losses, as well as the benefits deriving from Ace and revenues for dividends and capital gains in Pex.

34. Profit (loss) after tax from discontinued operations

The item refers to the positive and negative items of income from assets held for disposal (see note 11) and mainly includes the capital gain net of tax, realized due to the disposal of the equity investments in Oasi Diagram SpA, Pay Care Srl and Moneynet SpA (Euro 99.5 million, of which Euro 100.8 million in gross capital gains and Euro 1.3 million in tax).
It is noted that this value includes the effects of the price adjustment envisaged by the agreement, recognized during the second half following the definitive assessment of the amount.

35. Profit for the year attributable to non-controlling interests

These are minorities mainly referring to Nexi Payments SpA for Euro 1.2 million and Help Line SpA for a negative Euro 0.3 million.

36. Information on Group operations

(Amount in Euro thousand)

CONSUMER CREDIT

Breakdown by technical form

	Total 31.12.2019			Total 31.12.2018		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
1. Unimpaired assets						
- personal loans	3,589		3,589	5,790		5,790
- special purpose loans	226,967	831	226,135	219,012	694	218,318
- salary-backed loans						
2. Impaired assets						
Personal loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Special purpose loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Salary-backed loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Total	**230,556**	**831**	**229,724**	**224,803**	**694**	**224,109**

Classification by residual life and quality

	Unimpaired financing		Impaired financing	
Time ranges	Total 31.12.2019	Total 31.12.2018	Total 31.12.2019	Total 31.12.2018
- up to 3 months	71,601	69,531		
- from 3 months to 1 year	131,182	124,575		
- from 1 to 5 years	26,942	30,003		
- after 5 years				
- open terms				
Total	**229,724**	**224,108**		

OTHER INFORMATION

Performance of value adjustments/comprehensive provisions

Categories	Amount
A. Value adjustments / initial total provisions	**694**
B. Increases	**137**
B.1 Value adjustments from impaired financial assets acquired or originated	
B.2 Other value adjustments / provisions	137
B.4 Contractual changes without cancellation	
B.5 Other increases	
C. Decreases	
C.1 Valuation value gains	
C.2 Value recoveries	
C.3 Gain for sale	
C.4 Write-off	
C.5 Contractual changes without cancellation	
C.6 Other decreases	
D. Value adjustments/final total provisions	**831**
Total	**831**

ELECTRONIC MONEY ISSUE AND PAYMENT SERVICES

Liquid funds of customers held at banks

	31.12.2019			31.12.2018		
Liabilities	Closing balance	Maximum period balance	Average balance	Closing balance	Maximum period balance	Average balance
DEPObank	41,853	47,809	41,544	44,173	52,866	46,905
Total	**41,853**	**47,809**	**41,544**	**44,173**	**52,866**	**46,905**

Payables for electronic money in issue

Payables for electronic money	31.12.2019	31.12.2018
for registered instruments:		
a) rechargeable	37,485	42,770
b) not rechargeable		
for anonymous instruments:		
Total	**37,485**	**42,770**

Commission income: electronic money

Commission income	31.12.2019	31.12.2018
from electronic money buyers		
a) registered instruments		
b) anonymous instruments	492	723
from authorized retailers	56,464	58,298
for other business carried out (specify)		
other (specify)		
Total	**56,956**	**59,021**

Operative volumes, number and revenues from payment transactions

Operation category	31.12.2019 Amount (Amount in Euro thousand)	31.12.2019 Number (Amount)	31.12.2019 Fee and commission income (Amount in Euro thousand)	31.12.2019 Cost recovered (Amount in Euro thousand)	31.12.2018 Amount (Amount in Euro thousand)	31.12.2018 Number (Amount)	31.12.2018 Fee and commission income (Amount in Euro thousand)	31.12.2018 Cost recovered (Amount in Euro thousand)
- Credit Cards	142,071,677	1,247,583,433	258,817	73,647	132,906,044	1,105,179,366	254,334	74,591
- Debit Cards	73,813,728	20,601,660	33,984		61,552,170	9,118,284	72,305	
- Bank transfers								
- ordered by customers								
- received by customers								
- Money Transfer transaction:								
- incoming								
- outcoming								
- Charges to accounts of customer payments								
- Crediting the accounts with customer payments								
- Collections by payment against notice (MAV)								

Fraudulent uses

(Amount in Euro thousand except for number of operations)

Operation category	31.12.2019 Amount (Amount in Euro thousand)	31.12.2019 Number (Amount)	31.12.2019 Intermediary costs (Amount in Euro thousand)	31.12.2019 Insurance reimbursement (Amount in Euro thousand)	31.12.2018 Amount (Amount)	31.12.2018 Number (Amount in Euro thousand)	31.12.2018 Intermediary costs (Amount in Euro thousand)	31.12.2018 Insurance reimbursement (Amount in Euro thousand)
- Credit Cards	20,536	231,927	4,025	-	21,309	228,141	4,300	-

Credit cards revoked for insolvency

Risk category	31.12.2019 Amount	31.12.2019 Number of cards	31.12.2018 Amount	31.12.2018 Number of cards
- with risk in charge of intermediary	471	756	458	728
- with risk in charge of third parties				

The Nexi Group is market leader in numerous business segments in Italy, including Cards & Digital Payments, Merchant Services, ATM Management, Interbank Corporate Banking and Clearing & Settlement.

The Nexi Group offers best-in-class solutions in support of Banks, Financial and Insurance Institutions, Merchants, Businesses and Public Administration: from Cards to payment acceptance technologies, money transfers between Businesses and Private Individuals and the management of highly complex techniques for collection and payment services.

37. Information on risks and related hedging policies

The Nexi Group is mainly subject to the Liquidity Risk, Operational Risk (which includes the Fraud Risk, Legal and Conduct Risk and IT Risk) and the Reputational Risk.
Other risks monitored in the Nexi Group are the Strategic Risk, Credit Risk, Interest Rate Risk and Foreign Exchange Risk, as shown in the table below:

RISKS / NEXI GROUP	Nexi SpA (Holding)	NEXI PAYMENT SERVICES (Electronic Money Institution Supervised by Bank of Italy)	MERCURY SERVICES (Payment Institution Supervised by Bank of Italy)	HELP LINE (ancillary company)
Strategic risk	x			
Reputational risk	x	x	x	x
Operational risk		x	x	x
Credit risk		x	x	
Liquidity risk	x	x	x	
Interest Rate risk	x	x	x	
Currency risk		x	x	

These risks are analyzed in these Notes, with the exception of Strategic Risk, for which reference is made to the section on "Main risks and uncertainties" of the Report on Operations.

Risk management in the Nexi Group

With reference to risk management, the model adopted by Nexi establishes that the Parent Company monitors Strategic Risk and the Group's Internal Control System.

The Internal Control System - understood as the organizational, regulatory and methodological scope, in order to be able to effectively and economically assure guidance and strategic, managerial and technical-operative control - is a process aimed at offering reasonable security as to the achievement of the corporate objectives of efficiency and effectiveness of the operative activities, reliability of the information on the financial statements and conformity with the Laws and Regulations in force.
Reference rules for relations between the Parent Company Nexi and the Nexi Group companies (hereinafter the "Subsidiaries") are set out in a specific regulation aiming to standardize organizational rules and conduct with a view to focusing development policies and Group management strategies towards convergent objectives, in line with the strategic guidelines determined by the Parent Company.
The regulation has been drafted also in regard to safeguarding the management autonomy of the Subsidiaries supervised and operating in the payment services and electronic money sectors (defined as "Supervised Companies"), which incorporate the provisions in compliance with applicable special legislation.

The Parent Company Nexi has equipped itself with an Audit Department that, amongst other tasks, supports the Parent Company's Board of Directors, through the Risk Committee, in verifying that the Group companies define an Internal Control System in line with the strategic guidelines and risk management policies defined by the Nexi Board on a Group level.

The monitoring of the Group Internal Control System is able to oversee all risks that may impact the Group, in respect of the imperative rules applicable to Supervised Companies. In this sense, the Parent Company's Board of Directors:
- defines the guidelines to the Group Internal Control and Risk Management System, in compliance with the imperative rules applicable to the Supervised Companies;
- guarantees control of the Group's comprehensive exposure to business risks;
- is informed, through the Parent Company's Internal Audit Department - at the same time as the Boards of Direc-

tors and Boards of Auditors of the Subsidiaries - if the controls carried out by the competent organizational units of the Subsidiaries should reveal significant findings or abnormal, problematic situations. The primary competence (and responsibility) for overseeing the function of the Internal Control and Risk Management System (hereinafter the "RMICS") of each Nexi Group company (design, management and monitoring) lies with the Boards of Directors and the management team of the individual Subsidiaries, also with reference to compliance, as applicable to the Supervised Companies. These companies assure the establishment and adequate and effective maintenance of the RMICS, implementing the Guidelines defined by the Parent Company.

The Subsidiaries:
- are responsible for implementing the risk management strategies and policies;
- provide the Parent Company department with reports, defined each time according to the Group needs, regularly or on request, in order to ensure the standardized consolidated management of risk;
- organize corrective interventions to remove/mitigate anomalies and problems encountered, in line with any indications received from the Parent Company.

In line with the current supervisory provisions, the Internal Control System in the Supervised Companies is structured over three levels of control:
- *First level controls* - line controls aimed at assuring a correct fulfilment of operations; these are hierarchical type controls carried out by the production units themselves, generally incorporated into their own procedures or alternatively performed in back-office activities;
- *Second level controls*:
  - *risk management controls* aimed at defining the methods employed to measure risk, verify respect for limits assigned to the various operational functions and checking the consistency of the operations of the individual production areas with the risk/return objectives;
  - *control of compliance with standards* aimed at overseeing the risks connected with failure to comply with internal and external regulations;
- *Third level controls* - internal audits aimed at identifying any abnormal performance, breaches of procedures and internal and external rules and regulations, as well as at assessing the overall function of the Internal Control System.

Risk management activities, compliance checks with rules and internal audits are carried out by inoperative, independent functions.

Nexi Group risks

Liquidity risk and interest rate risk

The Group has significant financial debt, mainly comprising, as at the date of this reporting, Fixed-Rate Notes and the IPO Loan, with respect to which it incurs considerable interest expenses; this may have a negative impact on the Group's results and its capacity to generate cash and distribute dividends, with consequent possible effects on the capacity to repay debt at due dates and on its capacity to make the investments necessary to develop the business.

The Group is exposed to the risk that failure to respect the obligations and covenants envisaged by contractual documentation relative to this financial debt and, in particular, Fixed-Rate Notes, the IPO Loan and bank and factoring credit facilities in place, may result, amongst others, in the application of the acceleration clause, also due to cross-default clauses included in some of the contracts, regulating the Group's financial debt and facilities to support working capital needs generated by the operating companies.

Sustainability of the Nexi Group's debt level is correlated, first and foremost, to its operating results and, consequently, the capacity to generate sufficient liquid funds, as well as the capacity to refinance debt at maturity.
The risk profiles correlated with the guarantees given are associated with any defaults on the underlying loan contracts and, consequently, the possibility that lenders may, through the contract remedies available, enforce guarantees to protect their credit rights, accordingly negatively impacting the Nexi Group's economic, equity and financial position.
The risk is limited by clauses in the contracts that come under the "standard" conditions used in similar transactions.

The Group is exposed to the risk that significant changes may take place to interest rates and the policies adopted to neutralize such changes may prove to be inadequate. The fluctuation of interest rates depends on various factors, which are outside the Group's control, such as monetary policies, macroeconomic performance and economic conditions and political uncertainty in Italy.

Changes in interest rates impact the market value of the company's financial assets and liabilities and the level of interest expenses, as some of the loans subscribed are variable rate. In this regard, as at December 31, 2019, the Group is exposed for a significant percentage to sources of funding at a variable interest rate; more specifically, 55% of the amount of funding sources used, which represent financial debt, is index-linked to the variable interest rate: more specifically, it is an IPO Term Line for Euro 1,000 million. Although not representing financial debt, both the factoring agreement and most of the bilateral facilities, are also index-linked to the variable interest rate.
Please note that as at the date of these Notes, the Group has not subscribed any instruments to hedge the interest rate risk, which are periodically analyzed and measured.

Furthermore, the Group has credit facilities which it deems sufficient, in terms of operational modalities and amounts, to cover the financial needs of its working capital requirements, specifically:
(1) a factoring agreement entered into by Nexi Payments and Unicredit Factoring S.p.A. valid for the majority of the working capital generated on a ongoing basis by the issuing of charge cards under the licensing model. Such agreement governs the transfer of Nexi's account receivables whose default risk is taken by partner banks;
(2) a series of bilateral credit facilities with different technical forms (hot money, committed, revolving, etc.) to cover acquiring activities, receivables from issuing activity not covered by the factoring agreement or by revolving credit facilities (as defined below) and other potential short-run operational funding needs;
(3) bilateral credit facilities aimed at covering receivables from issuing activities that are paid in instalments upon request of cardholders (revolving credit facilities).

It is not possible to rule out that, in the future, Nexi Group might have to replace - for any reason whatsoever - one or more of its major lenders of such credit facilities and that such potential circumstance may entail greater charges and costs and/or result in discontinuity and/or delays in the provinsion of services, also due to the time needed to complete the replacement, which could be prejudicial to the operations of Nexi Group.

The Group has set up procedures aimed at identifying, monitoring and managing the liquidity risk, which include (a) weekly monitoring of the interest rates market curve to which the debt is indexed, the performance of its listed securities and the country risk, as well as other macroeconomic market indicators; (b) periodic alignments with research departments of leading banks on the outlook for the financial market; (c) analysis of possible hedging strategies of interest rate risk through derivatives.

With reference to the interest rate risk, it is worth stressing that, given the unique nature of Nexi Payments business, exposures are mostly concentrated in the "within one month" category and therefore with minimum exposure to risk, except for exposures related to revolving cards, which have an average maturity of ten months. Exposure to this type of risk can be considered substantially irrelevant.

GENERAL ASPECTS, MANAGEMENT PROCEDURES AND METHODS USED TO MEASURE THE LIQUIDITY RISK

Items / Time ranges	at sight	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 year	Over 5 years	Open terms	Less than 12 months	Over 12 months
Cash liabilities												
B.1 Financial liabilities due to:												
- Banks	107,211	836,623									959,490	992,582
- Financial entities and customers	11,728	306,803	497	-	39,772	845	1,665	2,229	2,764	-	364,310	4,993
- Securities issuedi								819,014				819,014

Market risk (price, exchange)

Nexi is exposed to the risk of unfavorable movements in the price of Class C Visa Shares (convertible into Class A Visa Shares at a variable conversion factor according to the expenses deriving from the potential liabilities of the former Visa Europe, acquired by Visa Inc.), held in the HTCS portfolio, as well as negative effects on the value of the securities due to movements in the EUR/USD exchange rate. Until September 2019, these risks have been partially mitigated by a hedging derivative (collar). As at the reference date of these Notes, on the basis of the current and prospective Fair Value and VaR measurements of the securities in the context of the reference markets, also in respect to the costs of the derivative, it is considered not appropriate to renew said hedging; the faculty is, however, reserved to proceed with a new hedging in the event of a probable reduction in the value of the securities with respect to the hedging objective.
The Group companies are also marginally exposed to the foreign exchange risk, insofar as the payments and collections, respectively for transactions to be paid or collected in relation to the Mastercard and Visa schemes, are denominated in euros.

Operational risk

The Group may incur liability and, therefore, may suffer damages, including to its reputation, in connection with fraudulent digital payment transactions, fraudulent loans made by merchants or other subjects or fraudulent sales of goods or services, including fraudulent sales made by Group merchants under the scope of the Cards & Digital Payments and Merchant Services & Solutions business lines.

Examples of fraud may include the intentional use of a stolen or counterfeit debit or credit card, payment card number or other credentials to book a sale or false transaction by merchants or other parties, the sale of counterfeit goods, the intentional failure to deliver goods or services sold under the scope of a transaction that is otherwise valid. Failure to identify thefts and the failure to effectively manage fraud risk and prevention may increase the Group's charge-back liability or cause the Group to incur other liability, including fines and sanctions.
More specifically, please note that the main risk of external fraud consists of fraud in the issuing sector, which in 2019 account for 0.08% of spending by cardholders (gross fraud).

In order to cope with the risks, Nexi has equipped itself with a specific framework for the identification, management and monitoring of risks, comprising policies, processes, organizational measures and instruments. This framework incorporates the national and international regulatory provisions and requirements and best practices for the development and update of supporting methods and instruments.
The Group has sophisticated systems in place for the control and detection of transactions and suitable organizational measures to prevent fraud and control risk management.

Considering the high degree of technological innovation of the services supplied by the Group and the relevance in terms of managing sensitive payment-related data, specific policies and methods have been defined to identify and manage the IT risk (including the cybersecurity risk) and developed specific organizational measures under the scope of the Information Security Management System for line controls and risk management control.
The operational risk is also mitigated through specific insurance cover.

