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CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE
2019

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CORPORATE BODIES

at 30 June 2019

BOARD OF DIRECTORS

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

(*) Strategic Committee members.

BOARD OF STATUTORY AUDITORS

Chairman	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
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FINANCIAL REPORTS MANAGER

Enrico Marchini

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

INTERIM FINANCIAL STATEMENTS REPORT





INTERIM FINANCIAL STATEMENTS REPORT

INTERIM FINANCIAL STATEMENTS REPORT

Drafted pursuant to art. 154-ter of Italian Legislative Decree 58/1998, the hereby condensed consolidated interim financial statements for Nexi Group as at 30 June 2019 (hereinafter "interim statements") reports a net income of approximately Euro 58.4 million.

The corporate group's holding company is Nexi SpA, a company listed on Borsa Italiana SpA's MTA equities market as of 16 April 2019.

Italian leader in digital payments, Nexi Group as at 30 June 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 Moneynet and BassmArt, concerning which, however, disposal is underway.

Drafted pursuant to IAS/IFRS international accounting standards, the contents of this statement as at 30 June 2019 are presented in condensed form in keeping with paragraph 10 of IAS 34 on interim financial reporting.

These interim statements include the interim management report, the condensed consolidated interim financial statements and, pursuant to art. 154 bis, paragraph 5 of Legislative Decree 58/1998 (hereinafter, the Consolidated Law on Finance - TUF), the CEO's and the Financial Reports Manager's certification statements. Said statements are subject to limited audit by PriceWaterhouseCoopers SpA.

Based on representations provided pursuant to art. 120 of Legislative Decree 58/1998 and on further information available, at time of approval of the present interim report by the Board of Directors, Nexi SpA's major shareholders are:

Shareholder	Investments %
Mercury UK HoldCo Ltd	60.15
GIC PTE Ltd	3.186

International economy

With 2018 characterised by an encouraging start followed by a second-half slowdown, the global economy has continued to contract during early 2019.

Economic indicator trends were compounded by several risk factors impinging on macroeconomic outlook, including ongoing trade tensions chiefly arising from the U.S. Presidential Administration's protectionist policies, the effects of an as yet unfulfilled Brexit and a larger than expected slowdown in the Chinese economy.

Despite forecasts issued by leading research institutes, first-quarter economic performance in the United States, the Eurozone, Japan and China were better than expected. That outcome may, however, be the result of transient factors; Eurozone's major economies were largely propped up, for instance, by internal demand.

With the context still characterised by high levels of uncertainty and with confidence indices for Eurozone showing signs of enduring weakness, economic forecasters are standing by their expectations of an overall slowdown this year.

Italian economy

Italy's first-quarter 2019 GDP was up 0.2% on the previous quarter, signalling a reversal with respect to the second half of 2018. The Italian economy, however, is still susceptible to risks arising from both the global economic slowdown and its own financial stability. Italy's government bond yield spreads stand higher than they did last year, and any new market tension would firstly affect banks and then the overall economy.

Owing to its high public debt level, Italy remains vulnerable to financial market tensions. In the face of a slowdown, furthermore, high debt narrows the scope for government interventions in support of the economy.

Compared to 2018, rising yield spreads with respect to benchmark German Bunds has led to a rise in mortgage rates for consumers; the impact on businesses, however, was curtailed thanks to competition among banks.

Household spending at the beginning of 2019 would appear to follow suit with 2018's slowdown; a view supported by the decline in confidence indices, with consumers proving especially pessimistic with reference to the macroeconomic situation and thus likely to adopt greater spending caution.

Reference markets

The following section provides an overview of the reference markets in which Nexi Group operates.

Payment systems

Globally and in the Eurozone, the trend in the use of alternative cash instruments is growing rapidly: between 2005 and 2017, Eurozone per capita transactions went from 166 to 261. With payments cards most resorted to as an alternative to cash at points of sale, payment card usage has risen considerably: in the abovementioned timeframe, their percentage of alternative methods of payment transactions went 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 *digital payments* is an established trend¹ in Italy.

Contactless payments are estimated to have grown by 100%, *mobile payments* 42%, *e-commerce & e-payments* 8% and *Mobile POS* 38% in 2018.

Electronic money

The payment cards industry is going through a development phase, leveraging all products.

In 2018² 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%). With reference to credit cards, figures published by the Bank of Italy are affected by a change in 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 remain 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 5.5%, prepaid cards up 21.5% and international debit cards up 41.0%. The trend in the revolving segment is a positive one, with volumes³ up 4.9% during the first four months of 2019.

Significant events during the period

During the first half of 2019, Nexi continued to pursue the process of consolidating its position in the core business of digital payments via the disposal of non-strategic equity investments.

¹ Source: Politecnico di Milano

² Source: Bank of Italy

³ Source: Assofin

Group consolidation scope

In that regard, February 2019 saw the completion of sale of Pay Care Srl to the Comdata SpA group and of Oasi SpA to the Cedacri SpA group. See the Notes to these interim statements for further details.

At close of 2018 a binding agreement was signed for the disposal of the Moneynet SpA subsidiary to the IVS Group. In April 2019 the potential buyer applied for Bank of Italy authorisation. The latter granted authorisation on 10 July 2019 and endeavours preparatory to closing the disposal are currently underway.

On performance of said extraordinary operations, the Group settled into the current corporate structure, comprising the holding company Nexi SpA, Nexi Payments SpA (to which Moneynet SpA and BassmArt Srl are subsidiaries), Mercury Payment Services SpA and Help Line SpA, as well as the aforementioned associates Win Joint, RS Record store, Bassnet Srl and K.Red.

IPO

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

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

At price of offering, Nexi market capitalisation stood at 5.7 billion Euro, including a capital increase of Euro 700 million. Those proceeds were used to part-extinguish debt as outlined below.

The offering, destined only to institutional investors ("Institutional Placement"), met with solid interest at both the national and international level, reaching some 340 potential qualified investors.

On completion of 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.

Changes in group debt

The financial structure of the Group has changed significantly during the first half of 2019 as a result of its share listing and the accompanying restructuring of Nexi SpA capital. As part of the latter, as at time of publication of these interim statements, among other repayments, the following repayments were affected:

- i. on 31 May 2019, the "Senior Secured Floating Rate Notes" bond loan worth Euro 1,375 million with a quarterly floating-rate coupon, at the 3M Euribor rate for the period plus a spread of 3.625% p.a., maturing 1 May 2023 ("Publicly Issued Floating Rate Bonds");
- ii. on 2 July 2019, the "Senior Secured Floating Rate Notes" bond loan 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 2 July 2024 ("Privately Placed Bonds").

Said repayments were funded with both cash available to Nexi SpA, most of which garnered via the proceeds of the aforementioned stock exchange listing, and a syndicated loan granted by a group of leading international banks issued conditional to the Company going public (the "IPO Loan").

The restructuring process has led to a substantial reduction in Group indebtedness worth about Euro 800 million (from a nominal Euro 2,600 million at 31 December 2018 to Euro 1,825 million at 30 June 2019), mostly arising from the Publicly Issued Fixed-Rate Bonds and the IPO Loan.

More specifically, on 20 March 2019 Nexi Group signed a new 5-year loan agreement (the "IPO Loan") underwritten by a group of leading domestic and international banks, which entered into force following Nexi SpA's listing on the Italian stock exchange. Initially set at Euro 1,515 million, the loan was scaled down to Euro 1,350 million.

The IPO Loan consists of two lines of credit:

- 1) a credit line worth Euro 1 billion (the "IPO Term Line"), with withdrawals at 30 June 2019 totalling Euro 595 million (at time of publication, Euro 1 billion following the abovementioned early repayment, effected July 2nd) and with repayment due in full on 31 May 2024, secured in aid of repayment of the abovementioned bond loans;
- 2) a revolving credit line worth Euro 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 undrawn.

Following repayment in full of the Publicly Issued Floating Rate Bonds and the Privately Placed Bonds, the Group's only standing bond loans are the "Senior Secured Fixed Rate Notes", worth a nominal Euro 825 million and with a fixed-rate half-yearly coupon at 4.125% and maturity 1 November 2023 (the "Publicly Issued Fixed-Rate Bonds").

In summary, as at 30 June 2019 (hence excluding the bond repayments of the Privately Placed Bonds effected July 2nd), the structure of gross debt is as follows:

(Amount in Euro million)

Description/ Carrying amount	30.06.2019	31.12.2018
Publicly Issued Floating Rate Bonds		1,360
Privately Placed Bonds	405	394
Senior Secured Fixed rate Notes	817	816
IPO Loan	590	
Other financial liabilities	33	35
Total	1,845	2,605

Other financial liabilities are mainly comprised of leasing contracts accounted for in 2019 upon first adoption of IFRS 16 (Euro 31 million as at 30 June 2019). The increase thus arising is effectively offset by the repayment of other banking loans.

More specifically, the above-mentioned debt refinancing operation, as well as curtailing total debit, has resulted in lower ensuing weighted-average costs: bar direct transaction costs, the figure has gone from 3.8% on 31 December 2018 to 3.4% on 30 June 2019 (3.1% at time of publication, following the above-mentioned July 2nd repayment). It should be noted that as at 30 June 2019 all covenants have been respected.

Remuneration policies

On 12 March 2019, the Shareholders' Meeting at holding company Nexi SpA, with reference to Group remuneration policies, approved the long-term incentives LTI plan. The latter 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.

IFRS 16

IFRS 16 accounting standards entered into force on 1 January 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. For further details concerning the new accounting rules see the notes' "Accounting Policies" section.

2019-2023 Business Plan

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

The plan mission is to consolidate the Group's leadership within the domestic Italian digital payments market via investments in technology, services and skills.

From a more long-term standpoint, in the firm belief that all payments will eventually be digital, Nexi, together with partner banks, aims to lead this transformation process on the Italian market via services designed to cater even for the most technologically advanced needs.

That strategy builds on five fundamental pillars:

- organic growth of its three business units (i.e. Merchant Services & Solutions, Cards and Digital Payments e 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 talent and cutting-edge skills;
- inorganic growth via targeted acquisitions and partnerships, to harness economies of scale and the development skills.

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 plan" capex) trending towards this level over the medium to long term.

For further information on economic and financial forecasts for the current year 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 890,000 merchants.

The technological complex leveraged by the Group is capable of connecting banks, merchants, businesses and consumers, allowing to perform and receive digital payments. The business is built on long-standing ties with some 150 affiliate banks, which together account for approximately 80% of branches nationwide (figure as at 31 December 2018).

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

Main Group indicators for H1 2019 ⁽¹⁾

2.9 billion managed transactions (+11.0%)	Euro 467 million in Operating Revenues (+5.7%)	Euro 59 million in Capex (-9.8%)
Euro 220.5 billion managed transactions (+4.8%)	Euro 233 million in EBITDA	Net Financial Position Euro -1,614.7 million

(1) Percentage variations 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 terminal management services.

The Group operates under several service models. The latter 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.

Which level of the value chain is handled 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. the 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.

During the first half of 2019 the Merchant Services & Solutions business line generated operating revenue worth approximately Euro 224 million (namely 48% of total Group revenue), up 6.5% on the same period last year, as a result of greater transaction flows.

Managed transactions have, in fact, increased 11.8% in number terms and 5.1% in value terms, confirming the general trend towards digital payments in Italy, even with reference to transactions involving small sums of money.

Cards & Digital Payments

Via this division, the Group and its partner banks provide a broad 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 rapid, reliable and secure customer authentication and fast 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 issue).

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 assume the risk of their customers' insolvency. Therefore, the Group's credit risk in this business line is almost entirely shouldered by partner banks.

During the first half of the year the Business Cards & Digital Payments business line generated operating revenue worth approximately Euro 188 million (namely 40% of total Group revenue), up 7.8% on the same period last year. The latter performance is a product of greater volumes managed, especially with reference to credit, prepaid and international debit cards, and of marketing efforts designed to stimulate use of payment cards.

Compared to the same period last year, managed transactions increased 9.9% in number terms and 4.4% in value terms.

Digital Banking Solutions

Via this business line the Group provides three types of service: ATM Management, Clearing and Digital Corporate Banking.

ATM Management

The Group is responsible for installing and managing ATMs 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 differs from traditional clearing services in terms of the speed of transfers and its 24-hour availability. In the first half of 2019 the Group witnessed an increase in customers' clearing transactions, resulting also from product innovation initiatives.

Digital Corporate Banking 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 dedicated 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 public authorities, 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

During the first half of 2019, the Digital Banking Solutions business line generated operating revenues worth approximately Euro 56 million (namely 12% of total Group revenue), down 3.3% on the same period last year, figures for which were also the product of revenues that were not fully recurring.

Performance of Holding and Group Companies

The results of the Financial Statements 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.

Equity stood at Euro 1,289 million, including both H1 profits worth approximately Euro 140 million and the capital increase worth Euro 700 million connected to the IPO.

Nexi Payments SpA

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

Equity stood at Euro 1,068 million, including H1 profits worth approximately Euro 18 million.

Having completed integration of the platforms acquired in recent years, during the first half of the year Nexi Payments' activities have focused commerce-side on its business lines, especially with reference to supporting and innovating 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 products, in its entire range, 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 more than 200,000 new activations (i.e. international card schemes, meal vouchers and digital and c-less activations for Italian debit cards);
- further development was carried out in respect of marketing payment solutions for large merchants in major business verticals (e.g. insurance, large retailers, travel and mobility, etc.), with a new multichannel solution expected to be available by the closing months of the year;
- further marketing of the Nexi Business App saw registered merchant numbers exceed 180,000;
- 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 has continued to evolve thanks to new features and services;
- penetration of the YAP app, which targets millennials, was subject to a concerted push;
- development of new business products for corporate customers has continued (e.g. virtual B2B and lodge solutions), with marketing expected to commence during the third quarter;

- “customer value management” activities continued, via direct marketing campaigns targeting banks and engagement programmes targeting cardholders;
- 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.

Equity stood at Euro 120 million, including H1 profits worth approximately Euro 38 million.

The company has continued to provide processing services to its key customer, Intesa Sanpaolo, as well as acquiring services limited to its own customers.

The company focused on processing services for the Intesa Sanpaolo Group and on reviewing its proposition in terms of other services provided.

With regard 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 (issue 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.

Development continued of the business projects and those of an innovative nature as part of the acquiring services. The trade sectors mainly targeted were: Telecommunications, Public Transportation, Petrol, Retail Large-Scale Distribution and the Luxury/Fashion industry.

Help Line SpA

The subsidiary Help Line SpA, of which Nexi SpA and Nexi Payments SpA respectively hold 69.24% and 1.06% of share capital. The company 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.

Equity stood at Euro 3 million, including H1 losses worth Euro 0.7 million.

Group performance

Reclassified Consolidated Income Statement as at 30 June 2019

Figures for the income statement as at 30 June 2019 are not comparable with those for the same period last 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 1 July 2018. To allow comparison, the below reclassified income statement figures as at 30 June 2018 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 dated 3 December 2015 which, in turn, encompasses European Securities and Markets Authority (ESMA) guidelines dated 5 October 2015.

See the appropriate section on disclosures required pursuant to said communication.

(Amount in Euro million)

	June 2019	June 2018	Delta	Delta %
Merchant Services & Solutions	223.6	210.0	+13.6	+6.5%
Cards & Digital Payments	187.9	174.3	+13.5	+7.8%
Digital Banking Solutions	55.9	57.8	-1.9	-3.3%
Operating revenues	467.3	442.1	+25.2	+5.7%
Personnel & related expenses	(84.1)	(77.7)	-6.4	+8.2%
Operating costs	(150.3)	(170.3)	+19.9	-11.7%
Total costs	(234.5)	(248.0)	+13.5	-5.5%
EBITDA	232.9	194.1	+38.8	+20.0%
Depreciation and amortization	(52.8)	(30.6)	-22.2	+72.5%
D&A Customer contract	(18.4)	(18.6)	+0.1	-0.8%
Interests & financing costs	(101.6)	(54.2)	(47.4)	+87.4%
Non recurring items	(1.6)	(66.0)	+64.5	-97.6%
Pre-tax Profit	58.4	24.6	+33.8	+137.3%
Income taxes	0.1	(20.7)	+20.7	n.m.
Minorities	(0.0)	(0.6)	+0.6	-95.9%
Net Profit	58.4	3.3	+55.1	n.m.

Note: The above EBITDA is Normalised EBITDA whose definition is provided the "Alternative Performance Measures" section.

The Group's operating revenues have increased 5.7% in the first half of the year, as a result of upwards trends in the Merchant Services & Solutions and Cards & Digital Payments business lines. More specifically:

- the Merchant Services & Solutions business line witnessed 6.5% growth on the same period last year as a result of greater transaction flows, which were also driven by the E-Commerce channel and are consistent with current developments in the reference market;
- the Cards & Digital Payments business line witnessed 7.8% growth, as a result of greater volumes (especially with reference to international card schemes), which were also the product of a product-range expansion driven by the introduction of advanced products;
- in the wake of recent consolidation within the banking sector, the Digital Banking Solutions business line's operating revenue witnessed a 3.3% drop on the same period last year, figures for which were also the product of revenues that were not fully recurring.

Total costs were down 5.5% on the same period last year, reflecting, among other things and despite increased staff costs linked to the acquisition of new skills, full integration of acquisitions carried out in recent years as well as efficiency improvement initiatives directed at major cost centres.

Major investments in software and technological developments for the purposes of Group digital transformation, combined with the adoption of IFRS 16 standards, have led to a 72.5% increase in amortisation and impairment losses for tangible and intangible assets (excluding intangibles relating to Customer Contracts).

Interest & Financial costs witnessed an 87.4% increase as a result of the Group's overall debt refinancing operations, herein described in greater detail.

