IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following applies to the Offering Circular following this notice, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Preliminary Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from us as a result of such access.

The Offering Circular has been prepared in connection with the proposed offering and sale of the shares (the "**Offer Shares**") described therein. The Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

The Offering Circular may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of the Offering Circular, in whole or in part, is unauthorized. Failure to comply with this directive may result in a violation of the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the applicable laws of other jurisdictions. If you have gained access to this transmission contrary to any of the foregoing restrictions, you are not authorized and will not be able to purchase any of the Offer Shares.

Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so. The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction, and the Offer Shares may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

You may not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the explicit consent of the Joint Global Coordinators (as defined below). If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Confirmation of your representation. In order to be eligible to view the Offering Circular or make an investment decision with respect to the Offer Shares described therein, you must (1) be a qualified institutional buyer ("**QIB**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) or (2) be located outside the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Offering Circular is being sent at your request. By accepting this electronic transmission and accessing the Offering Circular, you shall be deemed to have represented to us that you consent to delivery of such Offering Circular by electronic transmission; and either:

(a) you and any customers you represent are outside the United States and the e-mail address that you gave us and to which this Offering Circular has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; or

(b) you and any customers you represent are QIBs.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Circular to any other person.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Offer Shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering and sale of Offer Shares be made by a licensed broker or dealer and the Joint Global Coordinators (as defined below) or any affiliate of theirs is a licensed broker or dealer in that jurisdiction, the offering and sale of the Offer Shares shall be deemed to be made by them or such affiliate on behalf of Nexi S.p.A. (the "**Company**") or the Selling Shareholders (as defined in the attached Offering Circular), in such jurisdiction.

The Offering Circular has not been approved by an authorized person in the United Kingdom and is for distribution only to persons who: (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")); (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order; (iii) are outside the United Kingdom; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Offer Shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Offering Circular should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply.

This Offering Circular and the offer described therein when made are only addressed to and directed at persons in member states of the European Economic Area who are "**qualified investors**" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State of the European Economic Area) and any implementing measure in each relevant Member State of the European Economic Area ("**Qualified Investors**"). In addition, in Italy, this Offering Circular is being distributed only (a) to, and is directed only at, qualified investors as defined pursuant to Article 34-ter, paragraph 1, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuers' Regulation**") implementing Article 100 of Consolidated Financial Act ("**Italian Qualified Investors**") or (b) in any other circumstance where an express exemption from the regulations on offers to the public applies, including, without limitation as provided under Article 100 of the Consolidated Financial Act and Article 34-ter of the Issuers' Regulation.

This Offering Circular must not be acted on or relied on (i) in Italy, by persons who are not Italian Qualified Investors, (ii) in the United Kingdom, by persons who are not relevant persons, and (iii) in any member state of the European Economic Area other than the United Kingdom and Italy, by persons who are not Qualified Investors. Any investment or investment activity to which this Offering Circular relates is available only to (i) in Italy, Italian Qualified Investors, (ii) in the United Kingdom, relevant persons, (iii) in any member state of the European Economic Area other than Italy and the United Kingdom, Qualified Investors and (iv) in the United States, QIBs, and, in each case, will be engaged in only with such persons.

None of Banca IMI, BofA Merrill Lynch, Credit Suisse, Goldman Sachs International or Mediobanca (the "**Joint Global Coordinators**"), or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this Offering Circular or for any statement made or purported to be made by it, or on its behalf, in connection with us, the Offer Shares or the Offering (as defined in the Offering Circular). The Joint Global Coordinators and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have with respect to this Offering Circular or any such statement. No representation or warranty express or implied, is made by any of the Joint Global Coordinators or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Offering Circular.

The Joint Global Coordinators are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than us for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted through this medium may be altered or changed during the process of electronic transmission, and consequently, none of the Joint Global Coordinators, any person who controls any of the Joint Global Coordinators, the Company or any of its subsidiaries, the Selling Shareholders, nor any director, officer, employee, agent or affiliate of any of the foregoing entities and persons, accepts any liability or responsibility whatsoever with respect to any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Global Coordinators.

Prohibition of Sales to EEA Retail Investors

The Offer Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU as amended ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Offer Shares or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Offer Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance and Target Market Assessment

Solely for the purposes of the product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II to such target market (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

CONFIDENTIAL

Nexi S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

Offering of 223,405,054 Offer Shares

This offering circular relates to an offering (the "**Offering**") of ordinary shares with no nominal value (the "**Shares**") of Nexi S.p.A. ("**Nexi**" or the "**Issuer**").

The Offering is comprised of (i) an offering by the Issuer of 77,777,777 newly-issued Shares, representing 12.4% of its total issued share capital immediately following the Offering (the "**Primary Tranche**") and (ii) 145,627,277 existing Shares (the "**Secondary Tranche**") offered by Mercury UK Holdco Limited ("**Mercury UK**"), Banco BPM S.p.A., Banca Popolare di Sondrio S.C.p.A., Banca di Cividale S.C.p.A., Credito Valtellinese S.p.A. and ICCREA Banca S.p.A. (collectively with Mercury UK, the "**Selling Shareholders**"). The Primary Tranche and the Secondary Tranche represent, in aggregate, 35.6% of the total issued share capital of the Issuer immediately following the Offering. The newly-issued Shares and the Shares offered by the Selling Shareholders are collectively referred to herein as the "**Offer Shares**".

The Issuer will not receive any proceeds from the sale of the Offer Shares by the Selling Shareholders. The Offering comprises an institutional offering (i) in the United States only to qualified institutional buyers ("**QIBs**") as defined in and in reliance upon Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**Securities Act**") or upon another exemption from the registration requirements of the Securities Act and (ii) to institutional investors outside the United States in offshore transactions in reliance upon Regulation S ("**Regulation S**") under the Securities Act.

Mercury UK has granted the Underwriters an option (the "**Over-allotment Option**") exercisable in whole or in part by Credit Suisse Securities (Europe) Limited, as stabilization manager, no later than 30 calendar days from the Listing Date, to purchase a number of additional Shares (the "**Over-allotment Shares**") at the Offer Price representing up to 15% of the Offer Shares sold in the Offering, to cover over-allotments and short positions resulting from stabilization transactions, if any.

Prior to the Offering, there has been no public market for the Shares (either inside or outside Italy) and the Selling Shareholders together own 99.99% of the issued and outstanding Shares of the Issuer. The Issuer has applied to list its Shares on the *Mercato Telematico Azionario* (the "**MTA**"), the Italian automated screen-based trading system managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"). Trading in the Shares on the MTA is expected to commence on or about April 16, 2019 (the "**Listing Date**").

Investing in the Offer Shares involves risks. You should read the entire document and, in particular, "Risk Factors" beginning on page 18 for a discussion of certain factors to be considered in connection with an investment in the Offer Shares.

Offer Price: €9.00 per Offer Share

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, Offer Shares in any jurisdiction where such offer or solicitation is unlawful. The Offer Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Offer Shares are not transferable except in accordance with the restrictions described under "Transfer Restrictions" and "Sale and Distribution".

We expect that the Offer Shares will be delivered in book-entry form through the facilities of Monte Titoli S.p.A. ("**Monte Titoli**"), the MTA's centralized securities clearing system, Euroclear SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about on or about the Listing Date.

Joint Global Coordinators and Joint Bookrunners

Banca IMI | **BofA Merrill Lynch** | **Credit Suisse** | **Goldman Sachs International** | **Mediobanca**

Joint Bookrunners

Banca Akros | **Barclays** | **Citigroup** | **HSBC** | **MPS Capital Services** | **UBI Banca** | **UBS Investment Bank** | **UniCredit Corporate & Investment Bank**

Lead Manager

BPER Banca

Financial Advisor

Evercore

This offering circular is dated April 12, 2019

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ADVERTISEMENT

This offering circular may constitute an advertisement within the meaning of Article 15 of, but is not a prospectus under, European Commission ("**EC**") Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State (as defined herein) and including any relevant implementing measure in the Relevant Member State) (the "**Prospectus Directive**"). It has been prepared solely in connection with the Offering. No assurance is given by us or by the Joint Global Coordinators that any Offer Shares will be issued or sold. The prospectus prepared in connection with the Listing (*Documento di Registrazione*) was approved by CONSOB (as defined herein) on March 28, 2019, and the Summary Note (*Nota di Sintesi*) and Securities Note (*Nota Informativa*) were approved on March 28, 2019, and each was published in Italy, in accordance with the Prospectus Directive as implemented in Italy, on or about March 30, 2019 (collectively, the "**Italian Prospectus**"). This offering circular has not been approved by CONSOB or made available to the public in Italy. This offering circular does not contemplate any public offering of the Offer Shares in Italy or elsewhere.

IMPORTANT INFORMATION

This offering circular is strictly confidential and is being furnished by the Selling Shareholders and the Issuer in connection with an offering exempt from registration under the Securities Act solely for use in connection with the proposed Offering of the Offer Shares, as described herein. This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Offer Shares to which it relates, or an offer to sell or the solicitation of any offer to buy such Offer Shares by any person in any circumstances in which such offer or solicitation is unlawful.

By subscribing for or purchasing any Offer Shares, you will be deemed to have acknowledged that you have received and read this offering circular.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE UNDERWRITERS AS TO THE ACCURACY, COMPLETENESS OR VERIFICATION OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, AND NOTHING CONTAINED HEREIN IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION BY THE UNDERWRITERS IN THIS RESPECT, WHETHER AS TO THE PAST OR THE FUTURE. THE UNDERWRITERS ASSUME NO RESPONSIBILITY FOR ITS ACCURACY, COMPLETENESS OR VERIFICATION AND ACCORDINGLY DISCLAIM, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL LIABILITY WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE WHICH THEY MIGHT OTHERWISE BE FOUND TO HAVE IN RESPECT OF THIS OFFERING CIRCULAR OR ANY SUCH STATEMENT. IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION, ANALYSIS AND ENQUIRY OF THE ISSUER, THE OFFER SHARES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

No person has been authorized to give any information or to make any representations other than those contained in this offering circular, and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The distribution of this offering circular and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Issuer, the Selling Shareholders or the Underwriters to permit a public offering of the Offer Shares or the possession or distribution of this document in any jurisdiction where action for that purpose may be required. Neither this offering circular nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering circular comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding and following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. See "Sale and Distribution" and "Transfer Restrictions" for further information on the manner of distribution of the Offer Shares, and the transfer restrictions to which they are subject.

None of the Issuer, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners or the Lead Manager (the Joint Global Coordinators, the Joint Bookrunners and the Manager, collectively, the "**Underwriters**") (or any of their respective representatives or affiliates) is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by any such offeree or purchaser under the laws applicable to such offeree or purchaser. Each prospective investor should consult with his or her own advisors as necessary concerning the legal, tax, business, financial and related aspects of purchasing the Offer Shares.

You acknowledge that: (i) you have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this offering circular or their investment decision; (ii) you have relied only on the information contained in this document; and (iii) that no person has been authorized to give any information or to make any representation concerning the Issuer or its subsidiaries or the Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Selling Shareholders or the Underwriters.

In connection with the Offering, each of the Underwriters and any of their respective affiliates may take up a portion of the Offer Shares in the Offering as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this offering circular to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of the Offer Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Underwriters are acting exclusively for the Issuer and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this offering circular) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer and the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

Evercore Partners International LLP ("**Evercore**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Nexi and no one else in connection with the Offering or any other matter referred to in this offering circular and will not regard any other person as its client in relation to the Offering or the matters set out in this offering circular and will not be responsible to anyone other than Nexi for providing the protections afforded to clients of Evercore, nor for providing advice in relation to the Offering or any other matter referred to in this offering circular. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with the Offering or any statement contained herein or otherwise.

We, the Selling Shareholders and the Underwriters reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Offer Shares offered hereby. We and the Selling Shareholders reserve the right, following consultation with the Joint Global Coordinators, to withdraw the Offering at any time.

This offering circular is personal to the person to whom it has been offered and delivered by the Underwriters and does not constitute an offer to the public in general to subscribe or otherwise acquire the Offer Shares. Distribution of this offering circular to any other person is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. By accepting delivery of this offering circular, each investor agrees to the above conditions as well as to make no photocopies of this offering circular.

STABILIZATION

IN CONNECTION WITH THE OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED OR ONE OF ITS AFFILIATES, AS STABILIZATION MANAGER (THE "**STABILIZATION MANAGER**"), OR ANY PERSON ACTING ON ITS BEHALF, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, OVER-ALLOT SHARES OR EFFECT TRANSACTIONS FOR A LIMITED TIME WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE OFFER SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. STABILIZATION ACTIONS, IF ANY, MAY COMMENCE ON OR AFTER THE DATE ON WHICH TRADING IN THE SHARES BEGIN ON THE MTA, MAY BE DISCONTINUED AT ANY TIME, AND WILL END NO LATER THAN 30 DAYS AFTER THAT DATE. THE STABILIZATION MANAGER IS UNDER NO OBLIGATION TO, AND THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER OR ANY PERSON ACTING ON ITS BEHALF WILL, UNDERTAKE STABILIZATION ACTIONS. SAVE AS REQUIRED BY LAW OR REGULATION, NEITHER THE STABILIZATION MANAGER NOR ANY PERSON ACTING ON ITS BEHALF WILL DISCLOSE THE EXTENT OF ANY OVER-ALLOTMENTS OR STABILIZATION TRANSACTIONS. NO REPRESENTATION IS MADE AS TO THE MAGNITUDE OR EFFECT OF ANY STABILIZATION ACTIVITIES. STABILIZATION WOULD NOT CONSTITUTE A GUARANTEE OF ANY SHARE PRICE.

NOTICE TO INVESTORS

Notice to prospective investors in Italy

This offering circular has not been submitted to the clearance of CONSOB and will not be subject to formal review or clearance by CONSOB. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in Italy or to a resident of Italy, unless such offer, sale or delivery of the Offer Shares or distribution of copies of this offering circular or other documents relating to the Offering in Italy is made:

(i) to Italian Qualified Investors (*investitori qualificati*), as defined in Article 34-ter, paragraph 1, letter b), of the Issuers Regulation (as defined below) implementing Article 100 of the Consolidated Financial Act (as defined below); or

(ii) in any other circumstance where an express exemption from compliance with the regulations on offers to the public applies, including, without limitation as provided under Article 100 of the Consolidated Financial Act and Article 34-ter of the Issuers Regulation.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of this offering circular or any other documents relating to the Offering in Italy must be in compliance with the selling restrictions under (i) and (ii) above and must be made:

(i) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter (r), of the Consolidated Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in Italy in accordance with the relevant provisions of the Consolidated Financial Act, the Regulation on Intermediaries, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**") and any other applicable laws and regulations; and

(ii) in compliance with any other applicable Italian securities, tax and exchange control laws and regulations and other applicable requirement or limitation which may be imposed by CONSOB, the Bank of Italy or any other Italian regulatory authority from time to time.

Any investor purchasing the Offer Shares is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased occurs in compliance with applicable laws and regulations.

In accordance with Article 100-bis, paragraph 1, of the Consolidated Financial Act, the subsequent resale on the secondary market in Italy of the Offer Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Consolidated Financial Act and the Issuers Regulation unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Offer Shares being declared null and void and the intermediary transferring the Offer Shares may be liable for any damage suffered by the investors.

Notice to prospective investors in the United States

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable United States state securities laws. Please refer to the section of this offering circular entitled "Transfer Restrictions."

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

Notice to prospective investors in the United Kingdom

This offering circular and any other document issued in connection with the offering of the Offer Shares has not been (and will not be) approved by a person authorized under the Financial Services and Markets Act 2000 ("**FSMA**"). In the United Kingdom, this offering circular is being distributed to, and is directed only at, Qualified Investors (as defined below) who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (ii) are high-net-worth entities and other persons falling within Article 49(2)(a) to (d) of the Order (all such persons being together referred to as "**Relevant Persons**"). In the United Kingdom, this offering circular is directed only at Relevant Persons and must not be acted on or relied upon by persons who are not Relevant Persons. Any investment or investment activity to which this offering circular relates is available only to Relevant Persons in the United Kingdom and will be engaged in only with Relevant Persons. All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Offer Shares in, from or otherwise involving the United Kingdom. The Offer Shares are not being offered to the public in the United Kingdom within the meaning of the FSMA.