Reputational risk

Reputational risk is defined as the current or prospective risk of a loss, a downturn to the business volume or profits or a decline in the value of the security, deriving from a negative perception of the Group's image by customers, counterparties, shareholders, investors or competent Supervisory Authorities; such events may also impact Nexi's capacity to maintain, or establish new, business relations and to continue to access funding resources, including through the capital markets or banking channel.

In consideration of the relevance of the reputational risk and negative effects that may ensue, the Group has developed specific measures aimed at preventing risk factors (operational and compliance) that may impact the Group's reputation, including:
- AML measures;
- privacy measures;
- measures to monitor and control IT risks;
- business continuity management measure;
- measure for managing the brand and communication for the "Nexi" brand payment card products;
- crisis management measure (task force to handle the reputational risk);
- measures for second-level compliance and operational risk controls and monitoring ("Risk Management").

In addition to the foregoing, the Group takes continuous action to prevent and monitor the effects on the Group's reputation (with specific reference to the company Nexi Payments SpA, holders of the "Nexi" brand), including: (i) the assessment of reputational risk deriving from the periodic assessment of compliance and process operational risk; (ii) the assessment of the potential reputational risk during the design of new services/products; (iii) the assessment of the potential impacts on reputation in the event of operative "incidents"; (iv) a reputational risk monitoring dashboard; (v) a dashboard for monitoring the behavioral risk.

Credit risk

The Group is exposed to the credit risk as specified hereto.

Credit risk in the exercise of the acquiring business

The settlement between counterparties, performed in the exercise of the role of acquirer, means that the merchant-customer receives the funds before the Group receives them:
(i) from the factor, for the receivables generated by cards issued by the Group under the factoring contract;
(ii) from the banks of the cardholders, for all other receivables generated by cards issued by the Group and not covered by the factoring agreement;
(iii) and/or from the international schemes of payment cards for cards issued by other issuers.

Moreover, as regards the acquiring services supplied by means of traditional and referral license contracts, as acquirer, the Group is exposed to the counterparty risk stemming from the amounts paid to merchants before the goods or services have been supplied to the consumer or challenged by the cardholder. In this case, the amount of the transaction is generally charged back to the merchant and the purchase price is reimbursed by the Group, as acquirer, to the cardholder.

The Group is also subject to the credit risk for (a) the amount of the international payment card scheme commissions and (b) its commission due by merchants. When the acquirer pays the customers-merchants the amount of transaction payment, it does not always deduct the commission envisaged, but in some cases debits them later, on a monthly basis. If the merchant should refuse or delay payment of such receivables, the Group may suffer the relevant loss.

Credit risk in the exercise of the issuing business

The Group's Supervised Companies, as issuers, grant credit to cardholders in order to finance purchases made using the payment cards of such customers.
Collection times in regard to cardholders depend on the type of card used. If the purchase is made with a debit card, issuer exposure is not envisaged; vice versa, with charge cards, the issuer is exposed for an average period ranging between 15 and 45 days.
If the cardholder is not able to pay off the balance, due to bankruptcy or insolvency, the partner bank ensures reimbursement of the amounts due by it. In the event of partner bank insolvency, the issuer can seek to recover the amounts directly from the cardholders.
In this regard, please note that even in the event of a block to the card of an insolvent holder, the partner bank remains liable for any insolvencies for spending in the following 5 days. Once these 5 days have passed, if the issuer has not blocked the card, any additional amounts (or spending from the sixth day onwards) are the responsibility of the issuer.

Credit risk in the exercise of servicing and "associate" activities

In the event of agreements with banks in the "servicing" and "associate" model, the Group is exposed to the counterparty risk for the services rendered and the credit risk linked to the POS and ATM management service with the merchants and customer banks of such services.

Credit risk monitoring

Credit risk is monitored constantly, verifying that exposures come within the pre-set budget limits at the start of each year. Careful scoring is also prepared before any agreements are drawn up with new merchants or new cardholders for Direct Issuing.
The Risk Management Department constantly monitors the performance of the credit risk, activating, in the event of an overrun, the suitable escalation measures.
In order to control and measure the risk, specific maximum limits are set to gross and net insolvency and the related incidence on spending, monitored constantly together with the performance of expected losses with respect to effective losses recognized and the performance of losses incurred in connection with business performance. The credit risk control is also carried out by means of the preventive activity of level one functions, starting with the credit investigation and analysis process, and is structured into:
- internal auditing;
- consistency checks;
- positive and negative Credit Bureau use;
- Credit Scoring algorithm.

A second process relevant to credit risk is the monitoring and collection of debt from merchants and holders, designed to limit the impact of the risk events.
In connection with the servicing activities, the Group has no direct credit risks in regard to retail customers insofar as its business is focused on Issuing servicing and Acquiring servicing. Therefore, the credit risk lies with the banks holding the Issuing and/or Acquiring license.
As in previous years, no highly critical situations have been recognized in regard to this risk type, with respect to the limits defined.

Breakdown of financial assets by portfolio and credit quality (Carrying amounts)

Portfolios/Quality	Non-performing exposures	Probable default	Impaired past due exposures	Unimpaired past due exposures	Other unimpaired exposures	Total
1. Financial assets measured at amortized cost		1,677	13	29,968	1,564,051	1,595,709
2. Financial assets measured at Fair Value through OCI					118,581	118,581
3. Financial assets at Fair Value to profit and loss						-
4. Other financial assets mandatorily valued at Fair Value						-
5. Non-current assets held for sale and discontinued operations					2,262	2,262
Total December 31, 2019	**-**	**1,677**	**13**	**29,968**	**1,684,895**	**1,716,552**
Total December 31, 2018	**-**	**942**	**7**	**323**	**1,847,792**	**1,849,064**

Breakdown of financial assets by portfolio and credit quality (Gross and net amounts)

Portfolios/Quality	Impaired				Not Impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total Write-off *	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortized cost	9,001	7,311	1,690		1,596,085	2,066	1,594,019	1,595,709
2. Financial assets measured at Fair Value through OCI					118,581	-	118,581	118,581
3. Financial assets at Fair Value to profit and loss								
4. Other financial assets mandatorily valued at Fair Value								
5. Non-current assets held for sale and discontinued operations					2,262	-	2,262	2,262
Total December 31, 2019	**9,001**	**7,311**	**1,690**	**-**	**1,716,929**	**2,066**	**1,714,862**	**1,716,552**
Total December 31, 2018	**5,922**	**4,973**	**949**	**-**	**1,849,822**	**1,707**	**1,848,115**	**1,849,064**

* Value to be displayed for information purposes.

Loans and receivables with banks on and off-statement of financial position: gross and net values

Exposure categories/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not Impaired			
A. Cash credit exposure					
a) Non-performing exposures		X			
- of which: exposures subject to grant		X			
b) Probable default		X			
- of which: exposures subject to grant		X			
c) Impaired past due exposures		X			
- of which: exposures subject to grant		X			
d) Unimpaired past due exposures	X			-	
- of which: exposures subject to grant	X				
e) Other unimpaired exposures	X	507,024		507,024	
- of which: exposures subject to grant	X				
Total A	**-**	**507,024**	**-**	**507,024**	
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	
Total (A+B)	**-**	**507,024**	**-**	**507,024**	

* Value to be displayed for information purposes.

Loans and receivables with customers and financial entities on and off-statement of financial position: gross and net values

Exposure categories/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not Impaired			
A. Cash credit exposure					
a) Non-performing exposures	2,264	X	2,264	-	
- of which: exposures subject to grant		X			
b) Probable default	6,718	X	5,047	1,671	
- of which: exposures subject to grant		X			
c) Impaired past due exposures	3	X		3	
- of which: exposures subject to grant		X			
d) Unimpaired past due exposures	X	368		368	
- of which: exposures subject to grant	X				
e) Other unimpaired exposures	X	1,088,660	2,017	1,086,643	
- of which: exposures subject to grant	X				
Total A	**8,985**	**1,089,028**	**9,328**	**1,088,685**	**-**
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**8,985**	**1,089,028**	**9,328**	**1,088,685**	**-**

* Value to be displayed for information purposes.

On-balance-sheet exposures to customers and financial institutions: trends in gross impaired exposures

Categories	Non-performing exposures	Probable default	Impaired past due exposures
A. Initial Gross exposure	**2,183**	**3,724**	**7**
- of which: transferred exposures not derecognized			
B. Increases	**2,351**	**5,552**	**3**
B.1 Income from unimpaired exposures	1,605	165	3
B.2 Income from impaired financial assets acquired or originated of impaired exposures			
B.3 Transfer from other impaired exposure categories		1	
B.4 Contractual changes without cancellation			
B.5 Other increases	746	5,386	
C. Decreases	**2,270**	**2,558**	**7**
C.1 Outflows to unimpaired exposure			
C.2 Write-off			
C.3 Collections	201		6
C.4 Gain for sale			
C.5 Loss for sale	1,888	2,558	
C.6 Transfer to other impaired exposure categories			1
C.7 Contractual changes without cancellation			
C.8 Other decreases	181		
D. Final Gross exposure	**2,264**	**6,718**	**3**
- of which: transferred exposures not derecognized			

On-balance-sheet impaired exposures to customers and financial institutions: trends in comprehensive value adjustments

	Non-performing exposures		Probable default		Impaired past due exposures	
Categories	**Total**	**of which: exposures subject to grant**	**Total**	**of which: exposures subject to grant**	**Total**	**of which: exposures subject to grant**
A. Initial Gross Adjustments	**2,183**		**2,790**			
- of which: transferred exposures not derecognized						
B. Increases	**2,089**		**4,815**			
B.1 Value adjustments from impaired financial assets		X		X		X
B.2 Other value adjustments						
B.3 Loss for sale						
B.4 Transfer from other impaired exposure categories						
B.5 Contractual changes without cancellation		X		X		X
B.6 Other increases	2,089		4,815			
C. Decreases	**2,009**		**2,558**			
C.1 Decreases						
C.2 Value recoveries						
C.3 Gain for sale						
C.4 Write-off						
C.5 Transfer to other impaired exposure categories						
C.7 Contractual changes without cancellation		X		X		X
C.8 Other decreases	2,009		2,558			
D. Final Gross Adjustments	**2,264**		**5,047**			
- of which: transferred exposures not derecognized						

Interest rate risk

In relation to the specific business of Nexi Payments, positions are concentrated in the "within one month" class and, therefore, with minimum exposure to risk, with the exception of exposures linked to revolving cards, whose average residual life is 10 months. Exposure to this type of risk can be considered basically irrelevant.
The other Group companies are not exposed to this type of risk.

Foreign exchange risk

Group companies are only marginally exposed to the foreign exchange risk, insofar as the payments and collections, respectively for transactions to be paid or collected in relation to the Mastercard and Visa schemes, are denominated in euros.

Quantitative information

Breakdown of assets, liabilities and derivatives by currency

	Currency					
Captions	**US Dollar**	**Pound Sterling**	**Yen**	**Canadian Dollar**	**Swiss Franc**	**Other currencies**
1. Financial assets	**118,921**	**209**	**163**	**84**	**96**	**260**
1.1 Debt instruments						
1.2 Equity instruments	118,478					
1.3 Loans and receivables	444	209	163	84	96	260
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**16**	**0**	**-**	**3**	**3**	**55**
3.1 Liabilities	16	0	-	3	3	55
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives	**0**					
5.1 Long positions						
5.2 Short positions	0					
Total assets	**118,921**	**209**	**163**	**84**	**96**	**260**
Total liabilities	**16**	**0**	**-**	**3**	**3**	**55**
Difference (+/-)	**118,905**	**209**	**163**	**81**	**93**	**205**

38. Statement of Comprehensive Income

(Amount in Euro thousand)

Captions	2019	2018
Profit (Loss) for the year	**136,086**	**36,683**
Items that will not be reclassified subsequently to profit or loss		
Financial assets at Fair Value through OCI		
a) Fair Value variances	18,546	55,883
b) transfers to other equity components		
Hedging of equity instruments designated at Fair Value through OCI		
a) Fair Value variances (hedged instrument)	(42,935)	(16,557)
b) Fair Value variances (hedging instrument)		
Defined benefit plans	(977)	780
Income taxes related to high income components without profit and loss reversal	1,959	(2,946)
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges:		
a) Fair Value variances	(222)	222
b) income statement reversal		
c) other variances		
Income taxes related to high income components with profit and loss reversal	61	(61)
Other comprehensive income (net of tax)	**(23,567)**	**37,321**
Comprehensive income (Captions 10 + 190)	**112,519**	**74,004**
Comprehensive income attributable to non-controlling interests	**643**	**1,209**
Comprehensive income attributable to the owners of the parent	**111,876**	**72,795**

39. Related parties

The purpose of international accounting standard no. 24 (Related party disclosure) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the equity-financial position and economic results may have been altered by the existence of related parties and transactions and balances applicable with said parties.
In accordance with these indications, applied to the organizational structure and governance of the Nexi Group, the following are considered as related parties:

a) the direct Parent Company, Mercury UK;
b) all entities that, directly or indirectly, including through subsidiaries, fiduciaries or intermediaries, control, individually or jointly, Mercury UK, or hold an investment in Mercury UK that is such as to be able to exercise significant influence over it;
c) the subsidiaries or entities under the joint control of the entities listed at the point above;
d) the subsidiaries, associates or entities under the joint control of Nexi SpA;
e) key management personnel of the Nexi Group and its direct Parent Company and its subsidiaries, entities under its joint control or subject to its significant influence;
f) close family members of the natural persons included under letters b) and e) above;
g) the complementary pension fund established in the favor of employees of Nexi SpA or its related entities.

39.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

Below are the fees paid, in the reference period, to the Administrative and Control Bodies and the key management personnel.

(Amount in Euro thousand)

	Directors	Board of Statutory auditors	Executives holding strategic responsibility
Corporate bodies remuneration	1,010	549	-
Short-term benefits	-		8,215
Benefits subsequent to the termination of employments	-		418
Other long-term benefits	-		-
Indemnities for termination of employment Payments Based on actions (stock plan)	-		-
Total	**1,010**	**549**	**8,633**

39.2 INFORMATION ON RELATED-PARTY TRANSACTIONS

The effects of transactions with related parties, over and above the fees described above, are shown in the summary table below:

(Amount in Euro thousand)

	Controlling company	Other related parties	Directors, Executives and other monitoring bodies
Cash and cash equivalents		**115,362**	
Financial assets measured at amortized cost		231,803	
Intangible assets		5	
Other Assets		58,305	
Financial liabilities measured at amortized cost		0	
Other liabilities		24,636	
Fee for services rendered and commission income		15,650	
Fee for services received and commission expense		2,732	
Interest and similar income		0	
Interest and similar expense		2,516	
Other administrative expenses		7,434	

It is specified that these contracts are regulated by the terms and conditions in line with market procedures.

The main contracts in place with related parties refer to the following relations entertained during the year with DEPObank (included in the category "other related parties"):

- outsourcing contract for the supply of IT services by Nexi Payments SpA, in the favor of DEPObank. The price varies according to the effective use of internal and external resources;
- agreement for the provision of commercial services that defines the terms and conditions on which basis Nexi Payments SpA offers its customers the products and services of DEPObank through its commercial network. The price, identified upon completion of a market benchmark check, is correlated with the annual business volumes accrued by DEPObank as a result of the commercial activity of Nexi Payments SpA. The contract was renegotiated in 2019, extending the deadline and reviewing the prices;
- credit mandate contract whereby DEPObank provides a financing service through the advance of the daily settlement of issuing/acquiring transactions relative to servicing and associate banks. The price is measured to market conditions in place as at the contract stipulation date;
- outsourcing contract whereby Nexi Payments SpA supplies DEPObank with a clearing service and accounting activities relative to a specific contract. The price is measured to the effective use of internal resources;
- deed of assessment stipulated with DEPObank, aimed at considering the effects deriving from the results of the query raised in respect of the tax asset pertaining to Nexi as a result of the spin-off;
- credit facility granted by DEPObank, used as a current account overdraft to manage the financial needs and guarantees. The contract is regulated by conditions in line with market conditions;
- current account contracts held with DEPObank. The contract is regulated by conditions in line with market conditions.

40. Share-based payments

40.1 STOCK GRANT

Mercury UK HoldCo Ltd ("Mercury UK") has adopted two incentive plans (the "Plans"), with Nexi SpA ("Nexi") shares as underlyings.

The Plans are reserved to certain selected employees (the "Beneficiaries") of Nexi Payments SpA, Help Line SpA and Mercury Payment Services SpA (together with Nexi, the "Group").

In accordance with the Plans, subsequent to the onset of a "Liquidity Event" (as defined below), Beneficiaries are assigned free of charge a certain number of Nexi Shares, subject to the achievement by Advent, Bain Capital and Clessidra (indirect shareholders of Mercury UK and Nexi, the "Funds") of a pre-defined level of return on the indirect investment in Nexi. Participation in the Plans is established on a discretionary basis and no Group employee has the contractual right to participate in the Plans or receive any guaranteed benefits.