Non-recurring items stood at a negative Euro 1.6 million, down from negative Euro 66 million for the same period last year thanks to capital gains arising from the sale of Oasi (Euro 102.4 million) and to the significant downsizing of transformation costs (down approximately 60%, to Euro 26.4 million). During the first half of the year, one-off charges connected with the IPO totalled Euro 21.1 million, while stock grants agreed to by the Shareholders' Meeting on 12 March 2019 (implementing the Long-Term Incentive Plan) stood at Euro 42.6 million.

Net after income tax and profit/losses attributable to non-controlling interests, at 30 June 2019 the Group's profits for the period stood at Euro 58.4 million compared to a pro-forma Euro 3.3 million for the same period last year.

Financial Position Highlights

The main indicators of financial position are presented below.

Investments (Capex)

The following table details Capex investments as at 30 June 2019 and 31 December 2018.

(Amount in Euro million)

	At 30 June	At 31 Dec.
Ordinary tangible and intangible assets	32.3	85.1
IT & Strategy Transformation Projects	26.3	65.4
Investments (Capex)	58.6	150.5

(Amount in Euro million)

	30.06.2019	31.12.2018 Pro-forma
A. Cash	165.9	40.7
B. Cash equivalents (*)	64.6	-
C. Held-for-trading securities	-	-
D. Liquidity (A) + (B) + (C)	230.5	40.7
E. Current financial receivables	-	-
F. Current bank debt		(20.4)
G. Current portion of long term debt	(0.5)	(7.2)
H. Other current financial liabilities	-	-
I. Current financial debt (F) + (G) + (H)	(0.5)	(27.6)
J. Current net financial position	230.0	13.0
K. Non-current bank debt	(32.0)	(7.5)
L. Bonds issued	(1,222.6)	(2,569.7)
M. Other non-current financial liabilities	(590.1)	-
N. Non-Current Financial Liabilities (K) + (L) + (M)	(1,844.7)	(2,577.2)
O. Net Financial Position (J) + (N)	(1,614.7)	(2,564.2)

(*) 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 29 march 2019, with reference to the listing on MTA.

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

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 30 June 2019

During the first half of the year the Net Financial Position changed significantly as a result of liquidity generated by the IPO. The latter, added to available liquidity has allowed for the repayment of part of the standing loans, details of which are provided in the "Changes to Group Debt" section.

The following table details the Group's Net Financial Position as at 30 June 2019 and as at 31 December 2018 on a pro-forma basis.

Alternative Performance Measures

In line with guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415) and for the purposes of the present condensed consolidated interim 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 judge Group performance.

Pursuant to standing rules and regulations, the following sections 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 for the six months ended 30 June 2019 and 2018.

(Amount in Euro million)

	At 30 June	
	2019	2018 Pro-forma
Financial and operating income	356.6	370.7
Financial charges on bond loans (*)	101.6	69.5
Non-recurring expenses/income	9.0	1.9
Operating Revenues	467.3	442.1

(*) Including IFRS16 interest.

Normalised EBITDA

Nexi defines Normalised EBITDA as profits for the period adjusted for (i) profits/losses after tax on assets held for sale, (ii) income tax on continuing operations, (iii) profit/loss on investments and disposals, (iv) financial charges on bond loans (extrapolated from the net interest margin), (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 six months ended 30 June 2019 and 30 June 2018.

(Amount in Euro million)

	At 30 June	
	2019	2018 Pro-forma
Profit for the period	58.4	3.3
Profits/losses, after tax, on assets held for sale	(93.6)	-
Income tax on continuing operations	(0.5)	20.7
Profit/loss on investments and disposals	0.1	-
Financial charges on bond loans (*)	101.6	54.2
Amortisation and impairment losses for tangible and intangible assets	70.4	49.2
Non-recurring expenses and income	9.0	1.9
Other non-recurring charges/income impacting EBITDA (**)	87.4	64.7
Total non-recurring charges impacting EBITDA	96.5	66.6
Normalised EBITDA	232.9	194.1

(*) Including IFRS16 interest.

(**) For H1 2019 these include: Euro 48.2 million for personnel & related expenses, Euro 39.8 million operating costs and -Euro 0.6 million for adjustments and net provisions.

Investments (Capex)

Nexi defines investments as tangible and intangible assets acquired in the period, as listed in the relevant table in the notes relative to 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

On 13 February 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 31 December 2021. On the same day, the board of directors appointed the Chief Executive Officer and the Deputy Chairman.

Board of directors

Chairman	Michaela Castelli
Deputy Chairman	Giuseppe Capponcelli
Chief Executive Officer and General Manager Directors	Paolo Bertoluzzo Luca Bassi Francesco Casiraghi Simone Cucchetti Federico Ghizzoni Robin Marshall Maurizio Mussi Jeffrey Paduch Antonio Patuelli Marinella Soldi Luisa Torchia

Internal Board Committees

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

Remuneration and Appoints Committee (*)

Chairman	Marinella Soldi
Members	Luca Bassi Luisa Torchia

Risk and Control Committee (*)

Chairman	Luisa Torchia
Members	Francesco Casiraghi Marinella Soldi

Related Party Transactions Committee (*)

Chairman	Luisa Torchia
Members	Antonio Patuelli Marinella Soldi

(*) Committee envisaged by the corporate governance code.

Strategic Committee

On 13 February 2019 Nexi's Board of Directors confirmed appointments made on 3 July 2018 at the thus comprised Strategic Committee:

Chairman	Paolo Bertoluzzo
Members	Giuseppe Capponcelli Luca Bassi Michaela Castelli Francesco Casiraghi Simone Cucchetti Jeffrey Paduch Robin Marshall

Board of Statutory Auditors

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

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

Financial reports manager

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

Independent Auditors

On 13 February 2019 the Nexi Shareholders' Meeting resolved to entrust PricewaterhouseCoopers SpA with the independent audit of the Group's statutory and consolidated financial statements for 2019-2021 and, for the same years, with limited audits of condensed consolidated interim financial statements for the six months ending June 30th.

Group Internal Control Systems

In the first half of the year those projects targeting the development of the Internal Control Systems continued, in keeping 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 - thus, it is worth noting, heightening awareness of top executives' risk management - implemented evolutionary measures in the area of methods, initiating a formal review of internal audit procedures.

The first half of the year saw the drafting of the internal Audit Charter - a crucial source of reference for subsequent audits - and its approval by the Board of Directors, as well as the drafting of audit protocols for independent audits carried out in respect of Nexi and its suppliers.

These 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.

Furthermore, the merger of Bassilichi with and into Nexi Payments has resulted in full integration of the respective audit functions, bringing full circle a process underway since 2018.

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 selection of a tool capable of supporting all stages of the audit process is underway.

Lastly, during the first half of the year 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 different from 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, during the first half of the year 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 management 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. More specifically, during the first half of the year the Function set forth risk mapping methods and produced a map of all corporate risks, including strategic and external risks, and commenced rationalisation of risk management activities.

The Compliance & AML Function of Nexi Payments, which continuously monitors its assigned rules according to a risk-based approach, during the first half of 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.

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

Also during the first half of 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. Consolidation activities continue.

Efficiency improvement efforts pertaining to the Function's supporting IT tools is underway, whereas the implementation of an IT platform for self-assessment on money laundering and terrorism financing risks was completed.

Nexi Group organisational structure

Pursuant to provisions under art 154-bis of the TUF, on 25 February 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' choice fell on Dr Enrico Marchini, who was selected upon due consideration of requirements under art. 19 of the new Nexi Statute, 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.

- the CFO Area (Chief Financial Officer), with the establishment of the new Investor Relations unit, entrusted with investor relations;
- the CAO Area (Chief Administration Officer), with the establishment of the HR BP Operations & HL unit, tasked with bolstering business partner supervision;
- the CIO Area (Chief Information Officer), 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.

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, 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 the Operations Office. The new unit manages operations previously handled by the Digital Banking Solutions's 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;

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).

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.

The first half of the year saw continued activity in respect of implementing, subject to a preliminary assessment stage, solutions designed to curtailing data protection risks. At the same time, procedures designed to assess said solutions were put in place.

In line with the different regulatory deadlines, 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. Said efforts also involved consultations, especially regarding the Update to Supervisory Provisions for Payment and Electronic Money Institutes and the Provisions on Banking and Financial Services Transparency. The implementation of actions to be taken is consistent with the overall compliance plan.

With reference to anti-money laundering, Nexi Payments's internal regulations were updated pursuant to requirements standing under AML IV directive. Endeavours are underway in respect of adapting current 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”, “transaction reporting” and “storage and use of data and information”).

With reference to the bond loan issued by Nexi and listed on the Luxembourg MTF and following Nexi’s listing on Borsa Italiana’s MTA equities market, internal procedures were updated with respect to the processing of relevant/privileged information, to the drafting and keeping of the Internal Dealing and Insiders list pursuant to provisions of the Market Abuse Regulation (MAR), and to procedures related-party transactions in keeping with Consob regulations.

On the tax law front, as of 1 January 2019 Nexi Group established itself as a “VAT Group”. Applicable solely for VAT purposes, the latter is a special tax provision allowing for companies within a group to be treated as a single tax entity. Consequently, any transfer of assets or service rendered by one group company to another is likened to the rearrangement of assets and services carried out by single taxable entity and, as such, are not subject to VAT.

Also, as of 1 January 2019, for income tax purposes, Nexi Payments and Help Line are subject to joint taxation with Nexi SpA.

Group IT system

During the first half of 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;
- activating IT Strategy initiatives with respect to the entire applications range;
- following up IT activities envisaged as part of corporate restructuring projects (DepoBank, Bassilichi integration);
- consolidating IT Strategy & Governance by bolstering its PPM, IT Spending & Vendor Management and EA units.

On the Issuing Systems front, the following activities were carried out:

- Issue-side, product range was expanded via the international debit card;
- the Value Partnership business model for the so-called “Large Banks” was defined;
- start of roll-out for banks of contactless technology 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;
- integration within the current fraud-prevention systems engine of cloud-developed Artificial Intelligence and Machine Learning.

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);
- Merchant OnBoarding: second software release for the new Salesforce-based application and activation for bank pilots;
- Core Platform: start of analysis for the design of the target platform;
- POS: new releases carried out (e.g. GT POS, POS Life-cycle, VAS platform) with a view to developing the new target platform and consolidating the existing range of application.

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;
- implementation of the CBIGlobe infrastructure for PSD2 and Open Banking;
- production of the ATM Blueprint (Stage 1) enabling the roll-out of the new front at approximately 9,000 ATMs;
- start of bank roll-out for banks of the new technology for the ATM Terminal Operator.

In the area of Digital ICT activities, the focus was on the following:

- Mobile Payments - Google and Samsung Pay: extending the MDES/VTs tokenisation service to serviced banks;
- YAP: evolving the platform to support customer base growth;
- Mobile Payments - Digitalised PagoBancomat: completion of the domestic debit card PagoBancomat project with tokenisation for in-store c-less transactions to support POS rollout plans;
- Digital Channels - Cardholder Portal and Nexi Business: PSD2-Compliant Servicing white label portal, PIN View and extension of loyalty programmes.

Activities at the *Data & Analytics* organisational unit focused on three main areas:

- setting up the new organisational unit (Hub & Spoke model);
- carrying out strategic data projects (e.g. Enterprise KPI, analytics tool for banking, AI-driven portfolio, Big Data infrastructure);
- activation of a medium-term data strategy to support the transition towards a more data-driven organizational model.

The first half of the year witnessed full implementation of Nexi's IT Strategy in terms of infrastructure. The main projects and initiatives included:

- "Nexi Blu" - Data Centre Insourcing: Mid Range Facility Management supplied by EquensWorldline were terminated; infrastructure assets used by the supplier were repurchased and a new Data Centre infrastructure, called Nexi Blu, was implemented, over which Nexi now has full proprietary rights and full control;
- "Nexi Blu Private Cloud": fast-tracking of state-of-the-art technology for the development of cloud computing infrastructure;
- 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 infrastructures;
- "One Nexi" - Unification and streamlining of Group infrastructures: follow-up management of the DEPO-bank spinoff, post-merger management of Bassilichi/Consorzio Triveneto, post-disposal management of OASI.

In the area of IT Security, 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 regulations (including PCI-DSS Certification, PCI Card Production, ISO 27001, etc.);
- continuation of a range of tactical activities to improve IT Security and reduce the vulnerability of Nexi Group IT systems,
- boosting of the 24/7 security events monitoring service and development of a central platform to gather all security warnings;

During the first half of the year, IT Strategy & Governance activities were predominantly focused on the following:

- overseeing the organisational development process for the CIO Area, with particular reference to continuing the hiring plan 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;
- industrialising processes, methods and monitoring and oversight for portfolio projects, with a special focus steering top-priority programmes (e.g. IT Strategy, PSD2) and Key Initiatives;
- further development of IT expenditure monitoring tools and models;
- ongoing verification of Group systems architecture developments, as to ensure compliance with both the guidelines for IT strategy development and best practices within the market.

Human resources

With reference to human resources, Group workforce as at 30 June 2019 stood at 2,010 resources, compared to 2,959 as at 30 June 2018, broken down as follows among the individual companies.

(Headcount data)

2019	Nexi	Nexi Payments	Help Line	Mercury	BassmArt	Moneynet	30.06.2019
Senior Managers	5	83	-	6	1	1	96
Middle Managers	-	647	289	30	-	1	967
Employees	-	577	11	261	6	59	914
Other	-	23	10	-	-	-	33
Total	5	1,330	310	297	7	61	2,010
Open-Ended	5	1,327	310	277	7	61	1,987
Fixed-Term	-	3	-	20	-	-	23

(Headcount data)

2018	Nexi	Nexi Payments	Help Line	OASI	Bassilichi (*)	CTV	BassmArt	Moneynet	Sparkling 18	Mercury	30.06.2018
Senior Managers	44	37	1	4	12	3	-	1	-	8	110
Middle Managers	364	232	11	39	41	12	-	1	6	26	732
Employees	373	291	258	51	663	124	6	71	11	269	2,117
Other	-	-	-	-	-	-	-	-	-	-	-
Total	781	560	270	94	716	139	6	73	17	303	2,959
Open-Ended	765	555	270	93	N/A	N/A	N/A	71	17	277	N/A
Fixed-Term	16	5	-	1	N/A	N/A	N/A	2	-	26	N/A

(*) Includes the resources of future Pay Care and the Bservices branch.

Information on staff and the environment

In the area of training, while the general framework of endeavours conducted in 2018, including the training skill areas defined, will carry through for the duration of 2019, additional training avenues have enriched and expanded the scope of the Group training plan.

Earmarked for Nexi Payments and Help Line, grants issued by the FBA, the Italian fund for continuing training in the banking and insurance sectors, and received under title FBA-01-2018, shall be fully expended and recognised at close of 2019.

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 Group so as to better direct the transformation procedure.

In addition to training as envisaged under the FBA grant, additional training was provided with a focus on specialist skills, particularly for the commercial area and for Help Line for upskilling purposes. Furthermore, a pilot training catalogue was launched based on six soft-skill courses (effective communication, time management and prioritisation, service culture, proactivity and goal-oriented work). The latter was expanded and made available to all Group employees in 2019.

All compulsory training actions validated at the beginning of the year were completed. Some contents, where possible and in compliance with standing regulations, have been reviewed and updated to match developments in rules and regulations.

As of 1 January 2019, former Bassilichi human resources integrated within Nexi Group feature among the beneficiaries of the Group's training plan.

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 Granarola dell'Emilia).

During the first half of the year, 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. The scope of compliance covered not just prospective sites where the client is also the employer, but also any sites where the client is the contractor (e.g. ATM installation at bank branches and offices).

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 of the interim statements addresses Nexi Group's strategic risks, providing a breakdown thereof within the scope of the current macroeconomic, political and regulatory scenario.

Financial, operational and reputational risks, as relevant to the specific nature of business conducted by the Group and to the timescale of the 2019 consolidated financial statements, see the appropriate section of the Notes, which also address risk management policies adopted by 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 product base (e.g. card, POS and ATM fees). In fact, a worsening of the macroeconomic scenario may 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 decline in ratings.

Any consequent rise in the average cost of funding for banks that finance Nexi Group, or any tightening in such banks' 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 spending per transaction.

Risks Linked to the Italian Banking Sector and to Industry Consolidation

A significant 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 legislators.

In that respect, it is worth noting that on 2 January 2019 the ECB placed Banca Carige SpA under temporary administration to ensure stable governance at the bank and to allow for capital strengthening activities to continue.

Should conditions fail to improve in the near future and if the bank had to be the subject of forced liquidation or of crisis resolution measures, the bank may be unable to provide for the execution of contracts entered into with Nexi Payments 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 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 service prices.

At present Nexi Group faces competition from the likes of suppliers such as SIA, so-called processors, 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 existing 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.

Risks Linked to Strategic Outsourcers EquensWorldline 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, whenever 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 eligible to enter into agreements with Nexi Group competitors, but can also engage in direct competition with Nexi Group.

For instance, provided its 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), fines 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 Continuous Developments in the Regulatory Environment

In the wake of a number of regulatory interventions at European and Italian levels and of ensuing domestic implementation rules, the industry's regulatory envi-

ronment 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 costs.

Pursuant to the PSD2 directive, Nexi Group is under obligations to comply with, among other things, to 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. As such, they are liable to anti-trust procedures within their reference markets. In that regard, Nexi Group holds a significant share of the Italian payments market.

As a listed company, holding company Nexi SpA is subject to the entire range of special listing rules, which in-

clude but are not limited to the TUF and Consob regulations, the EU's MAD II directive and MAR regulation, 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.

Business outlook

During the remaining part of 2019 Nexi Group will pursue strategic commitments envisaged by the 2019-2023 business plan.