Notice to prospective investors in the European Economic Area outside of Italy

Outside of Italy, this offering circular and the Offering are only addressed to and directed at persons in member states of the European Economic Area ("**EEA**") who are "Qualified Investors" within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, including by Directive 2010/73/EU (the "**Prospectus Directive**"). This offering circular must not be acted on or relied on in any member state of the EEA (other than Italy) by persons who are not Qualified Investors. The Offer Shares are available, and any investment or investment activity to which this offering circular relates is available, in any member state of the EEA (other than Italy), only to Qualified Investors, and will be engaged in only with such persons.

This offering circular has been prepared on the basis that all offers of the Offer Shares in any member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), other than Italy, will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer in that Relevant Member State of Offer Shares which is the subject of the Offering contemplated herein may only do so in circumstances in which no obligation arises for the Issuer or any of the Underwriters to publish a prospectus for such offer pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor any of the Underwriters has authorized or does authorize the making of any offer of Offer Shares in circumstances in which an obligation arises for the Issuer or the Joint Global Coordinators or Joint Bookrunners to publish a prospectus for such offer or through any financial intermediary, other than offers made by the Underwriters which constitute the final placement of Offer Shares contemplated herein.

Each person in a Relevant Member State, who receives any communication in respect of, or who acquires, any Offer Shares to whom any offer is made under the Offering contemplated by this offering circular will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor. The Issuer, the Underwriters and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements, and will not be responsible for any loss occasioned by such reliance.

Notice to prospective investors in Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. See "*Plan of Distribution—Selling Restrictions—Canada*".

Notice to prospective investors in the DIFC

This offering circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This offering circular is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering circular nor taken steps to verify the information set forth herein and has no responsibility for the offering circular. The Offer Shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares offered should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this offering circular you should consult an authorized financial advisor.

Notice to prospective investors in Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to prospective investors in Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of Offer Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

Notice to prospective investors in Hong Kong

The Offer Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than: (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer or invitation to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the International Offer Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to International Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to prospective investors in Singapore

This offering circular has not been registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an "**institutional investor**" (as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a "**relevant person**" (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to prospective investors in Malaysia

No offering circular or other offering material or document in connection with the Offer and the Offer Shares has been or will be registered with the Securities Commission of Malaysia ("Commission") pursuant to the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**") and no approval for the Offering of the Offer Shares has been obtained from the Commission pursuant to the CMSA.

Accordingly, this offering circular and any other material or document in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (a) a closed-end fund approved by the Commission, (b) a holder of a Capital Markets Services Licence granted under Section 61 of the CMSA, (c) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3,000,000 (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual, (d) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies), per annum in the preceding twelve (12) months, (e) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve (12) months, (f) a corporation with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), based on the last audited accounts, (g) a partnership with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), (h) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act, 2010, (i) an Islamic bank licensee or takaful licensee as defined in the Labuan Islamic Financial Services and Securities Act, 2010, and (j) any other person as may be specified by the Commission, provided that, in each of the preceding categories (a) to (j), the distribution of the Offer Shares is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities.

This offering circular will only be deposited as an information memorandum with the Commission.

This offering circular does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription, or an invitation to subscribe for any securities requiring the registration of an offer document with the Commission under the CMSA.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors outside of Italy who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is a joint stock company (*società per azioni* or *S.p.A.*) incorporated and organized under the laws of the Republic of Italy, Mercury UK is a limited partnership formed under the laws of England and Wales and the remaining Selling Shareholders are incorporated and organized under the laws of the Republic of Italy. All of their respective directors, senior management, and other executives currently reside outside the United States. All or a substantial portion of the Issuer's and Selling Shareholders' assets as well as the assets of these individuals are located outside of the United States. As a result, it may not be possible for you to effect service of process within the United States upon non-US resident directors or upon the Issuer, the Selling Shareholders or the persons mentioned above or to enforce judgments obtained in US courts based on the civil liability provisions of the US securities laws against the Issuer, the Selling Shareholders or the persons mentioned above. It may be possible for investors to effect service of process within the Republic of Italy upon those persons or the Issuer or the Selling Shareholders provided that the requirements of The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with.

In general, final, enforceable and conclusive judgments rendered by US courts, even if obtained by default, may not require retrial and will be enforceable in the Republic of Italy, provided that pursuant to Article 64 of Italian Law 218/1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the US court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with US law and during the proceedings the essential rights of the defendants have not been violated;
- the parties to the proceeding appeared before the court in accordance with US law or, in the event of default by the defendants, the US court declared such default in accordance with US law;
- the judgment is final and not subject to any further appeal in accordance with US law;
- there is no conflicting final judgment previously rendered by an Italian court;
- there is no action pending in the Republic of Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, if an original action is brought before an Italian court, the Italian court may refuse to apply US law provisions or to grant some of the remedies sought (for example punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

CERTAIN DEFINED TERMS

In this offering circular, unless otherwise specified, "**we**," "**us**," "**Nexi**," the "**Issuer**," or the "**Group**" refer to the consolidated business of Nexi S.p.A.

In this offering circular, unless otherwise specified or the context otherwise requires:

- "**CONSOB**" means Commissione Nazionale per le Società e la Borsa.
- "**Consolidated Financial Act**" means the Legislative Decree February 24, 1998, No. 58 (as amended and supplemented).
- "**EU**" means the European Union.
- "**Euro**," "**euro**," "**€**" or "**EUR**" refer to the currency introduced on January 1, 1999 pursuant to the Treaty on European Union signed in 1992.
- "**Financial Sponsors**" means Advent International, Bain Capital and Clessidra S.g.r.
- "**International Financial Reporting Standards**" or "**IFRS**" refer to International Financial Reporting Standards issued by the International Accounting Standard Board, including interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the Standing Interpretations Committee (SIC), and to the International Accounting Standards (IAS) where the context requires, as adopted by the European Commission for use in the European Union.
- "**Issuers' Regulation**" means CONSOB Regulation No. 11971 of May 14, 1999 (as amended and supplemented).
- "**Italy**" means the Republic of Italy.
- "**United States**" or "**US**" means the United States of America.
- "**US dollars**," "**US$**," "**USD**" or "**$**" refer to the lawful currency of the United States.

Additionally, certain terms relating to the industry in which we operate and used in this offering circular are defined in "Glossary."

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements within the meaning of the securities laws of the United States and certain other jurisdictions, including prospective financial information and forecasts. All statements other than statements of historical fact contained in this offering circular, including, but not limited to, statements regarding the Group's future financial positions and results of operations and the factors affecting such results, business strategies, budgets, the markets in which the Group operates and expected developments in such markets, the projected costs and plans and objectives of the Group's management for future operations are forward-looking statements and are primarily contained in the sections entitled "Summary," "Risk Factors," "Dividends and Dividend Policy," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Industry." In some cases, forward-looking statements contain terms such as "anticipate(s)," "believe(s)," "could," "estimate(s)," "expect(s)," "intend(s)," "may," "plan(s)," "potential," "predict(s)," "should," "will," "would" and similar expressions, which are intended to identify a statement as forward looking.

These forward-looking statements reflect our current views, beliefs, intentions or expectations of future events, are based on our assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Many of these risks, uncertainties and other factors in this offering circular are discussed in greater detail under "Risk Factors," Given these risks, uncertainties and other factors, you should not place undue reliance on the forward-looking statements in this offering circular. Important factors that could cause actual results to differ materially from those referenced in forward-looking statements, some of which are beyond our control, include, but are not limited to:

- an inability to fulfill our obligations under our existing debt and guarantee arrangements or any inability to secure adequate funding for our future operations;
- exposure to interest rate volatility;
- an inability to maintain relationships with our partner banks;
- a disruption of our ICT and information systems;
- a deterioration in the economic or political situation in Italy;
- a failure to adequately protect data;
- a failure to successfully integrate acquired businesses and identify opportunities for future acquisitions and liabilities relating to disposed businesses;
- increased scrutiny of antitrust regulators as a result of our market position;
- credit risk from our customers and partner banks;
- an inability to adequately protect our intellectual property rights and/or infringement of or failure to obtain the intellectual property rights of third parties;
- fraud by third parties;
- development of the Italian payments market below our expectations;
- vulnerability or weakness of our IT infrastructure or those of our outsourcers;
- significant impairments of goodwill, other intangible assets or investments;
- uncertainty regarding the financial situation of Banca Carige;
- inefficiencies due to relationships with related parties;
- liquidity risk;
- regulatory changes in Italy or Europe;
- inadequate risk management policies and procedures;
- a failure to attract and retain key employees;
- adverse results of litigation;
- inadequate insurance coverage, or increased insurance costs;

- liability for the actions of our directors, employees, and others;
- adverse changes to payment network rules or standards;
- liabilities and losses in relation to Visa Europe;
- exposure to outstanding liabilities of Depobank;
- reliance on financial institutions for our clearing activities;
- condition of the Italian banking sector;
- a reduction in our number of customers due to consolidation in the Italian banking market;
- increased competition from third parties;
- increased insourcing of operations by our bank customers;
- the impact of privacy and data protection regulation;
- political uncertainty in Italy;
- the cost of adapting to and providing new technologies and services;
- adverse changes to interchange regulations and other payment regulations; and
- changes to our tax laws or challenges or changes to our tax position.

FORWARD-LOOKING STATEMENTS REFLECT THE GROUP'S ESTIMATES, OPINIONS AND ASSUMPTIONS ONLY AS OF THE DATE OF THIS OFFERING CIRCULAR. YOU SHOULD READ THIS OFFERING CIRCULAR IN ITS ENTIRETY WITH THE UNDERSTANDING THAT THE GROUP'S ACTUAL FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS MAY BE MATERIALLY DIFFERENT FROM EXPECTATIONS. THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR SPEAKS AS OF THE DATE HEREOF AND, AFTER THE DATE OF THIS OFFERING CIRCULAR, THE GROUP ASSUMES NO OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO UPDATE ANY FORWARD-LOOKING STATEMENTS OR TO CONFORM THESE STATEMENTS TO ITS ACTUAL RESULTS.

AVAILABLE INFORMATION

We are not currently required to file periodic reports under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). In order to preserve the exemption for resales and transfers under Rule 144A, for so long as any Shares remain outstanding and are "Restricted Securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), furnish, upon request, to any holder of our Shares, or any prospective purchaser designated by any such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

We will also furnish certain information to Borsa Italiana.

MARKET AND INDUSTRY INFORMATION

General

In this offering circular, we rely on and refer to information regarding our business and the market in which we operate and compete. Certain market data and economic and industry data and forecasts used in this offering circular were obtained from governmental sources and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include publicly available data from, among others, CBI Statistical Report, the Economist Intelligence Unit, the Bank of Italy, Istat, the Politecnico of Milan, the World Bank, the European Banking Federation, European Central Bank, Euromonitor International, Eurostat and Edgar, Dunn & Co. In considering the industry and market data included in this offering circular, you should note that this information may be subject to significant uncertainty due to differing definitions of the relevant markets described. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, thus requiring us to rely on internally developed data. Consequently, we have made our estimates largely based on internal surveys and studies. There are no third-party providers for industry rankings and market share information specific to the industry in which we operate. In the absence of such information, we have made statements regarding our industry and market share based on our experience, our own investigation of market conditions and our management's best estimates. While we believe our estimates to be reliable, they have not been verified by any independent sources and we cannot assure you that any of our assumptions are accurate or correctly reflect our position in the industry. Neither we nor any of the Underwriters make any representation as to the accuracy of such information.

Primary Metrics

The primary metrics we use in this offering circular include market share, card spending and card payments penetration. Set forth below is a description of how these metrics have been calculated:

"**Market share**" refers to the percentage of a specified market accounted for by a certain provider in that market. Unless expressly stated otherwise, all references to market share in this offering circular are exclusively based on the Italian market. We measure market share (i) in our Merchant Services & Solutions and Cards & Digital Payments business units on the basis of total aggregate value of transactions generated by payment cards participating in the Visa or MasterCard card schemes, (ii) in the POS management market on the basis of the total number of POS managed and (iii) in the SEPA (defined herein) interbank clearing market and CBI Gateway market on the basis of the total number of transactions processed. Since we almost exclusively act together with partner banks in our issuing and acquiring activities, a single issuing or acquiring transaction may be counted both in our market share and in each partner bank's market share. In estimating our market share for each of our business units, we have made certain assumptions, a description of which is set forth below:

- ***Merchant Services & Solutions and Cards & Digital Payments.*** In the year ended December 31, 2018, we acted as a merchant acquirer and card issuer in payment card transactions representing €446 billion in value (including both issuing and acquiring transactions), which represent significant samples of the overall Italian card issuing and merchant acquiring markets. Owing to the large size of these samples, we believe that the distribution of market share among us and our competitors that we observe in these respective samples is representative of the market as a whole. In addition, we assume that consumer behavior with respect to the card issuing and merchant acquiring markets is independent such that consumers holding a payment card issued by any particular card issuer are not more or less likely to make card purchases at a merchant where that card issuer is also the merchant acquirer. We believe this assumption is reasonable because consumers typically make their purchasing decisions without considering, or even knowing, who acts as merchant acquirer for a given merchant. For the issuing market, our calculations are based on the aggregate volume of card spending by all payment cards issued in Italy, whether the spending takes place in Italy or abroad. For the acquiring market, our calculations are based on acquiring volumes for Italian merchants. We calculate our e-commerce electronic commerce or commerce conducted over the internet ("e-commerce") market share on the basis of volume of card spending by payment cards issued in Italy at any e-commerce merchant (regardless of geographical location), as well as volume of card spending (whether the cards were issued in Italy or abroad) at e-commerce merchants registered in Italy. On the basis of these assumptions and parameters, we believe that we are able to make reasonable estimates of overall market share in the Italian card issuing and merchant acquiring markets by applying the market share we observe in our respective samples as card issuer and merchant acquirer to estimate the total market size, including those transactions in which we are neither card issuer nor merchant acquirer. We believe that our assumptions and extrapolations of our own data result in reasonable estimates of overall market share in the Italian card issuing and merchant acquiring markets.

- ***SMEs.*** Our market share of SMEs excludes: (i) the Online Commerce (e-commerce and m-commerce) market, given that the classification of SMEs refers only to merchants with brick-and-mortar stores; (ii) ATM withdrawals, since there are no merchants in an ATM transaction which involves consumers withdrawing cash and not purchasing a product or interacting with a merchant; and (iii) transactions made at gas stations, which we exclude when calculating our market share because the merchant acquiring market at gas stations is highly fragmented, with a large number of different merchant acquirers, which is unrepresentative of the SME market.

"**Card payments penetration**," except where expressly stated otherwise, is defined as the value of card payment transactions divided by private consumer spending.

"**Card spending**" measures the value of transactions executed through payment cards (including credit, charge, debit and prepaid cards) issued in a particular country, regardless of whether the payment card is used in the country of issuance or abroad.

Third-Party Sources

Industry and consultant publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified the data that were extracted or derived from these industry and consultant publications or reports and cannot guarantee their accuracy or completeness or the accuracy or completeness of the assumptions that the providers of the data reports have made in compiling this data. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. Further, the providers of the data reports do not warrant, represent or guarantee the accuracy and completeness of any information in this offering circular, and neither do the providers of the data reports accept any responsibility or liability to any party who relies on any information contained in this offering circular. Research by Euromonitor International should not be considered as the opinion of Euromonitor International as to the value of any security or the advisability of investing in the Shares.

Proprietary Data

In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this offering circular was estimated, extrapolated or derived based on assumptions we deem reasonable and from our own research, surveys, studies and experience. In light of the absence of publicly available information on a significant proportion of participants in the industry, the data on market sizes and projected growth rates should be viewed with caution. Our internal estimates have not been verified by any independent sources and neither we nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" in this offering circular.

The projections and forward-looking statements in this section are not guarantees of future performance, and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Forward-Looking Statements," "Risk Factors," "Industry" and "Business" for further discussion.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering circular is the property of its respective holder.

GLOSSARY

“**ACH**” .... Automated Clearing House, an electronic network established to process the credit and debit transactions of the public and private sectors.