In accordance with the Plans, the term "Liquidity Event" is used to refer to any of the following events:
- any event in which the Funds cease holding, directly or indirectly, separately or jointly, control over Nexi; or
- a Nexi IPO followed by the transfer by Mercury UK of a portion representing at least 20% of Nexi's share capital.

The Plans give Beneficiaries the right to receive free of charge a certain number of Nexi shares (the "Benefit in Shares"), for which Beneficiaries are not required to pay any strike price. The Benefit in Shares consists of ordinary shares in Nexi for which no restrictions are envisaged, neither to voting rights nor to the distribution of dividends.
The Benefit in Shares is subject to a period of deferral.

More specifically, for some Beneficiaries, the shares are assigned as follows:
- 50% of the Benefit in Shares is assigned at the date of the "Liquidity Event" or on the days that immediately follow;
- 25% of the Benefit in Shares is assigned after the first anniversary of the "Liquidity Event";
- 25% of the Benefit in Shares is assigned after the second anniversary of the "Liquidity Event".

For other Beneficiaries, however, the Plan envisages delivery of 100% of the Benefit in Shares with a deferral period of at least 100 days from the "Liquidity Event".

In all cases of termination of the contract of employment before the first date of share assignment in accordance with the Plans, the Beneficiary forfeits the right to receive the entire Benefit in Shares. In the event of termination of the contract of employment after the first date of share assignment for certain selected causes not the fault of the Beneficiary, if the Benefit in Shares is deferred in multiple tranches, the Beneficiary maintains the right to the assignment of part of the deferred Benefit in Shares (on a *pro-rata temporis* basis throughout the deferral period). By contrast, in all other cases of suspension of the contract of employment (other than those specified above), after the first assignment date, the Beneficiary forfeits the right to the assignment of the deferred Benefit in Shares.

As a result of the April 16, 2019 listing of Nexi SpA, the "Liquidity Event" has occurred in accordance with the Plans and, consequently, the Beneficiaries have accrued the right to the assignment of all, or, as applicable, part of the Benefit in Shares.

The total number of Nexi shares reserved to the Plans is equal, in all, to 7,022,218, of which 3,697,870 already accrued and definitively assigned to the Beneficiaries.

Below is a report on the shares allocated to the Plans:

Description	Number of shares
Total shares allocated to the Plans	7,022,218
Shares assigned definitively in accordance with the Plans in 2019	(3,697,870)
Shares forfeited from the Plans in 2019	(82,524)
Premiums in place as at December 31, 2019	**3,241,824**

On the basis of that envisaged by IFRS 2, although not having made any commitments to Beneficiaries, as the Nexi Group is the entity that receives the services (the "receiving entity"), it must book, in its consolidated financial statements, the Plans in question on the basis of the accounting rules envisaged for the "plans settled with equity instruments".

More specifically, IFRS 2 establishes that, in the plans settled with equity instruments with employees, the entity must:
- measure the cost for the services it has received on the basis of the Fair Value of the representative instruments as at the assignment date;
- book the Fair Value of the services received, throughout the accrual period, making a counter-entry as an increase in Equity on the basis of the best estimate available of the number of equity instruments expected to accrue;
- review this estimate, if the subsequent information indicates that the number of equity instruments to be accrued differs from previous estimates.

The Fair Value of the "Stock Grant" Plan has been determined taking into account the price of the IPO, which has also determined the time of delivery to most Beneficiaries of 50% of the granted shares and that, considering the short space of time that has passed between the assignment of the shares and the IPO, is considered a consistent indicator in terms of representing the share value at the grant date.

On this basis, the Plan generates a total cost over the entire duration of the plan, of Euro 63 million, recognized to the consolidated financial statements throughout the vesting period, in accordance with the provisions of IFRS 2. The cost pertaining to 2019 is approximately Euro 51.4 million.

40.2 LONG TERM INCENTIVE

In 2019, the medium/long-term incentive Plan was implemented, as approved by the Shareholders' Meeting on March 12, 2019, in implementation of the remuneration policy adopted by the Company by Board of Directors' resolution passed on February 13, 2019. This plan, according to the provision of IFRS 2 described above with reference to the Stock Plan, must be accounted for as a transaction with employees to be settled with equity instruments of the entity.

The Plan is structured into three cycles, each with a three-year duration (2019-2021/2020-2022/2021-2023) and envisages the assignment of rights to receive ordinary shares in the Company once a year. These shares are not subject to any restrictions to voting rights or dividend distribution. As at the date of these financial statements, the first cycle of the Plan has already been assigned, in regard to which a vesting period is envisaged, ending on December 31, 2021. More specifically, the process of assigning the rights to receive shares concluded on July 19, 2019 for the employees on the workforce on the listing date, and on September 30, 2019 for those hired thereafter. These dates are the grant dates in terms of IFRS 2.

The rights to be assigned in the context of the LTI plan are divided up into:
- Performance Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) only upon achieving predetermined business performance objectives, referring to a specific period of time; and
- Restricted Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) regardless of whether or not the predetermined business performance objectives are achieved. These rights will accrue after the vesting period, subject to the beneficiary remaining in the Company.

A condition for the accrual of the rights and, therefore, the attribution of the shares for both the types described above is that the employee remains in service until the delivery date of the share attribution letter.

More specifically, with reference to the Performance Share Rights:
- accrual is first and foremost subject to achieving - at the end of the Vesting Period of each Cycle - at least 80% of the Operating Cash Flow Target (the "Entry Gate");
- once the Entry Gate is satisfied, accrual of Performance Share Rights is also subject to achieving specific objectives at the end of the related Vesting Period, comprising two components:
  - a market-based component, linked to the achievement of objectives related to the performance of the market price of Nexi shares with respect to a benchmark, during the measurement period (weighing for 50%). The benchmark is determined as the mathematical average of three market indicators identified in the Plan regulation;
  - a non market-based component, linked to the achievement of the Company's performance objectives in terms of Operating Cash Flow (weighing for 50%).

Below is the evolution of the number of rights assigned:

Description	**No. Performance Shares Rights**	**No. Restricted Shares Rights**	**Total**
Outstanding rights at the grant date	839,512	390,210	1,229,722
Accrued rights in 2019			
Forfeited rights in 2019	(979)	(2,285)	(3,264)
Outstanding rights as at December 31, 2019	**838,533**	**387,926**	**1,226,458**

The rights assigned were measured, reflecting the financial market conditions valid as at the grant date.
Determination of the total plan value, as established by IFRS 2, is impacted by the number of rights that will accrue in accordance with the rules set out by the performance and Fair Value conditions of each right.
Measurement was carried out considering the two components of the Performance Shares and Restricted Shares included in the plan, separately. Moreover, within the Performance Share component, consideration was given to the presence of the above specific objectives.

More specifically, the market-based component was estimated using the stochastic simulation and the Monte Carlo Method, which takes suitable hypotheses that made it possible to define a considerable number of alternative scenarios within the time frame considered. More specifically, in each scenario, the projection of the share price is carried out as of the initial value, according to a geometric Brownian motion. This hypothesis shows:

$$\Delta S = \mu \cdot S \cdot \Delta t + \sigma \cdot S \cdot \varepsilon \cdot \Delta t$$

and, therefore, the variation of the price of the share S, in a given time frame, depends on the average variation expected (μ) and its variability (σ), as well as on a random parameter (ε), with normal standardized distribution. An expected dividend yield of zero has also been hypothesized in the period 2019-2021, also due to the choices made by the Company's Board of Directors in terms of the distribution of dividends on 13 February 2019. Simulations were prepared hypothesizing a risk-free rate in the Nexi share return, assumed from market sources at the reference date as 1% per year, and a security volatility of 25% (reasonable estimate on the basis of historic volatility calculated with reference to the measurement date).
For these components, the unit value at the grant date is Euro 11.9 and Euro 11.6 respectively with reference to the shares assigned on July 12, 2019 and September 30, 2019.

As regards the hypothesis of the beneficiaries leaving, a null annual exit probability was considered.

The non-market-based component, on the other hand, is a condition that, according to accounting standard IFRS 2, must not be measured at the time of assignment, but rather updated periodically at each reporting date, so as to take into account the expectations in relation to the number of rights that may accrue. For these components, the unit Fair Value is Euro 9.57.

The total cost of the plan has been estimated as approximately Euro 12.7 million, which, as mentioned, has been split throughout the vesting period. The portion accrued and recognized to the 2019 financial statements is approximately Euro 2.4 million.

41. Business combinations

41.1 TRANSACTIONS IMPLEMENTED DURING THE YEAR

In 2019, no business combinations took place.

41.2 RETROSPECTIVE ADJUSTMENTS

Reconciliation of goodwill during the measurement period

In 2019, the Purchase Price Allocation (PPA) was completed, connected with the business combination relative to the Banca Carige book acquiring, carried out in the second half of 2018.

Below are the effects of the PPA on "Goodwill".

Carige acquiring book	Provisional Fair Value	Adjustments	Definitive Fair Value
Consideration transferred	**23,422**	**-**	**23,422**
Contingent consideration	**-**	**-**	**-**
Consideration transferred attributable to non-controlling interests	**(262)**	**46**	**(216)**
Intangible assets	-	3,997	3,997
Tax assets	-	-	-
Other Assets	716	-	716
Other liabilities	(5)	-	(5)
Identifiable net assets	**710**	**3,997**	**4,707**
Goodwill	**22,449**	**(3,951)**	**18,499**
Consideration transferred	23,422	-	23,422
Cash acquired	-	-	-
Net consideration	**23,422**	**-**	**23,422**

42. Group funding transactions

42.1 ISSUE AND REIMBURSEMENT OF DEBT INSTRUMENTS

The Group's financial structure changed significantly in 2019, mainly due to the listing of ordinary shares of Nexi SpA on the telematic stock market organized and managed by Borsa Italiana SpA.

More specifically, all debenture loans issued in 2018 under the scope of the Group corporate reorganization project have been fully redeemed, for a nominal value of Euro 2,600 million:

i. on May 31, 2019, the debenture loan "Senior Secured Floating Rate Notes" was redeemed, worth Euro 1,375 million, with quarterly variable-rate coupon equal to the period Euribor 3 months, increased by a spread of 3.625% per year and original maturity on May 1, 2023 (the "Variable Rate Public Debenture Loans");

ii. on July 2, 2019, the debenture loan "Senior Secured Floating Rate Notes" was redeemed, worth Euro 400 million, with quarterly variable-rate coupon equal to the period Euribor 3 months, increased by a spread of 3.625% per year and original maturity on July 2, 2024 (the "Private Debenture Loans");

iii. on October 21, 2019, the debenture loan "Senior Secured Fixed Rate Notes" was redeemed, worth Euro 825 million, with a six-monthly fixed-rate coupon of 4.125% per year and original maturity on November 1, 2023 (the "Fixed Rate Original Public Debenture Loans" and, together with the Variable Rate Public Debenture Loans and the Private Debenture Loans, the "Original Debenture Loans").

Redemptions of the Original Debenture Loans have been financed using both the cash freely available at the Parent Company Nexi SpA, mainly deriving from proceeds linked to the listing on the telematic stock market as described above, and the proceeds connected with new issues of debt instruments, concluded during the year just ended.
More specifically, in 2019, the following debt securities were issued for a nominal value of Euro 2,175 million, of which Euro 1,825 million were used as at December 31, 2019:

i. a syndicate loan granted by a pool of leading banks, lasting five years (the "IPO Loan"). The IPO Loan consists of two facilities:
   a. a credit facility worth Euro 1,000 million (the "IPO Term Facility"), fully drawn as at 31 December 2019, maturing as a lump sum on May 31, 2024;
   b. a revolving credit facility of Euro 350 million, with the same maturity as the IPO Term Facility, which can be used for multiple purposes and in multiple tranches, terms and currencies (the "IPO Revolving Facility"). The IPO Revolving Facility, which has replaced a similar revolving credit facility in the amount of Euro 325 million, previously granted in the favor of the Nexi Group, together with the issue of the Original Debenture Loans, has never been used and is therefore still available in full as at today's date;

ii. the October 21, 2019 issue of a new "Senior Fixed Rate Notes" debenture loan worth a nominal Euro 825 million, with six-monthly fixed-rate coupon of 1.75% per year and maturing on October 31, 2024 (the "Fixed Rate Public Debenture Loans").

Following the above redemptions, as at the date of this report, Nexi's financial debt is no longer backed by collateral.

In line with financing transactions of similar nature and complexity, the IPO Loan Agreement envisages compliance by Nexi SpA, Nexi Payments SpA and Mercury Payment Services SpA (jointly the "Obligors") with certain obligations, including, in particular:

i. financial maintenance covenant: at each "test date" (i.e. June 30 and December 31 of each year), starting June 30, 2020, respect for a financial leverage ratio (essentially the ratio of net debt and consolidated EBITDA), which will be tested with regard to the consolidated and separate financial statements and consolidated interim reports, which must not initially exceed 5.75:1 and reduces over time;

ii. negative pledge: each Obligor must abstain from establishing or allowing for the continuation of collateral over its assets, with the exception of certain guarantees and restrictions that are expressly permitted in accordance with the IPO Loan Agreement;

iii. ban on carrying out any spin-off, merger or corporate restructuring, other than the transactions specifically permitted by the IPO Loan Agreement.

Please note that as at the reporting date, all obligations laid down in the IPO Loan Agreement, as described above, had been fulfilled.

The terms and conditions of the Fixed Rate Public Debenture Loans are regulated by a contract governed by the law of the State of New York called "Indenture" and dated October 21, 2019 (the "Indenture"). In line with the financing transactions of similar nature and complexity, the Indenture envisages the fulfilment of certain obligations by Nexi SpA, similar to those included in the IPO Loan Agreement. Nonetheless, there are no financial maintenance covenants in the Indenture.

42.2 FACTORING

On June 26, 2018 and with start date of July 1, 2018, Nexi Payments SpA stipulated a factoring agreement with UniCredit Factoring SpA (the "Factor") for the continuous sale of present and future pecuniary claims deriving for the most part (approximately 93% in terms of current items) from charge cards issued in agreement with the partner credit institutions.

The contract envisages three credit facilities:

- a credit facility for the daily final and without recourse transfer, for a maximum of approximately Euro 2,900 million as at today's date, of receivables arising from card use and guaranteed by a predefined list of banks and identified by the Factor on the basis, amongst others, of the risk profile associated with each bank; this credit facility entails the derecognition of receivables with reference to which the entity has fully transferred all risks and benefits to the Factor;
- a credit facility for the with recourse advance of receivables arising from use of the cards and guaranteed by banks other than those of the previous facility, for a maximum of approximately Euro 300 million as at today's date. This credit facility, not determining the derecognition of the receivables underlying the transaction, entails the booking of a payable on the financial statements that is measured at amortized cost;
- a receivable advance facility (or "bridge") of Euro 200 million, to be used exclusively in the event of any time differences from when the transaction is debited to the cards issued by the Group and when the related receivable due from the cardholder is transferred to the Factor. As at December 31, 2019, this facility is not used.

The above transaction is rolling in nature and envisages the daily transfer, in accordance with the law on factoring (52/91 as subsequently amended and supplemented) of all present and future receivables that arise in connection with the use of the charge cards in accordance with current agreements (the "Agreements") stipulated with the partner banks selected by the Factor. The grounds for exclusion from the transfer concerned by the Factoring Agreement include, primarily: (i) failure to assume the risk of debtor default by the related partner banks in accordance with the Agreements; (ii) the presence of repayment extensions deriving from the use of both charge and revolving credit cards, or the provision for payment of the balance in instalments; and (iii) the presence of cards not regulated financially by means of SDD.

With reference to the reporting date, the receivables transferred, for which derecognition has been applied, amount to Euro 1,845 million, the Payable to the Factor for the with recourse facility comes to Euro 193.4 million and the Payables to the Factor for balance, Euro 113.3 million.

43. Earnings per share

The share capital of Nexi SpA is made up entirely of ordinary shares.
The earnings attributable to them is determined taking into account the value of the unitary dividends proposed, which for 2019 are zero, and then splitting the residual portion - in the theoretical hypothesis of its full assignment - equally amongst all shares in issue.
The indicator "Earnings per share" (or "EPS") is presented on both basic and diluted basis: the basic EPS is calculated by considering the ratio of profit theoretically attributable to shareholders to the weighted average of the shares issued, whilst the diluted EPS also takes into account the effects of any future issues.

Additionally, as envisaged by IAS 33, below are details of earnings per share, deriving from the result of the continuing and discontinued operations:

Basic earnings per share	**2019**	**2018**
Profit from continuing operations attributable to the Group's ordinary shares	0.06	0.08
Income (Loss) after tax from discontinued operations	0.16	(0.01)
Basic earnings per share	**0.22**	**0.07**
Diluted earnings per share	**2019**	**2018**
Profit from continuing operations attributable to the Group's ordinary shares	0.06	0.08
Income (Loss) after tax from discontinued operations	0.16	(0.01)
Diluted earnings per share	**0.22**	**0.07**

Result attributed to ordinary shares

Below is a reconciliation of the profit attributed to ordinary shares, divided up between the result deriving from the continuing operations and the result deriving from discontinued operations.