Nexi Group will pursue progress in respect of the enounced 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, in EBITDA terms, reaping the full benefits of said initiatives by close of 2020.

With reference to financial management, July saw completion of the debt refinancing. The latter has resulted in a sizeable reduction in average servicing costs despite longer debt maturities.

Information available at time of drafting warrants confirmation of forecasts as to a gradual improvement, as envisaged by the medium- to long-term objectives set forth in the Industrial Plan, in the Group's overall financial performance.

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 art. 10 of Consob Resolution 17221 dated 2 March 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 art. 5, paragraph 8 of said Regulation, Nexi Group SpA hereby states that during the six months ended 30 June 2019 it has neither performed transactions material to disclosure (as defined under art. 4, paragraph 1, point (a) of said Regulation, and as subject to identification within the aforementioned approval and disclosure procedure established pursuant to said Regulation's Annex 3), nor any other related party transactions that may have significantly influenced either its consolidated balance of assets and liabilities or its business performance.

For information pertaining to financial and economic transactions for the first half of the year between Nexi Group companies and related parties, these are detailed in the corresponding section of the Explanatory Notes of the present condensed consolidated interim financial statements as at 30 June 2019.

Unusual or non-recurring transactions

During the first half of the year no unusual or non-recurring transactions were carried out other than or in addition to those detailed in the Significant Events During the Period section.

Research & development activities

Note that the Group did not undertake any research and development activities during the six months ended 30 June 2019.

Treasury shares

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

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 the six months ended 30 June 2019, following Nexi SpA's listing and financial restructuring, rating agencies Moody's, Standard & Poor's and Fitch upgraded Nexi SpA's corporate rating and its issue rating. The following table lists ratings at reporting date.

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

Registered office

The registered office of the Parent Company is Corso Sempione 55, Milan.

Furthermore, on 10 July 2019 the Bank of Italy authorised the disposal of Moneynet SpA and endeavours preparatory to closing the disposal are currently underway.

Significant events after H1 2019

On July 2nd, the Privately Placed Bonds were repaid in full using all remaining funds available from the IPO Term Line, the effects of which are already reported in the hereby interim statements.

Reconciliation summary

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

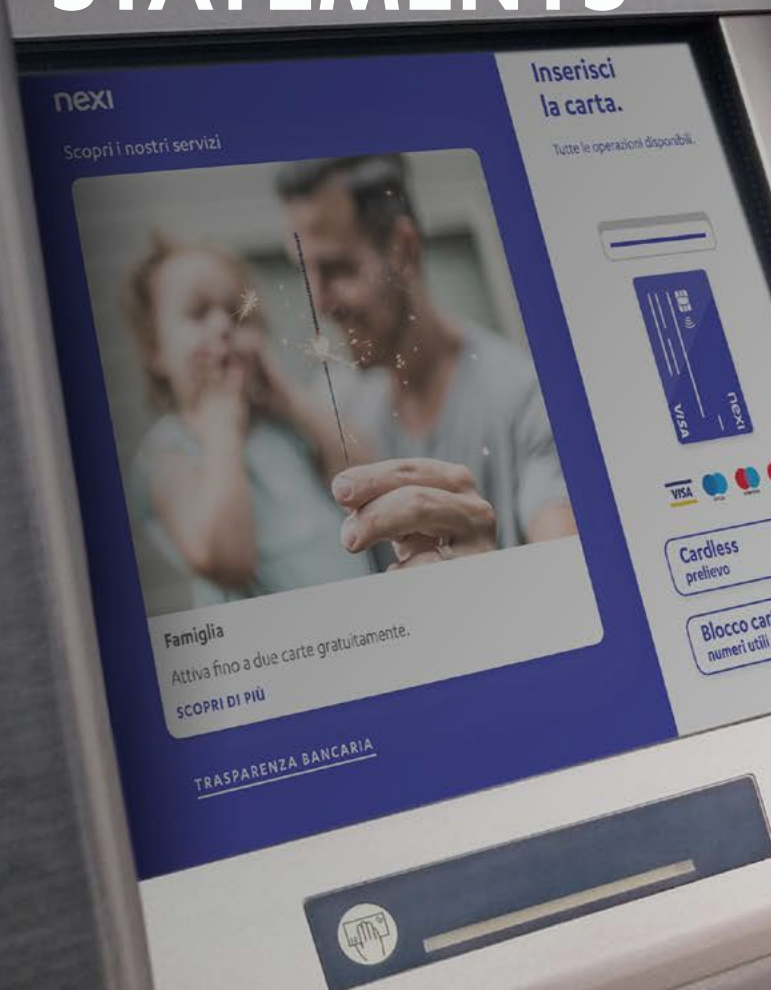
(Amount in Euro thousand)

	Net equity	Net profits
Balance of accounts for Parent Company at 31 December 2018	1,289,229	140,241
Effect of consolidation of controlled subsidiaries	56,368	47,956
Effect of measurement at net equity for controlled subsidiaries	-	-
Other adjustments including comprehensive income	38,075	-
Dividends collected for the period	(129,773)	(129,773)
Balance of consolidated accounts at 30 June 2019	1,253,898	58,424

Milan, 29 July 2019

THE BOARD OF DIRECTORS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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2.1

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

AS AT 30 JUNE 2019

CONSOLIDATED BALANCE SHEET

(Amount in Euro thousands)

ASSETS	Note	30.06.2019	31.12.2018
Cash and cash equivalents	3	165,891	40,688
Financial assets at fair value through profit or loss	4	-	10
Financial assets at fair value through OCI	5	131,764	100,114
Financial assets measured at amortised cost	6	1,803,387	1,668,452
a) loans and receivables with banks		414,000	561,209
b) loans and receivables with financial entities and customers		1,389,387	1,107,243
Equity investments	7	682	730
Property, equipment	8	191,852	156,193
Investment property	8.1	3,101	3,151
Intangible assets	9	2,660,159	2,668,293
goodwill		2,097,379	2,097,379
Tax assets	10	84,327	62,873
a) current		51,598	29,299
b) deferred		32,729	33,574
Non-current assets held for sale and discontinued operations	11	8,130	80,498
Other assets	12	403,272	405,705
Total assets		5,452,565	5,186,707
LIABILITIES	Note	30.06.2019	31.12.2018
Financial liabilities measured at amortised cost	13	3,198,508	3,716,834
a) due to banks		1,590,658	792,896
b) due to financial entities and customers		385,262	354,249
c) securities issued		1,222,588	2,569,689
Financial liabilities held for trading	14	8,730	3,154
Hedging derivatives	15	45,833	16,557
Tax liabilities	10	140,575	163,194
a) current		5,270	31,124
b) deferred		135,305	132,070
Liabilities associated with non-current assets held for sale and discontinued operations	11	9,774	39,069
Other liabilities	16	732,045	716,375
Post-employment benefits	17	15,079	14,084
Provisions for risks and charges	18	41,857	46,552
Share capital	19.1	57,071	50,000
Share premium	19.2	1,082,204	389,275
Reserves	19.3	18,124	(47,735)
Valuation reserves	19.4	38,075	36,899
Profit for the period (+/-)	20	58,424	35,933
Equity attributable to non-controlling interests (+/-)	19.5	6,266	6,516
Total liabilities		5,452,565	5,186,707

CONSOLIDATED INCOME STATEMENT

(Amount in Euro thousands)

	Note	H1 2019	H1 2018
Fee for services rendered and commission income	21	770,813	82,925
Fee for services received and commission expense	22	(300,514)	(1,042)
Net fee and commission income		470,299	81,882
Interest and similar income	23	9,560	357
Interest and similar expense	24	(113,530)	(12,761)
Net interest income		(103,970)	(12,404)
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss	25	(5,298)	(9)
Dividends and profit / loss from investments and sale of assets at fair value through OCI	26	(4,386)	523
Financial and operating income		356,645	69,992
Personnel expenses	27.1	(129,794)	(9,188)
Other administrative expenses	27.2	(188,411)	(35,351)
Total administrative expenses		(318,205)	(44,538)
Other operating income, net	28	(2,548)	550
Net value adjustments on assets measured at amortized cost	29	(1,811)	-
Net accruals to provisions for risks and charges	30	590	(240)
Amortisation depreciation and net impairment losses on tangible and intangible assets	31	(70,313)	(21,328)
Operating margin		(35,642)	4,436
Profit loss from equity investments and disposal of investments	32	(74)	-
Pre-tax profit from continuing operations		(35,716)	4,436
Income taxes	33	542	441
Income (Loss) after tax from discontinued operations	34	93,623	-
Profit for the period		58,449	4,877
Profit for the period attributable to the owners of the parent		58,424	4,877
Profit for the period attributable to non-controlling interests	35	25	-
Basic earning per share		0.10	0.01
Diluted earning per share		0.10	0.01

Figures for 2018 are not comparable as a result of extraordinary operations carried out during second half of 2018 and, furthermore, they have not been subjected to a limited audit.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(Amount in Euro thousands)

CAPTIONS	H1 2019	H1 2018
Profit (loss) for the period	58,449	4,877
Items that will not be reclassified subsequently to profit or loss		
Financial assets at fair value through OCI	29,451	-
Hedging of equity instruments designated at fair value through OCI	(27,243)	-
Defined benefit plans	(1,124)	-
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges	69	-
Other comprehensive income (net of tax)	1,153	-
Total comprehensive income	59,602	4,877
Comprehensive income attributable to non-controlling interests	2	-
Comprehensive income attributable to the owners of the parent	59,600	4,877

Figures for 2018 are not comparable as a result of extraordinary operations carried out during second half of 2018 and, furthermore, they have not been subjected to a limited audit.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY AS AT 30 JUNE 2019

(Amount in Euro thousands)

30.06.2019	Balance as at 01.01.2019	Changes in opening balance	Allocation of prior year profit		Change for the period		2019 Comprehensive income		Balance at 30.06.2019
			Reserves	Dividends	Change in Reserves	Transaction on net equity	Profit for the period	Other comprehensive income items	
1. Equity attributable to the owners of the parent	464,373	-	-	-	29,925	700,000	58,424	1,176	1,253,898
Share capital	50,000	-				7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	(47,735)		35,934		29,925				18,124
Valuation reserves	36,899							1,176	38,075
Profit for the period	35,934		(35,934)				58,424		58,424
2. Equity attributable to non-controlling interests	6,516	-		(841)	589		25	(23)	6,266
Total	470,888	-	-	(841)	30,514	700,000	58,449	1,153	1,260,164

CONSOLIDATED STATEMENT OF CASH FLOWS: INDIRECT METHOD

(Amount in Euro thousands)

	H1 2019	FY 2018
A. OPERATING ACTIVITIES		
1. Operations		
Profit for the period	58,424	36,711
Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets	-	265
Net accruals to provisions for risks and charges and other costs/revenue	-	14,353
Amortisation, depreciation and net impairment losses on assets held for sale	10,369	6,050
Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	70,313	84,392
Unpaid taxes, duties and tax assets	(542)	20,356
Other adjustments	(3,416)	(2,021)
Net cash flows generated (used) by Operations	135,148	160,106
2. Cash flows generated by (used for) financial assets		
Financial assets at fair value through other comprehensive income	-	-
Financial assets held for trading	10	158
Loans and receivables with banks	147,209	(190,034)
Loans and receivables with customers	(282,144)	1,473,037
Assets held for sale	2,037	-
Other assets	(16,446)	13,784
Net cash flows generated by (used) by financial assets	(149,334)	1,296,945
3. Cash flows generated (used) by financial liabilities		
Due to banks	207,667	(1,689,988)
Due to customers	(5,845)	314,316
Financial liabilities held for trading	-	(158)
Hedging derivatives	-	-
Liabilities associated with disposal groups	(1,790)	-
Other liabilities	(25,530)	(296)
Net cash flows generated (used) by financial liabilities	174,502	(1,376,126)
Net cash flows generated (used) by operating activities	160,316	80,925
B. INVESTING ACTIVITIES		
1. Cash flows generated/used by		
Acquisitions of property and equipment	(26,493)	(31,569)
Sales of property, equipment and investment property and intangible assets	-	-
Acquisitions of intangible assets	(32,116)	(58,841)
Acquisitions of subsidiaries and business units	147,745	(2,422)
Net cash flows generated (used) in investing activities	89,136	(92,832)
C. FINANCING ACTIVITIES		
Repayment of loan and securities	(1,401,313)	(380,000)
Dividends paid	-	(56,000)
Issue/purchase of equity instruments	687,810	(2,202,750)
Issue of debt instruments	590,095	2,556,960
Dividends distributed to third parties	(841)	-
Sale/acquisition of non-controlling interests	-	-
Net cash flows generated by (used) financing activities	(124,249)	(81,791)
NET CASH FLOWS GENERATED (USED) IN THE PERIOD	125,203	(93,697)
Net cash flows for the period	125,203	(93,697)
Opening cash and cash equivalents	40,688	134,385
Closing cash and cash equivalents	165,891	40,688

2.2

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

GENERAL PART

Statement of compliance

The Company, pursuant to art. 154 of Legislative Decree 58/1998 has prepared these condensed consolidated interim financial statements as at 30 June 2019 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and subject to interpretations by the International Financial Interpretations Committee (IFRIC) and, as such, ratified by the European Commission and transposed into Italian Law via Legislative Decree 38/2005 pursuant to Regulation (EC) 1606/2002.

The contents of these condensed consolidated interim financial statements as at 30 June 2019 were drafted in keeping with international accounting standards pertaining to interim financial statements, issued under IAS 34. Based on paragraph 10 of IAS 34, the Group opted to publish the present interim statements in condensed form.

They did not make any departures from the IAS/IFRS standards.

Basis for Presentation

The condensed consolidated interim financial statements as at 30 June 2019 comprise 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 condensed consolidated interim financial statements include also the Directors' Interim Management Report, which addresses Group management, assets and liabilities, financial position and profit or loss performance.

The Statement of Financial Position and the Statement of Cash Flows compare figures as at 31 December 2018, whereas the Income Statement and the Statement of Comprehensive Income compare figures as at 30 June 2018. The presentation currency of the condensed consolidated interim financial statements as at 30 June 2019 is the Euro. The accounting statements and the Explanatory Notes are presented in thousand Euro.

The measurement criteria were applied on the basis of going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The Directors' Report and the Explanatory Notes provide all the information required by IFRS and the law, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the Company's financial position.

In the preparing these condensed consolidated interim financial statements, IAS/IFRS standards in effect at 30 June 2019 were applied.

Said standards differ from those adopted in drafting the 2018 financial statements as a result of, for companies adopting the calendar year, the mandatory adoption as of 1 January 2019 of the following new standards or amendments:

- IFRS 16 - Leases;
- Amendment to IFRS 9: Financial Instruments: Prepayment features with Negative Compensation;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendment to IAS 28: Long term interests in Joint Venture and Associates;
- Amendment to IAS 19 Employee Benefits;
- Annual Improvements to IFRS Standards 2015-2017 Cycle, issuing in amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

With the exception of IFRS 16, further information on which is available in the designated section, none of the other changes have significantly impacted the Group's condensed consolidated interim financial statements.

As of the present condensed consolidated interim financial statements, the IFRS 2 standards also apply to the Group. The latter standards have a bearing on stock options, which were not relevant prior to listing. For further information, see the designated section.

The following table lists those standards that have been amended yet which have not, as yet, been ratified by the European Union.

IASB Document	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

Given their current non-ratification by the European Commission, none of the above applied to the drafting of the statements herein.

These condensed consolidated interim financial statements include the CEO and the Financial Reports Manager's certification statements mandated by art. 154 bis of the TUF, and are subject to a limited audit by PriceWaterhouse-Coopers SpA.

Transition Towards IFRS 16 Standards

IFRS 16, which replaces IAS 17, provides lessees a single accounting model for all operating and financial leasing agreements, which shall also apply to all agreements involving a lease.

More specifically, the lessee must recognise:

- under "assets", the right of use for the asset underlying the agreement which, as such, will require recognition of depreciation/amortisation in the income statements. The initial value of said asset includes, in addition to the lease liability, the initial direct cost for the transaction, payments at or prior to commencement, the cost of removal and reversal of the asset, as well as any leasing incentives received by the lessee;
- under "liabilities", the payable for leasing, representing the obligation to pay rentals. This payable will require recognition in the income statement of interest expense according to amortised cost logic.

On the disclosure front, basic reporting requirements for the lessee include but are not limited to:

- classification of lease assets according to "classes";
- providing maturity analysis of lease liabilities;
- providing information to users of financial statements to assess the effect that leases have on the business (e.g. termination and extension options).

There are no appreciable changes concerning lease accounting for lessors, for whom the distinction between operating and financial leases remains.

It is also worth noting that IFRS 16 does not apply to software, accounting of which is thus carried out pursuant to IAS 38 standards.

In the course of 2018 Nexi Group started a project focusing on IFRS 16 implementation, so as to investigate and define the standards' quantitative and qualitative impacts, and to define implement any IT and organisational interventions required for the standards to be properly adopted. In terms of company procedures, the project has led to the implementation of a Group-wide software application for value determination pursuant to IFRS 16.

The project also led to classification of the following classes of lease contract falling under IFRS 16 application:

- real estate leases;
- business car rental;
- ICT and mainframe equipment rental.

The Group decided, at the time of the first application of IFRS 16, not to re-determine comparative data (namely, retrospective modified application) and therefore the initial impacts have been recognised in the opening net equity at 1 January 2019. In addition, in order to measure right of use, the Group decided to opt for the following practical expedients:

- the possibility to attribute to the right of use a value equal to that of the liability for leasing;
- determine the value of the liability for leasing based on the discount rate at the date of the first time application of the standard;
- exclude the initial direct costs for the right of use from the measurement of the asset.