“**Account Information Service Providers**” or “**AISP**” .... providers of information consulting services relating to users’ current accounts or payment accounts. AISPs offer to all users who have a current account or payment account the possibility of aggregating information on their accounts in a single consultation point, through a “bridge” software connecting the users’ various accounts.

“**acquirer**” or “**acquiring bank**” ...... the bank or financial institution that executes card payments on behalf of a merchant.

“**acquiring**” .... the full scope of services necessary to enable a merchant to accommodate and execute digital payments.

“**active-active**” .... a configuration of two hardware systems in which each system performs a group of services. If one of the systems does not operate correctly, the other activates and performs both groups of service. This configuration is also known as symmetric configuration.

“**Application Programming Interface**” or “**API**” .... set of software libraries that perform specific functions, which can be activated through a set of public and extensively documented parameters or variables.

“**ATM**” .... automated teller machine.

“**Bancomat**” .... an Italian interbank network for cash withdrawals.

“**BI-COMP**” .... the Italian national clearing and settlement system for euro-denominated retail payments which is managed by the Bank of Italy.

“**BIN**” or “**bank identification number**” .... the first few figures on the face of a payment card which identify the card issuer and card scheme.

“**blockchain**” or “**distributed ledger technology**” .... technology based on the architecture of a distributed and decentralized database, i.e., managed by a network of nodes, each of which has a private copy of the database that is constantly updated. This database operates as a historical log of transactions. The log is immutable and shared among all the participants in the registry. This allows preserving and validating the information:

- participants create “blocks”, i.e., small files containing information about transactions;
- these blocks are then validated by affixing a timestamp;
- each transaction is inserted into a new block by repeating the timestamp of the last block created. In this way, blocks are always connected to each other in chronological order (hence the name blockchain, i.e, a “chain of blocks”); and
- blocks are immutable: no actions can be made on blocks that have already been validated or that are aimed at modifying the information contained therein without generating a new timestamp.

This generates a public register in which verifiable and permanent transactions that occur between two users belonging to the same network are securely stored.

"**BPO**" or "**business process outsourcing**" . . . . the contracting of a specific business task to a third-party service provider.

"Business Plan" . . . . the multi-year plan for the period 2019-2023 prepared in connection with the Offering and approved by the Board of Directors on February 13, 2019.

"**cardholder**" . . . . a person to whom a payment card has been issued.

"**card payments penetration**" . . . . except where expressly stated otherwise, the value of card payment transactions divided by private consumer spending.

"**card scheme**" . . . . a payment network linked to payment cards (e.g. credit, charge, debit and prepaid cards) which can be accessed by banks by entering into the scheme.

"**card scheme operator**" . . . . the operators of card schemes, primarily including Visa, MasterCard, American Express, Diners Club and JCB.

"**card spending**" . . . . the measure of the value of transactions executed through payment cards (including credit, charge, debit and prepaid cards) issued in a particular country, regardless of whether the payment card is used in the country of issuance or abroad.

"**CBI Gateway**" . . . . the *Corporate Banking Interbancario* platform, an Italian interbank transaction network which acts as a payment hub connecting public authorities and corporations and allowing for direct payment collection and delivery of supporting documentation between banks and authorities.

"**charge card**" (see also, "**credit card**") . . . . a payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which must be settled in full each month.

"**Cloud Provider**" . . . . provider of infrastructure, hardware, system software and/or network services, and, in some cases, application services. The services can be activated through remote connection mechanisms and typically billed on consumption to the person requesting the service.

"**COMI**" . . . . center of main interests.

"**CONSOB**" . . . . Commissione Nazionale per le Società e la Borsa.

"**Core Back End Processing**" . . . . processing services for calculation and data transformation, typically performed asynchronously with respect to the fruition of the results by the end user.

"**credit card**" . . . . a payment card with an underlying revolving credit account from which the cardholder can borrow money, the balance of which may be rolled over from month to month or settled in full each month.

"**Cryptocurrency**" . . . . digital money managed directly by the community of users of a blockchain without the support of financial intermediaries. These currencies use encryption to ensure secure exchanges in a digital environment and, being fully digital, have no correspondence with amounts deposited in any banking institution. Cryptocurrencies, where accepted, may be used to purchase goods or services on the web as if a "traditional" currency were being used.

"**debit card**" .... a payment card which allows the cardholder to withdraw funds from a designated bank account to make payments.

"**Digital and Business Architects**" .... professional profiles of designers that interact between them in designing and implementing digital applications or applications relating to mobile channels as tablets, smartphones and the like. A Digital Architect has specific know-how relating to the technologies of the devices while a Business Architect defines the application's objectives and functional characteristics.

"**EACHA**" .... European Automated Clearing House Association, a clearing model based on the interconnection of local clearing systems.

"**EBA**" .... the European Banking Authority, an independent EU agency which works to ensure effective and consistent prudential regulation and supervision across the EU banking sector.

"**EBA Clearing**" .... a provider of pan-European payment infrastructures and clearing systems including EURO1 (for single euro transactions of high value), STEP1 (for single euro payments for small and medium-sized banks), STEP2 (for euro retail payments) and MyBank (for online payments).

"**e-commerce**" .... electronic commerce or commerce conducted over the internet.

"**EEA Agreement**" .... the agreement on the European Economic Area, which came into force on January 1, 1994, which brings together the EU Member States and Iceland, Liechtenstein and Norway into a single market.

"**EMV**" .... Europay MasterCard Visa, a technical standard for "smart" (or "chip") payment cards and for the payment terminals and ATMs that accept them.

"**EU Interchange Fee Regulation**" .... Regulation (EU) 2015/751 of the European Parliament and of the Council of April 29, 2015 on interchange fees for card-based payment transactions.

"**EU Member State**" .... the 28 member states of the European Union.

"**GACS scheme**" .... an Italian government introduced guarantee mechanism used to facilitate the removal of non-performing loans from the books of commercial banks (*Garanzia sulle Cartolarizzazioni delle Sofferenze*).

"**GIANOS**" .... *Generatore Indici di Anomalia per Operazioni Sospette*, a software for the identification of suspicious activity, KYC procedures and the assessment of customer risk profiles.

"**gift card**" .... a type of prepaid card that cannot be recharged and can no longer be used when the stored value is depleted.

"**ICF**" or "**interchange fee**" .... a fee paid by a merchant acquirer to the card issuer per transaction. The card issuer may or may not deduct the fee from the amount it pays to the merchant acquirer, subject to the applicable agreement.

"**ICT**" . . . . information and communications technology.

"**ICT security**" . . . . information and communications technology security, which is the security measure used to protect the information and communications technology of a company.

"**IoT**" . . . . Internet of Things.

"**issuer**," "**issuing bank**" or "**card issuer**" . . . . a bank or financial institution that provides payment cards and the services necessary to execute digital payments.

"**issuing**" . . . . the process of issuing credit, charge, debit and prepaid cards to consumers.

"**KYC**" . . . . know-your-customer, which denotes the heavily regulated process of banks and other service providers verifying the identity of their customers.

"**m-commerce**" . . . . mobile commerce or commerce conducted over mobile devices such as tablet computers and smart phones.

"**man day**" . . . . a day regarded as the number of hours of work one person can complete in a day.

"**merchant acquirer**" . . . . an entity that provides services necessary to enable a merchant to accommodate and execute digital payments.

"**Millennials**" . . . . the generation born, indicatively, between 1980 and 2000.

"**MSC**" or "**merchant service charge**" . . . . a fee paid by the merchant to the acquiring bank, typically at the end of each month.

The interchange fee is a cost to merchant acquirers and is recovered from merchants through the merchant service charge which merchants pay. For an illustrative description of the Italian payment solutions fee cycle, see "Industry—Economic Model of the Card Payments Industry."

"**NFC**" . . . . Near Field Communication, a technology which allows smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity.

"**offline POS**" . . . . a physical POS terminal. Physical POS terminals may be used in brick-and-mortar stores.

"**online POS**" . . . . a POS that is incorporated into a website or mobile application and enables online payments.

"**online commerce**" . . . . e-commerce and m-commerce.

"**PagoBancomat**" . . . . an Italian payment network for debit card transactions at enabled POS terminals.

"**payment card**" . . . . a card which can be used to make non-cash payments, including charge, commercial, credit, debit or prepaid cards.

"**Payment Initiation Service Providers**" or "**PISP**" . . . . payment service providers that offer their customers the ability to initiate a payment transaction from their bank account directly (e.g., to purchase goods or services online) without using a payment card. PISPs allow making a payment from the purchaser's account to the seller's account through a "bridge" software between the two accounts.

"**paytech**" . . . . payment technology.

"**PCI-DSS**" . . . . Payment Card Industry Data Security Services.

"**Peer-to-Peer transaction**" or "**P2P transaction**" . . . . person-to-person transactions, i.e., payments made by an individual to another individual. P2P transactions typically are small payments made in cash or through mobile devices or computers through the internet. In digital P2P payment solutions, each person pairs its bank account/payment card to the service management platform. When a transaction is authorised, the payer's account puts the value defined in the transaction at the beneficiary's disposal.

"**Person-to-business transaction**" or "**P2B transaction**" . . . . person-to-business transactions are payments made by an individual to a merchant. These payments are typically made in cash or by using physical or virtual POS terminals. In the event of alternative P2B payment options, customers paying with mobile devices can identify the operator thanks to geo-location by searching for the store sign or directly in-store by reading the QR Code, then entering the amount to be paid and initiating the money transfer transaction with a click. The operator can see the payment in real time, check the amount and confirm the transaction.

"**Person-to-government transaction**" or "**P2G transaction**" . . . . person-to-government transactions, payments made by an individual to a state/local public institution or agency. These payments are typically made in cash or (rarely) by using physical or virtual POS terminals. In the event of alternative P2G payment options, customers paying with mobile devices can identify the institution by searching for the store sign or directly through the reading of the QR Code of the communication received from the institution, then entering the payment amount and initiating the money transfer transaction with a click.

"**POS**" . . . . the point of sale at which a customer makes a payment to the merchant in exchange for goods or services. A POS may be an offline POS or an online POS.

"**POS terminal**" . . . . a physical terminal or online portal that allows for non-cash payments at a POS, such as a merchant or website.

"**prepaid card**" . . . . a payment card which bears a stored value through which payments can be made until the stored value is depleted. Prepaid cards can be rechargeable or non-rechargeable (such as gift cards) and may be limited in their use to a particular store or group of stores (such as store cards) or unlimited.

"**Revolving Credit Facility**" . . . . The €325,000,000 revolving credit facility entered into on May 4, 2018 and amended on May 18, 2018 among the Issuer, as original borrower, Nexi Capital, as original guarantor, Mercury UK, as original third-party security provider, Nexi Payments and Mercury Payment Services, as additional guarantor and additional borrower, respectively, as well as UniCredit AG, Milan Branch as Agent and

U.S. Bank Trustees Limited as security agent; currently undrawn and subject to replacement by the IPO Facilities Agreement (as defined elsewhere herein) upon the Listing Date.

"**scheme fee**"	the fee paid by an issuing bank to the card scheme operator.
"**SEPA**"	the Single Euro Payments Area, a European initiative which integrates and simplifies the processing of electronic euro payments within SEPA's jurisdiction.
"**SME**"	small or medium sized enterprise, defined as enterprises that generate annual merchant acquiring transaction values of less than €2.0 million and between €2.0 million and €10.0 million, respectively.
"**TARGET2**"	an interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, used for wholesale, large-value payments.
"**value-added services**"	software applications that optimize the benefit merchants derive from POS and other parts of their digital payments infrastructure. Value-added services can be tailored to the specific needs of a customer and often aim at developing customer loyalty (through tailored couponing, discounts, advertisements, promotions and product information), user experience (through enabling foreign currency payments, electronic receipts and VAT reimbursement) or improved analysis of customer spending habits and patterns.
"**virtual credit card"**	a single-use, randomly generated credit card number that is associated with the holder's actual credit card account, for online payments or purchases.
"**white label**"	means the digital solutions or applications where our customers purchase a fully supported product from us, then apply its own brand and identity to it.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Carve-out Financial Statements

We have included in this offering circular audited special purpose carve-out financial statements as of December 31, 2018, 2017 and 2016, and for each of the years in the three-year period ended December 31, 2018 (our "**Carve-out Financial Statements**"). Our Carve-out Financial Statements have been prepared on a carve-out basis to illustrate the effects of the Reorganization (see "Business—Our History"), which we completed on July 1, 2018 and are derived from the historical financial statements of Nexi S.p.A. and those of Mercury UK Holdco Limited. On October 16, 2017, the board of directors of Istituto Centrale delle Banche Popolari Italiane S.p.A. (now DepoBank S.p.A.) announced a corporate reorganization of the Mercury Group (the "**Reorganization**"). The aim of the Reorganization was to separate the technological and digital payment activities from those that require a specific banking license in order to: (i) transform Nexi Payments together with the other payments businesses of the Group (Bassilichi, Mercury Payment Services and the non-regulated payments business transferred from DepoBank S.p.A.) into a national digital payments market leader; and (ii) provide DepoBank S.p.A. with a leaner organizational structure focused on the securities services business and the settlement business (offered to the market through a commercial agreement between DepoBank and Nexi Payments). The Reorganization was completed on July 1, 2018. While the Carve-out Financial Statements have been prepared in accordance with IFRS, the Carve-out Financial Statements differ from, and are not comparable to, the statutory audited financial statements published by the Issuer and the Group. The scope of consolidation of our Carve-out Financial Statements includes the Mercury UK Holdco Group legal entities and businesses that were included in the sub-group headed by Nexi (formerly Latino Italy S.r.l) following the completion of the Reorganization. As of December 31, 2018, the scope of consolidation of the statement of financial position included in our Carve-out Financial Statements matches that of the Group's statement of financial position (while this is not true of the income statement as the Group's income statement includes the income and expense of the entities transferred to Nexi with effect from July 1, 2018, when the Reorganization was completed).

Pro-forma Financial Information

In addition, we present herein certain unaudited pro-forma consolidated financial information for the Group (the "**Unaudited Pro-forma Financial Information**") as of and for the year ended December 31, 2018 in order to illustrate the effects of: (i) the issuances of the Notes in May and July 2018; (ii) the Reorganization; (iii) the entering into certain agreements with Depobank, an entity that was spun off from the Group as part of the Reorganization; and (iv) the following transactions:

(a) the purchase of the merchant acquiring business of Banca Carige S.p.A. and its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., which was effective from September 30, 2018;

(b) the purchase of Sparkling 18, which was effective from April 10, 2018;

(c) the disposal of Oasi, with effect from February 25, 2019;

(d) the disposal of our Business Services and Pay Care business units, effective from June 28, 2018 and February 19, 2019, respectively; and

(e) the planned sale of the entire shareholding held in Moneynet, in respect of which we entered into a binding sale and purchase agreement on December 28, 2018, subject to Bank of Italy approval,

in each case as if such transactions and adjustments had occurred on January 1, 2018 with respect to the income statement and on December 31, 2018 with respect to the balance sheet. The pro-forma adjustments are described in detail in "Annex A—Unaudited Pro-forma Consolidated Financial Information."

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

The Unaudited Pro-forma Financial Information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Carve-out Financial Statements included elsewhere in this offering circular.

Non-GAAP Financial Information

Non-GAAP Financial Measures

We have included a number of financial measures in this offering circular including: (i) Normalized EBITDA; (ii) Operating EBITDA; and (iii) the other metrics identified and defined under the heading "Summary of Financial Information and Other Data" that are "non-GAAP financial measures" as defined under the rules of the US Securities and Exchange Commission. Each of these are key metrics used by management to assess financial performance. Our business is capital-intensive and these additional metrics allow management to further evaluate our operating performance. You should not view these measures as a projection of our future results.