(Amount in Euro thousand)

Description	**2019**	**2018**
Profit from continuing operations	36,539	44,114
Income (Loss) after tax from discontinued operations	99,547	(7,431)
Profit for the year	**136,086**	**36,683**

Average number of ordinary diluted shares

The average number of shares used for the calculation of diluted earnings includes the effects of future potential issues of shares at the service of the LTI Plan, for the tranche already assigned to employees.

Description/(number of Shares in thousands)	**2019**	**2018**
Average number of ordinary shares used to compute basic earnings per share (*)	612,068	550,000
Deferred shares (**)	1,226	-
Average number of ordinary and potential shares used to compute diluted earnings per share	**613,294**	**550,000**

(*) In 2019, the Company grouped the existing shares, with a retroactive effect, and increased the share capital, with effect starting from the reference date.
(**) Shares attributed to employees according to the first tranche of LTI Plan.

44. Segment reporting (segment disclosure)

The segment disclosure has been prepared in compliance with the international accounting standard IFRS 8.
The disclosure by business segment reflects the organizational and business structure with which the Nexi Group operated during the year. The comparative data shown below refers to pro-forma data that is consistent with that stated in the Report on Operations.

The disclosure by business segment includes a single operating segment, represented by electronic money and payment services and which includes the central structures. A greater level of breakdown is given for net revenues from operations, which are divided up into three business lines that can be identified under the scope of the Nexi Group organization and, therefore, specifically:
- Merchant Services & Solutions;
- Cards & Digital Payments;
- Digital Banking Solutions.
Allocation of the economic results to the various business lines is based on the accounting standards used in the preparation and presentation of the Consolidated Financial Statements.

The tables below therefore show a breakdown, by business line, in terms of net revenues, with the current structure not requiring specific allocations by service line on an equity level.

Paragraph 44.2 gives a reconciliation of the income statement drafted by means of segment disclosure and the income statement prepared in the Financial Statements that, in addition to including the effects of the various classifications, also highlights the impact deriving from the different contribution of the companies affected by the spin-off and the Payments BU, as described above. There is no provision for any alternative allocation of net revenues by geographic distribution, insofar as it is a business that only regards customers operating on national territory, which is considered managerially as a whole.

44.1 SEGMENT REPORTING: INCOME STATEMENT FOR THE YEAR ENDED AS AT DECEMBER 31, 2019

(Amount in Euro thousand)

	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	514,980	(35,939)	479,041
Cards & Digital Payments	389,076	(1,696)	387,380
Digital Banking Solutions	117,660	-	117,660
Operating revenues	**1,021,716**	**(37,635)**	**984,081**
Personnel expenses	(166,606)	-	(166,606)
Other administrative expenses	(343,918)	37,960	(305,958)
Adjustments and net operating provisions	(6,994)	(2,000)	(8,994)
Operating costs	**(517,518)**	**35,960**	**(481,558)**
EBITDA (*)	**504,199**	**(1,676)**	**502,523**
Amortization and depreciation			(121,000)
Operating profits			**381,523**
Amortization and depreciation (Customer contracts)			(36,760)
Interests financing costs			(159,922)
Non-recurring items			(44,576)
Pre-tax profit			**140,266**
Income taxes			(4,180)
Profit for the year			**136,085**
Profit for the year attributable to non-controlling interests			(920)
Profit attributable to the Group			**135,165**

(*) The EBITDA presented above is the "normalized EBITDA" as described in the "Alternative Performance Indicators" section.

44.2 SEGMENT REPORTING: RECONCILIATION OF SEGMENT REPORTING ON THE INCOME STATEMENT WITH INCOME STATEMENT FOR THE YEAR ENDED AS AT DECEMBER 31, 2019

(Amount in Euro thousand)

	Total segment reporting	Reconciliation	Financial statements
Operating revenues	**984.081**	**(170.370)**	**813.711**
Personnel expenses	**(166.606)**	**(57.116)**	**(223.721)**
Other administrative expenses	(305.958)	(85.058)	(391.016)
Adjustments and net operating provisions	(8.994)	7.153	(1.841)
Operating costs net of amortization	**(481.558)**	**(135.020)**	**(616.579)**
EBITDA (*)	**502.523**	**(305.390)**	**197.133**
Amortization and depreciation	(121.000)	(34.817)	(155.817)
Operating profits	**381.523**	**(340.207)**	**41.316**
Amortization and depreciation (Customer contracts)	(36.760)	36.760	-
Interest and financial costs	(159.922)	159.922	-
Non-recurring items	(44.576)	143.525	98.949
Pre-tax profit	**140.266**	**-**	**140.266**
Income taxes	(4.180)	-	(4.180)
Profit for the year	**136.085**	**-**	**136.085**
Profit for the year attributable to non-controlling interests	(920)	-	(920)
Profit attributable to the Group	**135.165**	**-**	**135.165**

(*) The EBITDA presented above is the "normalized EBITDA" as described in the "Alternative Performance Indicators" section.

45. Restatement of 2018 financial statements

In 2019, the purchase price allocation (PPA) was completed, connected with the business combination relative to the Banca Carige book acquiring, carried out in the second half of 2018.
As envisaged by IFRS 3, the Group has recognized adjustments to the provisional amounts given above, as though the business combination had been fully accounted for as at the date of acquisition and therefore modified the comparative information for FY 2018.
Below are the effects of the restatement:

(Amount in Euro thousand)

ASSETS		31.12.2018 Financial Statements	Adjustments		31.12.2018 Restated
Cash and cash equivalents		**40,688**			**40,688**
Financial assets at Fair Value through profit or loss		**10**			**10**
Financial assets at Fair Value through OCI		**100,114**			**100,114**
Financial assets measured at amortized cost		**1,668,452**			**1,668,452**
a) loans and receivables with banks	561,209			561,209	
b) loans and receivables with financial entities and customers	1,107,243			1,107,243	
Equity investments		**730**			**730**
Property, equipment		**156,193**			**156,193**
Investment Property		**3,151**			**3,151**
Intangible assets		**2,668,293**	5		**2,668,298**
goodwill	2,097,379		(3,951)	2,093,428	
Tax assets		**62,873**			**62,873**
a) current	29,299				
b) deferred	33,574				
Non-current assets held for sale and discontinued operations		**80,498**			**80,498**
Other Assets		**405,705**			**405,705**
Total assets		**5,186,707**			**5,186,712**

(Amount in Euro thousand)

LIABILITIES		Financial Statements	Adjustments		Restated
Financial liabilities measured at amortized cost		**3,716,834**			**3,716,834**
a) due to banks	792,896			792,896	
b) due to financial entities and customers	354,249			354,249	
c) securities issued	2,569,689			2,569,689	
Financial liabilities held for trading		**3,154**			**3,154**
Hedging derivatives		**16,557**			**16,557**
Tax liabilities		**163,194**			**163,180**
a) current	31,124			31,124	
b) deferred	132,070		(14)	132,056	
Liabilities associated with non-current assets held for sale and discontinued operations		**39,069**			**39,069**
Other liabilities		**716,375**			**716,375**
Post-employment benefits		**14,084**			**14,084**
Provisions for risks and charges		**46,552**			**46,552**
Share capital		**50,000**			**50,000**
Treasury shares (-)		**0**			**0**
Equity instruments		**0**			**0**
Share premium		**389,275**			**389,275**
Reserves		**(47,735)**			**(47,735)**
Valuation reserves		**36,899**			**36,899**
Profit for the year (+/-)		**35,933**	**(28)**		**35,905**
Equity attributable to non-controlling interests (+/-)		**6,516**	**46**		**6,562**
Total liabilities		**5,186,707**			**5,186,712**

(Amount in Euro thousand)

INCOME STATEMENT		31.12.2018 Financial Statements	Adjustments		31.12.2018 Restated
Fee for services rendered and commission income		906,948			906,948
Fee for services received and commission expense		(328,118)			(328,118)
Net fee and commission income		**578,830**			**578,830**
Interest and similar income		45,640			45,640
Interest and similar expense		(79,741)			(79,741)
Net interest income		**(34,101)**			**(34,101)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at Fair Value through profit or loss		(265)			(265)
Dividends and profit / loss from investments and sale of assets at Fair Value through OCI		(5,470)			(5,470)
Financial and operating income		**538,994**			**538,994**
Personnel expenses	(105,444)			(105,444)	
Other administrative expenses	(270,955)			(270,955)	
Total administrative expenses		**(376,399)**			**(376,399)**
Other operating income, net		(264)			(264)
Net value adjustments on assets measured at amortized cost		100			100
Net accruals to provisions for risks and charges		(14,353)			(14,353)
Amortization, depreciation and net impairment losses on tangible and intangible assets		(84,392)	(42)		(84,434)
Operating margin		**63,686**	**(42)**		**63,644**
Profit (Loss) from equity investments and disposal of investments		20,717			20,717
Pre-tax profit from continuing operations		**84,403**			**84,361**
Income taxes		(40,261)	14		(40,247)
Income (Loss) after tax from discontinued operations		(7,431)			(7,431)
Profit for the year		**36,711**	**(28)**		**36,683**
Profit for the year attributable to the owners of the parent		**35,933**	**(28)**		**35,905**
Profit for the year attributable to non-controlling interests		778	0		778

46. Independent auditors' fees and services other than auditing, in accordance with Art. 149 duodecies of Consob Regulation no. 11971

	Nexi SpA		Nexi Group	
Type of services	**PwC**	**PwC network**	**PwC**	**PwC network**
Audit (*)	119	-	247	-
Other attestation services (**)	1,170	-	-	-
Other services:	-	-	-	-
- Due diligence	-	210	-	-
- Non-financial Declaration (NFD)	35	-	-	-
- Agreed-upon procedures services	22	-	-	-
- Methodological support on specific issues	-	-	-	865
Total	**1,346**	**210**	**247**	**865**

(*) Referred to audit on Consolidated Financial Statements and limited review on the Consolidated Interim Financial Statements.
(**) Related to the attestation and comfort letters issued in relation with the Offering Memorandum for the Listing (Euro 1.000 thousand) and issue of bonds (Euro 170 thousand).

Prices for services other than auditing were for services mainly provided before Nexi SpA was listed. More specifically, post-listing, services were provided other than a statutory audit only with reference to the issue of bonds, the NFD and due diligence activities.

1.4

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/1998

Certification of the consolidated Financial Statements

Certification of the consolidated Financial Statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer of Nexi S.p.A., and Enrico Marchini, as Manager in charge of preparing the corporate accounting documents of Nexi S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of administrative and accounting procedures for the preparation of financial statements in the year 2019.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:

3.1 the Consolidated Financial Statements:

a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the information contained in the accounting ledgers and records;

c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

3.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Milan, March 6, 2020

Chief Executive Officer
Paolo Bertoluzzo

Manager in charge of preparing the
corporate accounting documents
Enrico Marchini

1.5

INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report
in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Nexi SpA

Consolidated financial statements as of 31 December 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Nexi SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nexi Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Nexi SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key matters	*Audit procedures in response to the key matters*
Measurement of intangible assets with indefinite useful life – Goodwill	
Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets *"Balance Sheet", paragraph 9. Intangible Assets – Goodwill* The goodwill recognised in the consolidated financial statements as Intangible Assets amounts to Euro 2,093 million and comprises roughly 40% of total consolidated assets. This goodwill, which was recognised in connection with business combinations of previous years, is tested annually for impairment in accordance with IAS 36 – "Impairment of Assets". The recoverable amount of goodwill is determined on the basis of its value in use. Management of the Parent Company allocated goodwill in accordance with IFRS 3 to two cash-generating units ("CGUs") that it had identified: Monetica and Mercury Payments. With the assistance of independent experts, Management of the Parent Company tested goodwill for impairment using the following approach: • they determined the recoverable amount of the goodwill by calculating its value in use applying the unlevered discounted cash flow method ("DCF"); • the cash flows of each group of CGUs were discounted using the weighted average cost of capital ("WACC"); • the recoverability of the carrying amounts was verified by comparing the carrying amount of each group of CGUs to which goodwill was allocated with its value in use; • in determining the recoverable amount of the CGUs, various methodologies and	The identification and measurement process of the recoverable amount of intangible assets with indefinite useful life requires in-depth knowledge of the relevant markets and specialised expertise. In carrying out of the audit procedures in this area, we were assisted by our business valuation experts. We gained an understanding of the process used to prepare the Business Plan 2020-2023, the Budget2020 and the impairment test approved by Management of the Parent Company. We gained an understanding of the assessments and the criteria used by Management to identify the CGUs, and we verified that they were consistent with the management reporting and the Group's organisational and operating structure. We verified the accuracy and reasonableness of the forward-looking data used to determine the future cash flows of the identified CGUs. We conducted a critical analysis on the reasonableness of the key assumptions used by Management to determine the recoverable amount of the CGUs, which included applying specific sensitivity analyses. We verified that the disclosures in the Notes to the Financial Statements concerning intangible assets with indefinite useful life were adequate and complete, particularly with respect to the description of how the impairment test was conducted, the inclusion of the key assumptions used, the quantitative results obtained and the sensitivity analyses performed.

Key matters	Audit procedures in response to the key matters
sensitivity analyses were applied to assess the impact of changes in the key assumptions on the recoverable amount of assets. Given the complexity and subjectivity of estimates of expected cash flows and financial assumptions, as well as the materiality of goodwill recognised in the financial statements, we considered impairment testing of Goodwill as a key matter in the audit of the Group's consolidated financial statements as at and for the year ended December 31, 2019.	
Recognition of revenue *Notes to the consolidated financial statements "Main Accounting Policies", paragraph Fee Income and Other Service Revenue* *"Income Statement" paragraph 21. Fee Income and Service Revenue* The Nexi Group's fee income and service revenue amounted to Euro 1,642 million at December 31, 2019 and refers to the provision of services in the electronic payment sector, including any related services. The process of recognizing revenues is particularly complex due to the multiplicity of existing commercial schemes, the large number of counterparties and transactions, as well as the interfaces with different and complex IT platforms. The integrity, reliability and operating performance of the Group's Information Communication Technology (ICT) infrastructure and its technological network, which is mostly outsourced to service providers outside the Nexi Group, are crucial for the accurate recognition of revenues. Furthermore, the service invoicing process consists of several manual steps.	We performed the audit procedures with the assistance of our IT experts, who supported us in the performance of the following procedures: - Understanding, assessing and validating the general IT controls for the ICT systems that support "Acquiring" and "Issuing" activities. - Understanding, assessing and validating the key controls in place for the management of transactions and the consequent generation of Fee Income and Service Revenue. We verified that, for the main commercial offers, the accounting policies and measurement criteria used to recognise revenue were compliant with IFRS 15. We reconciled management data with accounting data for the main financial statements items relating to revenue from the provision of services in the electronic payment sector. We analysed the trend in volumes and the related fees paid to the Nexi Group for certain

Key matters	*Audit procedures in response to the key matters*
Fee income and service revenue are considered as a key audit matter due to the complexity and multi-faceted nature of their recognition and measurement and because of their materiality.	Merchants (Acquiring) and certain Partner Banks (Issuing) in the various service models. We verified, on a sample basis, the consistency between the accounting records, contractual information, invoicing and evidence demonstrating that the service was effectively provided in the reporting period. We sent, on a sample basis, letters to clients requesting a confirmation of balances. We verified the adequacy and completeness of the disclosures in the Notes to Financial Statements regarding Fee Income and Service Revenue, in accordance with the requirements of IFRS.

Other Matters

The consolidated financial statements of Nexi group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 25 February 2019.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Nexi SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 13 February 2019, the shareholders of Nexi SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Nexi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Nexi Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Nexi Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Nexi Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Nexi SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 3 April 2020

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

2019 PARENT COMPANY REPORT AND FINANCIAL STATEMENTS

2

2019 PARENT COMPANY REPORT AND FINANCIAL STATEMENTS

2.1

BOARD OF DIRECTORS' REPORT ON OPERATIONS

BOARD OF DIRECTORS' REPORT ON OPERATIONS

Financial year 2019 closed with a profit, for the period, of Euro 104 million, following a Euro 50.9 million loss in 2018. Equity stood at Euro 1, 264.3 million, compared with Euro 418.6 million at December 31, 2018.

Relations with Other Group Companies

Pursuant to articles 2497 and following of the Civil Code, the Company carries out management and coordination activities for Help Line SpA, Nexi Payments SpA and Mercury Payment Services SpA.
Relations with the Group Companies, further detailed in the explanatory notes, aim to foster fruitful cooperation and, pursuant to the applicable laws governing operations with related parties, the pertinent contractual and economic terms have all been regulated complying with the procedures and values adopted by the market and similar services.
For information concerning developments in the Group's organisational structure refer to the Management Report.

Regulatory Compliance

See the *Regulatory compliance* section of the Group's Management Report.

Human Resources

The Company workforce, as at December 31, 2019, stood at 2 resources.

With reference to seconded staff, note that said staff is head-counted within the relevant group company if and when their percentage secondment is ≥ 50%.