Given these options, at time of first adoption of IFRS 16, no significant impacts on the net equity of the Group was witnessed since, bar payments at or prior to commencement, right-of-use asset value is matched by that of lease liability.

More specifically, first adoption of IFRS 16 and recognition of right-of-use assets and lease liability as at January 1st, resulted in asset increases of Euro 34.6 million. As at 1 January 2019, right-of-use assets are::

(Amount in Euro thousands)

Class	Right of Use (Euro thousand)
Real Estate Leases	22,781
Business Car Rental	1,548
ICT & Mainframe Equipment Rental	10,270
Total	34,599

With reference to key assumptions, the following should be noted:

- as for lease terms: as at the transition date and as at the start date for any contracts entered upon after 1 January 2019, the Group has recognised contract terms with due regard to any extension and/or termination clauses. More specifically, with any lease agreement envisaging tacit renewal, terms, in most instances, have been recognised as ending at the termination date following first renewal.
- as for discount rates: where available or applicable, the Group recognises the interest rates stipulated within lease agreements. Should they not be available or applicable, the Group models the incremental borrowing rate by applying medium- to long-term interbank rates extrapolated from the Interest Rate Swap curve and adding a yield spread based on the lessee's creditworthiness;
- as for lease and non-lease components: wherever lease contracts contain service payments excluded from liability, the Group has recognised the two components separately. Conversely, wherever contracts do not envisage separate payment of service, the Group has elected to forego separating the two components, thus recognising such contracts as one item.

Consolidation Criteria

The consolidation scope has been determined in accordance with IFRS 10 “Consolidated financial statements”. Accordingly, the requirement of control is fundamental to the consolidation of all types of entities and applied when an investor, concurrently:

- has the power to decide on the relevant assets of the entity;
- is exposed to or benefits from variable returns from the relationship with the entity;
- has the capacity to exercise its power to affect the amount of its returns.

Therefore, the Group consolidates all types of entities when all three elements of the control are present. When an entity is directed mainly through exercise of voting rights, control exists when the investor holds more than half the voting rights.

In other cases, the assessment of control is more complex and requires the 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 case of Nexi Group, all the consolidated entities are directed mainly through voting rights. Accordingly, the group did not have to exercise special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

The Financial Statements of the Parent Company and Consolidated Companies were used for consolidation purposes, after being reclassified and adjusted.

Equity investments in subsidiaries are consolidated by combining the items of the statement of financial position and income statement on a “line-by-line” basis, making the following adjustments:

- (a) the carrying amount of the Parent Company’s equity investments in each subsidiary and the parent’s portion of equity of each subsidiary are eliminated;
- (b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in item “100 Intangible assets” at the date of first consolidation after allocation to the subsidiary’s assets and liabilities. Any negative differences are recognised in the income statement.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are expunged.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until such date as the parent ceases to control the subsidiary.

Pursuant to IAS 28, the condensed consolidated interim financial statements of the Group also include the results of equity investments in associates, 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 equity investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent adjustment based on the change in value of the share pertaining to the net equity of the subsidiary. The share of the associate’s profit or loss is recognised under a specific item of the income statement. The difference between the equity 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 recognised in the income statement.

At present, Nexi Group is not a party to joint arrangements as defined by IFRS 11 in the form of joint ventures (the ventures have rights to the arrangement’s net assets).

Equity Investments in Fully-Controlled Subsidiaries

It is worth noting that since 31 December 2018 the disposal of Nexi's entire shareholdings in Oasi S.p.A and Pay Care SpA has been completed and that the latter companies, therefore, no longer fall within the scope of consolidation.

It is also worth highlighting that in the 2018 financial statements said shareholdings were recognised as assets held for sale, along with shareholdings in Moneynet and BassmArt, whose disposal is underway and nearing completion.

The following table details Nexi Group's consolidation scope as at 30 June 2019.

Company name	Operating Office	Registered Office	Type of relationship ⁽¹⁾	Parent	Investment %	Voting Rights %
Nexi SpA	Milan	Milan	1	Mercury UK Holdco Ltd	60.15	60.15
Nexi Payments SpA	Milan	Milan	1	Nexi SpA	98.92	98.92
Mercury Payments SpA	Milan	Milan	1	Nexi SpA	100	100
Help Line SpA	Cividale del Friuli / Milan	Cividale del Friuli	1	Nexi SpA	69.24	69.24
			1	Nexi Payments SpA	1.08	1.08
Moneynet SpA ⁽²⁾	Palermo	Palermo	1	Nexi Payments SpA	100	100
BassmArt Srl ⁽²⁾	Florence	Florence	1	Nexi Payments SpA	95	95

Notes

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings.

(2) Companies that are fully consolidated but recognised as held for sale pursuant to IFRS 15.

The consolidation scope of the condensed consolidated interim financial statements of Nexi Group as at 30 June 2019, includes, in addition to the above reported companies consolidated on a line-by-line basis, the following entities for whom investment stakes and/or size is measured with the net equity method:

Company name	Registered Office	Operating Office	Investor	Investment %	Voting rights %
Win Join	Lecce	Lecce	Bassilichi SpA	24	24
Rs Record store	Piacenza	Piacenza	Bassilichi SpA	30	30
BASSNET Srl	Monteriggioni	Monteriggioni	Bassilichi SpA	49.68	49.68
K.Red	Milan	Milan	Bassilichi SpA	50	50

Significant Assumptions and Estimates in Defining Consolidation Scope

Since, as specified above, the control of the entities is based primarily on the majority of voting rights held, no circumstances have required either the exercise of any particular degree of subjective judgement or the adoption of significant assumptions to determine the scope and method of consolidation.

Significant Restrictions to Voting Rights

There are no significant limitations or restrictions to the exercise of voting rights held in subsidiaries and associates.

Main accounting policies

Financial assets designated at Fair Value through profit or loss

Classification Criteria

This category includes financial assets other than those classified under Financial assets designated at Fair Value, with impact on the comprehensive income, and under Financial Assets valued at the amortised cost. According to the IFRS 9 provisions on reclassification of financial assets (except for equity securities for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted, except if the entity changes its business model for the management of financial assets. In these cases, which are expected to be very infrequent, financial assets may be reclassified from the category measured at Fair Value with impact on the income statement in one of the other two categories set in IFRS 9 (Financial assets measured at amortised cost or Financial assets designated at Fair Value with impact on the comprehensive income). The transfer value is represented by the Fair Value at the time of the reclassification and the effects of the reclassification are applied prospectively starting from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its Fair Value as at the reclassification date and this date is considered to be the initial recognition date for the assignment under different stages of credit risk for impairment purposes.

Recognition Criteria

Financial assets designated at Fair Value with impact on the income statement are initially recognised at their Fair Value, normally represented by the transaction price.

Measurement Criteria

After initial recognition, financial assets with their Fair Value recognised in the income statement are measured at Fair Value. Any profit or loss resulting from the Fair Value is recognised as a trade gain/(loss) in the consolidated income statement.

The Fair Value is determined according to the criteria described in the section "Fair Value policy".

Derecognition Criteria

Financial assets or parts of financial assets are derecognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

More specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the assets, but undertakes concurrently an obligation to pay these and only these cash flows, with no significant delays, to third parties.

Financial assets at Fair Value through other comprehensive income

Classification Criteria

This category, at the reporting date, includes only equity instruments other than those held for trading for which the Company has applied the option to designate at Fair Value with impact on the comprehensive income.

In fact, the non-derivative financial assets held in compliance with the business model "Held to collect and for sale" in the case of receivables transferred outright as part of non-recourse factoring, do not show a balance at the reporting date since they are subject to sale on a daily basis.

According to the provisions of IFRS 9 on the reclassification of financial assets (except for those equity instruments for which the reclassification is not permitted) reclassifications to other categories of financial assets are not permitted unless the Company changes its business model for such financial assets. In these cases, which should not be infrequent, financial assets may be reclassified from those designated at Fair Value, with impact on the comprehensive income, to one of the other two categories set in IFRS 9 (Financial assets measured at amortised cost or Financial assets designated at Fair Value with impact on the comprehensive income statement). The transfer value is represented by the Fair Value at the time of the reclassification and the effects of the reclassification are applied prospectively starting from the reclassification date. In the case of a reclassification from the category in question to the amortised cost category, the accrued gain (loss), recognised in the valuation reserve, is posted as an adjustment of the Fair Value of the financial asset as at the reclassification date. In the case of a reclassification to the Fair Value category with impact on the income statement, the accrued gain (loss) previously recognised in the valuation reserve is reclassified from net equity to profit (loss) for the year.

Recognition Criteria

They are initially recognised at the settlement date and measured at Fair Value, which includes the directly related transaction costs attributable to its acquisition.

Measurement Criteria

Equity instruments are measured at Fair Value and recognised as a balancing entry to the equity (Other items of the comprehensive income). Dividends are recognised under profit (loss) for the year, while any impairment loss and the profits and losses resulting from the transfer are not recognised in the income statement.

Derecognition Criteria

Financial assets or parts thereof are derecognised when the contractual rights on the cash flows are expired or have been transferred without this affecting the retention of the associated risks and benefits.

In particular, the transferred financial assets are derecognised when the entity retains the contractual right to receive the financial flows of the asset, but undertakes the concurrent obligation to pay these and only these cash flows, with no significant delays, to third parties.

As for the receivables transferred within the scope of the non-recourse factoring, for which the derecognition is carried out, the result from the transfers equal to the difference between the carrying amount and the sale price, is recognised under "Dividends and profits/losses from the transfer of financial assets at Fair Value with impact on the comprehensive income" of the income statement.

Financial assets measured at amortised cost

Classification Criteria

This category consists of the non-derivative financial assets included in the business model Held to Collect, the contractual terms of which generate cash flows which are exclusively payments of principal and interest (SPPI criterion).

According to the general rules set forth in IFRS 9 on the reclassifications of financial assets, these are not permitted toward other categories of financial assets unless the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories set forth in IFRS 9 (Financial assets designated at Fair Value with impact on the comprehensive income or Financial assets designated at Fair Value with impact on the income statement). The transfer amount is represented by the Fair Value at the reclassification time and the effects of the reclassification applied prospectively starting from the reclassification date. The profits and losses resulting from the difference between the amortised cost of the financial asset and the related Fair Value are recognised in the income statement in the case of a reclassification under the Financial assets designated at Fair Value with impact on the income statement, and under equity, in the appropriate valuation reserve, in the case of a reclassification under Financial assets designated at Fair Value with impact on the comprehensive income.

Recognition Criteria

Financial assets valued at the amortised cost are initially recognised at the execution date of the agreement, which normally is the disbursement date, at the Fair Value of the financial instrument, which normally corresponds to the amount disbursed including any direct costs of the transaction.

Measurement Criteria

After the initial recognition, the assets posted under this item are valued at the amortised cost using the effective interest rate method.

The financial assets valued at the amortised cost are subject to impairment at each reference date. In particular, the impairment provisions described below are also applied to the commitment to disburse loans and to the financial collateral agreements issued.

For these financial instruments, the impairment loss is determined on the basis of an expected loss. The application of the impairment model requires the classification of the financial instruments in three stages according to whether a significant increase of the credit risk has occurred, compared with the initial recording. For each stage, a different level of recognition is applied. More specifically:

- Stage 1: includes performing financial instruments which have not recorded a significant increase in the credit risk compared with the initial recording or financial instruments that show a low credit risk at the reference date. For these instruments, the value adjustment is estimated on credit losses expected in the next 12 months;
- Stage 2: includes performing financial instruments that have shown a significant increase in credit risk compared with the initial recording. For these instruments, the impairment is measured on the basis of the expected losses over their entire residual life;
- Stage 3: includes impaired financial instruments. For these instruments, the impairment is measured based on the expected losses over the entire residual life. The impaired assets include financial assets classified with a non-performing status, unlikely to pay or past due beyond ninety days according to the provisions issued by the Bank of Italy, in line with IAS/IFRS.

In the area of impairment:

- the methods for monitoring the evolving of the credit quality of the positions in the portfolios of the financial assets valued at the amortised cost and at Fair Value with a balancing entry to net equity, were defined;
- the criteria for the determination of the significant increase in credit risk were defined for the correct assignment of the performing exposures to stage 1 or stage 2. As regards instead the impaired exposures, the alignment of the definitions of accounting and regulatory default allows considering as identical the current logic for the classification of the exposures under those considered as non-performing/impaired versus the logic used to classify the exposures within stage 3.

In estimating the expected losses described above, the Company incorporates, in addition to the historical statistical information, all the information available at the reporting date, including forecast information on the potential worsening of the recorded historical losses.

Impairment losses are recognised under the net value adjustments of the income statement.

Written-down debt instruments are restored to their original value in the next periods if the reasons for the impairment loss have ceased to exist, provided that this assessment refers objectively to an event that has occurred after the recognition of the impairment loss. Value restorations are recognised in the income statement and may not exceed the value that would have been attributed to the amortised cost if the impairment loss had not been recognised.

Derecognition Criteria

Financial assets or parts of the financial assets are derecognised when the contractual rights on the cash flows expire or are transferred together with all related risks and benefits.

More specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the assets, but undertakes concurrently an obligation to pay these and only these cash flows, with no significant delays, to third parties.

Hedging transactions

Classification Criteria

Assets and liabilities items include the financial hedging derivatives, which at the reference date of the financial statements show respectively a positive or negative Fair Value.

The hedges try to mitigate potential losses recognisable on a certain financial instrument or group of financial instruments, attributable to a specific risk, offsetting them with the gains recognisable on a different financial instrument or group of financial instruments.

The following types of hedging relationships set in IFRS 9 are used:

- hedging of the Fair Value in order to hedge the exposure to changes in the Fair Value (attributable to the different risk categories) of the assets and liabilities recognised in the financial statements, or part of them; this type of hedging is used to hedge the exposure to changes in the Fair Value of a specific asset, attributable to the exchange rate or price risk;
- hedging of the financial flows in order to hedge the exposure to changes in future cash flows attributable to particular risks associated with the financial statement items. This type of hedging is essentially used to neutralise foreign exchange risks arising from very likely future transactions.

As set in IFRS 9, the derivative instruments are designated as hedging instruments provided that the hedging relationship between the hedged instrument and the hedging instruments is formally documented and that all requirements set by the standard, including those related to the efficacy of the hedging, are met.

Recognition Criteria

Hedging derivative instruments are initially recognised at Fair Value at the transaction date.

Measurement Criteria

Hedging derivatives are designated at Fair Value. More specifically, in the following cases:

- Fair Value hedging: the hedging derivative in place is represented by a hedging instrument used to hedge an equity instrument for which the Company has chosen to include the changes in the Fair Value in the Comprehensive income. Consequently, both the hedged instrument and the hedging instrument are measured at Fair Value with balancing entry to the comprehensive income;
- hedging of financial flows: the hedging instruments are represented by deposits in USD held for the purpose of hedging the foreign currency risk related to a planned purchase of assets. Consequently, the foreign currency effect resulting from the valuation in Euro of the deposit, classified under Financial assets at amortised cost, is recognised under net equity (cash flow hedge reserve). When the future transaction takes place, these amounts are written off from the cash flow hedge reserve and included in the carrying value of the acquired asset.

Derecognition Criteria

If the hedge effectiveness test is not successful, the risk management objective underlying the hedging relationship, is changed. The hedging transaction is interrupted and the derivative instrument is classified under trading transactions.

The hedging relationship is also interrupted when:

- the derivative instrument expires;
- the hedging instrument is derecognised;
- the hedged items are derecognised.

Equity investments

This item includes the equity investments in associates, measured according to the equity method, as described in the section "Consolidation Criteria".

Investments in entities other than subsidiaries, associates or companies under joint control are classified in the portfolio of the financial instruments measured at Fair Value through the income statement or in the portfolio of the financial instruments measured at Fair Value through the comprehensive income.

Property, equipment and investment property

Classification Criteria

Property, equipment and investment property include land, property for business use, furniture, works of art of great value, POS and ATM, electronic machinery and equipment of any type, which are presumed to be used for more than one period. This item also includes right-of-use assets acquired through leases.

Property, equipment and investment property held for use in production or supply of goods and services are classified as "assets for business use" according to IAS 16. Assets held for investment (to collect rentals or to increase invested capital) are classified as "assets held for investment" according to IAS 40.

Recognition Criteria

Assets acquired on the market are recognised as assets when the main risks and rewards of title are transferred. Initial recognition is at cost, which includes all directly related charges.

Pursuant to IFRS 16, right-of-use assets are recognised at the present value of all unpaid lease payments, less any initial direct transaction costs and payments made at or prior to commencement. Recognition occurs when the asset becomes available for use by the lessee.

Land is recognised separately, including when it is purchased together with the building, using the component approach. It is separated from the building based on third party appraisals.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised, if the criteria for capitalisation are met, while other ordinary maintenance costs are recognised in the income statement.

Measurement Criteria

Property, equipment and investment property are subsequently measured at cost adjusted by accumulated depreciation and any impairment losses/reversals of impairment losses.

The depreciable value of property and equipment equals their cost as the residual value after depreciation is not deemed significant. Depreciation is charged systematically on a straight-line basis over the assets' estimated useful life to reflect their technical-economic life and residual use.

The useful life of the main categories of property, equipment and investment property is as follows:

- owner-occupied property: maximum 33 years;
- electronic office equipment: 5 years;
- POS and ATM devices, classified as electronic equipment, are depreciated over 3 and 7 years respectively, as these periods are held to reflect their useful lives.

Land is not depreciated as it has an indefinite life nor are works of art as their useful lives cannot be estimated and their value usually increases over time.

Depreciation of right-of-use assets, as recognised pursuant to IFRS 16, is carried out over a period equivalent to the shorter between the useful life of the assets and the duration of leases.