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

Unaudited 2018 Perimeter Information

We also present in this offering circular unaudited non-GAAP aggregated statements of profit or loss information for the years ended December 31, 2018, 2017 and 2016 (the "**Unaudited 2018 Perimeter Information**"), which give full period effect to the following acquisitions as if each of these had occurred on the first day of such period:

(a) the merchant acquiring business of Banca Carige S.p.A. and its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., which was effective from September 30, 2018;

(b) Sparkling 18, which was effective from April 10, 2018;

(c) MPS Acquiring, effective July 1, 2017;

(d) Bassilichi, effective July 3, 2017; and

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

We believe that presenting the Unaudited 2018 Perimeter Information is useful to investors in evaluating our financial performance. Our Carve-out Financial Statements give effect to the Reorganization for all periods presented, and our Unaudited Pro-forma Financial Information for the year ended December 31, 2018 additionally gives full-period effect to the transactions set forth above. As a result, our Carve-out Financial Statements are not directly comparable with our Unaudited Pro-forma Financial Information for the year ended December 31, 2018. Consequently, we are presenting the Unaudited 2018 Perimeter Information for the years ended December 31, 2018, 2017 and 2016 in this offering circular, as we believe this will aid comparability of our results of operations. Information contained in this offering circular said to be presented on the basis of the 2018 Perimeter has been extracted from the Unaudited 2018 Perimeter Information"

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

Rounding

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

SUMMARY

The following summary highlights information contained elsewhere in this offering circular. This summary does not contain all of the information that you should consider before investing in the Offer Shares. You should read the entire offering circular carefully, including the Carve-out Financial Statements and the relevant notes thereto and the other financial information contained in this offering circular as well as the risks outlined under the section entitled "Risk Factors" beginning on page 18. This summary is qualified in its entirety by, is subject to, and should be read in conjunction with, the detailed information contained elsewhere in this offering circular, including the Carve-out Financial Statements and the notes thereto.

Overview

We are the leading paytech company in Italy. As of December 31, 2018, we managed directly or through approximately 150 partner banks over 41 million payment cards for approximately 30 million cardholders and serve approximately 890,000 merchants.

Our technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Our business is built on long-standing and deeply-rooted relationships with approximately 150 partner banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018.

We have a history of growth based on both organic development and synergistic acquisitions.

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

On a pro-forma basis, for the year ended December 31, 2018, we managed over 41 million payment cards and processed approximately 6 billion acquiring and issuing transactions, with a combined transaction value of approximately €446 billion, including issuing volumes of approximately €197 billion and acquiring volumes of approximately €249 billion.

The table below sets forth the volumes and the value of issuing and acquiring transactions for the years ended December 31, 2018, 2017 and 2016:

	For the year ended December 31,			
	2018	**2017**	**2016**	**CAGR**
	Volume in millions			*(%)*
Acquiring—Merchant Services & Solutions	3,196	2,855	2,631	10.2
Issuing—Cards & Digital Payments	2,357	2,135	1,955	9.8
	Value in € billions			
Acquiring—Merchant Services & Solutions	249	233	221	6.1
Issuing—Cards & Digital Payments	197	186	177	5.5

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

The table below sets forth our normalized Unaudited Non-GAAP Aggregated Financial Information. For a more detailed reconciliation of the figures with the Carve-out Financial Statements than that provided below, see "*Management's Discussion and Analysis of Results of Operations—Results of Operations for the years ended December 31, 2018, 2017 and 2016*".

	For the year ended December 31,		
	2018	**2017**	**2016**
	(In € thousands and percentage of total financial and operating result)		
Merchant Services & Solutions	448,027	415,435	375,140
Cards & Digital Payments	360,619	342,149	314,903
Digital Banking Solutions	111,525	108,620	101,214
Normalized Total Income Perimeter 2018	**920,171**	**866,204**	**791,257**
Like for Like Normalization	22,300	(44,419)	(280,355)
Normalized Total Income	**942,471**	**821,785**	**510,902**
Non-Recurring Items	(5,902)	(3,049)	(935)
Net Financial Charges on Notes	32,034	0	0
Total Income	**904,535**	**818,736**	**511,837**

As of December 31, 2018, we employed 2,292 people, including employees of Oasi, Paycare and Moneynet.

Strengths

We believe that our key competitive strengths are:

- *Large and attractive market underpinned by significant secular growth drivers*
- *Established market leader at scale with broad payments system coverage*
- *Established and value-oriented partnerships with Italian banks*
- *Diversified product portfolio, positioned to capture many growth opportunities*
- *Leading technological capabilities enabling innovation delivery and next-generation platform deployment*
- *Attractive financial profile combining growth, high operating leverage and strong cash flow generation*
- *Strong management team with proven track record across multiple value creation levers*

Our Strategy

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

- *Achieving profitable and sustainable growth due to a wide range of high quality products*
- *Investing in cutting-edge technological capabilities*
- *Continuously focusing on aspects of operational efficiency*
- *Acquiring talent and the best skills in the industry*
- *Strengthening the platform through disciplined acquisitions and partnerships*

Key risks

You should consider carefully the information set forth in the section entitled "Risk Factors" beginning on page 18, as well as the other information contained in this offering circular, in order to evaluate our business before purchasing the Offer Shares offered pursuant to this offering circular.

The Selling Shareholders

Mercury UK Holdco Limited ("**Mercury UK**") is a limited liability partnership formed under the laws of England and Wales. Prior to the Offering, Mercury UK owns 94.193% of our issued and outstanding Shares and it is selling 125,000,000 Offer Shares in the Offering.

Banco BPM S.p.A. is a joint stock company (*società per azioni*) incorporated under Italian law. Prior to the Offering, Banco BPM S.p.A. owns 1.63% of our issued and outstanding Shares and it is selling 6,280,763 Offer Shares in the Offering.

Banca Popolare di Sondrio S.C.p.A. is a cooperative stock company (*Società consortile per azioni*) incorporated in Italy. Prior to the Offering, Banca Popolare di Sondrio S.C.p.A. owns 1.30% of our issued and outstanding Shares and it is selling 5,017,793 Offer Shares in the Offering.

Credito Valtellinese S.p.A. is a joint stock company (*società per azioni*) incorporated under Italian law. Prior to the Offering, Credito Valtellinese S.p.A. owns 1.30% of our issued and outstanding Shares and it is selling 5,021,901 Offer Shares in the Offering.

Banca di Cividale S.C.p.A. is a cooperative stock company (*Società consortile per azioni*) incorporated in Italy. Prior to the Offering, Banca di Cividale S.C.p.A. owns 0.46% of our issued and outstanding Shares and it is selling 2,512,316 Offer Shares in the Offering.

ICCREA Banca S.p.A. is a joint stock company (*società per azioni*) incorporated under Italian law. Prior to the Offering, ICCREA Banca S.p.A. owns 0.33% of our issued and outstanding Shares and it is selling 1,794,504 Offer Shares in the Offering.

See "Principal and Selling Shareholders."

Corporate information

Nexi S.p.A. is a joint stock company (*società per azioni*) organized under the laws of Italy, with its corporate seat in Milan, Italy. Nexi S.p.A. is registered with the Companies Register of Milan under the number 09489670969.

Our web address is www.nexi.it. Neither the content of the website nor the content of any website accessible from hyperlinks on our website is incorporated into, or forms part of, this offering circular.

The Offering

Issuer	Nexi S.p.A.
Selling Shareholders	Mercury UK Holdco Limited, Banco BPM S.p.A., Banca Popolare di Sondrio S.C.p.A., Banca di Cividale S.C.p.A, Credito Valtellinese S.p.A. and ICCREA Banca S.p.A.
Offering	We are offering 77,777,777 newly-issued Offer Shares representing 12.4% of our total issued share capital immediately following the Offering. The Selling Shareholders are offering 145,627,277 existing Offer Shares. The Offering comprises 223,405,054 aggregate Offer Shares, representing 35.6% of the total share capital of the Issuer immediately following the Offering (excluding the Over-allotment Option). In addition, up to 33,510,758 Offer Shares, or 15% of the total number of Offer Shares sold in the Offering may be sold by Mercury UK if the Over-allotment Option is exercised in full. The Offer Shares in the Offering are being offered initially (i) in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act and (ii) outside the United States to institutional investors in reliance on Regulation S.
Offer Price	€9.00 per Offer Share
Joint Global Coordinators and Joint Bookrunners	Banca IMI S.p.A., Credit Suisse Securities (Europe) Limited, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A. and Merrill Lynch International.
Joint Bookrunners	Banca Akros S.p.A., Barclays Bank PLC, Citigroup Global Markets Limited, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Europe SE, and UniCredit Bank AG, Milan Branch.
Lead Manager	BPER Banca S.p.A.
Sponsors	We have appointed Banca IMI S.p.A. and Banca Akros S.p.A. as sponsors in respect of the listing of the Offer Shares in accordance with Italian securities regulations.
Share Capital	Prior to the Offering, our share capital is €50 million, divided into 550,000,000 Shares with no par value. Immediately following the Offering, our issued and outstanding share capital amounts to 627,777,777 Shares. The Over-allotment Option will have no effect on the number of Shares outstanding. Immediately following the Offering, assuming the sale of all Offer Shares in the Offering, Mercury UK will retain 62.61% of our share capital (or 57.27% assuming the exercise in full of the Over-allotment Option).

	The Offer Shares to be issued in connection with the Primary Tranche will, upon issuance, rank *pari passu* in all respects with each other and with all the existing Shares, including the right to receive dividends or other distributions declared, made or paid after listing. See "Description of Shares and Share Capital."
Over-allotment Option	Mercury UK has granted to the Underwriters the Over-allotment Option, which may be exercised in whole or in part within a period commencing on the Listing Date and expiring 30 calendar days after the Listing Date, to purchase at the Offer Price up to 15% of the total number of Offer Shares sold in the Offering to cover over-allotments and short positions resulting from stabilization transactions, if any, made in the Offering. See "Sale and Distribution."
Lock-up	Mercury has agreed to abide by lock-up commitments which prevent us from, directly or indirectly, offering, selling, contracting to sell, pledging, loaning, granting any option, right, warrant or contract to purchase, making any short sale or otherwise disposing of our Shares, exercising any option to sell, purchasing any option or contract to sell, or lending or otherwise transferring or disposing of our Shares, requesting or demanding that we file a registration statement under the Securities Act or a similar document with any other securities regulator, stock exchange or listing authority, or entering into a swap or any other agreement or any transaction that transfers the economic consequence of ownership of any Shares or other financial instruments, including equity instruments, that grant the right to purchase, subscribe, convert into or exchange for Shares of the Issuer or other financial instruments, including equity instruments, or that grant rights inherent and/or similar to such Shares and/or financial instruments), or announce the above transactions, for a period of 180 days from the Listing Date without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), subject to certain exceptions. We have also agreed to abide by similar lock-up commitments for the same period, subject to certain exceptions, and Banco BPM S.p.A., Banca Popolare di Sondrio S.C.p.A. and Credito Valtellinese S.p.A. have also agreed to similar lock-up commitments for a period of 90 days from the Listing Date. See "Sale and Distribution."
Use of Proceeds	We intend to use the net proceeds of the Offering as described under "Use of Proceeds." We will not receive any of the proceeds from the sale by the Selling Shareholders of any Offer Shares or any Over-allotment Shares.
Voting Rights	Under Italian law and our Bylaws, each holder of our Shares is entitled to cast one vote for each Share held. Holders of Shares are entitled to vote at and attend our ordinary and extraordinary shareholders' meetings. See "Description of Shares and Share Capital."
Dividends	On February 13, 2019, the Board of Directors resolved to adopt a dividend policy that provides for a progressive increase in the percentage of available profit to be distributed, with a medium- to long-term target of between 20% and 30% of distributable profit, subject to compliance with any limitations under applicable law or in contracts to which we are a party, as well as our financial and investment needs. We are currently subject to contractual restrictions on paying dividends under certain of our outstanding debt instruments and we do not intend to pay dividends in respect of 2019.

	See "Dividends and Dividend Policy."
Transfer Restrictions	The Offer Shares will be subject to certain restrictions on transfer and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. See "Transfer Restrictions."
Withholding Tax	Generally, save for certain exclusions and exceptions provided by law, all dividends payable to non-residents of Italy who do not have a permanent establishment in Italy to which the shareholding is connected are subject to Italian substitute tax of 26%, which may be reduced by applicable tax treaties or conventions, if any. See "Dividends and Dividend Policy" and "Tax Considerations—Italian taxation—Tax Regime for Dividends."
Listing	No public market currently exists for the Shares. The Offer Shares are expected to begin trading on the MTA on the Listing Date. The identification number for the Shares is as follows: ISIN: IT0005366767
Payment, Delivery and Settlement	Payment for and delivery of the Offer Shares that are offered in the Offering is expected to be made on or about the Listing Date. It is anticipated that the Offer Shares will settle against payment in euros through the book-entry facilities of Monte Titoli, the MTA's centralized securities clearing system. See "The Italian Securities Market—Clearance and Settlement in Italy."

SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth certain of our Carve-out Financial Statements and certain other information for the periods ended on and as of the dates indicated below. We have extracted the summary financial information with respect to the special purpose carve out statement of profit or loss information, statement of financial position information and statement of cash flows information for each of the years ended December 31, 2018, 2017 and 2016, from our Carve-out Financial Statements included elsewhere in this offering circular.

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

The years ended December 31, 2018, 2017 and 2016 were affected by some transactions (mainly acquisitions) and by the completion of the Reorganization. As a result, there is a lack of homogeneity in the scope of consolidation during the three years, which has an impact on the comparability of the historical financial information for those periods. We set forth below the changes to our scope of consolidation during the three years under review:

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

The following selected financial information as of and for the years ended December 31, 2018, 2017 and 2016 are extracted from the Carve-out Financial Statements. The Carve-out Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") and the interpretations of the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Commission (and transposed into Italian law by Legislative decree no. 38/2005), and were approved by the Issuer's shareholders' meeting on February 13, 2019. The Carve-out Financial Statements as of and for the years ended December 31, 2018, 2017 and 2016 were prepared solely for use in connection with the Offering.

The following table shows selected results extracted from the Carve-out Financial Statements for the years ended December 31, 2018, 2017 and 2016.

	For the year ended December 31,		
	2018	2017	2016
	(In € thousands)		
Fee and commission income and fees for services	1,575,874	1,417,007	1,078,743
Fee and commission expense and cost of services	(620,882)	(582,474)	(559,317)
Net fee and commission income	954,992	834,533	519,426
Interest and similar income	56,114	22,078	24,279
Interest and similar expense	(99,089)	(37,654)	(31,724)
Interest margin	(42,975)	(15,576)	(7,445)
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss	(2,293)	(521)	(560)
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income	(5,188)	300	416
Total income	904,536	818,736	511,837
Personnel expense/income	(178,840)	(183,553)	(103,720)
Other administrative expenses	(458,412)	(427,032)	(276,913)
Total administrative expenses	(637,252)	(610,586)	(380,633)
Other net operating expense	4,107	(791)	(946)
Net impairment losses on financial assets at amortized cost	(2,239)	(2,767)	(2,246)
Net provisions for risks and charges	(33,188)	75	(6,574)
Depreciation and amortization of tanbigle and intangible assets	(114,870)	(88,553)	(27,421)
Operating margin	121,094	116,115	94,017
Net gain on equity investments and sales of investments	20,491	2,307	0
Profit from current operations before tax	141,585	118,422	94,017
Income taxes	(66,730)	(46,503)	(33,553)
Profit/loss from assets held for sale net of taxes	(6,130)	205	2,225
Profit for the year	68,725	72,125	62,690
Profit for the year attributable to the owners of the parent	67,226	73,112	58,852
(Profit) loss for the year attributable to non-controlling interests	(1,499)	987	(3,838)
Basic/diluted earnings per share from continuing operations (in Euros)	0.013	n.a	n.a
Basic/diluted earnings per share (in Euros)	0.012	n.a	n.a
Statement of comprehensive income			
Profit for the year	68,725	72,125	62,690
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans	—	37	115
Financial assets at fair value through other comprehensive income	6,992	27,053	—
Comprehensive income	75,717	99,215	62,805
Attributable to the owners of the parent	74,143	99,861	58,967
Attributable to non-controlling interests	1,575	(646)	3,838

The following table shows selected balance sheet items extracted from the Carve-out Financial Statements as of December 31, 2018, 2017 and 2016.