	Nexi		Nexi	
	2019		2018	
Role	**HC**	**FTE**	**HC**	**FTE**
Managers	2	2	4	4
Middle management	-	-	-	-
Employees	-	-	-	-
Other	-	-	-	-
Total	**2**	**2**	**4**	**4**
Permanently hired	2	2	4	4
Temporary workers	-	-	-	-

Information on Staff and the Environment

See the *Information on Staff and the Environment* section of the Group's Management Report.

Management Report

Profit for the period, Euro 104 million, is a result of the economic effects stemming from the sale of the stake in Oasi Diagram Spa. During the year, the company received dividends from subsidiaries totalling approximately Euro 130 million, more than offset by the financial costs related to the Group debt (approximately Euro 158 million) and other operating costs (roughly Euro 25 million), affected by listing-related activities.

The overall financial and operating income was Euro -28.5 million, compared with Euro -30.7 million at December 31, 2018.

Financial Statement and Income Statement data are reported below.

Performance

Statement of Financial Position

The balance sheet at December 31, 2019 show that Total Assets stood at Euro 3,131 million, compared with Euro 3,004 million at December 31, 2018.

ASSETS (Amount in Euro mln)

	31.12.2019	31.12.2018
Cash and cash equivalents	115.4	40.7
Equity investments	2,947.0	2,893.2
Non-current assets held for sale and discontinued operations	-	42.3
Other assets	68.7	27.8
Total assets	**3,131.1**	**3,003.9**

LIABILITIES (Amount in Euro mln)

	31.12.2019	31.12.2018
Financial liabilities measured at amortized cost	1,811.6	2,569.7
Other liabilities	55.2	11.6
Provisions for risks and charges	0.0	4.0
Net equity	1,264.3	418.6
Total liabilities	**3,131.1**	**3,003.9**

In particular, the following emerged from the analysis of the aggregates that contribute to the total assets:

- Cash and cash equivalents refer to the available cash in Nexi SpA bank accounted, above all with DEPObank SpA;
- Equity investments total Euro 2,947 million, versus Euro 2,893.2 million at December 31, 2018. The increase is due to the inclusion of the Stock Grant and of the LTI Plan that, as plans granted to subsidiary employees, have been recognised at investment value;
- Non-current assets held for sale and discontinued operations totalled Euro 42.3 million at December 31, 2018 and referred to the carrying amount of the stake in Oasi Diagram SpA, which was divested in 1H 2019;
- Other assets total Euro 68.7 million, compared with Euro 27.8 million in the previous period. They mainly consist of receivables from the tax consolidation scheme and current tax assets, for a total of Euro 25.4 million and deferred tax assets worth Euro 30.2 million that includes Euro 15.5 million referring to tax assets stemming from the spin-off that led to the transfer, to Nexi SpA, of some DEPObank SpA stakes, entered in 2019 following a reply to a specific request.

Regarding liabilities:

- Financial liabilities measured at amortised cost total Euro 1,811.6 million, versus Euro 2,569.7 million the previous year. The drop is linked to the debt refinancing that took place in 2019, as further detailed in the Consolidated Financial Statement Management Report;
- Other liabilities total Euro 52.2 million, compared with Euro 11.6 million at December 31, 2018 and mainly consist of payables to suppliers and invoices to be received, as well as the debt with DEPObank SpA, arising from the agreement, so as to consider the effects stemming from the outcome of the request concerning Nexi SpA's pertinent tax asset, following the spin-off;
- Provisions for risks and charges have dropped to zero because the potential tax liabilities provisions in place at December 31, 2018 referred to no longer exisiting risks;
- Net equity stood at Euro 1,264.3 million, up from Euro 418.6 million at December 31, 2018.

The change is mainly due to:
(i) increase of the IPO-related capital to about Euro 700 million;
(ii) coverage of 2018 loss by using the Reserves, for a total of Euro 51 million;
(iii) recognition of the IFRS2 reserve, totalling Euro 54 million, following the stock grant assigned by holding company Mercury UK and the LTI plan the company assigned to the employees of Nexi Group companies;
(iv) recognition of costs associated with the year's share capital increase of Euro 12 million;
(v) profit for the period, Euro 104 million.

Income Statement

The following table shows the income statement at December 31, 2019, vis-à-vis the previous year. The figures are affected by the extraordinary operations conducted last year (particularly the branch spin-off), hence no comparison is possible with respect to 2018 figures.

As at December 31, 2019, the Company's profit stood at Euro 104 million, compared with a Euro 50.9 million loss at December 31, 2018.

INCOME STATEMENT (Amount in Euro mln)

	31.12.2019	31.12.2018
Interest and similar income	-	36.0
Interest and similar expense	(158.3)	(66.8)
Net interest income	**(158.3)**	**(30.7)**
Dividends and profit / loss from investments and sale of assets at Fair Value through OCI con impatto sulla redditività complessiva (ex AFS)	129.8	-
Financial and operating income	**(28.5)**	**(30.7)**
Personnel expenses	(0.8)	(0.1)
Other administrative expenses	(23.8)	(29.6)
Total administrative expenses	**(24.6)**	**(29.7)**
Other operating income, net	0.2	-
Net accruals to provisions for risks and charges	4.0	(4.0)
Pre-tax profit (Loss) from continuing operations Income taxes	**(49.0)**	**(64.4)**
Income taxes	43.6	13.5
Income (Loss) after tax from discontinued operations	109.4	-
Profit for the period	**104.0**	**(50.9)**

In view of such data, with reference to the items that concur in forming the loss for the period:
- interest and similar income in 2018 totalled Euro 36 million and consisted of the interest accrued on the intercompany loan to Mercury UK, paid off in late 2018;
- interest and similar expense totalled Euro 158.3 million, compared with Euro 66.8 million in 2018 and mainly consisted of interests on issued securities and the IPO loan of 2019;
- administrative expenses totalled Euro 24.6 million, versus Euro 29.7 million in 2018 and mainly consisted of costs associated with the IPO and refinancing;
- Income after tax from discontinued operations refer to the capital gain deriving from the sale of the investment held in Oasi Diagram SpA.

Such items, after income tax, totalled Euro 43.6 million and raised the profit for the period to Euro 104 million.

Joint Document of the Bank of Italy/ Consob/Isvap No. 4 of March 3, 2010 - And No.2 of February 6, 2009

The following information concerns the company's corporate continuity, financial risks and uncertainties in the use of estimates.

Going Concern

The members of the Board of Directors confirm the reasonable expectation that the Company will continue its operational existence in a foreseeable future and, consequently, that the 2019 financial statement has been drafted with a view to such going concern. They also point out they detected no symptoms (in the financial and equity structure, nor in the operational trend) that may lead to uncertainty in terms of going concern.

Information on Risks

Regarding exposure to risks, please see this section in the consolidated financial statement.

Business Outlook

See same section in the Management Report.

Significant Events after the Reporting Period

Please see the same section in the Group Management Report.

Other Information

We hereby communicate that Nexi SpA is not subject to direction and coordination of other companies or agencies, pursuant to articles 2497-sexties and 2497-septies of the civil law.

In 2019 Nexi SpA conducted no research and development activities.

Treasury Shares

The Company does not hold any treasury shares, whether directly or indirectly through third parties or trust companies.

Distribution of Financial Year Profit/ (Loss)

Dear Shareholders,

the financial statement submitted to you, which we ask you to approve, shows a financial year profit of Euro 103,971,268.
We propose the financial year profits be carried forward.

Milan, March 6, 2020
The Board of Director

2.2

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

BALANCE SHEET

(Amount in Euro)

ASSETS	Notes	31.12.2019	31.12.2018
Cash and cash equivalents	3	**115,361,574**	**40,654,028**
Equity investments	4	**2,947,016,630**	**2,893,205,921**
Property, equipment	5	**20,959**	**-**
Tax assets	6	**55,621,943**	**14,675,745**
a) current		25,411,449	14,675,745
b) deferred		30,210,494	-
Non-current assets held for sale and discontinued operations	7	**-**	**42,294,264**
Other Assets	8	**13,122,327**	**13,086,168**
Total assets		**3,131,143,433**	**3,003,916,126**

LIABILITIES	Notes	31.12.2019	31.12.2018
Financial liabilities measured at amortized cost	9	**1,811,617,616**	**2,569,689,078**
a) due to banks		992,582,464	-
b) due to financial entities and customers		21,314	-
c) securities issued		819,013,838	2,569,689,078
Other liabilities	10	**55,180,954**	**11,636,437**
Provisions for risks and charges	11	**-**	**4,017,107**
Share capital	12	**57,070,707**	**50,000,000**
Share premium	12	**1,082,204,039**	**389,274,753**
Reserves	12	**21,098,849**	**30,191,931**
Profit for the year (+/-)		**103,971,268**	**(50,893,180)**
Total liabilities		**3,131,143,433**	**3,003,916,126**

INCOME STATEMENT

(Amount in Euro)

INCOME STATEMENT ITEMS	Notes	31.12.2019	31.12.2018
Interest and similar income	14	-	36,031,397
Interest and similar expense	15	(158,281,918)	(66,765,335)
Net interest income		**(158,281,918)**	**(30,733,938)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at Fair Value through profit or loss	16	(1,997)	2,516
Dividends and profit / loss from investments and sale of assets at Fair Value through OCI	17	129,773,477	-
Financial and operating income		**(28,510,438)**	**(30,731,422)**
Personnel expenses	18.1	(835,689)	(73,776)
Other administrative expenses	18.2	(23,793,205)	(29,593,922)
Total administrative expenses		**(24,628,894)**	**(29,667,698)**
Other operating income, net	19	154,529	-
Net accruals to provisions for risks and charges	20	4,017,107	(4,017,107)
Amortization, depreciation and net impairment losses on tangible and intangible assets	21	(9,980)	-
Operating margin		**(48,977,676)**	**(64,416,227)**
Pre-tax profit from continuing operations		**(48,977,676)**	**(64,416,227)**
Income taxes	22	**43,572,417**	13,523,047
Income (Loss) after tax from discontinued operations	23	109,376,527	-
Profit for the year		**103,971,268**	**(50,893,180)**

STATEMENT OF COMPREHENSIVE INCOME

(Amount in Euro)

ITEMS	Year ended 31.12.2019	Year ended 31.12.2018
Profit (loss) for the year	**103,971,268**	**(50,893,180)**
Items that will not to be reclassified to profit or loss		
Financial assets at Fair Value through OCI		
Hedging of equity instruments designated at Fair Value through OCI		
Defined benefits plans		
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges		
Other comprehensive income (net of taxes)		
Total comprehensive income	**103,971,268**	**(50,893,180)**

2019 CHANGES IN SHAREHOLDERS' EQUITY

(Amount in Euro)

			Allocation of prior year profit		Change for the period		2019 Comprehensive income		
31.12.2019	**Balance as at January 1, 2019**	**Change in opening balance**	**Reserves**	**Dividends**	**Change in Reserves**	**Issuing of new shares**	**Profit for the year**	**Other comprehensive income items**	**Balance at December 31, 2019**
Equity									
Share capital	50,000					7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	30,192		(50,893)			41,800			21,099
Valuation reserves									-
Profit for the year	(50,893)		50,893				103,971		103,971
Total	**418,574**	**-**	**-**	**-**	**-**	**741,800**	**103,971**	**-**	**1,264,345**

2018 CHANGES IN SHAREHOLDERS' EQUITY

(Amount in Euro)

			Allocation of prior year profit		Change for the period		2018 Comprehensive income		
31.12.2018	**Balance as at January 1, 2018**	**Change in opening balance**	**Reserves**	**Dividends**	**Change in Reserves**	**Extraordinary dividend and other distribution**	**Profit for the year**	**Other comprehensive income items**	**Balance at December 31, 2018**
Equity									
Share capital	50,000								50,000
Share premium	989,672					(600,398)			389,275
Reserves	6,449		76,437		1,549,658	(1,602,352)			30,192
Valuation reserves	-								-
Profit for the year	132,437		(76,437)	(56,000)			(50,893)		(50,893)
Total	**1,178,559**	**-**	**-**	**(56,000)**	**1,549,658**	**(2,202,750)**	**(50,893)**	**-**	**418,574**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Amount in Euro)

	Year Ended 31.12.2019	Year Ended 31.12.2018
A. OPERATING ACTIVITIES		
1. Operations		
Profit for the year	103,971,268	(50,893,180)
Net accrual to provisions for risks and charges and other costs/revenues	(4,017,107)	-
Amortization, depreciation and net impairment losses on property, equipment and intangible assets	9,980	-
Unpaid taxes, duties and tax assets	(54,457,329)	-
Other adjustments	(234,474,926)	-
	(188,968,115)	**(50,893,180)**
2. Cash flows generated by (used for) financial assets		**-**
Loans and receivables with customers	-	45,281,293
Other assets	(21,022,797)	(21,102,423)
	(21,022,797)	**24,178,870**
3. Cash flows generated (used) by financial liabilities		**-**
Other liabilities	89,937,473	14,899,748
	89,937,473	**14,899,748**
Net cash flows generated (used) by operating activities	**(120,053,438)**	**(11,814,562)**
B. INVESTING ACTIVITIES		**-**
1. Cash flows generated/used by		**-**
Dividends collected on investments	129,773,477	-
Acquisitions of subsidiaries and business units, net of cash acquired	152,999,251	-
Net cash flows generated by investing activities	**282,772,728**	**-**
C. FINANCING ACTIVITIES		
Repayment of loans and securities	(2,589,812,078)	(380,000,000)
Issues/purchases of equity instruments	684,196,557	(2,258,875,400)
Issues of debt securities	1,817,603,778	2,556,960,000
Net cash flows generated by (used in) financing activities	**(88,011,744)**	**(81,915,400)**
NET CASH FLOWS GENERATED (USED) IN THE YEAR	**74,707,546**	**(93,729,962)**
Net cash flows for the year	74,707,546	(93,729,962)
Opening cash and cash equivalents	40,654,028	134,383,990
Closing cash and cash equivalents	**115,361,574**	**40,654,028**

2.3

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

GENERAL PART

Statement of compliance with international accounting standards

In compliance with the provisions of European Community Regulation no. 1606 of 19 July 2002, the Company has prepared this financial statements as at 31 December 2019 in compliance with the international accounting standards, international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), as approved by the European Commission and adopted by the Italian legislator with Italian Legislative Decree no. 38/2005.

In preparing the financial statements, the IAS/IFRS standards in force as at December 31, 2019, were applied. No derogations were made from the IAS/IFRS standards.

Basis of preparation

The financial statements as at December 31, 2019 consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the financial statements, which include the criteria used for their preparation; it is also accompanied by a Directors' Report on operating performance, the economic results achieved and the Company's equity and financial position.

The financial statements as at December 31, 2019 are in euros which is the Company's functional currency; the figures given in the Notes to the financial statements are instead expressed in thousands of euros.

The financial statements as at December 31, 2019 are prepared with the application of the recording and measurement criteria envisaged by the international accounting standards approved by the European Commission and in line with the general assumptions envisaged by the Systematic Framework for the preparation and presentation of the financial statements, prepared by the IASB.

The measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of the significance of the accounting information and substance over form. Furthermore, no compensation is made between costs and revenues or between assets and liabilities except in cases expressly provided for or accepted by the accounting standards in force.

These Financial Statements include comparative information in respect of the preceding year for all amounts reported in the current year's financial statements.

These Financial Statements have been prepared in accordance with the international accounting standards (IAS/IFRS) in force to date.

These standards have changed from those used to prepare the FY 2018 financial statements, following the mandatory application, starting January 1, 2019 (for companies whose reference period is the calendar year), of the following new standards or amendments:
- IFRS 16 - Leases: published by the IASB on January 13, 2016, the new standard defines the principles relating to the recognition, measurement, presentation and disclosure of leasing contracts for both the lessor and the lessee, replacing the previous IAS 17 standard;
- Amendment to IFRS 9: Financial Instruments: Prepayment features with Negative compensation: the amendments are intended to clarify the classification of some financial assets repayable in advance when applying IFRS 9. Specifically:
  - for financial assets: the possibility of evaluating at amortized cost also those loans which, in the event of early repayment, require payment by the grantor;
  - for financial liabilities: in the event of a change in the contractual terms of a liability which does not result in a derecognition, it is expected that the effect of the change on the amortized cost must be attributed to the income statement date of the modification itself;
- IFRIC 23: Uncertainty over Income Tax Treatments: the interpretation aims to provide clarifications on how to apply the criteria for recording and measuring income taxes provided for by IAS 12, in the presence of uncertainties about a specific tax treatment;
- Amendment to IAS 28: Long term interests in Joint Venture and Associates: the amendments are intended to clarify that the provisions relating to impairment in IFRS 9 "Financial instruments" apply to long-term interests in associates and joint ventures;
- Amendment to IAS 19 Employee Benefits: the aim is to clarify the accounting treatment of the changes, reductions or extinctions of defined benefit plans, with reference to the method of determining the cost relating to past work services, profits and losses at the time of extinction, the cost relating to current employment services, net interest on net defined benefit liabilities (assets);
- Annual improvements to IFRS 2015-2017 entailing changes to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs: the purpose of the annual improvements is to provide some clarifications aimed at resolving some inconsistencies in the principles in question or terminological clarifications.