The company tests the assets for impairment at every financial statement date if there is any indication that the value of property, equipment and investment property and of right-of-use assets may be impaired. 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

Property, equipment and investment property are derecognised when sold or when no future economic benefits are expected from their continued use or sale.

Intangible Assets

Classification Criteria

An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits controllable by the entity.

Recognition Criteria

Intangible assets are recognised at cost when the principal risks and rewards are transferred, only when it is probable that the related future economic benefits will materialise and cost can be measured reliably. Otherwise, cost is expensed in the period in which it is incurred.

Software developments costs, for instance, are strictly confined to costs incurred in direct connection with the development process and can only be recognised as intangible assets if all of the following conditions are met:

- development costs can be reliably calculated;
- said assets are developed for the purposes of later use or sale, and their development is backed by sufficient funds and technical expertise;
- the future economic benefits of said assets are demonstrable.

Additional intangible assets relate to customers. They issue, at time of business combinations, from the valuation of contracts with customers and from stable relationships with the customers.

Measurement Criteria

All intangible assets other than goodwill are considered to have finite useful lives and are amortised in line with their cost and related useful lives.

For instance, technology related intangibles such as software acquired on terms of an open-ended license and software development cost, are amortised on the basis of their expected technological obsolescence and over a maximum period of five years. Intangible assets resulting from the accrual of the goodwill related to acquisition transactions, have a useful life estimated analytically for each transaction, equal to:

- customer contracts: based on the contractual terms;
- customer relationship: about 20 years.

Their residual value is taken to be nil.

The company tests the assets for impairment at every reporting date if there is an indication that the value of the intangible assets may be impaired. 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

Intangible assets are subject to derecognition either when they cease to be used or when it is estimated that no future economic benefit will come of their continued use or disposal.

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, and Fair Value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in the income statement (excess cost).

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised.

It is tested annually for impairment even if there are no indicators of impairment.

Goodwill resulting from a business combination is allocated to the cash generating units (CGU) or groups of CGUs that are assumed to benefit from the synergies of the combination. The recoverable value of an asset or CGU is the greatest between its value in use (VIU) and its Fair Value less costs of disposal ("FVLCD"). An impairment loss is recognised if the carrying value of the CGU exceeds its recoverable value. Impairment losses of the goodwill are recognised in the consolidated income statement and are not reversed in the next periods.

Non-Current Assets or Groups of Assets/Liabilities Held for Disposal

Assets recognised under Non-Current Assets or Groups of Assets Held for Disposal and liabilities recognised under Liabilities Associated With Assets Held for Disposal, are non-current assets or groups of assets/liabilities for which disposal is certain and sale is deemed highly likely.

These assets/liabilities are valued at the lower of carrying amount and Fair Value net of disposal costs.

Income and expenses (before taxes) generated by groups of assets held for disposal or recognised as such during the period, are posted separately in the income statement.

Current and Deferred Taxes

Provisions for income taxes are determined based on an estimate of the current and deferred tax assets and liabilities.

Current taxes, calculated considering the domestic "tax consolidation scheme", not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset of the statement of financial position, i.e. "Tax assets - a) current".

Current and deferred taxes are recognised under "Income taxes" in the income statement unless they relate to gains or losses on actuarial gains and losses on defined benefit plans and financial instruments designated at Fair Value with impact on the Comprehensive income. Any value changes are recognised directly in the valuation reserves, before taxes.

Prepaid and deferred tax are recognised without offset and prior to returns in the statement of financial position as "Tax assets" and "Tax liabilities", respectively.

Provisions for income tax expense are calculated on the basis of an estimate of the current and deferred tax assets and liabilities. Specifically, deferred tax assets and liabilities are calculated as the temporary difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets are recognised (in item 100.b) for deductible temporary differences and carry forward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the period in which the deferred tax asset will be recovered or the deferred tax liability extinguished, pursuant to standing tax law.

Deferred tax assets and liabilities are re-measured regularly to reflect any changes in the tax laws or rates or any subjective situations arising with respect to the Group's companies.

Financial Liabilities Measured at Amortised Cost

Classification Criteria

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the bank has a contractual obligation to deliver cash or another financial asset to another party.

Recognition Criteria

Amounts due are recognised at the contract agreement date, which is usually when the bank receives the funds and issues the debt instruments.

Financial liabilities are initially recognised at Fair Value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Lease liability is recognised at the present value of all unpaid lease payments, which is calculated based on the implicit interest rate in the lease. Should that rate not be available, the incremental rate of borrowing is determined based on market rates and the lessee's financing spread.

Measurement Criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Interest is recognised in item 20 "Interest and similar expense" of the income statement.

Derecognition Criteria

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, derecognised or has expired.

Financial Liabilities Held for Trading

This item includes derivatives held for trading with negative Fair Values. All financial liabilities held for trading are measured at Fair Value and the Fair Value gains or losses are recognised in the income statement.

The measurement and recognition criteria are identical to those used for "Financial assets designated at Fair Value through the income statement".

Shared-based payments

This item refers to stock grant awards provided to Nexi Group employees by Mercury UK HoldCo.

The plans envisaged the assignment of Nexi SpA shares.

As the recipient of the services for which the remuneration is provided, Nexi Group recognises said remuneration as equity-settled payments.

More specifically:

- for share options that vest in the future, the Fair Value of the options will be calculated at the date the options are granted and, with adjustments made at each accounting date, will reflect the best estimate of the number of options that will eventually vest;
- this Fair Value will be charged to profit or loss equally over the vesting period, and shareholder equity will be increased by an amount equal to the charge in profit or loss.

Post-Employment Benefits

The Italian post-employment benefits (so-called TFRs) are a form of deferred remuneration paid to employees when they leave the company. They accrue over the employment term and are recognised under personnel expense.

Since the payment is certain, but not the time of its occurrence, the post-employment benefits, as are the defined benefits plans, are classified as a benefit subsequent to the termination of the employment relationship. Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the company's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19. Actuarial gains and losses are recognised in the comprehensive income statement while the interests accrued on net liability are recognised in the income statement.

Provisions for Risks and Charges

The provisions for risks and charges include accruals from past events for which it is probable that an outflow of resources will be required if a reliable estimate can be made of the amount.

At each reporting date, the provisions are periodically checked and released in whole or in part to the income statement when it is no longer likely that an outflow of resources will be necessary.

When the effect of the time value of money is significant, the provision is discounted using the current market rates at the closing date. The accrual is recognised in the income statement.

Foreign Currency Transactions

Initial Recognition

Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

Subsequent Recognition

Upon recognition at the subsequent report date:

- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at Fair Value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in the income statement in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in the income statement in line with the method used to recognise the gains or losses that include this component. Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

Other Information

Income Statement

Interest Income and Expense

Interest income and expense are recognised in the income statement on all instruments measured at amortised cost, using the effective interest method, and including in the calculation the fees and direct costs of the transaction.

Fee and Commission Income and Other Income for Services

Fee and commission income other than that included in the amortised cost and the other income for provided services, are recognised when the obligation to duly act by transferring the service to the customer is fulfilled.

Pursuant to IFRS 15, the service is transferred to the customer when the income can be recognised:

- at a specific time, when the entity fulfils the obligation to duly act by transferring to the customer the promised good or service,
- over time, as the entity fulfils the obligation to duly act by transferring to the customer the promised good or service. The good is transferred when, over the period, the customer acquires its control.

More specifically:

- membership dues are recognised in the income statement based on the validity date of the credit cards;
- fees and commission income from merchants and circuits are recognised in the income statement based on the trading date of the cardholders' purchases;
- up front income related to the start-up of new customers or new products, or related to changes subsequent to contracts that do not involve a substantial change in the contractual obligations, are recognised over the expected duration of the contracts;
- income related to recurring services (primarily maintenance and rental of POS and ATM, processing services), are equally divided according to the contracts duration.

It should be noted that, in application of IFRS 15, the amount of fees and commissions is adjusted in order to reflect the Fair Value of the Loyalty programme rewards. The catalogue Fair Value is calculated as per-unit average value of points compared with the market value of the rewards, including VAT and shipping costs, in order to restore the Fair Value to the value perceived by the customer. The unit Fair Value is applied to the number of outstanding points, net of the points which, based on the carried out analyses, are expected not to be redeemed (based on redemption estimates). Deferred fees and commissions are recognised in the income statement according to point redemption.

Fees and commissions included in the amortised cost in order to calculate the effective interest rate are excluded as they are recognised under interest.

Fees and Commission Expense

Fee and commission expense, other than those included in the amortised cost, are recognised when they are incurred or when the related gains are recognised.

Charges for Received Services

Charges for received services are recognised when incurred or when the related revenue is recorded.

Costs for the performance of the contract with the customer (such as costs for cards issuance and costs for ICT services, incurred during the start-up of new customers/products or because of non-substantial contract changes) are recognised on a straight line basis according to the useful life of the underlying contracts.

Dividends

Dividends are recognised in the income statement at the time when the distribution is resolved on.

Basis for Presentation of Segment Reporting

Nexi Group's Segment Reports are based on information used by management for decision-making and operations and are thus consistent with reporting requirements under IFRS 8.

More specifically, while Nexi Group ranks two distinct CGUs (which essentially coincide with its revenue-generating companies, i.e. the e-money CGU coinciding with Nexi Payments SpA, and the Mercury CGU coinciding with Mercury Payment Services SpA), the two fall within the same operations sector, namely the e-money and paytech services sector.

In that regard, the Group's definition of a single operations sector is based on the premise that all internal management reports that are provided to the Group's top decision maker, which IFRS 8 defines as the Chief Operating Decision Maker, and that said decision maker reviews on a regular basis for the purposes of resources allocation and assessing results, are drafted on a consolidated basis only.

Business combinations

Company acquisitions are accounted for using the "acquisition method" outlined by IFRS 3, which requires that identifiable assets acquired and identifiable liabilities assumed (including contingent liabilities) to be measured at their Fair Values at the acquisition date.

Furthermore, on an individual transaction basis, any non-controlling interests in the acquiree are measured at the Fair Value of their proportion of identifiable assets and liabilities, or at full Fair Value

If the consideration transferred (be it assets sold, liabilities incurred, equity instruments issued, or any combination thereof, all of which at Fair Value) is greater than the Fair Value of the acquired assets and liabilities, the difference is recorded as goodwill; If the difference is negative, the resulting gain is a bargain purchase in profit or loss. The acquisition method applies from acquisition date, namely the date on which the acquirer obtains control of the acquiree. Hence, the income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

The difference between the sale consideration and the carrying amount of the asset is recognised in the income statement.

Use of Estimates and Assumptions in the Drafting of the Condensed Consolidated Interim Financial Statements

Balance-sheet aggregates are measured using the standards set out above.

The application of these standards sometimes involves the adoption of estimates and assumptions that may have a significant effect on the figures of the statement of financial position and income statement.

The use of reasonable estimates is an essential part of the preparation of Financial statements but must not affect their reliability. The financial statements items affected to a greater extent by the use of estimates and assumptions are:

- measurement of the financial instruments designated at Fair Value (including the derivatives) not listed in active markets;
- measurement of financial assets valued at their amortised cost and of the commitments to disburse funds;
- measurement of intangible assets;
- measurement of property investments;
- estimate of the useful life of property, equipment and investment property;
- quantification of accruals to provisions for risks and charges and of payables from Loyalty programmes;
- quantification of deferred tax liabilities.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in the income statement of the period of the change and, if the change affects future periods, also in future periods.

Events Subsequent to 30 June 2019

No significant events have occurred between the closing date of the financial statements and the date of their approval that could significantly impact the Group's income or financial position.

Furthermore:

- it is hereby confirmed that the transfer of the assets classified as held for disposal, is being completed at values that reflect those estimated for the purposes of the interim statements. Furthermore, on 10 July 2019 the Bank of Italy authorised the disposal of Moneynet SpA and endeavours preparatory to closing the disposal are currently underway;
- On July 2nd the Privately Placed Bonds were repaid in full using all remaining funds available from the IPO Term Line, the effects of which are already reported in the hereby interim statements.

Transfers Between Portfolios of Financial Assets

No transfers were carried out between portfolios of financial assets.

Fair Value Disclosure

The IAS/IFRS international accounting standards require that financial products classified under "Financial assets designated at Fair Value with impact on the comprehensive income" or "Financial assets designated at Fair Value with impact on the income statement" are measured at Fair Value.

The IFRS 13 standard governs the measurement of the Fair Value and the related disclosure.

In particular, Fair Value is the price that would be received from the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants (i.e., not a forced liquidation or distress sale) at the measurement date.

IFRS 13 establishes a hierarchy for measuring Fair Value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/ liabilities.

The Fair Value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable (in the case of prices) or indirectly observable (if resulting from prices) for the assets and liabilities to be measured;
- Level 3: unobservable inputs for the asset or liability.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

For financial assets and liabilities carried at cost or amortised cost, the Fair Value is disclosed in the Explanatory Notes and is determined as follows:

- for the bond issues: Fair Value obtained from the active markets where the liability is traded;
- for non-current financial assets and liabilities with fixed rate (other than the issued securities) discounting of future cash flows at a market rate and adjusted to include credit risk;
- for on demand assets and liabilities, with a short term or undetermined maturity, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect Fair Value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect Fair Value, for the reasons set out above.

Qualitative Disclosure Policy

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

Assets and liabilities designated at Fair Value on a recurring basis mainly refer to Visa Inc. shares held in the portfolio and to derivative instruments held in order to reduce the price and exchange rate risk arising from those instruments.

For these instruments, for which there are no prices directly observable on the active markets, the Fair Value has been determined as follows:

- Unlisted equity instruments: they are measured based on the market value of the Visa Inc Class A shares, listed in active markets, where the portfolio share (class C) will be converted.
- OTC derivatives: these were measured using models that are in accordance with market practices (Black&-Scholes, with continuous treatment of future dividends) and feeding into said models using market parameters. Since these are derivatives under CSA (Credit Support Annex), the counterparty risk is mitigated by the daily collateral settlement with the counterparty.

Measurement Processes and Sensitivity

Non-applicable for the absence of Level 3 instruments.

Fair Value Hierarchy

Transfers between the Fair Value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

No transfers were carried out within the categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

Information on Day One Profit or Loss

This does not apply since Nexi Group does not recognise this type of transaction.

2. Statement of Financial Position

(Amount in Euro thousands)

ASSETS

3. Cash and cash equivalents

	30.06.2019	31.12.2018
a) Cash	28	33
b) Deposits and current accounts	165,864	40,655
Total	165,891	40,688

The item "Deposits and current accounts" refers to the cash available in the current bank account of Nexi SpA, at DEPOBank, where its outstanding balance is deposited.

The increase is linked to the share capital increase pursuant to the IPO, the Oasi disposal, dividends collected from the subsidiaries, less the repayment of part of variable rates bond loans.

The item total is reported in the Net Financial Position.

4. Financial Assets at Fair Value through profit or loss

This item, now valued at nil, previously referred exclusively to the shares of Intesa SanPaolo related to incentive plans and assigned to some employees of Mercury Payments.

5. Financial Assets at Fair Value through OCI

5.1 BREAKDOWN BY PRODUCT

	30.06.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt instruments	-	-	-	-	-	-
Equity instruments	-	131,764	-	-	100,114	-
Financing	-	-	-	-	-	-
Total	-	131,764	-	-	100,114	-

5.2 BREAKDOWN BY ISSUER

	30.06.2019	31.12.2018
a) Banks	60	60
b) Financial Institutions	131,665	100,012
- Visa Inc.	131,621	99,968
- Other financial companies	44	44
c) Non-financial institutions	39	42
Total	131,764	100,114

The item "Other financial companies" refers to the financial assets on which the Group does not exercise any control, joint control or significant influence. In particular, the item is composed almost entirely of Visa Inc. preferred shares, assigned following the transfer of the equity investment in Visa Europe. In this regard, it should be noted that, in September 2017, an operation for the hedging of price and currency risk arising from the Visa Shares in the portfolio was carried out.

The increase is linked to a rise in the value of the Visa share portfolio which, however, was partly offset by an increase in the Fair Value of the hedging portfolio.

6. Financial Assets measured at amortised Cost

6.1 LOANS AND RECEIVABLES WITH BANKS: BREAKDOWN BY PRODUCT

	30.06.2019 Fair Value					31.12.2018 Fair Value				
	Stages 1 & 2	Stage 3	Level 1	Level 2	Level 3	Stages 1 & 2	Stage 3	Level 1	Level 2	Level 3
Loans and receivables with banks						-	-	-	-	-
Deposits and Current accounts	261,817		-	261,817		405,449	-	-	405,449	-
Prepaid cards liquidity	38,655	-	-	38,655	-	44,000	-	-	44,000	-
Other asset	113,529	-	-	113,529	-	111,759	-	-	111,759	-
Total	414,000	-	-	414,000	-	561,209	-	-	561,209	-

The balance of deposits and current accounts includes the liquidity of the operating companies. More specifically, it includes the balance of the daily settlement of the transactions processed by Mercury Payment Services on behalf of Sanpaolo and the liquidity available at the level of the operating entities alone.

Furthermore, said deposits and current accounts include Euro 64.6 million in liquidity generated during the period which was recognised in the Group's Net Financial Position.

The liquidity of the prepaid cards refers to the EMI activities carried out on these cards. Said liquidity should be considered separately from the operating liquidity since it is deposited in a restricted bank account at DEPOBank and can only be used to cover the use of prepaid cards by the account holders.

The item "Other assets" refers to receivables for services (Euro 57.8 million) related primarily to services provided by Mercury Payments to Intesa Sanpaolo SpA. This item includes the restricted bank accounts related to the management of factoring transactions carried out on the balance of the ordinary cards (Euro 53.0 million).