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
		(In € thousands)	
Assets			
Cash and cash equivalents	40,688	134,420	8,426
Financial assets at fair value through profit or loss	10	154	136
Financial assets at fair value through other comprehensive income	100,114	83,255	47,596
Financial assets at amortised cost	1,668,452	3,112,352	2,877,838
a) loans and receivables with banks	561,209	332,986	329,506
b) loans and receivables with customers	1,107,243	2,779,365	2,548,332
Equity investments	730	—	—
Property and equipment	156,193	156,907	109,816
Investment property	3,151	6,206	6,495
Intangible assets	2,668,293	2,607,637	1,906,458
of which: goodwill	2,097,379	2,071,665	1,500,565
Tax assets	62,873	54,086	46,075
a) current	29,299	27,972	23,162
b) deferred	33,574	26,114	22,913
Non-current assets held for sale and disposal groups	80,498	66,071	53,884
Other assets	405,705	339,754	263,266
Total assets	5,186,707	6,560,842	5,319,990
Liabilities and net investment			
Financial liabilities at amortised cost	3,716,834	2,606,046	1,957,055
a) due to banks	792,896	2,492,556	1,858,775
b) due to customers	354,249	113,491	98,280
c) securities issued	2,569,689	—	—
Financial liabilities held for trading	3,154	1,051	—
Hedging derivatives	16,557	5,520	—
Tax liabilities	163,194	133,897	146,443
a) current	31,124	3,182	16,926
b) deferred	132,070	130,715	129,517
Liabilities associated with disposal groups	39,069	22,937	11,845
Other liabilities	716,375	720,504	474,384
Post-employment benefits	14,084	17,955	15,786
Provisions for risks and charges	46,552	33,127	17,329
Total liabilities	4,715,819	3,541,039	2,622,842
Net investment	470,888	3,019,803	2,697,148
Total liabilities and net investment	5,186,707	6,560,842	5,319,990

The following table shows the Statement of Cash Flow of the Group extracted from the Carve-out Financial Statements for the years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
		(In € thousands)	
A.OPERATING ACTIVITIES			
1.Operations			
Profit for the year	68,725	72,125	62,690
Impairment losses on assets held for sale	6,050	—	—
Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets	2,293	521	560
Net accruals to provisions for risks and charges and other costs/revenue	40,615	(1,505)	1,359
Amortization, depreciation and net impairment losses on property, equipment and investment property and intangible assets	114,870	88,553	27,421
Unpaid taxes, duties and tax assets	20,501	46,503	33,553
Gains on sales	(21,000)	—	—
Accrued unpaid interest expense on bonds	12,729	—	—
Other adjustments	6,224	(12)	65
	251,007	206,184	125,647
2. Cash flows generated by (used for) financial assets			
Financial assets held for trading	144	(18)	—
Financial assets at fair value through other comprehensive income	—	1,726	170,721
Loans and receivables with banks	(228,222)	(3,480)	(60,744)
Loans and receivables with customers	1,672,123	(231,034)	(33,444)
Assets held for sale	(14,427)	(12,187)	(15,214)
Other assets	(57,163)	17,365	15,615
	1,372,454	(227,628)	76,934
3. Cash flows generated (used) by financial liabilities			
Due to banks	(1,699,660)	576,133	(338,500)
Due to customers	240,758	6,835	13,104
Financial liabilities held for trading	2,102	1,051	—
Hedging derivatives	—	5,520	—
Liabilities associated with disposal groups	16,132	11,091	1,674
Other liabilities	(42,849)	117,109	189,979
	(1,483,517)	717,740	(133,743)
Net cash flows generated by operating activities	139,944	696,296	68,838
B. INVESTING ACTIVITIES			
1. Cash flows generated/used by			
Acquisitions of property and equipment	(40,600)	(41,665)	(25,746)
Sales of property, equipment and investment property and intangible assets	5,072	1,611	2,529
Acquisitions of intangible assets	(109,937)	(40,469)	(26,185)
Acquisitions of subsidiaries and business units	(6,422)	(713,217)	(1,033,009)
Net cash flows used in investing activities	(151,887)	(793,740)	(1,082,411)
C. FINANCING ACTIVITIES			
Repayment of loan to parent	(380,000)	—	—
Dividends paid	(56,000)	(89,805)	(69,330)
Issue/purchase of equity instruments	—	314,118	1,090,929
Issue of debt instruments	2,556,960	—	—
Dividends distributed to third parties	(2,202,750)	(875)	(1,781)
Sale/acquisition of non-controlling interests	—	—	2,158
Net cash flows generated by (used in) financing activities	(81,790)	223,438	1,021,976
Net Cash Flows Generated in the Year	(93,733)	125,994	8,403
Net cash flows for the year	(93,733)	125,994	8,403
Opening cash and cash equivalents	134,420	8,426	23
Closing cash and cash equivalents	40,688	134,420	8,426

Non-GAAP and Other Performance Measures

To monitor and evaluate our economic and financial performance, management uses—in addition to the measures provided in the Carve-out Financial Statements—the following economic, equity and financial alternative performance indicators:

- Normalized total income;
- Operating EBITDA;
- Normalized EBITDA;
- Normalized operating margin;
- Operating EBITDA margin;
- Normalized EBITDA margin;
- Normalized profit for the year;
- Investments (capital expenditure);
- Net financial position;
- Net financial position/Operating EBITDA; and
- Net financial position/Normalized EBITDA;

(these alternative performance indicators, hereinafter referred to jointly as "**APMs**").

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

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

(i) although they are derived from the Carve-out Financial Statements, APMs are not identified as accounting measures under IFRS and are not audited;

(ii) APMs are determined on the basis of the Carve-out Financial Information and are not indicative of our future performance;

(iii) APMs must be read together with the financial information deriving from the Carve-out Financial Statements;

(iv) since APMs are measures determined on a basis which is not regulated by reference to the accounting standards used for the preparation of the financial statements (IFRS), the criteria applied for the relative determination of APMs may not be homogeneous with the criteria adopted by other groups and therefore, said APMs may not be comparable with those possibly presented by other groups; and

(v) the APMs used by us are presented with continuity and uniformity of definition and representation for all the periods for which financial information is included in this offering circular.

We believe that the equity, economic and financial information provided by the APMs are a further important parameter for assessing our performance, as they allow more analytical monitoring of our economic, equity and financial performance.

Specifically, we believe that:

- normalization (which defines the result of Normalized total income, Normalized EBITDA, Normalized EBITDA margin, Normalized operating margin and Normalized profit for the year) was carried out in order to represent our financial performance, net of the effects of some non-recurring events and transactions and, with specific reference to the item "depreciation and amortization of tangible and intangible assets", of the effects relating to the amortization of intangible assets deriving from the allocation of the price of Acquisitions, as defined below ("**Customer Contracts**"). In this regard, it is specified that:

  (i) the normalization associated with non-recurring expenses and income was necessary as there are limits on the comparability of historical data relating to the years in question, as they include cost and revenue items related to one-off corporate business phenomena which are not pertinent to our normal operations, such as, principally: the Acquisitions, the issue of the Notes, the Restructuring, the Reorganization and the rebranding program; and that

(ii) the normalization of the effects relating to the amortization of Customer Contracts, that is the amortization of intangible assets deriving from the allocation of the acquisition price of Mercury Payment Services and of the business units MPS Acquiring and DB Acquiring, it was also necessary, for reasons related to the comparability of historical data (such as there being amortization impacting the income statement for the full year in 2018, and for half of the year in 2017, while they did not impact the income statement in 2016), to take into account the fact that our results were influenced by higher amortization recorded in the income statement following the business combination that took place during the three-year period, that, for a mere accounting exercise, resulted in the allocation of part of the value arising from the above transactions to intangible assets (Customer Contract).

We also believe that:

- Operating EBITDA represents a useful indicator of our ability to generate profits; and
- Net financial position and the Net financial position/Operating EBITDA represent a useful indication of our ability to meet our financial obligations.

The following tables show the main performance indicators used by us, as well as the methods for determining them.

	At and for the year ended December 31,		
	2018	2017	2016
	(In € thousands except for percentages and ratios)		
Total income	904,536	818,736	511,837
Normalized total income(1)	942,471	821,785	510,902
Operating EBITDA(2)	267,998	204,669	121,439
Operating EBITDA Margin(4)	29.6%	25.0%	23.7%
Normalized EBITDA(3)	419,048	338,206	171,281
Normalized EBITDA Margin(4)	44.5%	41.2%	33.5%
Operating margin	121,094	116,115	94,017
Normalized operating margin(5)	344,345	283,099	143,860
Profit for the year	68,725	72,125	62,690
Normalized profit for the year(6)	193,920	175,554	94,744
Investments (capital expenditure)(7)	150,536	209,000	418,476
Net financial position(8)	(2,564,179)	76,773	8,426
Net financial position/Operating EBITDA(9)	(9.57)	0.38	0.07
Net financial position/Normalized EBITDA(9)	(6.12)	0.23	0.05

(1) Normalized total income

We define the Normalized total income as the total income normalized for non-recurring revenues and income and for net financial charges related to the Notes, where applicable. The following table shows the reconciliation of the total income with the Normalized total income for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
	(In € thousands)		
Total income	904,536	818,736	511,837
Net financial charges related to the Notes (1)	32,034	—	—
Non-recurring expenses/(income)	5,902	3,049	(935)
Normalized total income	942,471	821,785	510,902

Note:

(1) Included in the interest margin.

For the years ended December 31, 2018 and 2017, the Total income included non-recurring expenses amounting to €5,902 thousand and €3,049 thousand, respectively. In 2018, these non-recurring expenses refer mainly to commercial discounts on payment services recognized by Bassilichi Core to MPS, due to Framework Service Agreements that will be in force until June 30, 2019 and to the activation costs of factoring contracts. In 2017, non-recurring expenses refer entirely to the aforementioned commercial discounts to MPS. In 2018, the item also included net financial charges associated with bonds amounting to €32,034 thousand, determined as the amount of financial charges relating to bonds amounting to €68,065 thousand, net of financial income accrued on the Intercompany loan granted to the direct shareholder Mercury, amounting to €36,031 thousand. Net of these non-recurring components and financial charges, the Normalized total income increased by €120,686 thousand (+14.7 per cent.) from €821,785 thousand for the year ended December 31, 2017 to €942,471 thousand for the year ended December 31, 2018.

For the year ended December 31, 2016, the total income included non-recurring income components for €935 thousand related to interest income received for the settlement of a dispute.

The following table illustrates the Normalized total income, by business line, for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
		(In € thousands)	
Merchant Services & Solutions	435,693	352,527	207,972
Cards & Digital Payments	360,619	342,149	234,825
Digital Banking Solutions	113,723	97,351	60,131
Other	32,436	29,759	7,974
Normalized total income	942,471	821,785	510,902

(2) Operating EBITDA

We define Operating EBITDA as the profit for the year excluding the following items: (i) profit/loss on discontinued operations after taxes; (ii) income taxes; (iii) net gain on equity investments and sales of investments; (iv) Net financial charges related to the Notes (which are included in the Interest margin) and (v) depreciation and amortization of tangible and intangible assets. As a consequence, "Earnings" included in the Operating EBITDA definition means the income statement caption "Operating Margin" plus the caption "Depreciation and amortization of tangible and intangible assets". In our view, such representation is appropriate and consistent with the definition of "Earnings". The following table illustrates Operating EBITDA for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
		(In € thousands)	
Profit for the year	68,725	72,125	62,690
Profit/loss from assets held for sale net of taxes(1)	6,130	(205)	(2,225)
Income taxes	66,730	46,503	33,553
Net gain on equity investments and sales of investments(2)	(20,491)	(2,307)	—
Net financial charges related to the Notes(3)	32,034	—	—
Depreciation and amortization of tangible and intangible assets	114,870	88,553	27,421
Operating EBITDA	267,998	204,669	121,438

Note:

(1) As at December 31, 2018 the amount of "(Profit)/loss from asset held for sale net of taxes" is equal to €6,130 thousand and is related entirely to the profit/loss of interests classified as IFRS 5 and referred to Oasi, Bassmart, Moneynet and Paycare, while the amounts related to 2017 (-€205 thousand) and 2016 (-€2,225 thousand) include profit/loss referred to Oasi, Bassmart and Moneynet and Oasi respectively.

(2) For the year ended December 31, 2018 the amount of "Net gain on equity investments and sales of investments" is equal to €20,491 thousand and is mainly related to gain on disposal of the business related to former Banca Popolare di Vicenza and Veneto Banca, currently in compulsive administrative liquidation, to Intesa Sanpaolo, while for the year ended December 31, 2017 the amount of €2,307 thousand is related to

profit on shareholding in the affiliates of Bassilichi (Win Join, Rs Record store, ICT Logistica, Bassnet S.r.l. and K Red).

(3) Included in the Interest margin.

The table above shows how our profit for the year is significantly influenced by the depreciation and amortization of tangible and intangible assets, by financial charges related to the Notes net of financial income accrued on the Intercompany Loan amounting to €32,034 thousand as well as income taxes. For further information on the performance of the above items, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations".

With respect to the impact of net financial charges on the profit for the year: (i) the Notes were issued in 2018 and, therefore, the financial charges associated with them do not affect the income statement for all of the 12 month periods in question, and that (ii) the intercompany loan was entered into and settled in 2018 and therefore, after the end of said year, financial income will not accrue, the amount of the net financial charges from the Carve-out Financial Statements of €32,034 thousand, is not representative of the cost of our debt on a continuous annual basis (other conditions such as interest rates being equal). The net financial charges on a pro-forma basis for the year ended December 31, 2018 amounted to €108 million, gross of the related tax effect amounting to €26 million. For future years, given that the Notes provide for a bullet repayment between 2023 and 2024, in the medium term, the related financial charges are estimated to grow progressively from €108 million to €120 million (including the effects of the amortization of accessory charges incurred for the issue of Notes), due to the expected trend in interest rates. See "Annex B—Targets."

(3) Normalized EBITDA

We define Normalized EBITDA as Operating EBITDA normalized for non-recurring income and expenses which impact Operating EBITDA. The following table shows the reconciliation of Operating EBITDA with Normalized EBITDA for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	**2017**	**2016**
		(In € thousands)	
Operating EBITDA	267,998	204,669	121,439
Non-recurring total income	5,902	3,049	(935)
Non-recurring personnel expenses	20,796	50,788	15,659
Other non-recurring administrative expenses	95,926	84,488	36,138
Net impairment of non-recurring assets measured at amortized cost	722	1,272	—
Net allocations to non-recurring provisions for risks and charges	27,705	(6,060)	(1,019)
Total non-recurring expenses with impact on Operating EBITDA	151,050	133,537	49,843
Normalized EBITDA	419,048	338,206	171,281

For the year ended December 31, 2018 and 2017, the item non-recurring personnel expenses included a total of €20.8 million and €50.8 million, respectively, mainly consisting of restructuring costs of the former Bassilichi companies for reducing the personal and one-off incentives paid as part of the Reorganization. For the year ended December 31, 2016, non-recurring personnel expenses included amounting to €15.9 million and mainly related to our corporate Reorganization.

For the year ended December 31, 2018, the item other non-recurring administrative expenses included a total of €95.9 million mainly consisting of €62.1 million for consultancy regarding the project for reorganization, issue of bonds (which cannot be included in the amortized cost) and transformation, €12.8 million for completion of the re-branding program and promotion of the new YAP application, €3.6 million for legal and notary fees related to the transactions of the Reorganization, €3 million for non-deductible VAT related to previous expenses, €5.7 million for M&A costs, €1.8 million for the inventory write-down of Bassilichi, other contingent liabilities of €2.8 million for administrative costs pertaining to the previous year, €2 million of costs for the re-internalization of the date center and €1.6 million for costs related to the Fruendo agreement. For 2017, the item Other non-recurring administrative expenses included a total of €84.9 million, which included non-recurring costs for the reorganization and transformation project amounting to €59.5 million, for the re-branding which started in the last two months of 2017 amounting to €5.8 million, for the acquisition of the MPS Acquiring, DB Acquiring and Bassilichi businesses amounting to €17 million and for other special activities. For 2016, the item other non-recurring administrative expenses included a total of €35.4 million of costs related to the acquisition of Setefi and costs for the post acquisition of the ICBPI Group.