The standards, amendments and interpretation described above had no significant impact on the Group's consolidated financial statements.

Starting from these Financial Statements, the accounting standard IFRS 2 relating to Share Based Payments, previously not applied as a case not present, is now applicable to the Company. Please refer to the specific section.

Starting 1 January 2020, the following new standards or amendments must now be applied, following their approval by the European Union:
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendements to IFRS 9, IAS 39 and IFRS 17: Interest rate Banchmark Reform.

The table below shows the standards for which changes have been issued but not yet approved by the European Union.

IASB documents	IASB publication date
IFRS 17: Insurance contract	18/05/2017
Amendments to References to the Conceptual Framework in IFRS Standards	29/03/2018
Amendment to IFRS 3 Business Combinations	22/10/2018
Amendments to IAS 1 and IAS 8: Definition of Material	31/10/2018

As none of these has been approved by the European Commission, they have not impacted the preparation of these financial statements of Nexi SpA.

Contents of the accounting statements

Balance Sheet, Income Statement

The statement of the balance sheet and the income statement consist of items, sub-items and additional, more detailed information. In the income statement, revenues are indicated with no sign, while costs are preceded by the minus sign.

Statement of Comprehensive Income

The statement of comprehensive income starts out from the profit (loss) for the period to show the items of income recognized as counter-entries in the valuation reserves, net of the relevant tax effect, in compliance with the international accounting standards.

Statement of Changes in Equity

The statement of changes in equity shows changes to the equity accounts made during the reference period.

Statement of Cash Flows

The statement of cash flows provides information on cash flows for the period under review and the previous period, and has been prepared using the indirect method whereby, in reporting cash flows from operating activities, profit or loss is adjusted for the effects of non-monetary transactions.
Cash flows are broken down into those generated by operating, investing and financing activities.
Considering that liquid funds include Cash and cash equivalents, the period changes are all financial movements.

The cash flows generated in the period are indicated with no sign, while the cash flows absorbed in the period are preceded by the minus sign.

Contents of the Notes

The notes provide all information envisaged by the international accounting standards

The measurement criteria, described below, were adopted to determine all information given in these financial statements.

Subsequent events

Since the financial statements reference date, no significant events have taken place over and above those described in the Report on Operations.

Other aspects

The financial statements are subjected to a statutory audit by PricewaterhouseCoopers SpA.

Content of principal notes as at December 31, 2019

Investments

Equity investments held in subsidiaries and associates are entered and measured at cost, which is equal to the Fair Value of the price paid, save for any subsequent impairment losses as may be applied. At each reporting date, the investment is subjected to an impairment test if there is objective evidence of impairment that may have an impact on the investee's cash flows and therefore on the recoverability of the carrying amount of the investment itself.

In order to establish whether or not there is control over the subsidiaries and significant influence in associates, no situations are noted that called for any specific assessments or significant assumptions.

Property, equipment

Classification criteria

Property, equipment refer to rights of use assets acquired through lease contracts, as envisaged by IFRS 16.

Recognition criteria

The rights of use recognized in accordance with IFRS 16 are entered according to the current value of payments due, net of any transaction costs and prepaid charges. The entry is made when the asset is available for use.

Measurement criteria

The rights of use recognized in accordance with IFRS 16 are depreciated over a period equal to the lesser of the asset's useful life and the term of the lease contract.

Derecognition criteria

Property, equipment are derecognized when disposed of or when no further future economic benefit is expected from their use or decommissioning.

Current and deferred tax

Current and deferred tax is recognized as profit and loss under "Income taxes" with the exception of that relating to profit or loss recorded in specific valuation reserves (defined benefit plans, financial instruments measured at Fair Value through other comprehensive income and related hedging derivatives); these latter are instead allocated directly to the same valuation reserves, which, therefore, are stated net of the relevant tax.

Deferred tax is recognized as equity with open balances and without netting, stating the first under "Tax assets" and the second under "Tax liabilities".

The provision for income taxes is determined on the basis of a forecast of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences arising between the value assigned to an asset or a liability, according to statutory criteria, and their corresponding assumed value for tax purposes. For temporary deductible differences that will reverse over the next few years and for previous tax losses that have not yet been used, a deferred tax asset has been recognized insofar as, on the basis of the strategic plans, it is considered likely that over that time frame, taxable income will be recognized against which said asset can be used.

Deferred tax liabilities are calculated on all taxable timing differences.
Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the year in which the tax asset is realized or the tax liability will be extinguished, in accordance with current tax legislation.

Deferred tax assets and liabilities are systematically measured to reflect any alterations to tax rules or rates as well as any possible changes in the Company's subjective position.

Non-current assets held for sale and discontinued operations/liabilities associated with non-current assets held for sale and discontinued operations

"Non-current assets held for sale and discontinued operations" (in the assets) and "Liabilities associated with non-current assets held for sale and discontinued operations" (in the liabilities) include all non-current assets or groups of assets/liabilities for which a decision has been made to dispose and the sale of which is considered extremely likely.
These assets/liabilities are measured at the lower of carrying amount and Fair Value net of disposal costs.
Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognized as such during the year, are presented in the income statement in a separate item.

Other assets

Other assets essentially include items that cannot be traced to other items of the balance sheet, including tax items other than those recognized under their own item (e.g. connected with tax substitute activities), accrued income other than that capitalized on the related financial assets and deferred expenses.

Financial liabilities measured at amortized cost

Classification criteria

A financial instrument issued is classified as a liability when, on the basis of the substance of the contractual agreement, a contractual obligation is held to deliver money or another financial asset to a third party.

Recognition criteria

Payables are recognized as at the date on which the contract is stipulated, which normally coincides with the time when the amounts collected are received and debt securities issued.
Financial liabilities are initially measured at Fair Value, which normally coincides with the amount collected or issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.
Interest is recorded under the "Interest and similar expense" item of the income statement.

Derecognition criteria

Financial liabilities, or part thereof, are derecognized when extinguished, i.e. when the obligation has been met, cancelled or expired.

Other liabilities

This category includes:
- intragroup liabilities, such as non-derivative financial liabilities other than those held for trading;
- other liabilities, mainly relating to trade payables.

These liabilities are measured at cost or amortized cost.

Provisions for risks and charges

Provisions for risks and charges include all provisions made in relation to past events for which an economic outlay is probable, as long as a reliable estimate can be made of the relevant amount.
At the close of all financial statements, the provisions made are periodically reviewed and, if the incurrence of possible expenses should become unlikely, the provisions are entirely or partially reversed to profit and loss statement. When the effect of the time value of money is material, the amount of the provisions is discounted at current market rates. The provision is recognized on the income statement.

Income Statement

Interest income and expense
Interest income and expense is recognized on the income statement for all instruments measured in accordance with the amortized cost criteria, using the effective interest method, including direct costs and commissions of the transaction in the calculation.

Dividends
Dividends are recognized in the income statement when their distribution is resolved.

Other items of the income statement
Costs are recognized on the income statement on an accruals basis; costs relating to the obtaining and fulfilment of contracts with customers are recognized on the income statement in the periods in which the related revenues are recognized.

Use of estimates and assumptions in preparing the financial statements

Financial statement aggregates are measured according to the standards set out above.
The application of these standards sometimes involves the adoption of estimates and assumptions that can have a significant impact on the values entered on the balance sheet and income statement.

In stressing that the use of reasonable estimates is an essential part of preparing financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant:
- quantification of provisions made for risks and charges;
- quantification of deferred taxation.

To this end, please also note that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the income statement of the year in which the change is made and, potentially, those of future years.

2. Balance sheet

(Amount in Euro thousands)

ASSETS

3. Cash and cash equivalents

	31.12.2019	31.12.2018
a) Cash in hand	-	-
b) Deposits and current accounts	115,362	40,654
Total	**115,362**	**40,654**

The item "Deposits and current accounts" refers to the liquid funds available in the bank current accounts pertaining to Nexi SpA, mainly held with DEPObank SpA.

4. Equity investments

Company	Registered office	Operating office	Investment %	Voting rights %	Carrying amount	Fair Value
A. Wholly-controlled subsidiaries						
1. Mercury Payment Services S.p.A.	Milano	Milano	100.00	100.00	1,008,090	X
2. Nexi Payments S.p.A.	Milano	Milano/Roma	98.92	98.92	1,933,420	X
3. Help Line S.p.A.	Cividale del Friuli	Cividale del Friuli/ Milano	69.24	69.24	5,507	X
B. Jointly-controlled entities						X
C. Associates						X

Please note that the impairment testing carried out on the consolidated financial statements also supports the full recovery of the carrying values of the separate financial statements for the most significant equity investments. Indeed, as better described in the notes to the consolidated financial statements, to which we would refer you, the test was carried out with reference to the legal entities Nexi Payments SpA and Mercury Payment Services SpA and the value in use calculated exceeds the carrying amounts listed in the separate financial statements.

4.1 EQUITY INVESTMENTS: ANNUAL CHANGES

	31.12.2019	31.12.2018
A. Opening balance	**2,893,206**	**1,005,717**
B. Increases		
B.1 Purchases		
B.2 Reversals of impairment losses		
B.3 Fair Value gains		
B.4 Other increases	53,811	1,929,783
C. Decreases		
C.1 Sales		
C.2 Impairment losses		
C.3 Other decreases		42,294
D. Closing balance	**2,947,017**	**2,893,206**
E. Total Fair Value gains		
F. Total impairment losses		

5. Property, equipment

5.1 PROPERTY, EQUIPMENT: BREAKDOWN OF THE ASSETS MEASURED AT COST

	31.12.2019	31.12.2018
1. Owned	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. Rights of use deriving from lease contracts		
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	20,959	-
Total	**20,959**	**-**

5.2 PROPERTY, EQUIPMENT: CHANGES

31.12.2019	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance	-	-	-	-	-	-
B. Increases	-	-	-	-	30,939	30,939
B.1 Purchases	-	-	-	-	30,939	30,939
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment losses	-	-	-	-	-	-
B.4 Positive Fair Value adjustments registered in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**9,980**	**9,980**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	-	-	9,980	9,980
C.3 Impairment losses allocated to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
C.4 Negative Fair Value losses adjustments registered in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**-**	**20,959**	**20,959**

6. Tax assets and liabilities

6.1 CURRENT TAX ASSETS: BREAKDOWN

	31.12.2019	31.12.2018
Current tax assets:		
IRES	24,056	13,320
IRAP	1,356	1,356
Total	**25,411**	**14,676**

	31.12.2019	31.12.2018
Deferred tax assets:		
- of which: recognized in profit and loss statement	30,210	
- of which: recognized in equity		
Total	**30,210**	

6.2 DEFERRED TAX ASSETS: CHANGE

	31.12.2019	31.12.2018
1. Opening balance	**-**	**-**
2. Increases	-	-
2.1 Deferred tax recognized in the year	14,690	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	15,520	-
3. Decreases	**-**	**-**
3.1 Deferred tax derecognized in the year	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**30,210**	**-**

7. Non-current assets held for sale and discontinued operations

In 2018, the item referred to the equity investment held in Oasi Diagram SpA, which was sold in 2019 with the recording of a capital gain net of tax in the amount of Euro 109.4 million.

8. Other assets

	31.12.2019	31.12.2018
Taxes and revenue stamps	3	
Guarantee deposits	-	
Deferred costs	5,241	6,494
Sundry services	-	
Other assets	7,879	6,592
Total	**13,122**	**13,086**

LIABILITIES

9. Financial liabilities measured at amortized cost

Financial liabilities of Euro 1,812 million as at December 31, 2019 (Euro 2,570 million as at December 31, 2018) have changed significantly from the previous year as a result of refinancing applied during the period, as described above in the Report on Operations and in note 25 of the notes.

9.1 FINANCIAL LIABILITIES DUE TO BANKS: BREAKDOWN OF PAYABLES TO BANKS

	31.12.2019				31.12.2018			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Livello 3		Level 1	Level 2	Level 3
1. Financing	992,582	-	992,582	-	-	-	-	-
2. Lease debts								
3. Other liabilities	-	-	-	-	-	-	-	-
Total	**992,582**	**-**	**992,582**	**-**	**-**	**-**	**-**	**-**

9.2 FINANCIAL LIABILITIES DUE TO CUSTOMERS: BREAKDOWN OF PAYABLES TO CUSTOMERS

	31.12.2019				31.12.2018			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Livello 3		Level 1	Level 2	Level 3
1. Financing	-	-	-	-	-	-	-	-
2. Lease debts	21		21		-		-	
3. Other liabilities	-	-	-	-	-	-	-	-
Total	**21**	**-**	**21**	**-**	**-**	**-**	**-**	**-**

9.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

		Fair Value		
31.12.2019	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**
1. Fixed rate bond	819,014		850,208	
2. Floating rate bond	-		-	
Total	**819,014**	**-**	**850,208**	**-**

		Fair Value		
31.12.2018	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**
1. Fixed rate bond	816,198		819,357	
2. Floating rate bond	1,753,491		1,762,928	
Total	**2,569,689**	**-**	**2,582,285**	**-**

10. Other liabilities

	31.12.2019	**31.12.2018**
Disputes	-	
Suppliers	6,742	5,612
Tax authorities	176	1,199
Other liabilities	48,263	4,825
Total	**55,181**	**11,636**

11. Provisions for risks and charges

"Provisions for risks and charges" have zeroed due to the cessation to exist of the potential tax liabilities to which the provision referred as at December 31, 2018.

11.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	31.12.2019	**31.12.2018**
Other provisions for risks and charges		
Other	-	4,017
Total	**-**	**4,017**

11.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES

	Funds on other commitments and other guarantees issued	**Pension plans**	**Other provisions**	**Total**
A. Opening balance				4,017
B. Increases			-	-
C. Decreases			(4,017)	(4,017)
D. Closing balance	-	-	(4,017)	-

12. Shareholders' equity

12.1 SHARE CAPITAL: BREAKDOWN

As at December 31, 2019 share capital comprised no. 627,777,777 of ordinary shares, all fully paid up.

	31.12.2019	31.12.2018
1. Share capital		
1.1 Ordinary shares	57,071	50,000
1.2 Other shares	-	-

On March 12, 2019, the outstanding shares as at December 31, 2018 were grouped together and on April 16, 2019, new shares were issued as a result of the IPO, as shown below.

	Number of shares	Nominal value	Share Capital
No. of shares as at January 1, 2019	5,500,000,000	0.01	50,000,000
No. of shares as at March 12, 2019	550,000,000	0.09	50,000,000
No. of shares issued as at April 16, 2019	77,777,777	0.09	7,070,707
No. of shares as at December 31, 2019	**627,777,777**		**57,070,707**

12.2 SHARE PREMIUM: BREAKDOWN

	31.12.2019	31.12.2018
Share premium reserves	1,082,204	389,275

12.3 RESERVES: BREAKDOWN AND CHANGES

	Legal	Other - Extraordinary Reserve	Other	
Possible use (*)	**B**	**A, B, C**	**A, B, C**	**Total**
A. Opening Balance	**4,346**	**25,846**	**-**	**30,192**
B. Increases				
B.1 Allocation of profit for the year		(50,893)		(50,893)
B.2 Other Increases			41,800	41,800
C. Decreases				
C.1 Utilisation				-
C.2 Other Decreases				-
D. Closing Balance	**4,346**	**(25,047)**	**41,800**	**21,099**

(*) A: capital increase; B: to cover losses; C: dividend distribution

Other information

Nothing to report.

13. Income Statement

(Amount in Euro thousands)

14. Interest and similar income

	31.12.2019	31.12.2018
Loans and receivables with banks and financial institutions	-	
Loans and receivables with customers	-	36,031
Other Assets	-	
Total	**-**	**36,031**

15. Interest and similar expense

	31.12.2019	31.12.2018
Due to banks and financial institutions	158,282	66,765
Other Liabilities and provisions	-	-
Total	**158,282**	**66,765**

16. Profit/loss on trading/hedging of financial assets and liabilities designated at Fair Value through profit or loss

	31.12.2019	31.12.2018
Net trading income on financial assets	(2)	3
Net hedging income on financial assets	-	
Total	**(2)**	**3**

The item, equal to Euro 2 thousand, mainly includes non-recurring expenses referring to exchange gains and losses.

17. Dividends and profit/loss from investments and sale of assets at Fair Value through OCI

	31.12.2019	31.12.2018
Dividends	129,773	-
Profit/Loss from disposal of financial assets at Fair Value through OCI	-	
Net result	**129,773**	**-**

2019 dividends refer to the amounts collected from the subsidiary Mercury Payment Services SpA and Nexi Payments SpA.

18. Administrative expenses

18.1 PERSONNEL EXPENSES: BREAKDOWN

This item, totaling Euro 836 thousand, refers to the cost of staff hired in 2019, as well as the costs of seconded staff.