6.2 LOANS AND RECEIVABLES WITH FINANCIAL ENTITIES AND CUSTOMERS

	30.06.2019						31.12.2018					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stages 1 & 2	Stage 3		L1	L2	L3	Stages 1 & 2	Stage 3		L1	L2	L3
		Purchased	Other					Purchased	Other			
Ordinary Credit Cards	309,094				309,094		378,797				378,797	
Receivables with international schemes and merchants	748,379		1,080		748,379	1,080	433,825		948		433,825	948
Revolving Credit Cards	178,860				178,860	-	212,528				212,528	
Personal Loans	5,058				5,058		5,790				5,790	
Other assets	146,916				146,916	-	75,355				75,355	
Total	1,388,307	-	1,080	-	1,388,307	1,080	1,106,295	-	948	-	1,106,295	948

The item ordinary Credit Cards (or charge cards) represents the end-of-month balance related to the amount cumulatively spent until that date by the card holders during the last operating month and which is debited to their current account, through the partner banks, generally on the 15th of the next month.

The balance at the reporting date is significantly lower after a factoring contract was entered into in 2018 for the transfer of the receivables arising from its charge credit cards, issued under specific arrangements with partner banks, which resulted in the derecognition of a significant proportion of the company's receivables.

It should be noted that the item "ordinary credit cards" includes receivables with recourse for Euro 166.3 million that were not derecognised. The positions toward international card schemes concern the daily settlement balances on the circuits Visa-Mastercard of which Nexi Payments and Mercury Payment Services are direct members and include the advance disbursed by Nexi Payments to its client merchants on the transactions still to be settled on the circuits. All these positions are settled within a time frame of a few days (normally, between 1 to 3 days). These end of the year balances are affected by the number of public holidays spanning the reporting date, days when settlement systems are closed, thus leading to greater transaction backlog and consequently draw-downs from the bank funding.

The Other Assets consist almost entirely of factoring account receivables totalling Euro 141 million (Euro 70 million in 2018) arising from balance settled daily.

7. Equity investments

As at 30 June 2019 the balance of the equity investments item amounts to 682 thousand Euro (730 thousand at 31 December 2018) and refers to the stakes held by Nexi Payments, detailed in Note 1.

8. Property and equipment: breakdown of assets measured at cost

	30.06.2019	31.12.2018
Owned		
a) land	19,593	19,593
b) buildings	50,281	51,310
c) furniture	1,183	1,335
d) electronic systems	89,729	83,614
e) other	267	341
Rights-of-use deriving from leasing contracts		
a) land	-	-
b) buildings	22,727	-
c) furniture	-	-
d) electronic systems	6,640	-
e) other	1,431	-
Total	191,852	156,193

The value of the property assets includes the effect of designation at Fair Value of the assets acquired in 2015 with the establishment of the Mercury Group following the purchase price allocation (PPA).

The recognised amount is net of the amortisation until the financial statement date.

The item "electronic systems" includes POS and ATM.

The "Rights of use deriving from leasing contracts" refer to assets entered as of 2019 following the implementation of IFRS 16, which, as indicated under the section on accounting policies, has not led to changes in the comparable data.

In this regard, no impairment indicators on property and equipment require that impairment tests be carried out.

30.06.2019	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance	19,593	51,310	1,335	83,614	341	156,193
B. Increases	-	26,313	115	35,176	1,814	63,418
B.1 Purchases	-	431	115	25,947	-	26,494
B.2 Maintenance costs	-	-	-	-	-	-
B.3 Write-ups	-	-	-	-	-	-
B.4 Positive Fair Value adjustments registered in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
B.5 Positive currency variations	-	-	-	-	-	-
B.6 Transfers from property held for investment	-	-	-	-	-	-
B.7 Other variations	-	25,881	-	9,228	1,814	36,924
C. Decreases	-	4,615	266	22,420	457	27,759
C.1 Sales	-	-	-	27	-	27
C.2 Amortisations	-	1,460	266	19,995	77	21,799
C.3 Write-downs due to deterioration registered in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
C.4 Negative Fair Value adjustments registered in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss statement	-	-	-	-	-	-
C.5 Negative currency variations	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) non-current assets and groups	-	-	-	-	-	-
C.7 Other variations	-	3,155	-	2,398	380	5,933
D. Closing balance	19,593	73,008	1,183	96,370	1,697	191,852

8.1 INVESTMENT PROPERTY

8.1.1 Investment property: breakdown of assets measured at cost

	Carrying amount	30.06.2019 Fair Value			Carrying amount	31.12.2018 Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned								
a) land	733				733			
b) buildings	2,368				2,418			
Total	3,101	-	3,780	-	3,151	-	3,780	-

The item varied exclusively owing to the amortisation effect.

The items includes the following properties:

- Via Selvamaggio, Colle di Val d'Elsa (SI) owned by Nexi Payments;
- Strata delle Frigge, Monteriggioni (SI) owned by Nexi Payments;
- Via Nazionale 3, San Giovanni al Natisone (UD) owned by Help Line.

These investments are recognised based on IAS 40 and include property assets held (both through ownership and financial leasing) aimed at generating income from rentals or to benefit from returns from the invested capital due to their appreciation in market value.

The properties held for investment purposes are measured at cost net of depreciation.

At the reporting date, the following is not present:

- restrictions or limitations to the sale of assets or to the collection of rent;
- Contractual obligations or commitments for purchase, construction, development, repairs or extraordinary maintenance of these properties.

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN

	30.06.2019		31.12.2018	
	Finite	Indefinite	Finite	Indefinite
A.1 Goodwill	-	2,097,379	-	2,097,379
A.2 Intangible assets - customer contracts	401,281		419,717	
A.3 Other intangible assets	161,501	-	151,197	-
Total	562,782	2,097,379	570,914	2,097,379

The goodwill at 30 June 2019 was composed of:

- Goodwill resulting from the acquisition, in 2016 of the company Mercury Payment for Euro 590.8 million, already net of the accrued amount, following the PPA process concluded in 2017, to customer contracts for Euro 365.5 million;
- Goodwill resulting from the consolidation of the equity investments in Nexi Payments and Help Line acquired in 2018 for Euro 931 million;
- Goodwill entered in the financial statement of Nexi Payments, totalling Euro 575.6 million, which break down as follows:
 - Euro 433.4 million referring to the 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 22.5 million referring to the book acquiring of Banca Carige purchased on 30 September 2018 with reference to which the Purchase Price Allocation process was not concluded;
 - Euro 119.7 million referring to the payment business unit acquired by DEPOBank in 2018.

The other intangible assets are represented by:

- purchase of software and technological upgrades;
- intangible assets with indefinite useful life as resulting from the afore-described PPA processes. In particular, these assets, net of the amortisation accrued up to the financial statements date are composed of: contracts with customers for Euro 289.4 million and customer relationships for Euro 111.9 million.

30.06.2019	Goodwill	Other acquired intangible assets		Other intangible assets		Total
		Finite	Indefinite	Finite	Indefinite	
A. Opening balance	2,097,379	419,717	-	151,197	-	2,668,293
A.1 Total net write-downs	-	-	-	-	-	-
A.2 Net opening balance	2,097,379	419,717	-	151,197	-	2,668,293
B. Increases	-	-	-	34,439	-	34,439
Purchases	-	-	-	32,117	-	32,117
Other adjustments	-	-	-	2,322	-	2,322
C. Decreases	-	18,436	-	24,135	-	42,571
Sales	-	-	-	-	-	-
Value adjustments	-	18,436	-	24,135	-	42,571
Other variations	-	-	-	-	-	-
D. Net closing balance	2,097,379	401,281	-	161,501	-	2,660,160
E. Gross closing balance	2,097,379	401,281	-	161,501	-	2,660,160

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

At 30 June 2019, the financial statements showed Euro 51.6 million in current tax assets and Euro 5.3 million in payments due for IRES and IRAP income taxes.

It should be noted that, starting from the year 2019, the tax consolidation, which included parent company Nexi S.p.A and the subsidiary Mercury Payment Services, has been extended to Nexi Payments e Help Line.

10.2 DEFERRED TAX ASSETS: BREAKDOWN

	30.06.2019	31.12.2018
Deferred taxes assets		
- of which: recognised in equity	3,353	1,299
- of which: recognised in profit and loss statement	29,377	32,275
Total	32,729	33,574

Deferred tax assets are as follows:

- the taxes recognised with a balancing entry to equity refer primarily to deferred taxes related to the designation at Fair Value of the Hedging derivative in place;
- the taxes recognised with a balancing entry to the profit and loss statement refer primarily to the write-down on loans and temporary differences related to the recognised goodwill which are fiscally deductible, in addition to transposing the effects of the first time application of IFRS 15.

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	30.06.2019	31.12.2018
Deferred tax liabilities		
- of which: recognised in equity	5,638	3,439
- of which: recognised in profit and loss statement	33,970	27,896
- of which: recognised in profit and loss statement due to elimination of equity investment	95,697	100,735
Total	135,305	132,070

Deferred tax liabilities break down as follows:

- the taxes registered with balancing entry to net equity refer primarily to the deferred taxes related to the designation at Fair Value of the Visa Shares in the portfolio;
- the taxes registered with balancing entry to the income statement refer to temporary differences on the registered goodwill, in addition to transposing the effects of the first time application of IFRS 15;
- deferred taxes "with a balancing entry to the income statement due to the elimination of equity investments" refer to the removal of the equity investment in Mercury Payments and to the allocation of a portion of the acquisition price to intangible assets with a definite useful life.

11. Non-current assets and groups of assets held for disposal and liabilities associated with assets held for disposal

	30.06.2019	31.12.2018
A. Assets held for disposal		
A.1 Financial assets	666	6,149
A.2 Property equipment	234	449
A.3 Intangible assets	36	37,615
A.4 Other assets	7,195	36,285
Total (A)	8,130	80,498
B. Liabilities associated with assets held for disposal		
Payables to banks		
B.1 Other liabilities	9,774	39,069
Total (B)	9,774	39,069

These are assets and liabilities referring to BassmArt and Moneynet.

In particular:

- for the subsidiaries in Moneynet, the disposal process is underway and scheduled for completion. The closing of the sale of the company to Gruppo IVS is expected to take place by the end of July;
- for BassmArt, although the decision to sell was taken in 2018, the dismissal process is still at an early stage.

The drop compared with the balance at 31 December 2018 is linked to the disposal of equity investments in Oasi and in Pay Care in the first half year 2019.

There are no circumstances requiring the recognition of the loss of value of the assets being disposed since the expected revenue from the sale, based also on the closing conditions, is aligned to their net carrying amount. Such net value includes the value reductions totalling roughly Euro 4.1 million.

12. Other assets

	30.06.2019	31.12.2018
Tax assets	45,612	51,905
Other assets for commissions to be collected	191,167	191,225
Deferred costs	67,914	58,098
Other assets	98,578	104,477
Total	403,272	405,706

The item "deferred costs" refers to the prepayment of costs in order to comply with the contracts with the customers, as well as other prepayments for costs paid but not matured yet.

LIABILITIES

13. Financial liabilities measured at amortised cost

13.1 DUE TO BANKS (BREAKDOWN BY PRODUCT)

	Carrying amount	30.06.2019 Fair Value			Carrying amount	31.12.2018 Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	1,102,847	-	1,102,847	-	266,476	-	266,476	-
2. Other liabilities	487,811	-	487,811	-	526,420	-	526,420	-
Total	1,590,658	-	1,590,658	-	792,896	-	792,896	-

More specifically, the item "Financing" refers to the new IPO line, totalling Euro 590 million. Furthermore, the item includes the bilateral facilities supporting credit cards and the current accounts with Intesa Sanpaolo and used by Mercury Payment Services for the daily settlement of transactions with Intesa Sanpaolo's customers.

The item "Other liabilities" includes the credit facilities used to finance the settlements of acquiring services and payments and the residual part of direct issuing not covered by the factoring lines. It also includes the debts for the commercial services used by the Group companies.

The item total includes financial liabilities totalling Euro 591 million, entered under the Net Financial Position.

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

	Carrying amount	30.06.2019 Fair Value			Carrying amount	31.12.2018 Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	312,918	-	312,918	-	301,535	-	301,535	-
2. Leasing debts	31,319	-	31,319	-	-	-	-	-
3. Other payables	41,024	-	41,024	-	52,714	-	52,714	-
Total	385,262	-	385,262	-	354,249	-	354,249	-

The item "Financing" refers to payables (totalling Euro 219.3 million) to the factoring company for advances on charge cards transferred without recourse and for the remaining portion to the technical adjustment line in place with the factoring company.

The item "Other payables" refers to liabilities with financial institutions for outstanding amounts.

The item "Leasing debts" includes liabilities deriving from the enforcement of IFRS 16 for operating leasing contracts, worth the current value of payment flows envisaged by the existing contracts. As indicated under the section "Accounting policies", Nexi, when first applying it, exercised the option set forth by the principle of non re-disclosing comparative data.

The item "Leasing debts" totalling Euro 31 million is entirely included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

This item includes the securities issued in 2018 by Nexi Capital SpA (now Nexi SpA) within the scope of the debt refinancing operation.

	Carrying amount	30.06.2019 Fair Value			Carrying amount	31.12.2018 Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Fixed rate securities	817,290		857,497		816,198	-	819,357	-
2. Floating rate securities	405,298		405,298		1,753,491	-	1,762,928	-
Total	1,222,588	-	1,262,795	-	2,569,689	-	2,582,285	-

Following the IPO, during the first six months of 2019, as detailed in the Management Report, a part of the securities issued at floating rate - which had a book value of 1,360 Euro at 31 December 2018 - was redeemed in advance. Furthermore, the residual amount of the floating rate securities was redeemed on 2 July.

The early redemption of such positions was entered in the profit and loss statement as redemption costs, for a total amount of Euro 42 million.

The book value at the reporting date includes the direct transaction costs, which, net of the effects deriving from the early redemption of a part of the securities, total Euro 13 million.

The item total is included under the Net Financial Position.

14. Financial liabilities held for trading

	30.06.2019	31.12.2018
Cash liabilities		
Financial derivatives	8,730	3,154
Total	8,730	3,154
Fair Value - Level 1		-
Fair Value - Level 2	8,730	3,154
Fair Value - Level 3	-	-
Total Fair Value	8,730	3,154

This item includes the portion of the derivative held which was not included in the hedging position of the Visa Inc. shares in the portfolio.

15. Hedging derivatives

	30.06.2019	31.12.2018
Equity derivatives	45,833	16,557
Total	45,833	16,557
Fair Value - Level 1		
Fair Value - Level 2	45,833	16,557
Fair Value - Level 3		
Total Fair Value	45,833	16,557

As described in the note related to “Financial assets at Fair Value through OCI” such item includes a position in the Visa Shares C Series, convertible in Visa Shares A Series at a variable conversion factor based on the charges deriving from potential liabilities of the former Visa Europe. Exchange rate risk and price risk have been hedged with a zero cost collar with strike in EUR and underlying Visa Shares A Series. At 30 June 2019, 84% of the derivative is classified under hedging derivative based on the conversion factor of the Visa Shares C Series.

16. Other liabilities

	30.06.2019	31.12.2018
Tax liabilities	44,762	15,325
Due to employees	44,644	53,587
Other liabilities for fees and commissions	206,867	265,375
Unsettled transactions	360,453	256,614
Other liabilities	27,681	74,153
Deferred Loyalty fees	46,473	49,554
Prepaid cards unsettled transactions	1,166	1,766
Total	732,045	716,375

The item “Deferred Loyalty fees” refers to the deferred fees associated with the Loyalty Plan, as set forth under IFRS 15.

17. Post employment benefits

Italian laws set forth that, at the termination of an employment relationship, the employee has the right to receive a severance indemnity based on their annual salary and the inflation rate.

At 30 June, the debt was Euro 15.1 million.

18. Provisions for risks and charges

18.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	30.06.2019	31.12.2018
1. Internal pension funds	-	-
2. Other risks and charges provisions	41,857	46,552
2.1 Legal and tax disputes	4,225	4,245
2.2 Employees	2,170	2,804
2.3 Other	35,462	39,503
Total	41,857	46,552

The provisions for “Legal and tax disputes” total Euro 4.2 million and refer to the allocations made for legal disputes that entail a probable risk.

“Other provisions”, which total Euro 35.4 million, mainly refer to:

- funds hedging the contractual commitment taken at the time of the Basilichi acquisition, totalling Euro 14.6 million, down Euro 1.4 million compared with 31 December 2018 due to its use in the first six months of 2019;
- funds hedging charges for the disposal of non-core assets in the Basilichi Group, totalling Euro 6.4 million;
- fund hedging the risks linked to suspense accounts related to ordinary operations, totalling about Euro 8.5 million;

- d. Fund hedging fraudulent transactions, worth Euro 0.9 million;
- e. Fund for potential tax disputes linked to the implementation of the benefits envisaged by the current laws, totalling Euro 4 million;
- f. Funds for labour law disputes, totalling Euro 0.8 million.

19. Equity

At 30 June 2019, net equity consists of the following items:

	30.06.2019	31.12.2018
Share capital	57,071	50,000
Share premium	1,082,204	389,275
Consolidation reserve	18,124	(47,735)
Valuation reserve	38,075	36,899
Profit (loss) for the year	58,424	35,933
Equity attributable to non-controlling interests (+/-)	6,266	6,516
Total Equity	1,260,164	470,888

Net equity at 30 June 2019 transposes the effects of the IPO, which led to an increase in Share Capital of about Euro 700 million.

The item "Equity attributable to non-controlling interests" shows a balance of Euro 6.3 million and primarily refers to the equity of non-controlling interests of the subsidiaries Nexi Payments (Euro 5.3 million) and Help Line (Euro 0.9 million).