(4) Operating EBITDA margin and Normalized EBITDA margin

The Operating EBITDA margin and the Normalized EBITDA margin are determined as the ratio respectively of Operating EBITDA and Normalized EBITDA on the total income and on the Normalized total income.

(5) Normalized operating margin

We define the Normalized operating margin as the operating margin normalized for (i) non-recurring income and expenses with an impact on the operating margin; (ii) financial charges related to the Notes (which are included in the Interest margin), and (iii) the amortization related to Customer Contracts. The following table shows the reconciliation of the operating margin with the Normalized operating margin for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
		(In € thousands)	
Total income[(1)]	904,535	818,737	511,837
Personnel expense[(1)]	(178,840)	(183,553)	(103,720)
Administrative expenses[(1)]	(458,412)	(427,823)	(276,913)
Adjustments and net operating provisions[(1)]	(31,319)	(2,692)	(9,766)
Depreciation and amortization of tangible and intangible assets[(1)]	(114,870)	(88,553)	(27,421)
Operating margin	121,094	116,115	94,017
Net financial charges related to the Notes[(2)]	32,034	—	—
Total non-recurring expenses with impact on Operating EBITDA[(3)]	151,050	133,537	49,843
Amortization related to Customer Contracts	40,167	33,446	—
Normalized operating margin	344,345	283,099	143,860

Notes:

(1) As reported in note 42 (Segment reporting) of Carve-out Financial Statements included elsewhere herein.

(2) Included in Interest margin.

(3) See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*" for further details regarding non-recurring expenses impacting Operating EBITDA.

(6) Normalized profit for the year

We define Normalized profit for the year as profit for the year adjusted for (i) non-recurring income and expenses which impact profit for the year, (ii) amortization related to Customer Contracts and (iii) the tax effects related to the aforementioned adjustments. The following table shows the reconciliation of the Normalized profit for the year for the years ended December 31, 2018, 2017 and 2016:

	Year ended December 31,		
	2018	2017	2016
	(In € thousands)		
Profit for the year	68,725	72,125	62,690
Total non-recurring expenses with impact on the Profit for the year	130,559[1]	133,537	49,843
Amortization related to Customer Contracts	40,167	33,446	—
Tax effects	(45,531)	(63,554)	(17,789)
Normalized profit for the year	193,920	175,554	94,744

Note:

Non-recurring expenses (excluding the related tax effects) mainly include non-recurring expenses attributable to the Reorganization amounting to €48,755 thousand and non-recurring expenses attributable to the issue of the Notes amounting to €13,375 thousand.

(7) Investments (capital expenditure)

The following table shows the breakdown of Investments (capital expenditure) for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
	(In € thousands)		
Ordinary tangible and intangible assets	85,150	56,793	47,687
IT Projects and Strategy Transformation	65,386	25,520	5,220
Acquisitions (Customer Contracts)	—	126,687	365,569
Investments (capital expenditure)	150,536	209,000	418,476
Other capital expenditure[1]	(905)	(179)	(976)
Carve out financial statements investments	149,631	208,821	417,500

Note:

(1) The amount relates to investments in capital expenditure made by entities under disposal as of December 31, 2018, which has been included in total investment in capital expenditures made by the Group during the three years under review as total cash invested, but which is not reported in the tables of the Carve-out Financial Statements related to movements of tangible and intangible assets.

The item tangible and intangible ordinary assets is represented by electronic equipment (in particular, relating to the POS and ATM segment) as well as by software and technological developments. In detail, the investments attributable to the POS and ATM segment amounted to €23.5 million in 2016, €29.9 million in 2017 and €19.8 million in 2018, purchases of other tangible assets amounted to €2.2 million in 2016, €11.8 million in 2017 and €20.8 million in 2018 and investments in ordinary intangible assets, mainly represented by software, amounted to €22 million in 2016, €15.1 million in 2017 and €43.6 million in 2018.

The item IT Projects and Strategy Transformation, amounting to €5.2 million in 2016, €25.5 million in 2017 and €65.4 million in 2018 consists of investments for the development of our IT platforms and systems.

The item Acquisitions (Customer Contracts) represents the outcome of the allocation of intangible assets with definite useful life from part of the goodwill generated following the acquisition of Mercury Payment Services in December 2016 for €365.6 million and of the business units DB Acquiring and MPS Acquiring, acquired, respectively, on June 1, 2017 and July 1, 2017 for a total of €126.7 million.

For further details regarding the investments made for the years ended December 31, 2018, 2017 and 2016, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(8) Net financial position

The table below shows the breakdown of the composition of our Net financial position, defined as our financial debt less cash and cash equivalents and current financial receivables, at December 31, 2018, 2017 and 2016:

	At December 31,		
	2018	**2017**	**2016**
	(In € thousands)		
A. Cash	40,688	134,420	8,426
B. Other cash and cash equivalents	—	—	—
C. Securities held for trading	—	—	—
D. Liquidity (A) + (B) + (C)	40,688	134,420	8,426
E. Current financial receivables	—	—	—
F. Current bank payables	(20,404)	(18,006)	—
G. Current portion of non-current debt	(7,239)	(13,030)	—
H. Other current financial payables	—	—	—
I. Current financial debt (F) + (G) + (H)	(27,643)	(31,036)	—
—of which guaranteed	—	—	—
—of which not guaranteed	(27,643)	(31,036)	—
J. Net current financial position (I) + (E) + (D)	13,045	103,384	8,426
K. Non-current bank payables	(7,535)	(26,611)	—
L. Notes issued	(2,569,689)	—	—
M. Other non-current financial payables	—	—	—
N. Non-current financial debt (K) + (L) + (M)	(2,577,224)	(26,611)	—
—of which guaranteed	(2,570,892)	(2,034)	—
—of which not guaranteed	(6,332)	(24,577)	—
O. Net financial position (J) + (N)	(2,564,179)	76,773	8,426

Our financial structure changed significantly in 2018 as a result of the Reorganization within which, among other things, the issue of the Notes was carried out, as described in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(9) Net financial position/Operating EBITDA and Net financial position/Normalized EBITDA

The Net financial position/Operating EBITDA indicator and the Net financial position/Normalized EBITDA indicator are determined respectively as the ratio between (i) the Net financial position and (ii) Operating EBITDA and Normalized EBITDA.

RISK FACTORS

An investment in the Offer Shares involves risks. Before investing in the Offer Shares, you should consider carefully the following risk factors and all information contained in this offering circular to ensure that you have understood the general and specific risks that we face and that affect the industry in which we operate, as well as the risks related to investing in the Offer Shares. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, our business, financial condition, results of operations or prospects could be materially and adversely affected and you could lose all or part of your investment.

This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the expectations expressed in these forward-looking statements as a result of various factors, including the risks described below.

The risk factors described below must be read together with the other information contained in this offering circular.

Risks Related to Our Business

Our substantial leverage and debt service obligations could have a material adverse effect on our financial health and could prevent us from fulfilling our obligations with respect to such debt or existing guarantees

We have significant outstanding indebtedness and correspondingly high financial charges. As of December 31, 2018, we had €2.6 billion in indebtedness, which was 4.5 times shareholders' equity on a pro-forma basis. The financial charges on this debt were €108 million for 2018 on a pro-forma basis compared to pre-tax income for the same period of €70 million on a pro-forma basis. This indebtedness originates mainly from the acquisition of the Nexi Group (at the time ICBPI) by the Financial Sponsors in 2015. These financial charges have a negative impact on our results and our ability to generate cash and distribute dividends and could hamper our ability to repay our debt at maturity and invest in our business. In addition, the significant financial charges generated by our indebtedness could prejudice, in the future, our ability to make investments in key areas, such as technological infrastructure, which could prevent us from keeping up with the innovation that characterizes the markets in which we operate. As of December 31, 2018, 89% of our funding (68% of which related to debt instruments reflected in the net financial position) was at variable interest rates. We currently do not hedge against this interest rate risk. For information on the risks associated with interest rate volatility, see "—Risks Related to Our Business—A substantial portion of our indebtedness bears interest at floating rates and we are therefore subject to interest rate volatility."

Our primary sources of funding comprise (i) €825 million senior secured fixed rate notes and a €1.375 million of senior secured floating rate notes (the "**Listed Notes**"), (ii) €400 million of senior floating rate notes (the "**Privately Placed Notes**" and together with the Listed Notes, the "**Notes**"); and (iii) an undrawn senior secured revolving credit facility for €325 million (the "**Revolving Credit Facility**"). Conditional upon Listing, the Revolving Credit Facility may be replaced with a €350 million revolving credit facility (the "**IPO Revolving Credit Facility**"). We will also enter into a €1,165 million term loan facility (the "**IPO Term Loan Facility**" and together with the IPO Revolving Credit Facility, the "**IPO Credit Facilities**"), which will also be conditional upon Listing and which may be used, together with other funding, to repay a portion of our Notes. See "Business—Material Contracts—Debt Instruments—IPO Facilities Agreement—Purpose". As of December 31, 2018, we recorded financial charges of €107,188 thousand on a consolidated pro-forma basis, relating primarily to the Notes.

As of December 31, 2018, our consolidated net financial position was a negative €2,417,969 thousand on a pro-forma basis, of which €186,898 thousand was in cash and cash equivalents. Excluding cash and cash equivalents, gross indebtedness, on a pro-forma basis as of December 31, 2018 was €2,604,867 thousand, of which €2,569,689 thousand was attributable to the Notes, which generated financial charges of €107,188 thousand, and €35,178 thousand was attributable to credit lines relating to Bassilichi, merged into Nexi Payments as of December 31, 2018. As of December 31, 2018, on a pro-forma basis, the ratio of gross financial debt to shareholders' equity was 4.5 and the ratio of financial charges to Operating EBITDA was 0.26. In 2018, in connection with the Reorganization, we issued the Notes. As a result of the Notes issuance, our NFP/Operating EBITDA ratio for the year ended December 31, 2018 was 9.6 (0.4 for the year ended December 31, 2017), our NFP/Normalized EBITDA ratio was 6.1 (0.2 for the year ended December 31, 2017) and our pro-forma NFP/Normalized EBITDA pro-forma ratio was 5.7. On a pro-forma basis, our NFP/equity ratio was 4.2 for the same period.

The sustainability of our indebtedness is primarily linked to our operating results as well as our ability to generate sufficient liquidity and to refinance our debt at maturity.

Our results and liquidity, in turn, depend on our ability to maintain our competitive position in the markets in which we operate and on market trends, as well as our creditworthiness, which is reflected in the ratings assigned to the Group and the Notes, and which could limit our access to the financial markets. We are also impacted by the economic environment in Italy. For further information on the Italian economic environment, see "—Risks Related to Our Industry—Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenue and profitability."

As many of the above factors are beyond our control, we may not be able to meet our financial commitments or refinance our debt in the future, which could have a material adverse effect on our business, financial condition and results of operations.

We and some of our subsidiaries have entered into certain agreements relating to financing instruments (including the Notes and certain bank facilities) which contain a number of undertakings and financial covenants typical of financing transactions with which we must comply, including, in some cases, limitations on distributing dividends and making prohibited payments, entering into guarantees, incurring new indebtedness, transacting with our affiliated companies, and entering into extraordinary transactions and asset sales. They also contain cross-default provisions, such that a default under the Notes, unless remedied or waived, could trigger a cross-default provisions under the Revolving Credit Facility and the IPO Credit Facilities, and vice versa, or the cross-default provisions contained in our existing bilateral loan agreements or our Factoring Agreement. We are therefore exposed to the risk that non-compliance with our obligations or with the financial covenants provided for in our debt instruments could trigger an event of default and cross-default, thereby causing such debt to become immediately due and payable and, in the event of non-repayment, result in our creditors enforcing their security.

The occurrence of any of the above events could have a material adverse effect on our business, financial condition, results of operations and prospects, and, in extreme cases, result in bankruptcy, submission to bankruptcy proceedings or liquidation.

In addition, as of December 31, 2018, €2,571 million (or 98.7% of our total indebtedness on a pro-forma basis) was secured. See "Business—Material Contracts" for a description of the security granted under the Notes and the Revolving Credit Facility. We are therefore exposed to the risk that an event of default under our debt facilities would enable the lenders to exercise their legal remedies, as set forth in the relevant agreements, and enforce their security, which would have a material adverse effect on our business, financial condition and results of operations.

The Targets included in this offering circular are subject to a number of assumptions and our actual results may differ significantly

On February 13, 2018, the Board of Directors approved our business plan for 2018-2023 (the "**Plan**"), which contains financial targets (the "**Targets**"). Certain of those forecasts are set forth in Annex B to this offering circular. Management expects to achieve challenging levels of efficiency and profitability over the years covered by the Plan considering that such levels are higher than those currently registered by our primary competitors, although they are lower than our growth rates during the period 2016-2018.

Our ability to increase our revenues, to achieve our growth and development objectives and to maintain adequate levels of profitability depends both on the growth of the underlying market and on new initiatives to increase revenues and control costs.

In this regard, (i) the expected growth in revenues and profitability will be generated mainly by these new initiatives and (ii) these new initiatives will have, in the initial phase, a smaller impact on profitability than those currently carried out by us and (iii) the cost reductions planned for the fiscal year 2019 depend on the implementation of these initiatives, which may not be realized, in whole or in part, or may not result in the expected outcomes.

The Targets are based on general assumptions relating to future events that we expect to occur and the actions we intend to take, as well as on hypothetical assumptions relating to future events and management actions that we do not necessarily expect to occur or situations for which there is no significant historical experience to support future forecasts.

Such assumptions are inherently subjective and subject to uncertainty. In particular, anticipated events and actions may not occur or could occur in a different manner or at a different time from those expected, and events and actions that were not foreseeable at the time the Targets were established could occur. In addition, the levels of efficiency and profitability over the years covered by the Plan are higher than those currently observed in comparable companies. Accordingly, there may be significant differences between our actual results and the Targets which could have a material adverse impact on our business, financial condition and results of operations. Given the inherent uncertainty in relation to forward-looking information such as the Targets, you should not base your investment decision solely on such data and should read such data in conjunction with the entire contents of this offering circular.

The Unaudited Pro-forma Financial Information contained in this offering circular has been formulated based on, and is subject to, significant assumptions and limitations and may not reflect what our results of operations and financial condition would have been if the transactions reflected therein had occurred in the periods presented

This offering circular contains the Unaudited Pro-forma Financial Information consisting of the pro-forma balance sheet as of December 31, 2018, as well as the pro-forma consolidated income statements, the statement of comprehensive income and the pro-forma consolidated cash flow statement for the year ended December 31, 2018, along with explanatory notes.

The Unaudited Pro-forma Financial Information has been prepared solely for illustrative purposes to illustrate the main effects of the following transactions as if they had occurred on January 1, 2018: (i) the acquisition of Carige Acquiring; (ii) the acquisition of Sparkling 18; (iii) the sale of Oasi; (iv) the disposal of the Business Services business unit and of Pay Care; (v) the sale of Moneynet; (vi) the Reorganization and the concurrent issuance of the Notes; and (vii) the agreements with Depobank (together, the "**Transactions**").

The Unaudited Pro-forma Financial Information is based on certain assumptions that we believe to be reasonable but that may prove to be inaccurate over time. For example, the presentation assumes that the agreed purchase prices for the Transactions, which are subject to potential adjustments that can be determined only after the date on which the Unaudited Pro-forma Financial Information was prepared, will correspond to the final prices. This information is inherently subject to risks and uncertainties and may not give an accurate picture of what our results of operations and financial condition would have been had those Transactions occurred on the dates indicated, nor does it purport to project our results for any future period or our financial condition at any future date. Our future operating results and financial condition may differ materially from the pro-forma amounts set out in this offering circular due to various factors, including changes in operating results. For information on how this information was compiled, see "Annex A—Unaudited Pro-forma Consolidated Financial Information."

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

This offering circular contains certain income statement items derived from the Carve-out Financial Statements that have been adjusted to exclude certain revenues and charges of a non-recurring nature (the "**Normalized Data**"). The Normalized Data are adjusted to exclude, in particular, certain charges and revenues of a non-recurring nature (mainly non-recurring personnel expenses, other non-recurring administrative expenses, including reorganization costs, non-recurring net provisions and non-recurring charges) and charges from depreciation of the Customer Contracts (i.e., intangible assets arising from the allocation of the purchase price of Acquisitions).