18.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

	31.12.2019	31.12.2018
1. Third-party services	302	150,00
3. Insurance	391	86,00
4. Rental	6	
10. Other taxes	3,823	3,141
11. Legal, notary and consultancy expenses	14,519	25,454
15. Other commercial expenses	15	
16. Other general expenses	4,736	763
Total	**23,793**	**29,594**

19. Other operating income, net

	31.12.2019	31.12.2018
Other operating income	155	-
Other operating expense	-	-
Total	**155**	**-**

20. Net accruals to provisions for risks and charges

	31.12.2019	31.12.2018
Net provisions for risks and charges	(4,017)	4,017
Net provisions for fraud	-	-
Total	**(4,017)**	**4,017**

21. Amortization, depreciation and net impairment losses on tangible and intangible assets

	31.12.2019	31.12.2018
Amortisation and net impairment losses on tangible net assets	10	-
Amortisation and net impairment losses on intangible net assets	-	-
Total	**10**	**-**

22. Income taxes

	31.12.2019	31.12.2018
Current taxes	28,882	641
Change in current taxes from previous period	-	-
Change in deferred tax assets	14,690	(324)
Change in deferred tax liabilities	-	-
Tax expense for the year	**43,572**	**317**

The tax item refers to estimated tax on the period tax loss.
More specifically, it is noted that starting 2019, the Nexi Group tax consolidation, already inclusive of Mercury Payment Services SpA, has been extended to include Nexi Payments SpA and Help Line SpA.

22.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNIZED

IRES	31.12.2019
Theoretical tax rate	(24%)
Non-deductible costs	-
Non-taxed revenues and other decreases	(65%)
Effective rate	(89%)

"Non-taxed revenues and other decreases" mainly refers to revenues for dividends and capital gains that benefit from the Pex regimen and benefits deriving from the application of the ACE concession.

23. Income (Loss) after tax from discontinued operations

In 2019, the item refers to the capital gain for the sale of the equity investment in Oasi Diagram SpA and is stated net of tax in the amount of Euro 1.3 million.

	31.12.2019	31.12.2018
Profit		
Profit from investments	-	-
Gains on sale of investments	109,377	-
Loss		
Loss from investments	-	-
Loss on sale of investments	-	-
Net result	**109,377**	**-**

24. Information on risks and related hedging policies

For the exposure of this section, reference is made to the equivalent section of the consolidated financial statements.

25. Related-party transactions

25.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The table below summarizes the fees paid by Nexi SpA to the directors and managers and key management personnel, as defined in section 25.2.

(Amount in Euro thousands)

	Directors	Board of Statutory auditors	Executives holding strategic responsibility
Corporate bodies remunerations	823	218	
Short-term benefits			
Benefits subsequent to the termination of employment			
Other long-term benefits			
Indemnities for termination of employment			
Total	**823**	**218**	

1. Information on related-party transactions

The purpose of international accounting standard no. 24 (Related party disclosure) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the equity-financial position and economic results may have been altered by the existence of related parties and transactions and balances applicable with said parties.

In accordance with these indications, applied to the organizational structure and governance of Nexi SpA, the following are considered as related parties:

a) the direct Parent Company, Mercury UK;

b) all entities that, directly or indirectly, including through subsidiaries, fiduciaries or intermediaries, control, individually or jointly, Mercury UK, or hold an investment in Mercury UK that is such as to be able to exercise significant influence over it;

c) the subsidiaries or entities under the joint control of the entities listed at the point above;

d) the subsidiaries, associates or entities under the joint control of Nexi SpA;

e) key management personnel of the Nexi Group and its direct Parent Company and its subsidiaries, entities under its joint control or subject to its significant influence;

f) close family members of the natural persons included under letters b) and e) above;

g) the complementary pension fund established in the favor of employees of Nexi SpA or its related entities.

The effects of transactions with related parties as defined above are shown in the summary table below.

(Amount in Euro thousands)

Captions	Controlling company	other group companies	Other related parties	Directors, Executives and other monitoring bodies
Cash and cash equivalents		-	115,362	
Financial asset measured at amortized cost		-	-	
Other Assets		776	-	
Financial liabilities measured at amortized cost		-	-	
Other liabilities		33,043	15,520	
Fee for services rendered and commission income		-	-	
Fee for services received and commission expense		-	-	
Interest and similar income		-	-	
Interest and similar expense		-	898	
Other administrative expenses		1,136	895	

It is specified that these transactions are governed by terms and conditions in line with market terms and conditions and, for intercompany service contracts, taking into account the effective use by each Group Company.
Transactions with Group Companies mainly refer to the national tax consolidation scheme.
Transactions with Other related parties mainly refer to current accounts held with DEPObank, the deed of assessment stipulated with DEPObank so as to consider the effects deriving from the results of the application in relation to the tax asset pertaining to Nexi as a result of the spin-off.

26. Group funding operations

The Company's financial structure changed significantly in 2019, mainly due to the listing of ordinary shares of Nexi SpA on the telematic stock market organized and managed by Borsa Italiana SpA.
More specifically, all debenture loans issued in 2018 under the scope of the Group corporate reorganization project have been fully redeemed, for a nominal value of Euro 2,600 million.
Redemptions of the Original Debenture Loans have been financed using both the cash freely available at the Parent Company Nexi SpA, mainly deriving from proceeds linked to the listing on the telematic stock market as described above, and the proceeds connected with new issues of debt instruments, concluded during the year just ended.
For more information, please refer to the Consolidated Notes.

27. Share-based payments

Please refer to the Consolidated Notes for a description of share-based payments in place as at the reporting date.
In particular, please note the following:
- plans must be recognized, both to the individual financial statements of the Parent Company and the consolidated financial statements, in accordance with IFRS 2 rules, as "Equity settled transactions";
- the criteria applied to determine the comprehensive value of the plans and the breakdown of such in time, throughout the vesting period, are the same as described in the specific Consolidated Notes;
- in the individual financial statements of the Parent Company Nexi, considering that the plan beneficiaries are employees of the Parent Company, the Equity increase has been recognized as a counter-entry under "Equity investments" and not on the Income Statement, as instead it is recognized in the consolidated financial statements.

The amount of the increase in the equity investments recognized to the 2019 individual financial statements is as follows:

(Amount in Euro thousands)

	Stock Grant	**LTI**	**Total**
Equity investment in Help Line	195	4	199
Equity investment in Mercury Payment Services	2,187	186	2,373
Equity investment in Nexi Payments	49,053	2,186	51,238
Total	**51,435**	**2,376**	**53,811**

2.4

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/1998

Certification of the Financial Statements

Certification of the Financial Statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer of Nexi S.p.A., and Enrico Marchini, as Manager in charge of preparing the corporate accounting documents of Nexi S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - effective application of administrative and accounting procedures for the preparation of financial statements in the year 2019.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:

3.1 the Financial Statements:
   a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the information contained in the accounting ledgers and records;
   c) provide a true and fair representation of the equity, economic and financial situation of the issuer;

3.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 6, 2020

Chief Executive Officer
Paolo Bertoluzzo

Manager in charge of preparing
the corporate accounting documents
Enrico Marchini

2.5

BOARD OF STATUTORY AUDITORS' REPORT

Report of Nexi SpA's Board of Statutory Auditors to the Shareholders' Meeting pursuant to Legislative Decree no. 58/1998 and article 2429(2) of the Civil Code

To the Shareholders.

The Board of Statutory Auditors (hereinafter, also the "Board") is held to report to the Shareholders' Meeting of Nexi SpA (hereinafter, also the "Company" or "Nexi") with reference to the supervisory activity conducted throughout the and the omissions and censurable actions detected, pursuant to article 153 of Legislative Decree no. 58/1998 (TUF) and article 2429(2) of the Civil Code. The Board may also remark upon and make proposals concerning the financial statements, their approval and other matters within the scope of its competence.

Throughout the financial year 2019, the Board of Statutory Auditors carried out its statutory tasks in compliance with governing laws and taking due account of the Rules of Conduct set forth by the National Councils of Tax Consultants and Accounting Experts, and by Consob and by the Corporate Governance Code for listed companies.

1. Appointment and meetings of the Board of Statutory Auditors

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 13 February 2019 and it consists of Mr Piero Alonzo (Chair), Mr Marco Giuseppe Zanobio and Ms Mariella Tagliabue (Statutory Auditors) and by Mr Tommaso Ghelfi and Mr Andrea Carlo Zonca (Alternate Auditors).

Note that the Board of Statutory Auditors also acts as the Supervisory Board, as per Legislative Decree no. 231 of 2001.

The Board met 20 times in 2019 and attended all 18 meetings of the Board of Directors held in 2019, as well as the two Shareholders' Meetings held in 2019.

Furthermore, in 2019 the Board attended all eight meetings of the Risk, Control and Sustainability Committee, all seven meetings of the Remuneration Committee and all seven meetings of the Related Parties Committee.

The Board wishes to further note that, on June 25, 2019, it established the qualitative-quantitative criteria and procedures applicable to its self-assessment, based on the information provided by its members. During the meeting held on February 26, 2020, the Board of Statutory Auditors performed the Self-Assessment process, the results of which are included in the Board's 2019 Self-Assessment Report. The Board has drafted a summary of said Report, titled Self-Assessment Report, and submitted it to the company's Board of Directors during the meeting held on March 6, 2020. More specifically, with reference to the requirements and expertise of the individual members and of the board as a whole, the following has emerged:

- all Statutory Auditors, as well as meeting integrity and professionalism requirements and not falling within the situations of incompatibility provided for by the governing laws, also possess required independence envisaged under the Corporate Governance Code;
- the Board of Statutory Auditors guarantees gender and age diversity among its members;
- each Statutory Auditor has firm knowledge and experience in several fields of expertise;
- the Board of Statutory Auditors has adequate, overall know-how.

Size, functioning and exchange of information are adequate and show no shortfalls or critical areas.

2. Significant events of the financial year

The Board of Statutory Auditors regularly received, whether from the Board of Directors directly or by attending the meetings of the BoD and of the Internal Board Committees, information on the activities carried out and on the foremost economic, financial and equity transactions approved and performed during the financial year by the Company and Nexi Group companies (hereinafter, also the "Group" or "Nexi Group"), including those pursuant to article 150(1) of the TUF,. Based on the available information, the Board of Statutory Auditors can reasonably assure that such transactions are compliant in respect of Law and of the Articles of Association and are not patently imprudent, reckless, contrasting with the Shareholder resolutions, nor do they compromise the integrity of Group's fundamentals. Furthermore, all and any operations potentially entailing a conflict of interest have been deliberated in compliance with the Law, with regulatory provisions and with corporate bylaws.

In 2019 the Company started and completed the process for the listing of its ordinary shares at Borsa Italiana's MTA equities market. Note that the IPO ended on 12 April, 2019, with a listing offer of Euro 9.00 per share, equivalent to an Enterprise Value of Euro 7.3 billion. Trading officially commenced on 16 April and the Company's capitalisation was Euro 5.8 billion, including the capital increase of Euro 700 million, whose net proceeds were used as part repayment of existing debt.

As at 31 December, 2019, Nexi Group consisted of the Company and the following subsidiaries, with respect to which said Company also carries out management and coordination:

• Mercury Payment Services SpA – fully owned, 100%;
• Nexi Payments SpA – 98.92% owned;
• Help Line SpA – 69.24% owned.

The Group continued to consolidate its position in the digital payments core business by generating value from stakes deemed not strategic and by signing binding agreements associated with the takeover in the merchant acquiring business, as described below.

Some of the most relevant operations involving the Company and the Group in 2019 were:

- the sale of stakes held in Pay Care Srl to Gruppo Comdata SpA;
- the sale of stakes held in Oasi SpA to Gruppo Cedacri;
- the sale of stakes held in Moneynet SpA to Gruppo IVS Si;
- the signing of a deal with Intesa San Paolo concerning the takeover of their merchant acquiring business, as well as a 20+ year partnership for the marketing and distribution of technological solutions and innovative services developed by the Group – the drafting, with major financial institutions, of a Commitment Letter that guarantees, for Nexi, the banks' commitment, until November 2020, to grant, upon Nexi's request, a bridge loan equivalent to the value of the transaction, roughly Euro 1 billion – the closing of the operation, by summer 2020, is subject to approval by the Supervisory Authority;
- the substantial modification of the Group's financial structure, also in view of the new finance associated with the Company's listing – the structure of the debt at December 31, 2019, can be broken down as follows:

(Amounts in Euro million)

Description	31.12.2019	31.12.2018
Publicly Issued Floating Rate Bonds		1,360
Privately Placed Bonds		394
Initial Senior Secured Fixed Rate Notes		816
IPO Loan	819	
Initial Senior Secured Notes	992	
Other financial debts	29	35
Total	1,840	2,605

For a complete list and detailed description of significant events during the financial year ended December 31, 2019, see the Board of Directors' Group Management Report, which – to the knowledge of the Board of Statutory Auditors – provides a comprehensive review of major events concerning Nexi Group in 2019 and up until the date the Financial Statement was approved.

3. Significant events following the reporting period

The Covid-19 epidemic ("Coronavirus") that struck China as of January 2020 compelled the Chinese authorities to take measures to contain the spread, including severe restrictions to the circulation of goods and people. Regarding the subsequent spread of the coronavirus in Italy, starting in the second half of February, the government took a number of measures entailing strict limitations to the circulation of people and goods, and to the production and trading of non-essential goods, until the 13 April, 2020. Similar restrictions were gradually imposed in many countries, both in and outside Europe, limiting the circulation of people and goods, which negatively impacted stock markets in all countries, leading monetary and fiscal authorities – both national and international – to step in and provide economic support.

In this respect, the Board of Statutory Auditors acknowledges the disclosures, contained in both the Management Report and in the Notes to the Statement, concerning the uncertainty connected with the Covid-19 healthcare emergency, an event that ranks among those following the reporting period, whose potential impact on financial and equity scenarios are currently not foreseeable according to the Management, given overriding uncertainty as to how long the epidemic will last how far it will spread.

4. Atypical or unusual operations

The financial statements, the information received during the Board of Directors' meetings and the information received from the Chairperson and the Chief Executive Officer, from the management and the Independent Auditors provide no indication of any atypical and/or unusual operations, including any with an infragroup or related-party scope.

5. Operations with related parties

Pursuant to article 2391a of the Civil Code and regulations issuing from Consob Resolution 17221 of 12 March, 2010, the Company arranged and adopted a "Procedure for operations with related parties" (hereinafter, also "OPC Procedure") and set up a "Related Parties Committee". It should be noted that Nexi Group resorted to the waiver provided for by article 10 of the Consob resolution, which, with reference to particularly relevant transactions, sets forth the possibility, for recently-listed companies, of adopting, until the date of approval of the second financial statement following the listing date, the authorisation process envisaged for lesser operations.

The Board of Statutory Auditors monitored the OPC Procedure's compliance with the governing laws, as well as its correct implementation. The Board attended seven meetings of the Related Parties Committee and was regularly updated concerning the operations carried out.

In 2019, the most relevant operation concerning Related Parties was the signing of the agreement with Intesa San Paolo for the takeover of its merchant acquiring business. Said operation was considered, out of precaution and in compliance with article 5(8) of the Consob Resolution, as an operation with a related party. More specifically, the first part of said agreement envisages the takeover, by Nexi Group, of the business unit consisting of (i) the services Intesa San Paolo provides to its end users (mainly merchants, "Merchants"), to enable the acceptance of digital payments, as well as (ii) all the contracts concerning item (i) above, currently existing between Intesa SanPaolo and its Merchants. The second part of said agreement establishes that Intesa San Paolo must acquire, from the current shareholders of the Company, a stake in Nexi SpA's share capital by using all, or part of the revenues the operation generates for Intesa San Paolo. Analysing the aforesaid operation, the Related Parties Committee was supported by an external legal advisor for checking and assessing the signed documents and agreements, and by independent experts for evaluating the operation's economic adequacy.

The Related Parties Committee expressed, at the Board of Directors meeting held on December 19, 2019, its grounded, non-binding opinion on the Company's interest in completing the transaction, and on the convenience and essential correctness of the relevant conditions.

The Board of Statutory Auditors verified the soundness of the corporate process that followed the aforesaid operation, comparing it with what was envisaged by the Related Parties Procedure, and raised no exceptions. The Board of Directors explicitly pointed out, in its Group Management Report, that in 2019, save for the aforesaid operation, no operation concluded with related parties significantly affected the Group's consolidated assets or results, during the reporting period.

As for the financial and economic relations existing between the Group companies and related parties, they are listed under the specific section of the Notes to the Consolidated Financial Statement (note 39).

6. Supervision of compliance with the principles of proper administration and on the organisational structure's adequacy

The Board of Statutory Auditors gained knowledge on the organisational structure and monitored its adequacy, compliance with the standards of proper administration, adequacy of the instructions the Company gave to its subsidiaries pursuant to article 114(2), of the TUF, by gathering information from the managers in charge of corporate functions and from the meetings held with the independent auditors, as part of an exchange of relevant data and information.

During the reporting period, the Company took several steps towards enforcing or enacting the provisions set forth by the laws, by the Supervisory Authority, by the Corporate Governance Code and by the Group's Regulations.