Restrictions on the payment of dividends

The terms and conditions of the issued Bond Loans are governed by two contracts with similar contents, in compliance with the law of the State of New York, called "Indenture" and dated, respectively 18 May 2018, referring to the listed bond loan, and 2 July 2018, referring to the bond loan with private placement (each of them, the "Indenture").

The Indentures limit the right of the Issuer and of its subsidiaries subject to restrictions to distribute dividends to the respective shareholders.

The dividends may, in fact, be distributed only in compliance with the provisions contained in the Indentures, as regards payments subject to restrictions, or at the occurring of events, here qualified as permitted payments, in particular due to Nexi going public.

This is without prejudice to the fact that, pursuant to the Indentures, there are no restrictions to the payment of dividends by the subsidiaries in favour of Nexi SpA.

20. Notes to the profit and loss statement

(Amount in Euro thousands)

The figures of the profit and loss statement are not comparable with the corresponding figures at 30 June 2018, because the reorganisation of the Group (which took place in the second half year 2018) meant that Nexi Payments, Help Line and the companies of the former Bassilichi Group contributed to the result of Nexi Group as of 1 July 2018.

To allow a comparison of the figures, a comparative statement is provided in the interim management report comparing the results of 1H 2019 with the pro-forma data of 1H 2018.

21. Fees for service rendered and commission income

	30.06.2019	30.06.2018
Issuing & Acquiring fees:	588,727	78,474
- <i>Trading fees</i>	482,740	78,474
- <i>Fees from cardholders</i>	105,987	
- <i>other fees</i>	-	
Revenue from services	182,087	4,451
Total	770,814	82,925

22. Fees for services received and commission expense

	30.06.2019	30.06.2018
Bank charges:	299,088	1,011
- <i>fee due to correspondents</i>	207,342	503
- <i>fee due to banks</i>	91,746	508
Other fees	1,425	31
Total	300,514	1,042

23. Interest and similar income

	30.06.2019	30.06.2018
Receivables from banks		307
Receivables from customers	9,532	49
Other assets	28	1
Total	9,560	357

Interest income from customers primarily refers to operations carried out via revolving credit cards.

24. Interest and similar expenses

	30.06.2019	30.06.2018
Financial liabilities at amortised cost :		
- payables to banks and customers: leasing	714	
- payables to banks and customers	13,935	656
- securities issued	98,784	12,105
Other liabilities and funds	98	
Total	113,530	12,761

Interest expense primarily refers to:

- credit facilities with recourse associated with the factoring contract Nexi Payments entered into in 2018;
- Securities issued by Nexi Capital (now Nexi SpA) in 2018 within the scope of the debt refinancing operation;
- IPO financing agreed in 2019 following the funding reorganisation, as described in the interim management report.

It should be noted that the item is not comparable with the corresponding figures at 30 June 2018 because, owing to the reorganisation operation (which took place in the second half year 2018), funding was included in Nexi Group as of May 2018.

25. Profit/Loss of trading/hedging on financial assets and liabilities designated at Fair Value through profit and loss

	30.06.2019	30.06.2018
Net trading income on financial assets	(5,298)	(9)
Net hedging income on financial assets	-	-
Total	(5,298)	(9)

The item primarily includes the Fair Value variation of the derivative contracted against the risk and price of Visa shares in the portfolio for the part classified as trading.

The item also includes the profit/loss on currency exchanges deriving from the ordinary operating of Nexi Group, which had a limited impact, since the risks associated with the currency positions are mitigated by the presence of opposite currency positions that naturally reduce the exposure to such risk.

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

	30.06.2019	30.06.2018
Dividends	166	-
Losses from disposal of assets designated at Fair Value impacting OCI	(4,552)	-
Net result	(4,386)	-

The balance of the item primarily refers to the cost deriving from Nexi Payment's disposal without recourse, within the scope of the factoring contract, of a relevant part of the receivables portfolio associated with the issuing of credit cards.

27. Administrative expenses

27.1 PERSONNEL EXPENSES: BREAKDOWN

	30.06.2019	30.06.2018
1) Employees		
a) wages and salaries	103,740	6,286
b) social security expenses	17,604	2,124
c) post-employment benefits	660	197
d) national insurance expenses	20	-
e) provisions for severance pay	141	9
f) provisions for post-employment benefits and similar obligations:		-
- for defined contribution schemes	-	-
- for defined benefit schemes	-	-
g) payments to external supplementary pension funds:		141
- for defined contribution schemes	3,065	-
- for defined benefit schemes	-	-
h) costs of equity instruments-based payment plans	-	-
i) other benefits for employees	3,479	430
2) Other active personnel	1,086	-
Total	129,794	9,187

Personnel expenses include the expenses associated with the stock grant plan guaranteed by Mercury UK to Nexi Group employees, as detailed under Note 39.

27.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

	30.06.2019	30.06.2018
1. Third party services	84,579	1,643
2. Lease and building management fees	1,186	470
3. Insurance companies	1,341	-
4. Rentals	3,039	-
5. Maintenance	22,613	6,118
6. Shipping costs	3,142	294
7. Telephone and telegraph	6,474	950
8. Cards and accessories	2,345	-
9. Printed matter and stationery	2,323	-
10. Other taxes	2,268	60
11. Legal, notary and consultancy services	24,354	18,483
12. Agents' commissions and expense reimbursement	6	-
13. Advertising	3,087	-
14. Promotional material and competition prizes	14,451	-
15. Other commercial costs	903	-
16. Other general expenses	16,301	7,333
Total	188,411	35,351

28. Other operating income (expenses)

	30.06.2019	30.06.2018
Other operating income	182	550
Other operating expenses	(2,730)	-
Total	(2,548)	550

29. Net value adjustments on assets measured at amortised cost

This item, worth Euro 1,811 million, refers to the net value adjustments on receivables from customers primarily associated with the direct issuing and acquiring activities carried out by Nexi Payments.

30. Net provisions for risks and charges

The item shows a positive balance of Euro 590,000 and recognises the effects of change in fund for risks and charges.

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

	30.06.2019	30.06.2018
Amortisation and net impairment losses on tangible assets	27,742	4,613
Amortisation and net impairment losses on intangible assets	42,571	16,715
Total	70,313	21,328

32. Profit/loss from equity investments and disposal of investments

This items shows a negative balance of about 74,000 Euro and includes the drop in value of stakes held in associates.

33. Income taxes

	30.06.2019	30.06.2018
Current taxes	3,165	-5,363
Change in current taxes from previous years		
Change in prepaid taxes	(1,586)	767
Change in deferred taxes	(1,037)	5,037
Total	542	441

34. Profit/loss from assets held for disposal, net of taxes

This item refers to positive and negative income items from assets held for disposal (see Note 11) and mainly includes the capital gains, net of taxes, deriving from the complete disposal of the stakes held in Oasi and Pay Care (Euro 95 million).

It should be noted that such value does not include the effects of the price adjustment envisaged by the contract, since - being a potential asset - it was not recorded at 30 June 2019.

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

This is minorities interest primarily referring to Nexi Payments (233 thousand Euro) and Help Line (minus 205 thousand Euro).

36. Information on risks and related hedging policies

Nexi Group is primarily subject to the Liquidity Risk, the Operational Risk (which includes fraud risk, legal/conduct risk and information system risk) and to Reputational Risk.

Other risks permanently monitored by Nexi Group are the Strategic Risk, the Credit Risk, the Interest Rate Risk and the Currency Risk, as shown in the following table:

NEXI GROUP RISKS	NEXI PARENT COMPANY	NEXI PAYMENTS (Electronic Money Institution Supervised by Bank of Italy)	MERCURY PAYMENT 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	

The aforesaid risks are analysed in these Notes, with the exception of Strategic Risk, included under the section "Major risks and uncertainties" of the interim management report.

Risk Management at Nexi Group

Regarding risk management, the model adopted by NEXI provides that the Parent Company must permanently monitor the Strategic Risk and the Internal Control System of the Group.

The Internal Control System - an organisational, regulatory and methodological framework for effectively and economically performing guidance activities, strategic control, management and technical-operational activities - is a process that aims to provide reasonable certainty in achieving company targets in terms of efficacy and efficiency of operational activities, reliability of financial statement information and compliance with the Laws and Regulations currently in force.

The benchmark regulations governing the relations between the Parent Company Nexi and the Companies belonging to Nexi Group (hereafter referred to as the "subsidiaries") specifically aim to standardise organisational rules and conduct in order to direct, towards converging targets, the Group's development policies and management strategies, consistent with the strategic guidelines issued by the Parent Company.

The regulation was also drafted to safeguard the operational independence of the Subsidiaries subject to supervision and operating in the payment services and electronic currency sectors (named "Supervised Companies"), which transpose the provisions pursuant to the applicable special laws.

The Parent Company Nexi has its own Audit Unit that, among other tasks, helps the Board of Directors of the Parent Company - through the Risk Committee - verify that the companies of the Group define an Internal Control System in accordance with the strategic guidelines and the risk management policies drafted by the Nexi Board of Directors for the entire Group.

The monitoring of the Internal Control System is suitable for permanently monitoring all the Group's persistent risks, complying with the mandatory rules that are applicable to the Supervised Companies. In this regard,

The Parent Company Board of Directors:

- defines the guidelines of the Internal Control System and the Risk Management of the Group, in compliance with the mandatory rules that are applicable to Supervised Companies;

- guarantees the monitoring of the Group's overall exposure to business risks;
- is informed, via the Internal Audit Unit of the Parent Company - concurrently with the Boards of Directors and the Boards of Statutory Auditors of the Subsidiaries - whether the monitoring activity conducted by the relevant organisational units of the Subsidiaries unveil significant findings, namely, irregular or problematic situations. The authority (and responsibility) of supervising the functioning of the Internal Control and Risk Management System (hereafter, "ICRMS") of each company belonging to Nexi Group (planning/design, management and monitoring) rests with are the Boards of Directors and the management of the individual subsidiaries, even with reference to the compliance profiles applicable to Supervised Companies. Such companies deal with the institution and adequate and effective maintenance of the ICRMS, implementing the Guidelines defined by the Parent Company.

The Subsidiaries:

- are responsible for enforcing the risk management policies and strategies;
- submit reports to the Parent Company, from time to time defined according to the requirements of the Group, on a regular basis or upon request, in order to ensure a consistent risk management at a consolidated level;
- establish the corrective measures for the removal/mitigation of the detected irregularities and problems, in line with any possible indication issued by the Parent Company.

Pursuant to the enforced provisions on monitoring, the Internal Control System of supervised companies features a threefold control structure:

- *"Level 1 controls - line controls"* - aimed at ensuring a correct fulfilment of operational aspects; it therefore includes a hierarchic type of control, carried out by the very production units and usually incorporated into the procedures themselves or into back office activities;
- *"Level 2 controls"*:
 - *Risk Management controls* - aimed at defining risk assessment methods, verifying compliance with the limits assigned to the several operational units and checking the operational consistency of the individual productive areas with the risk/yield targets;
 - *Regulation compliance controls* - aimed at permanently monitoring risks linked to the non-compliance with external and internal regulation;
- *"Level 3 controls - Internal Audit"* - aimed at identifying irregular trends, violations of procedures and of internal/external regulations, and at assessing the overall functioning of the Internal Control System.

Monitoring the management of risks, compliance and internal audit is performed by non-operational and independent units.

Nexi Group risks

Liquidity risk and interest rate risk

As at the date of this Report, the Group shows a remarkable financial indebtedness, mainly consisting of Fixed-Rate Bond Loans and of the IPO Financing, which incur high financial charges that could generate negative effects on the Group's results and its ability to generate cash flow and distribute dividends, which in turn might affect the ability to repay debts on the due dates and to support the investments required to develop the business.

The Group is exposed to the risk that failure to comply with the obligations and covenants set forth under the contractual documentation relating to such financial indebtedness (in particular the Fixed-rate Public Debenture Loans, the IPO Financing or the credit facilities and factoring services in place) might result, *inter alia*, in the enforcement of the acceleration clause, also due to the cross-default clauses set forth under certain contracts governing the financial indebtedness of the Group and the lines supporting the requirements of the working capital generated by the Subsidiaries.

The sustainability of Nexi Group level of indebtedness is associated, above all, with its operational results and, consequently, with its ability to generate sufficient liquid assets and to refinance the debt upon the due date.

The risk profiles related to the guarantees issued are associated with possible defaults in the underlying loan agreements and consequently with the possibility that the financing parties, using the remedies envisaged under the contract, proceed to enforce the guarantees thus protecting their right to lodge claims with possible negative effects on the economic, equity and/or financial position of Nexi Group.

The risk is limited owing to clauses set forth in the contracts, which represent “standard” conditions for similar transactions. The Group is exposed to the risk that significant interest rate fluctuations may occur and that the policies adopted to neutralise these fluctuations prove to be inadequate. Interest rate fluctuations depend on different factors that the Group cannot control, such as monetary policies, macro-economic trends as well as the economic conditions and political uncertainty in Italy.

Variations in interest rates affect the market value of the company’s financial assets and liabilities, as well as the level of financial charges, since some of the loans were agreed at floating rate.

To this regard, as at 30 June 2019, the Group was exposed to a large percentage of sources of funding at floating rate; in particular, 62% of the overall sources of funding (used and useable) accounting for the financial indebtedness are indexed at floating rate: in the case in point, it is the IPO Term Line worth Euro 1,000 million, the IPO Revolving Line and the Private Bond Loans (replaced, as of 2 July 2019, by the IPO Term Line). While not representing financial indebtedness, both the factoring contract and the majority of bilateral credit facilities are equally indexed at floating interest rate.

It should be pointed out that the Group is yet to sign the floating interest rate risk hedging instruments, which are being periodically analysed and assessed.

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 provision 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.

Currency Risk

The Group companies are marginally exposed to currency risk since payments and collections, respectively for amounts to pay or collect related to the Mastercard and Visa circuits, are carried out in Euro.

Hedging Derivative Instruments

In order to hedge the risk of a reduction in the price and exchange rate of the Visa C Class shares held (convertible into Visa Series A shares at a variable conversion factor according to the charges deriving from contingent liabilities of the former Visa Europe, acquired by Visa Inc.), included in the HTCS portfolio of Nexi Payments, a collar was stipulated on a number of shares that does not take into account the discount applied in the financial statements, but which has a strike such that, from an economic standpoint, the pay-off of the derivative, in the event of a reduction in the value, in Euro, of Class A Shares to below the carrying amount, is equal to the reduction in the value of the security compared to the objective of the hedge.

Operational Risk

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

Examples of fraud may include the malicious use of a credit or debit card stolen or counterfeited, the use, by merchants or other parties, of the number of a payment card or of other credentials for recording a false sale or transaction, the sale of counterfeit goods, malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.

Failure to identify thefts, as well as ineffective risk management and fraud prevention, may increase the charge-back liability of the Group or cause the Group to incur other liabilities, including penalties and fines.

The major risk of external frauds is represented by frauds in the issuing sector, which, in the first six months of 2019, accounted for 0.07% of the amount spent by cardholders (gross fraud).

To address these risks, Nexi has adopted a specific framework to identify, manage and monitor risks, comprising policy, processes, organisational controls and tools. This framework transposes the requirements and provisions of Italian and international law, as well as sector best practices for the development and upgrading of methods and support tools.

The Group uses sophisticated transaction control and detection systems as well as effective organisational controls for fraud prevention and risk management control.

Given the high degree of technological innovation of the services provided by the Group, and the importance of managing sensitive data concerning payments, specific policies and methods have been defined for the identification and management of information system risks (including cyber-security), and specific organisational controls with the scope of the Information Security Management System for line controls and controls over risk management, have been implemented.

Operational risks are also mitigated by targeted insurance coverage.

Reputational risk

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

The Group, considering the importance of the reputational risk and the negative effects that may result from it, has set up special controls aimed at preventing risk factors (operational and compliance) which may affect the reputation of the Group, including:

- anti-money laundering task force;
- privacy task force;
- IT risk monitoring and control task force;
- business continuity management task force;
- brand and communications management task force for “Nexi” brand payment card products;
- crisis management task force (to manage reputational risk);
- monitoring and ‘Level 2’ controls task force to manage compliance and operational risk.

In addition to the above, the Group undertakes, on a consistent basis, actions to prevent and monitor the effects on the reputation of the Group (with particular reference to the company Nexi Payments, owner of the brand “Nexi”) including (i) the assessment of the reputational risk resulting from the periodical assessments of compliance and process operational risk; (ii) the assessment of the potential reputational risk during the planning stage for the design of new services/products; (iii) the assessment of the potential impacts on reputation, in the case of operational “accidents”; (iv) a dashboard for monitoring the reputational risk; and (v) a dashboard for monitoring conduct risk.

Credit Risk

The Group is exposed to credit risk as described 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:

- (i) from the factor, for receivables generated by Group-issued cards covered by the Factoring Agreement;
- (ii) from the banks of cardholders, for all other receivables generated by Group-issued cards not subject to the Factoring Agreement;
- (iii) and/or from the international payment card circuits for cards issued by other issuers.

Furthermore, with reference to the acquiring services provided under traditional and referral licence agreements, 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 reimbursed by the Group, in its capacity as acquirer, to the cardholder.

The Group is also subject to credit risk for (a) the amount of fees of the International Circuits of payments cards and (b) its own fees due by the merchants. When the acquirer pays merchant customers the payment amount of the transaction, it does not always deduct the fees due, but in certain cases charges them later, on a monthly basis. Should the merchant refuse or delay the payment of these amounts, the Group may suffer a loss.

Credit risk in issuing activities

The Group companies, in their capacity as issuers, grant credit to the cardholders to fund their purchases using the payment cards of such clients.