We have included the Normalized Data in this offering circular because there are limitations to the comparability of our historical financial information for the 2018, 2017 and 2016 financial periods, since it includes items of revenue and expenses related to business transactions of a non-recurring nature. These non-recurring transactions include, among others, the Acquisitions, the issuance of the Notes, the our restructuring, the Reorganization and our rebranding as Nexi.

Adjustment for the effects of depreciation of Customer Contracts (i.e., depreciation of intangible assets arising from the allocation of the purchase price of Acquisitions) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

With respect to the interpretation of such Normalized Data, we note that:

- Normalized Data differ significantly from the corresponding data that are included in or can be inferred from our accounts, considering the significance of the corresponding corporate transactions. For instance, Operating EBITDA for the year ended December 31, 2018 increased, as a result of the normalizations, from €268.0 million to €419.0 million and profit, for the same year, increased from €68.7 million to €193.9 million.

- Normalized Data are calculated exclusively on the basis of our historical data and are not indicative of our future performance;

- Normalized Data may be inconsistent with data adopted by other companies/groups and, as such, may not be comparable; and

- Normalized Data must be read in conjunction with our financial information.

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

The Normalized Data start from, but are different in nature from, our Carve-out Financial Statements. KPMG S.p.A. performed its audit activity in order to express its opinion on our Carve-Out Financial Statements as a whole. KPMG S.p.A. has not performed audit procedures with the objective of expressing an opinion on individual balance sheet items or on the Normalized Data and therefore has not expressed any opinion on individual balance sheet items or on the Normalized Data.

The Unaudited 2018 Perimeter Information has been prepared for illustrative purposes; they do not represent our actual revenues and reliance on such data could lead you to incorrectly assess our financial position

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

More specifically, such information has been included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" where we describe our results of operations during the reference period. We have chosen to include the Unaudited 2018 Perimeter Information because there are severe limitations to the comparability of our historical financial information derived from the Carve-out Financial Statements as a result of changes in our scope of consolidation following the acquisitions described below.

The Unaudited 2018 Perimeter Information was calculated by adding the historical financial information from the companies and/or business units of the companies that we acquired during the period under review to the relevant financial information from our Carve-out Financial Statements relating to each financial years of the period under review. Part of the data was derived from the audited financial statements or accounts of the acquired companies.

These figures are included in order to illustrate the dynamics that influenced our business during the reference period. The Unaudited 2018 Perimeter Information does not represent in any way the results that we would have achieved if the acquisitions had already been carried out prior to the period under review. The Unaudited 2018 Perimeter Information has not been subject to any form of audit, but they have been subject to verification procedures by PwC.

The Unaudited 2018 Perimeter Information has been drawn up merely for illustrative purposes and, therefore, do not represent and are in no way intended to represent our actual results, or a prediction of our future results. The Unaudited 2018 Perimeter Information has been conceived in such a way as to represent only those effects of the Acquisitions that can be isolated and objectively measured, without taking into account any effects that may arise from management operational decisions, including those that may have been taken as a result of the Acquisitions.

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

As at December 31, 2018, we had intangible fixed assets of €2,668 million (of which €2,097 million related to goodwill), representing 51% of our total consolidated assets as at December 31, 2018 on a pro-forma basis and 5.7 times our shareholders' equity. See "Management's Disussion and Analysis of Financial Condition and Results of Operations."

All of our intangible fixed assets are valued at cost. Intangible fixed assets other than goodwill, or with a limited useful life, are amortized on a straight-line basis over their useful life.

At the end of each financial year, and after each interim accounting period, if there are indications that an asset may have suffered a reduction in value, its realizable value is calculated. The amount of the loss is equal to the difference between the book value and the realizable value and is recorded in the profit and loss account. Amounts written off do not affect our cash flows.

IAS 36 establishes the principles for the recognition, measurement and reporting of write-offs of the various types of assets, including goodwill, and provides the principles that we must follow to ensure that such assets are reflected in our financial statements at a value not exceeding the realizable value of such assets.

IAS 36 requires a comparison between the book value and the realizable value of the goodwill whenever there is an indication of impairment, and at least once per year in connection with the preparation of the financial statements ("**impairment test**"). The realizable value of the goodwill is calculated by reference to our cash generating units, as goodwill is not able to produce its own cash flows. Therefore, if we are unable to implement our growth strategy in the manner and within the timeframe set out in the Plan and/or if our assumptions do not materialize, our business and prospects may be adversely affected and the growth rates we achieved in the past may not be maintained or we may fail to grow at all either in terms of revenues or in terms of margins. In such circumstances, we may be required to take a write-down on goodwill.

Any future write-off of goodwill and/or intangible fixed assets subject to the impairment test could result in a reduction of our assets and equity according to IFRS standards, which could have a material adverse effect on our business, financial condition and results of operations.

We depend on our partner banks for an important part of our business and we face the risk that they may terminate our relationship with them at any time

Our relationships with our partner banks for the Merchant Services & Solutions and Cards & Digital Payments business lines are primarily governed by open-ended framework agreements that allow both the partner bank and the Group to terminate the agreement at any time. These framework agreements are supplemented by specific service agreements that cover the operational aspects of the relationship and which, although for multi-year terms, also grant the partner bank the right to terminate at any time.

Subject to certain exceptions, most of our agreements with our partner banks do not provide for exclusive commitments by them. In addition, certain of our partner banks have, in the past, internalized services that we previously provided. For example, following our acquisition of CartaSì (now Nexi Payments) in 2009, Intesa Sanpaolo and UniCredit chose to insource their card-issuing and merchant-acquiring activities, resulting in lost business.

Although we have managed to secure fixed-term commitments from certain of our key partner banks, and there are complexities inherent to changing service providers that may discourage migration of our clients, if any of our partner banks were to terminate or decide not to renew their agreements with us, we would lose a key distribution channel for our Merchant Services & Solutions and Cards & Digital Payments business lines or our main clients of the Digital Banking Solutions business line. The loss or deterioration of these relationships could have a material adverse effect on our business, financial condition and results of operations. Set out below is an indication of the disposals and insourcing that have impacted our business during the last three financial years:

- *Merchant Services & Solutions*: one case relating to a contract with annual revenue of approximately €3 million that occurred in 2016;
- *Cards & Digital Payments*: one case relating to a contract with annual revenue of approximately €3 million that occurred in 2018; and
- *Digital Banking Solutions*: two cases relating to contracts with annual revenue of an aggregate of approximately €3.5 million.

Finally, even if our relationships with our partner banks were to continue in the same manner as they do today, it is possible that, in the future, the revenue generated by these contracts could decrease, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

At the date of this offering circular, we had over 150 partner banks. Our top five and top 10 partner banks by revenue represented respectively, 44.5% and 58.5% of our total consolidated revenue for the year ended December 31, 2018 on the basis of our Unaudited 2018 Perimeter Information. We rely on the continuing growth of our relationships with our partner banks, which are fundamental to our reputation and prospects.

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

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

Our business requires funding to manage working capital needs

We rely on third-party funding to manage our working capital needs, which, depending on the business line involved, may require coverage of between one and 45 business days, or, in some cases, an even longer period of time.

Funding to cover these needs is primarily provided by (i) a factoring contract between our subsidiary, Nexi Payments S.p.A., and UniCredit Factoring S.p.A. (the "**Factoring Agreement**"), (ii) a number of bilateral credit facilities to cover our acquiring business's needs and a portion of our issuing business's needs (the "**Bilateral Facilities**") and (iii) bilateral bank credit lines to cover our acquiring business's needs relating to the issuance of revolving credit cards (i.e., paid in instalments) (the "**Revolving Credit Facility**").

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

In terms of working capital needs, we experience working capital outflow in our Merchant Services & Solutions business line for the period between the date we credit the merchant and the date we are re-credited by the circuits or, as applicable, by the factor under the Factoring Agreement. This period can last from one to three days, with amounts averaging €300 million on a daily basis. In our Cards & Digital Payments business, the period between the date the cardholder effects a transaction and the date he or she is debited can last between 15 and 45 days on average. In addition, a cardholder may request that the monthly payment be paid in instalments, thereby extending the cardholder's debt over time, which we then cover. The amount of working capital required for this business line is, on average, equal to €1.8 billion per month.

In addition to the above, there are a few days of the year, for example in December and during summer peak and Easter periods, as well as during weekends and public holidays, where we experience higher transaction volumes due to the increase in consumer shopping and, accordingly, there can be greater need for funding to manage fluctuations in working capital.

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

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

We do not currently hedge the risk of interest rate changes, although we are significantly exposed to the risk that significant interest rate fluctuations could occur. Interest rate fluctuation is the result of various factors that are outside of our control, such as monetary policies and macroeconomic trends in general, as well as the economic and political uncertainty in Italy in particular. For more information on the risks associated with the economic situation and political uncertainty in Italy, see "—Risks Related to Our Industry—Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenue and profitability."

Changes in interest rates affect the market value of our financial assets and liabilities and the level of our financial expenses, since some of our debt bears interest at variable rates. As of December 31, 2018, 89% of our funding bore interest at floating rates, which related primarily to the Notes, the Revolving Credit Facility, the Factoring Contract and the Bilateral Facilities. In addition, a total of €1,515,000,000 under the IPO Credit Facilities bears interest at floating rates. We currently do not hedge interest rate risk.

On the basis of a sensitivity analysis we carried out to test the effects of variations in interest rates, we expect total financial changes related to the Notes to increase by approximately €8 million through 2024. Our analysis assumed an increase in future market rates consistent with the current expected interest rate curve, which forecasts the return to positive EURIBOR rates by the end of 2021 (approximately a year later than was projected at the end of 2018). Given current macroeconomic and political instability and the resulting financial markets instability, the evolution of interest rates may significantly differ from what the market currently expects, as expressed in such interest rate curve. Therefore, we have estimated that a hypothetical increase of 100 basis points in the interest rate curve would result in an increase of approximately €70 million in financial changes. These assessments conservatively exclude potential benefits which, in such a situation, could be realized through exercise of the early repayment right provided for in the Floating Rate Notes, as well as the potential benefits arising from possible refinancing and/or risk rate hedging alternatives, which might be identified by redefining our capital structure, and benefits arising from the possible improvement of credit spreads that could be achieved upon completing the Offering. Although we have procedures in place to identify, monitor and manage this risk, such procedures may prove to be inadequate, whether due to the occurrence of unexpected events or otherwise. A significant increase in the interest rate of our indebtedness would have a material adverse effect on our business, financial condition, results of operations and prospects. See "Risk Management".

Our operations are dependent on ICT and information systems; any disruption of our information systems, whether widespread or localized, could adversely impact our operations

The integrity, reliability and operational performance of our ICT infrastructure and technology network are fundamental to our operations, prospects and reputation.

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

The availability of our merchant-acquiring and card-issuing platforms and other products may be interrupted by damage or disruption to our or our third-party service providers' ICT systems.

Malfunctions can also be caused by migrations to new systems related to significant infrastructural changes. For example, in 2014, when we migrated our IT infrastructure to SEPA, the provider equensWorldline suffered service interruptions due to temporary shutdowns and delays that also affected our customers.

Interruptions can also be caused by cyber-attacks, human error, natural events (including earthquakes, conflagrations or floods) or breakdowns of infrastructural services (including blackouts of the electricity supply or the network connectivity).

In order to limit the potential impact of any such ICT issues, we established a dedicated unit which plans and performs annual disaster recovery tests on critical ICT systems (either managed internally or outsourced to external providers). We also have a backup plan which, where necessary, allows us to restore data following any interruptions.

Should such measures prove to be inadequate in the face of such interruptions, we may be unable to maintain agreed levels of service or to reliably process customer transactions which, in turn, could result in lost revenue, a loss of customers to other payment services providers, the payment of contractual damages, damage to our reputation, other costs incurred to remedy breakdowns and exposure to other losses and liability. Although we have insurance coverage for damage to property and business interruptions, such insurance might not be sufficient to cover all losses or failures that may occur.

Finally, we have entered into agreements with external suppliers in order to ensure the operation of certain of our platforms that expire on or before December 31, 2019. If we are unable to renew these agreements or to promptly replace such suppliers, inefficiencies and malfunctions on the platforms on which we operate could occur.

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

We derive all of our revenue from the Italian market and are thus exposed to risks associated with the economic situation and political instability in Italy

We earn all of our revenue in Italy and are therefore exposed to the risk that adverse macroeconomic and market conditions in Italy could affect our operating results, activities and financial situation.

The Italian economy is impacted by Italian, European and global macroeconomic developments. In recent years, the global financial and banking systems have been subject to considerable disruption and uncertainty and, currently, the short- and medium-term global economic outlook remain uncertain. For more information on the risks associated with the macroeconomic situation in Italy, see "—Risks Related to Our Industry—Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenue and profitability."

In a number of countries, including Italy, spending cuts and other austerity policies have had a negative impact on demand for goods and services, and this has had a negative effect on both economic growth and the employment rate. According to the latest Bank of Italy bulletin, GDP in 2019 is expected to grow by 0.6%, 0.4% less than previously forecast.

A deterioration in the state of the economy could have significant effects on the financial resources of our clients, which could lead to a contraction in the demand for our services, with a material adverse impact on our business, financial condition and results of operations.

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

We outsource the majority of our processing activities to third-party service providers, including SIA and equensWorldline, each of which is strategically important to our business. Since 2005, SIA has been responsible for the processing activity related to the services provided by our Cards & Digital Payments business segment as well as our Merchant Services & Solutions business segment. The existing business relationships with SIA are governed by a contract that is subject to automatic renewal from year to year, unless terminated by one of the parties. For the year ended December 31, 2018, we paid approximately €44.6 million (including VAT) for the services provided by SIA. Since 2015, equensWorldline has been responsible for the processing activity for the merchant-acquiring activities of our Cards & Digital Payments business segment. Our existing business relationships with equensWorldline are governed by an agreement which will expire in December 2021, without automatic renewal. For the year ended December 31, 2018, we paid approximately €90.7 million (including VAT) for the services provided by equensWorldline. The remaining ICT processing activities are primarily performed by our subsidiary, Mercury Payment Services.

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

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

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

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

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

As part of our business, we process our payment card holders' personal data (including, in some cases, their names, addresses, credit and debit card numbers and bank details) as well as merchant data (including their trade names, addresses, sales data and bank details) and, as such, we are required to comply with the data protection and privacy laws in Italy and in the European Union, in addition to the rules of credit card network systems (such as Visa and MasterCard).

These laws and regulations impose certain protection and safeguarding standards with respect to our ability to collect and use the personal information of our existing and potential customers, and impose liability on us, among others, for loss of control or unauthorized access of such data by third parties.

Under existing payment card circuit rules, we are responsible for maintaining the certifications related to the "payment card industry data security standard" administered by the Payment Card Industry (the "**PCI**") and, specifically, the PCI-DSS, PCI 3D-Secure, PCI Card Production Logical Security, PCI Card Production Physical Security and PCI-PIN standards, as well as for monitoring compliance with the PCI-DSS standards by merchants and third-party service providers we use.

Although we have implemented a monitoring and incident management service which is active 24 hours a day, 365 days a year, unauthorized disclosure of data may occur as a result of computer security breaches caused by human error, cyber-attacks, malicious user activity, or physical security breaches due to unauthorized personnel gaining physical access. Improper use of such data or breach of computer security could damage our reputation and dissuade our customers from using digital payments, or our digital payments services in particular, increase our operating expenses for correcting breaches or malfunctions, expose us to liability not covered by insurance, increase the risk of intervention by the supervisory authorities, expose us to legal action, lead to substantial sanctions and fines being imposed on us under international, Italian or European Union laws or regulations, or other applicable international laws or regulations, or by the payment networks, which would in turn adversely affect our ability to continue to participate in credit card issuance programs in partnership with banks.

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

Furthermore, in the situations described above, payment card circuits may prohibit us from processing transactions on their networks.

Our agreements with third parties that have access to merchant and consumer data, such as, for example, persons carrying out processing activities (such as SIA and equensWorldline), debt collection, IT, marketing, and other services on our behalf, contain standard clauses on confidentiality and compliance with privacy and security; however, such third parties may nonetheless breach these contractual provisions, thus resulting in the unauthorized disclosure of customer data.