Moreover, the Board of Directors approved the revision of the organisational structure, introducing Functions such as Risk Management, Corporate & Regulatory Affairs and External Communication & Media Relations (within the C&EA sphere), Investor Relations (CFO), in order to supervise the Functions involved in the laws affecting the listed Holding Company and to update/issue the following documents and procedures:

- Regulation for the treatment of Privileged/Relevant Information, the creation and keeping of the Insider List and the Internal Dealing register (compliant with the provisions of the Market Abuse Regulation – MAR);
- Policy for managing conflict of interests;
- Antitrust Code of Conduct;
- Procedure regulating the management of operations with related parties (compliant with relevant Consob regulations);
- Procedure for creating and updating the Business Plan;
- Procedure regulating the impairment process;
- Procedure for market surveys;
- Procedure for reporting violations to the Antitrust Authorities.

The Group's regulatory documents have also been updated and the following new policies were issued: Group Policy for Purchases; the Policy for managing independent audits and the Policy for Cyber Security Strategy.

The Board of Statutory Auditors attended the meeting during which the Board of Directors examined the outcomes of the Board Review performed with the assistance of an external advisor. The modus operandi of the Board Review and the positive outcomes that emerged are detailed in Nexi's Report on Corporate Governance, as requested in the 'Recommendations of the Committee for 2020', issued by the Corporate Governance Committee. The organisational structure is deemed adequate considering the size of the company and the type of business.

The Management Report, the information gathered in the BoD meetings and the information received from the Chief Executive Officer, the management, the subsidiaries' Boards of Statutory Auditors and the independent auditors, revealed no evidence of atypical and/or unusual operations conducted with Group companies, third parties or related parties.

Finally, the Board of Statutory Auditors has reviewed the corporate processes that led to the definition of the Company's remuneration policies, with a specific focus on the remuneration criteria for the Chief Executive Officer, top management and the heads of the control functions.

7. Supervision of the internal control and risk management system

The Board of Statutory Auditors has monitored the adequacy of internal control and risk management systems through:

- meetings with the Company's top management to examine internal control and risk management systems;
- regular meetings with the Internal Audit Function and the Compliance Function, to assess work-planning modalities, based on the identification and evaluation of the major risks existing in processes and in the organisational units;
- meetings with the Chief Executive Officer, with the CFO, with the Head of the Group HR and with the Risk Manager;
- examination of the periodic Reports of the Control Functions and of periodic reports on the outcomes of the activities monitoring the enforcement of the identified correction measures;
- meetings with the Chair of the Control Committee;
- meetings with the appointed manager and with the independent advisors tasked by the Company with examining the methods adopted for Purchase Price Allocation and Impairment Test;
- meeting with the Company's Investor Relator;
- gathering of information from the Heads of the Corporate Functions of the Company and of the Group to examine the outcomes of the inspections carried out by the latter, also to periodically provide a report on corporate risk monitoring;
- regular attendance of Company's Risk and Control Committee and, when the topics dealt with required it, joint addressing of such topics with the committee. Whilst conducting its supervisory activity, the Board of Statutory Auditors constantly liaised with the Control Functions.

The Internal Audit function operates on the basis on a yearly plan which defines the activities and processes to be checked with a risk-based approach. The plan is approved every year by the Board of Directors. The activities carried out by the Function during the financial year have encompassed the entire scope of planning. Such activity revealed no significantly critical profiles.

The Compliance Function focused on reviewing and updating the specific rules pertaining to the Group, Corporate Governance, Market Abuse, conflict of interest and related parties, remuneration policies and process 231 verifications. Such activities revealed no critical risk profiles worth pointing out. The Board of Statutory Auditors acknowledges that the yearly reports of the Control Functions give a favourable opinion on the overall internal controls structure. Based on the activities carried out, on the information gathered, on the contents of the Control Functions' Reports, the Board of Statutory Auditors reckons there are no critical elements that may undermine the structure of the control and risk management system.

8. Supervision of the accounting administrative system and of financial information reporting

The Board of Statutory Auditors, acting as Internal Control and Accounting Auditing Committee, has monitored the process and checked the efficacy of the internal control and risk management systems as far as financial reporting is concerned.

The Board of Statutory Auditors points out that, pursuant to article 154a of the TUF, the Board of Directors, in the meeting held on February 25, 2019, appointed Mr Enrico Marchini director in charge of drafting accounting documents ("Appointed Manager"), effective as of the commencement date of the Company shares trading on Borsa Italiana's MTA equities market. Mr Marchini was previously Head of Administration at subsidiary Nexi Payments SpA. The Board of Statutory Auditors has regularly met with the Appointed Manager to share information on the administrative-accounting system and on its reliability in terms of a proper representation of management.

The administrative and accounting procedures for the drafting of the individual and consolidated financial statement, as for any other financial communication, have been set up under the responsibility of the Appointed Manager who, together with the Chief Executive Officer, certifies its adequacy and effective implementation.

During the regularly held meetings, the Appointed Manager reported no shortfalls in the operational and control process that may negatively affect the judgement of adequacy and effective enforcement of the administrative-accounting procedures, for a correct economic, asset-related and financial representation of management, in compliance with the international accounting standards.

The Appointed Manager and the Chief Executive Officer have signed the certifications concerning the individual and consolidated financial statements as at December 31, 2019, provided for by article 81b of the Issuers Regulation, approved by Consob via Resolution 11971/1999 and subsequent amendments and integrations.

The Board of Statutory Auditors has also reviewed the declarations of the Chief Executive Officer and of the Appointed Manager, pursuant to the provisions set forth under article 154a of the TUF. In view of the information gathered and of the conducted review, the Board reckons that the administrative and accounting system in place is adequate on the whole and complies with the current laws of reference.

The Board still firmly recommends continuing to address and implement corrective actions planned by management to optimise financial reporting processes.

In the meetings held regularly with the Board of Statutory Auditors the heads of the independent auditors reported no critical situation that may undermine the internal control system concerning administrative and accounting procedures.

9. Enactment procedures concerning Corporate Governance rules

While performing its tasks, the Board of Statutory Auditors, as provided for by article 2403 of the Civil Code and article 149 of the TUF, monitored the enactment procedures concerning the Corporate Governance rules envisaged by the codes of conduct, which Nexi declares to abide by. Nexi complies with the Corporate Governance Code promoted by Borsa Italiana

SpA and has drafted, pursuant to article 123a of the TUF, the annual Report on Corporate Governance and Controlling Structures, which provides information on:

i. the Corporate Governance practices effectively in place;
ii. the main characteristics of the risk management and internal control systems;
iii. the operating mechanisms of the Shareholders' Meeting, its main powers, Shareholders' rights and the ways in which such rights are exercised;
iv. the composition and functioning of administration and control bodies and of the internal board committees, as well as other information provided for by article 123-b of the TUF.

The Board of Directors approved the Report on Corporate Governance and Controlling Structures on 6 March, 2020.
The Board of Statutory Auditors also checked the correct enforcement of the inspection criteria and procedures adopted by the Board of Directors to assess the independence of its members.

10. Supervision of mandatory auditing of accounts

The Board points out that, on 13 February, 2019, the Shareholders' Meeting appointed PricewaterhouseCoopers SpA (hereinafter, also "PWC") as independent auditors for the nine-year period spanning from 2019 to 2027, following the expiry of the prior mandate of independent auditors KPMG SpA. Independent auditors PricewaterhouseCoopers SpA are also the independent auditors of the Group, since they were also appointed legal auditors by the subsidiaries.
The Board stresses that in 2019 the Company approved the internal procedure for the approval of services to be entrusted to the company tasked with the mandatory audit and to its network.
Pursuant to article 19 of legislative decree 39/2010, the Board of Statutory Auditors also acts as Internal Control and Accounting Audit Committee and carried out said supervision of the mandatory audit of annual accounts and of consolidated financial statements.
The Board of Statutory Auditors regularly met with independent auditors PWC, as provided for by article 150(3) of the TUF, in order to share information. During such meetings, PWC reported no actions or circumstances deemed reprehensible, nor any irregularity that required specific flagging, pursuant to article 155(2) of the TUF. During such meetings, the Board was informed about the fundamental issues that emerged during the audit and which concerned assessment procedures, in particular the impairment test and purchase price allocation, as well as the main implications of the major operations of 2019.
During the supervision of the 2019 financial statement, the Board of Statutory Auditors met with PWC for the first time on June 25, 2019, for the first meeting following the appointment of the independent auditors, which focused on the terms and scope of the activities ascribed to PWC for the financial years 2019-2027, on the presentation of the audit team, on scoping and activities concerning the limited audit of the consolidated interim financial statements as at June 30, 2019 and on the independent auditor's independence requirements and the polices implemented by PWC in this regard. In 2019 the Board met with PWC delegates four more times, in order to share information on the activities set in place by the independent auditors

and on the main issues concerning the administrative structure and the drafting of the financial statements. The project concerning the balance sheet closing December 31, 2019, featuring the management report drafted by the BoD and the certification of the Chief Executive Officer and of the Financial Reports Manager, was submitted to the approval of the Board of Directors at the meeting held on March 6, 2020, and was concurrently made available to the Board of Statutory Auditors.

On March 6, 2020, the Company's Board of Directors approved the financial statement and the consolidated financial statement.
On 3 April, 2020, the independent auditors published, pursuant to article 14 of legislative decree 39/2010 and article 10 of EU Regulation no. 537/2014, the audit reports of Nexi's financial statement and Nexi Group's consolidated financial statement as at 31 December, 2019. With reference to the assessments and certifications, in their Accounting Audit Report the independent auditors have:

- published assessments to the effect that Nexi's financial statements and Nexi Group's consolidated financial statements are a truthful and correct representation of the assets and financial situation of Nexi and Nexi Group as at 31 December 2019, of the economic performance and cash flows for the financial year ending on said date, in accordance with the International Financial Reporting Standards adopted by the European Union and of the measures issued for the enforcement of article 9 of legislative decree 38/2005;
- published a judgement of coherence, which states that the Management Reports, which are part of the financial statements and consolidated financial statements as at December 31, 2019 and the information of the Report on Corporate Governance and Controlling Structures indicated under article 123a(4) of the TUF, which fall within the responsibility of Nexi BoD members, are consistent with the financial documents and compliant with the laws;
- declared, with reference to potential significant errors in the Management Reports, based on the Company's knowledge and understanding and on the pertinent context that emerged during the audit, that they have nothing to report. On April 3, 2020, the independent auditors also submitted, to the Board of Statutory Auditors, the additional report provided for by article 11 of EU Regulation no. 537/2014, which shows no significant shortfalls in the internal control system, with reference to the financial reporting, worth signalling to the heads of governance.

The independent auditors submitted to the Board of Statutory Auditors the declaration concerning independence, as requested by article 6 of EU Regulation no. 537/2014, which revealed that there are no situations that are prejudicial to independence.
The independent auditors were assigned the following further tasks in 2019, remuneration for which was included in the attachment to the financial statement, as provided for by article 149k of the Issuers Regulation, and recognised in the profit and loss statement:

(Amounts in Euro thousand)

	Nexi		Nexi Group	
Type of service	PWC	Rete PWC	PWC	Rete PWC
Audit (*)	119		247	
Other certifications (**)	1.170			
Other services:				
- Due Diligence		210		
- Non-Financial Statement	35			
- Agreed-to verification procedures	22			
- Methodological support on specific topics				865
Total	1.346	210	247	865

(*) Including mandatory auditing of annual financial statements and of the limited audit of the interim financial statements

(**) Relative to certifications and comfort letters pertaining to the Registration Documents (Euro 1,000 thousand) and the bond issue (Euro 170 thousand).

The Board points out that fees for services other than mandatory auditing refer to services mostly prior to Nexi's listing. In particular, following the listing, services other than the mandatory audit were performed only for bond issuing, for the Non-Financial Statement and for due diligence.

11. Non-Financial Statement

In drafting the Non-Financial Statement, set forth under legislative decree 254/2016 and Consob deliberation no. 20267 of January18, 2018 (hereinafter, also "NFS"), the Company followed the GRI (global Reporting Initiative) reporting standards.

The Board monitored the drafting of the NFS, not only checking the mere fulfilment of the tasks imposed by the regulation, but also, and above all, the adequacy of the information flows, such that the systems devised to collect, treat and consolidate the data required for drafting the NFS effectively deliver completeness, accuracy, truthfulness and verifiability of the entire data flow. The Board also attended the meetings of the Risk and Sustainability Committee, which the BoD tasked with specific, sustainability-related duties. having attended said meetings, the Board acknowledges the Committee's attention to proper information flows (as required for the purposes of drafting the NFS) with subsidiaries, focusing, in this context, on the Nexi Group structure and on the drafting of the NFS.

The Board viewed the Report drafted by the independent auditors on the consolidated non-financial statement, for which PWC was given the task of conducting a limited assurance engagement, following which they declared that it revealed no elements that lead to believe that such statement was not drafted, in all its relevant aspects, in compliance with the laws and with the Global Reporting Initiative Sustainability Reporting Standards defined in 2016 by the Global Reporting Initiative.

12. Remuneration Policies

The Board of Statutory Auditors has checked the corporate processes that led to the definition of the Company’s remuneration policies, with particular reference to the remuneration criteria for the Chief Executive Officer, the CFO, the managers holding strategic responsibility and the heads of the Control Functions.

In 2019 the Board of Directors put in place the Medium-Long Term Incentives Plan 2019-2021, approved by the Shareholders' Meeting on March 12, 2019, for top and senior management at Nexi Group (cf. relevant paragraph of the Notes to the Financial Statement).

Furthermore, Mercury UK, parent company of Nexi, issued a Nexi shares-based incentive plan (Stock Grant). The plan involved some employees of subsidiaries Nexi Payments SpA, Help Line SpA and Mercury Payment Services SpA. Nexi Group took on no obligations with said subjects and has recognised the plan in its financial statement, complying with accounting standard IFRS2, being the recipient of its services (once again, for further details, see the pertinent paragraph of the Consolidated Financial Statements).

13. Omissions or reprehensible actions, opinions given and initiatives undertaken

During the financial year 2019, no reports were filed, pursuant to article 2408 of the Civil Code, against the Board of Statutory Auditors, nor was the latter sued by third parties.

The Board of Statutory Auditors published its opinions pursuant to governing laws.

During the activities undertaken, and on the basis of the information gathered, no omissions, reprehensible actions, irregularities or significant circumstances worth reporting to the Supervisory Authority or signalling in this Report, emerged.

14. Conclusions

Taking into account all the above, the Board of Statutory Auditors, considering the contents of the reports drafted by the independent auditors, having acknowledged the certifications jointly provided by the Chief Executive Officer and by the Financial Reports Manager, endorses the approval of Nexi’s financial statement at December 31, 2019 and of the carry-over of the financial year profit of Euro 103,971,238 proposed by the Board of Directors.

As a final remark on this report, the Board of Statutory Auditors wishes to thank the Board of Directors, the Management, the Company and Nexi Group Staff for their remarkable commitment and for the constant, fruitful cooperation shown throughout the activities carried out.

Milan, April 3, 2020

The Board of Statutory Auditors

Mr Piero Alonzo

Ms Mariella Tagliabue

Mr Marco Giuseppe Zanobio

2.6

INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Nexi SpA

Financial Statements as of 31 December 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Nexi SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexi SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key matters	*Audit procedures in response to the key matters*
Measurement of Equity Investments and the Impairment Process	
Notes to the separate financial statements "Main Accounting Policies", paragraph Equity Investments Nexi SpA holds equity investments in subsidiaries totalling Euro 2,947 million (equal to 94% of total assets in the Balance Sheet). In accordance with IAS 36 – "Impairment of Assets", the equity investments are recognised at acquisition cost, net of any impairment losses. If there is any indication that an equity investment may be impaired, Management estimates its recoverable amount, determined using the value-in-use method, which reflects the future cash flows expected to arise from the equity investment, discounted at December 31, 2019. Considering the significance of professional judgement in the process by which the recoverable amount of equity investments recognised in the financial statements is estimated, and the materiality of equity investments in proportion to the Company's total assets, we have considered this process a key audit matter.	The identification and measurement process in preparation for the identification of any impairment of equity investments recognised in the financial statements requires in-depth knowledge of the relevant markets and specialised expertise. Moreover, it requires the preparation of estimates that, by their nature, contain elements of professional judgement. Accordingly, in the performance of the audit procedures in this area, we were assisted by our business valuation experts. We gained an understanding of the measurement criteria used by Management and verified that they were applied consistently in the determination of the recoverable amount of equity investments. We verified, on a sample basis, that the forward-looking data used to determine the future cash flows of the individual equity investments were accurate and reasonable. We assessed the reasonableness of the key assumptions used by Management to determine the recoverable amount of the Equity Investments, which included specific sensitivity analyses.

Other Matters

The financial statements of Nexi SpA for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 25 February 2019 [data relazione di revisione altro revisore].

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 13 february 2019, the shareholders of Nexi SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Nexi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Nexi SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Nexi SpA as of 31

December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Nexi SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 3 April 2020

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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