The collection times from cardholders depend on the type of card used. If the purchase is carried out with a debit card, the issuer is not exposed; vice versa, with credit cards, the issuer is often exposed to an average period ranging from 15 to 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 following days. Once these 5 days have elapsed, if the issuer has not yet blocked the card, any additional amount (i.e. the purchases made from the sixth day forward) are under the responsibility of the issuer.

Credit risk in servicing and associate activities

In the case of special commercial agreements with banks concerning the servicing and associate model, the Group is exposed to counterparty risk for the payment of the 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.

Credit risk monitoring

Credit Risk is monitored constantly, checking that the exposures are within the budget limits set at the beginning of each year. Nexi Payments also carefully rates each new merchant or cardholder in the case of directly issued cards before agreeing new contracts.

The Risk Management unit constantly monitors credit risk trends and activates, if the limits are exceeded, appropriate escalation measures.

The Group sets specific maximum gross and net insolvency limits and the relevant impact on costs, which are constantly monitored, together with expected losses - compared to actual losses and the performance of losses incurred in relation to business performance.

This Credit Risk control consists of preliminary checks by the 'Level 1' units, starting with the analysis of the credit application. It includes:

- internal controls;
- consistency controls;
- use of positive and negative Credit Bureau information;
- Credit Scoring algorithms.

Another process relevant for Credit Risk is the monitoring and recovery of receivables from cardholders and merchants, in order to curb the impact of risk events.

With respect to its servicing activities, the Group does not have risks related to receivables due directly from retail customers as its core business is Issuing servicing and Acquiring servicing activities. Therefore, the related credit risk falls on the Banks holding the issuing and/or acquiring licences.

This year, as in previous years, no significant critical issues were found in relation to this type of risk compared to the established limits.

38. Related Parties

(Amount in Euro thousands)

The aim of IAS 24 (Related Party Disclosures) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its equity and financial position and performance may be altered by related party transactions and balances. Based on this standard, applied to its organisational and governance structure, Nexi Group SpA identified the following related parties:

- a) the controlling company, Mercury UK;
- b) the parties that control Mercury UK, directly or indirectly, also through subsidiaries, trustees or through a third party, even jointly or hold an interest in Mercury UK which enables it to exercise significant influence;
- c) entities that are controlled or jointly controlled by the above indicated parties;
- d) entities that are controlled or jointly controlled or under the significant influence of Nexi SpA;
- e) key Managers of Nexi Group or its parent company and entities in which they exercise direct control, joint control or significant influence;
- f) close relatives of a natural person included in letters b) or e) above;
- g) the supplementary pension fund established for the employees of Nexi SpA or of any other related entity.

38.1 Information on the remuneration of executives holding strategic responsibilities

Below is the remuneration, for the relevant period, of Governance and Control Bodies and for executives holding strategic responsibilities.

	Directors	Board of Statutory Auditors	Executives holding strategic responsibility
Corporate bodies remuneration	1,910	143	
Short-term benefits			3,823
Benefits subsequent to the termination of employment			305
Other long-term benefits			
Indemnities for termination of employment			
Payments based on actions (stock plan)			
Total	1,910	143	4,127

38.2 Information on transactions with related parties

The effects of transactions conducted with related parties are summed up in the table below:

	Item total	Controlling company	Other related parties	Directors, Executives and other monitoring bodies
Cash and cash equivalents	165.891		165.863	
Financial assets measured at amortised cost	1.803.387		125.052	
Other assets	403.272		39.084	
Financial liabilities measured at amortised cost	-			
Other liabilities	732.045		10.006	
Fees and commissions income	770.813		9.210	
Fees and commission costs	300.514		1.410	
Interest and similar income	9.560		105	
Interest and similar costs	113.530		2.047	
Administrative costs	318.205		3.546	

It should be noted that such relations are regulated by terms and conditions that are consistent with the market ones and that no atypical or unusual transactions were conducted during the first half of the year.

The major relations in place with related parties mainly concern the following relations held throughout the year with DEPOBank (included in the "other related parties" category):

- outsourcing contract for the provision of IT services by Nexi Payments for DEPOBank. The amount is proportional to the actual use of internal and external resources;
- agreement, for the performance of commercial services, which defines the conditions and modalities according to which Nexi Payments offers its clients the products and services of DEPOBank, through its own commercial network; the amount, identified following a check of the market benchmarks, is related to DEPOBank's yearly turnovers generated by Nexi Payments commercial activities;
- credit Mandate contract through which DEPOBank provides a financing service by anticipating the daily settlement of issuing/acquiring transactions related to servicing and associate banks. The amount is proportional to the market conditions in place at the date the contract is entered into;
- outsourcing contract, through which NexiPayments provides to DEPOBank clearing and accounting activities relating to a specific contract. The amount is proportional to the actual use of internal resources;
- credit facility granted by DEPOBank, used as current account overdraft to manage the financial requirements and guarantees. The terms regulating the contract are consistent with the market ones.
- current accounts in place with DEPOBank. The terms regulating the contract are consistent with the market ones.

39. Share-based payments

Mercury UK HoldCo issued an incentivising plan ("Stock Grant" or "Plan") based on Nexi SpA shares.

The Plan is ascribable to certain employees (the "Recipients") of Nexi Payments SpA, Help Line SpA and Mercury Payment Services SpA.

The accrual period of the issued Stock Grant is strictly linked to the "Liquidity Event" of Advent, Bain Capital and Clessidra ("Funds"), which control the Mercury Group.

Pursuant to the Plan, the participants are given a bonus in Nexi SpA shares ("the Company") that mature only if the Funds achieve the set return on the Mercury UK investment in the Company. Participation in the Plan is at the discretion of the Board of Directors and no employee has the contractual right to participate in the plan or to receive possible guaranteed benefits.

The expected "Liquidity Event" is one of the following:

- any event where the Funds cease to hold, either directly or indirectly, separately or jointly, the control of Nexi SpA; or
- an IPO by Nexi SpA followed by the transfer, by Mercury UK HoldCo, of a stake of at least 20% of the share capital of Nexi SpA.

The Plans give the employees the right to receive a certain quantity of Nexi SpA shares (the "Share award") and the employees are requested to pay any strike price.

For most of the employees, a part of the Share Bonus is subject to a deferment, as indicated below:

- 50% of the bonus will be assigned on the date of the "Liquidity Event";
- 25% of the bonus will be assigned 12 months after the "Liquidity Event";
- 25% of the bonus will be assigned 24 months after the "Liquidity Event".

For some employees, the plan envisaged the assignment of 100% of the bonus 100 days after the Liquidity Event.

Should the employment relationship cease before the Liquidity Event, the Share Bonus will be cancelled. If the employment relationship should cease after the date of the Liquidity Event, owing to voluntary resignations or disciplinary dismissal, the Share Bonus will be totally cancelled. Should the employment relationship cease owing to reasons other than the aforesaid ones and the Share Bonus not matured yet, the amount to be assigned to the employee will be calculated on a pro-rate temporis basis during the deferment period.

The "Liquidity Event" was triggered when Nexi SpA went public on 16 April 2019 and the first tranche of the bonus has been assigned to the Recipients.

The overall number of shares assigned is 7,023,885 (3,699,537 of which already transferred to the Recipients).

In view of the fact that the Liquidity Event (the IPO) took place just a few months after the issuing of the Plans, on the date of this report there are no "cancelled" or "expired" bonus shares.

Pursuant to IFRS 2, Nexi Group, despite taking on no obligation towards the recipient employee, and being the receiving entity, must enter - in its consolidated financial statements - the mentioned Plans on the basis of the accounting rules set forth for the "plans regulated with equity instruments".

In particular, IFRS 2 establishes that, in plans regulated with equity instruments with employees, the entity must:

- measure the cost for the services it receives from them, based on the Fair Value of the equity instruments on the assignment date;
- enter the Fair Value of the received services, throughout the accrual period, offsetting an increase in Net Equity on the base of a better available estimate of the quantity of equity instruments expected to mature;
- review such assessment, if the subsequent information indicates that the quantity of equity instruments expected to mature differs from the previous estimate.

The Stock Grant Fair Value was determined taking into account the IPO price, which also determined the moment most of the employees were assigned 50% of the granted shares and which - considering the brief period running from the assignment of the Plans and the IPO itself - was deemed a consistent indicator for representing the value of shares at the grant date.

Based on the above, the Plan generates an overall cost - for the entire term of the plan - of Euro 63 million, entered into the consolidated financial statements throughout the vesting period, pursuant to IFRS 2. The recognised cost for the first six months 2019 was about Euro 43 million.

40. Segment reporting

Segment reporting was drawn up in compliance with the IFRS 8 standard.

Segment reporting is consistent with the organisational and industrial structure with which Nexi Group has operated during the year. The comparative figures specified below refers to the pro-forma data consistent with the data indicated in the Management Report.

The reporting by business segment provides for only one operating segment represented by electronic money and payment services, including the central structures. By contrast, net revenue from operations can be broken-down into three business lines, identifiable within the scope of Nexi Group organisation, more specifically:

- Merchant Services & Solutions;
- Cards & Digital Payments;
- Digital Banking Solutions.

The assignment of economic results to the different business lines is based on the accounting standards used when drafting and presenting the consolidated financial statements.

The following tables show a breakdown, into operating business lines at the net revenue level, of the profit and loss statements only and do not require the current management structure of the specific allocations by line of service at equity level.

Paragraph 42.2 shows a reconciliation between the profit and loss statement drafted according to the segment reporting and the profit and loss statement drafted in the Financial Statements which, besides including the effects of the different classifications, also show the impact resulting from the different contributions from the companies subject to spin-off and of the business unit Payments, as described above.

A breakdown of net revenue by geographic distribution is not included, since the activities here described are conducted by customers operating within the entire national territory which is therefore considered as a whole, from an operational standpoint.

40.1 Segment reporting: profit and loss statement for 1H 2019

(Amount in Euro thousands)

30.06.2019	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	241,130	(17,528)	223,602
Cards & Digital Payments	188,492	(642)	187,850
Digital Banking Solutions	55,886	-	55,886
Operating revenue	485,508	(18,169)	467,339
Personnel expenses	(84,114)	-	(84,114)
Administrative costs	(167,165)	18,711	(148,454)
Adjustments and net operating provisions	(892)	(997)	(1,888)
Operating costs net of amortisation	(252,170)	17,715	(234,456)
EBITDA	233,338	(455)	232,883
Amortisation and depreciation	(52,784.5)	(44,1)	(52,829)
Operating Profit	180,553	(499)	180,054
Amortisation & depreciation(customer contracts)			(18,436)
Interest financing costs			(101,647)
Non-recurring items			(1,578)
Pre-tax profit			58,393
Income taxes			53
Profit for the period			58,446
Minorities			(25)
Profit attributable to the Group			58,421

Note: the above EBITDA is normalised whose definition is provided the alternative performance measures section.

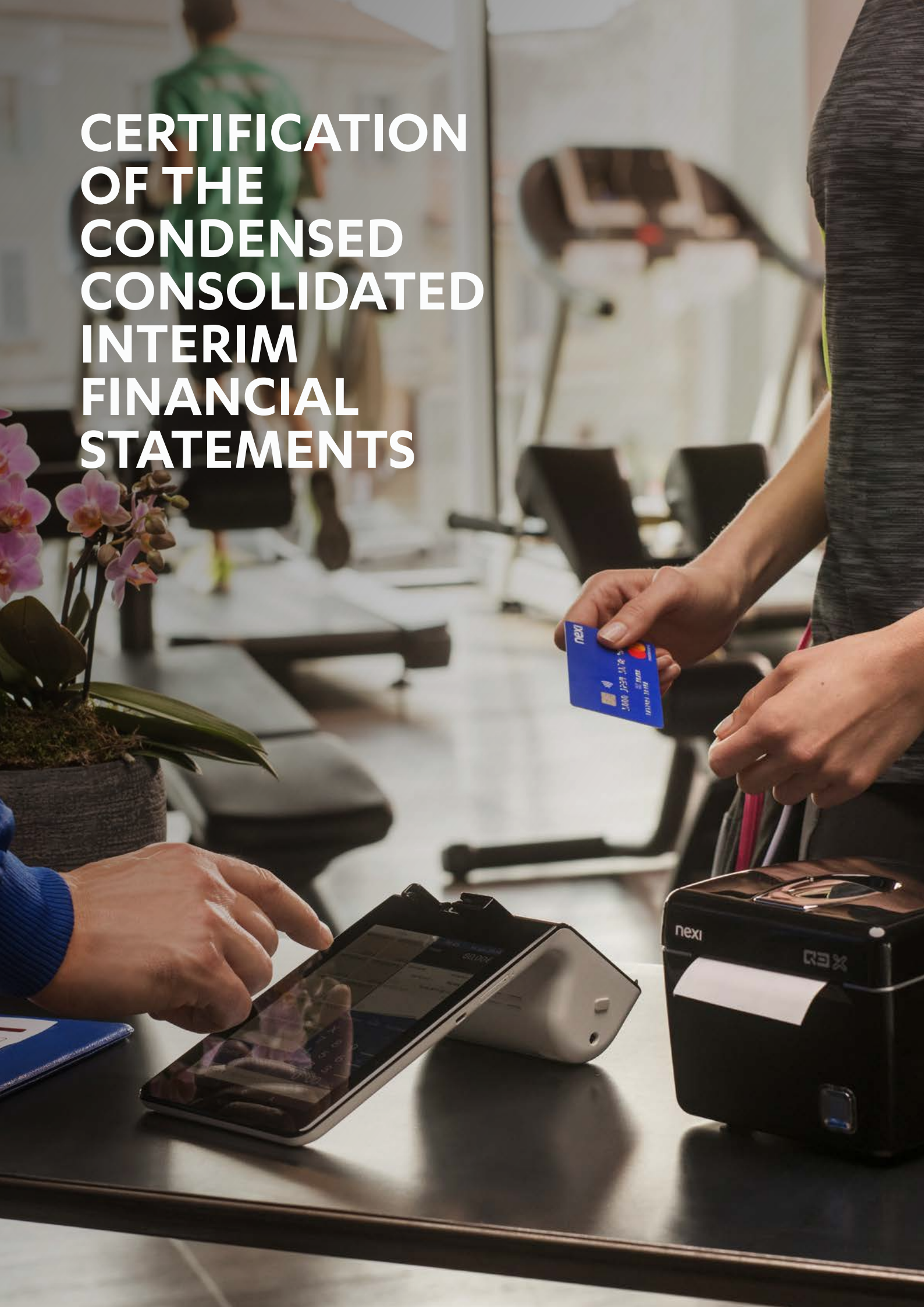
40.2 Segment reporting: reconciliation profit and loss statement segment reporting with carve-out profit and loss statement for 1H 2019

(Amount in Euro thousands)

30.06.2019	Total segment reporting	Reconciliation	Financial Statement
Operating revenue	467,339	(110,695)	356,644
Personnel expenses	(84,114)	(45,630)	(129,744)
Administrative costs	(148,454)	(40,008)	(188,462)
Adjustments and net operating provisions	(1,888)	(1,752)	(3,640)
Operating costs net of amortisation	(234,456)	(87,390)	(321,846)
EBITDA	232,883	(198,085)	34,798
Amortisation and depreciation	(52,829)	(17,614.3)	(70,443)
Operating profit	180,054	(215,699)	(35,645)
Amortisation & depreciation(customer contracts)	(18,436)	18,436.2	-
Interest and financial costs	(101,647)	101,647.5	-
Non-recurring items	(1,578)	95,126.0	93,548
Pre-tax profit	58,393	(489)	57,904
Income taxes	53	489,0	542
Profit for the period	58,446	-	58,446
Minorities	(25)	-	(25)
Profit attributable to the Group	58,421	-	58,421

Note: the above EBITDA is normalised whose definition is provided the alternative performance measures section.

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS



3

CERTIFICATION OF THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

Certification of the condensed consolidated interim financial statements

Certification of the condensed consolidated interim financial statements pursuant to art. 154 bis, par. 5, of Legislative Decree 58/1998 and to art. 81 ter of Consob Regulation 11971/1999 and subsequent amendments and additions.

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer, and Enrico Marchini, as Financial Reports Manager at Nexi SpA, pursuant also to provisions under art. 154-bis, pars. 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, hereby certify as to:
 - the adequacy with respect to the nature of company;
 - the effective implementation of the administrative and accounting procedures adopted in the drafting of the condensed consolidated interim financial statements as at 30 June 2019.
2. With reference to the latter, no significant issues were encountered.
3. We also certify that:
 - 3.1 the condensed consolidated interim financial statements:
 - a) were drafted pursuant to the international accounting standards applicable within the European Union pursuant to Regulation (EC) 1606/2002 of the European Council and of the Council dated 19 July 2002, and more specifically pursuant IAS 34;
 - b) are true to accounting records and entries;
 - c) are suitable to providing a truthful and accurate representation of the assets and liabilities, financial position and profit or loss of both the issuer and the consolidated companies;
 - 3.2 the interim management report features reliable analysis of relevant and major events that occurred during the first half of the year and of their effects upon the condensed consolidated interim financial statements, as well as a review of the main risks and uncertainties impinging on the remaining half of the year. The interim management report also includes reliable analysis of information pertaining to material related party transactions.

Milan, 29 July 2019

The Chief Executive Officer
Paolo Bertoluzzo

The Financial Reports Manager
Enrico Marchini

AUDITORS' REPORT



4

AUDITORS' REPORT



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Nexi SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Nexi SpA and its subsidiaries (the Nexi Group) as of 30 June 2019, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Nexi Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

PricewaterhouseCoopers SpA

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Other aspects

The consolidated financial statements as of and for the year ended 31 December 2018 were audited by other auditors, who on 25 february 2019 expressed an unqualified opinion on the consolidated financial statements.

The condensed consolidated interim financial statements for the period ended 30 June 2018 were not audited or reviewed neither by us nor by other auditors.

Milan, 29 August 2019

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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