If we or a third party were to fail to comply with our contractual and/or regulatory obligations relating to the processing of consumer data, it could result in the loss of cardholder data by our merchant clients and other third-party partners and could require us to terminate our relationship with the merchants responsible for the breach. This could result in damage to our reputation, fines and/or penalties by payment card circuits and/or a loss of affiliation with payment card international circuits, with consequent material adverse effects on our business, financial condition and results of operations.

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

As part of our growth strategy, we regularly assess the opportunity to make complementary acquisitions that can further our growth; however, we may not be able to identify and acquire appropriate companies or assets. In addition, any acquisition or other strategic transaction that we may undertake in the future could result in the assumption of debt and contingent liabilities, as well as an increase in interest expense and amortization expense relating to goodwill or other intangible assets or a decrease in cash and cash equivalents.

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

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

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

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

Since 2016, we have acquired Mercury Payment Services, MPS Acquiring, Bassilichi, DB Acquiring, Carige Acquiring and Sparkling 18 (the "**Acquisitions**"). These transactions are part of our strategy of consolidating our role as a leader in the Italian payments sector. While we have completed the integration of MPS Acquiring, DB Acquiring, Carige Acquiring and Sparkling 18, as well as the corporate and operational integration of Bassilichi, we continue to integrate the IT systems of both Bassilichi and Mercury Payment Services.

We are also exposed to the risks inherent in acquiring companies, including risks related to coordinating management and personnel, integrating and rationalizing our IT systems, policies, structures and existing services with those of the acquired companies.

Achieving the growth objectives sought from the Acquisitions also depends on our ability to realize potential synergies and economies of scale. Achieving these objectives will depend, among other things, on our ability to efficiently integrate the acquired entities and businesses, to maintain their existing commercial network and customer portfolio and increase productivity, while at the same time rationalizing functions and costs.

We may not be able to integrate acquired companies and achieve expected synergies on the timeline expected or at all, including as a result of events outside our control, such as, for example, an increase in integration costs, unforeseen problems, lower revenues or higher costs generated by the acquired assets, the occurrence of unforeseen liabilities, or a decrease in revenue related to negative synergies – if the integration process and the synergies are not achieved to the extent and in the time expected, there could be a material adverse effect on our business, financial condition, results of operations and prospects.

The Acquisitions expose us to several risks related to the integration process, such as: (i) risks related to our ability to manage an organization that has become significantly larger and more complex than the one in place before the Acquisitions; (ii) operational risks and compliance risks; and (iii) operational risks relating to consolidating the management of corporate and administrative functions for a larger number of companies, which consequently entails higher overall costs for us.

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

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

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

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

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

Since 2016, as part of our strategy to consolidate our competitive position in the digital payments business, we have sold our shares in non-core businesses Mercury Processing Services International, Bassilichi Business Services, Bassilichi CEE, Pay Care and Oasi and have entered into an agreement to sell our shares in Moneynet (the “**Disposals**”).

In connection with these Disposals, we have provided customary representations, warranties and indemnities to our counterparties.

Although these indemnity obligations are subject to certain limitations, if we were to be required to make payments or assume liability as a result of such obligations, including with respect to claims by third parties, our business, financial condition and results of operations could be materially adversely affected.

In addition, the sale of Moneynet is subject to Bank of Italy approval. Should the Bank of Italy not provide its authorization, we would be unable to sell Moneynet, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

We are exposed to credit risk in several areas of our business.

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

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

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

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

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

We also face risk in our role as card issuer. As issuer, we grant credit to cardholders to finance purchases with payment cards managed by our Cards & Digital Payments business segment.

The collection time from cardholders depends on the type of card used. If the purchase is made with a debit card, there is no exposure on our part. In respect of purchases made by credit cards, we, as issuer, are exposed between 15 and 45 days, on average.

If the cardholder is unable to pay the balance due to bankruptcy or insolvency, the partner bank will reimburse the amounts due from the cardholder. In the event of the insolvency of a partner bank, we try to recover the amounts directly from the credit cardholders.

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

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

In our Cards & Digital Payments business segment, we are exposed to counterparty risk for fees due for services rendered to banks under our servicing model. We are also exposed to credit risk of our merchant and banking clients who use our POS and ATM services, with potential material adverse effects on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

We are a holding company and rely on our subsidiaries for the distribution of dividends

As a holding company, we depend on the dividends distributed to us by our subsidiaries. Our subsidiaries may not always generate distributable profits and, if they do, they may choose not to distribute them. Any negative results recorded by our subsidiaries, as well as any decline in values of our equity investments in them, could negatively affect our business, financial condition and results of operations. See "Dividends and Dividend Policy."

In addition, our subsidiaries Mercury Payment Services and Nexi Payments are, respectively, a payment institution and an electronic currency institute, and, consequently, are regulated entities whose ability to distribute dividends is subject to compliance with applicable capital requirements. The distribution of dividends by these companies could be prohibited or limited by the need to comply with the applicable capital requirements. For more information on the capital requirements applicable to Mercury Payment Services and Nexi Payments, see "Regulation."

In addition to the above, we undertook significant investments during the reference period, equal in total to €325 million. If we continue to maintain a high level of investment or if extraordinary investments are required, we may not be able to generate sufficient cash flow, which would limit our ability to distribute dividends.

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

We are exposed to the risk that we will fail to implement our growth strategy launched in the past three years on time or with the expected results. During the period under review, we recorded €315 million of non-recurring costs related to: (i) the Transformation Program (as defined in "Business") (including the rebranding from CartaSì to Nexi); (ii) the restructuring plan of Nexi and Bassilichi; and (iii) acquisitions and costs associated with integrating acquired companies, in addition to the costs relating to the non-recurring financing transactions and to developing our new products (such as YAP).

If we are not able to fully implement the initiatives commenced during the past three years or if we fail to achieve the expected results, we may incur unexpected costs or fail to realize revenue, which could have a material adverse effect on our business, financial condition or results of operations.

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

Our results and the success of our business depend to a significant extent on our ability to attract, maintain and motivate specific professional resources in our management and senior management with a high level of specialization and technical skills.

Accordingly, the loss of one or more key management figures and/or the inability to attract and retain qualified managers with experience in our business segments could make it harder for us to compete and prevent us from achieving our objectives and implementing our strategy, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our success depends on our ability to profitably adapt to rapid technological, social, economic and regulatory changes. This requires a large number of highly specialized personnel in the fields of engineering, technical assistance, finance and controls, sales, administration and management, thus constantly requiring us to attract, retain and motivate personnel capable of providing the skills and professional expertise necessary to cover the entire range of our activities.

The market for qualified personnel is highly competitive and we may not be able to attract sufficiently qualified personnel or replace outgoing personnel with equally qualified resources. In light of the above, we pay particular attention to the selection, recruitment and training of resources with the aim of maintaining a high standard. Despite the existence of this recruitment and training policy, the risk cannot be excluded that, in the future, not least due to errors in the evaluation of applications and/or shortcomings in the relative training course, our personnel may be unable to operate according to the required quality standards, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

For the financial year ended December 31, 2018, the Merchant Services & Solutions and Cards & Digital Payments business segments were subject to fraudulent transactions in the amount of €4.7 million. Such fraudulent transactions include unauthorized online transactions, counterfeited credit cards, stolen credit cards, lost credit cards, and other types of fraud, which respectively accounted for approximately 31%, 4%, 49%, 14% and 3% of all fraudulent transactions over the financial year ended December 31, 2018.

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

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

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

A rating is not a recommendation to buy, sell or hold any issued financial instrument and may be suspended, decreased or withdrawn at any time by the rating agency that assigned it. A suspension, reduction or withdrawal of an assigned rating may adversely affect the market price of bonds issued and the price of our Shares. Moreover, these changes in the rating might not promptly reflect changes in our solvency situation or creditworthiness. As of the date of this offering circular, we have a rating of B1 (stable) from Moody's, B+ (stable) from S&P and B+ (stable) from Fitch.

In determining the rating assigned to us and our Notes, the rating agencies take into account, and continue to monitor, various indicators relating to our creditworthiness, including, by way of example, profitability, liquidity, and asset quality. Should we be unable to maintain adequate levels for one or more of these indicators, our rating might be lowered (known as downgrading). A downgrading could have an adverse effect on our ability to access various liquidity instruments, as well as on our ability to compete in the capital markets, with an increase in financing costs and consequent material adverse effect on our business, financial condition and results of operations.

In addition to the foregoing, the rating attributed to us and the Notes may also be influenced by other factors such as a deterioration of the yield spread between Italian sovereign bonds and other European sovereign bonds and the rating attributed to the Italian State as well as the national and international macroeconomic environment. In the same manner, the downgrading of the Italian sovereign rating could also cause the ratings agencies to lower our rating or that of the Notes.

Since our rating and our Notes' rating are sub-investment grade, our debt bears a higher interest rate than that of investment-grade issuers. Issuers of high yield debt securities may have greater difficulties in accessing credit, particularly in times of volatility in the financial markets. Therefore, we may not be able to easily access new financing if required and/or to refinance the existing debt, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

On January 2, 2019, the ECB ordered the extraordinary administration of Banca Carige S.p.A. ("**Banca Carige**") to ensure stability and consistency in Banca Carige's governance and to permit the continuation of the necessary capital strengthening activities.

Should the uncertainty around Banca Carige's situation continue, or should Banca Carige be subject to compulsory administrative liquidation, crisis resolution measures or similar procedures provided by the Consolidated Banking Act, Directive 2014/59/EU of the European Parliament and the Council, Regulation (EU) 806/2014 and/or Legislative Decree No. 180/2015, Banca Carige might be unable to meet its obligations to us pursuant to the agreements entered into with us.

If Banca Carige is able to perform its obligations under our agreement with it, the amount of future revenue generated by us through the Banca Carige distribution network may be lower than estimated at the time we entered into the agreement. If actual revenues were to be significantly lower than expected, this could have a material adverse effect on our business, financial condition and results of operations.

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

As part of our business, we enter into agreements with related parties on a regular basis. These agreements mainly concern IT outsourcing services, commercial services and other consulting services. These relationships are on terms in line with market conditions.

For a breakdown of such agreements by type of relationship of the main credit and debit balance sheet items between us and our related parties on a carve-out basis as at December 31, 2016, December 31, 2017 and December 31, 2018 see "Related Party Transactions."

Transactions with related parties entail the typical risks, including tax risks, associated with transactions with parties that, being part of our decision-making structures or otherwise closely connected to them, may not be objective or impartial in their decisions relating to these transactions. It cannot be guaranteed that if such transactions had been concluded between or with unrelated third parties, such third parties would have negotiated and executed such agreements, or concluded the transactions, on the same conditions and in the same manner. Related-party transactions could result in inefficiencies in the resource allocation process; expose us to risks that are not adequately measured or monitored; and cause damage to us and our stakeholders.

The periods presented in the Carve-out Financial Statements included in this offering circular are not comparable between them due to acquisitions and disposals during the periods presented and are not comparable to our published, statutory accounts

In 2018, 2017 and 2016, we entered into a number of significant corporate transactions, including several acquisitions and the Reorganization. Consequently, the scope of consolidation differs significantly from one year to the next, which has had an impact on the comparability of the Carve-out Financial Statements since the income statement and balance sheet impacts of those transactions are only reflected from the date of completion of the relevant transactions. These transactions included, in particular:

- the acquisition of Mercury Payment Services on December 15, 2016, included in our balance sheet at December 31, 2016 and in the income statement from January 1, 2017;
- the acquisition of DB Acquiring and MPS Acquiring on June 1, 2017 and July 1, 2017, respectively;
- the acquisition of Bassilichi, which was consolidated as from July 1, 2017;
- the acquisition of Carige Acquiring on September 28, 2018; and
- the Reorganization, which was completed on July 1, 2018, and which led to the spin-off of Depobank.

Our financial statements as of, and for the year ended, December 31, 2018, on the other hand, represent the entire, current perimeter of the Group, as resulting from the Reorganization and the acquisitions. Accordingly, investors are encouraged to take these circumstances into consideration when analyzing the Carve-out Financial Statements contained herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

Our subsidiaries, Mercury Payment Services and Nexi Payments, are, respectively, a "payment institution" and an "electronic currency institute" and, consequently, are subject to detailed regulation, primarily related to capital adequacy, including rules setting forth minimum capital thresholds and the qualitative composition of capital resources. In particular, these institutions must calculate their regulatory capital in accordance with the provisions of the "New Prudential Supervisory Provisions for Banks" (Bank of Italy Circular No. 263 of December 27, 2006).

In addition to the supervisory provisions, the Bank of Italy, using its discretionary power following an assessment of the regulated entity, could require these institutions to have capital that is up to 20% higher than the amount that would be required under the supervisory provisions.

Mercury Payment Services will also be required to comply with the new prudential regime under PSD2, which has stipulated the application to Payment Institutions, with certain specifications, of the definition of "own funds," already introduced for banks and investment firms by Regulation (EU) No. 575/2013, the capital requirements regulation (the "**CRR**"). This new prudential regime will be fully applied following the adoption of the secondary legislation by the Bank of Italy.

Nexi Payments' and Mercury Payment Services' capital requirements are influenced by a number of variables, including the need to address the impacts of the new and more challenging regulatory requirements announced by the European regulator as well as an assessment of possible market scenarios that could require additional capital resources to support our subsidiaries' business and investments, as well as those of the Group more generally.

As of December 31, 2018, Nexi Payments and Mercury Payment Services had capital ratios in excess of the applicable minimum requirements. However, they face the risk that, due to unforeseen events or factors beyond their control, they may need to resort to capital strengthening measures in the future in order to meet the capital adequacy standards set by the new prudential regime introduced by PSD2, which could have a negative effect on the business, financial condition and results of operations of Nexi Payments and Mercury Payment Services or the Group.

In addition, a regulator could at its discretion require additional capital or impose new parameters for the purpose of calculating capital adequacy requirements, including, for example, following any prudential review processes, or could adopt unfavorable interpretative positions of applicable capital adequacy requirements, leading to the inability of Nexi Payments and Mercury Payment Services to comply with the capital requirements, any of which could have a material adverse effect on our business, financial condition and results of operations.

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

Our business is subject to European and national competition laws, rules and regulations.

We are exposed to antitrust risks at both the European and national level in the markets in which we operate, in particular in acquiring, card issuing and payment processing. Competition authorities have the power to initiate procedures pursuant to existing regulations, to require a party to cease applying contractual terms found to be anti-competitive, and to impose fines and other sanctions and remedies for non-compliance with relevant regulatory requirements.

We hold significant market shares with respect to issuing and acquiring activities. In a 2009 measure issued by the Italian antitrust authority ("**AGCM**") concerning the acquisition of a controlling stake in SI Holding, the controlling company of CartaSì, now Nexi Payments, involving our predecessor ICBPI (AGCM Procedure C9817—ICBPI/SI HOLDING Measure no. 19689/2009), the regulator found that ICBPI had a market share of more than 45% in the issuing market and 61% in the acquiring market, and therefore held a dominant position in national markets, based on AGCM practice of treating the issuing and acquiring markets as two separate markets.

Consequently, the Italian antitrust authority required that we (i) make pricing for each service offered clear to potential customers, (ii) increase transparency of our terms to improve comparability with our competitors' offerings and (iii) unbundle our services. We expressly undertook to the Authority to comply with certain specific benchmarks of conduct. See "Regulation" for a description of these undertakings.

More recent antitrust decisions, however (such as COMP/M 6164 Barclays Bank/EGG Credit Card Assets (2011)), have suggested that the relevant geography for the issuing and acquiring markets should be the entire European Union rather than the national market, especially with respect to internet transactions. We believe this interpretation is consistent with recent regulation. In particular, the European Regulation on Interchange Fees (Regulation (EU) 2015/751), together with the introduction of SEPA (Single European Payments Area), is redrawing the geographical borders of the reference market. In addition, the increasing importance of technical and IT aspects has blurred the borders between the payment processing and acquiring markets, increasing competitive pressure in both markets.

Notwithstanding a potential shift in defining the relevant market due to the enhancement of its geographical limits, regulators may maintain that we hold a dominant position in issuing and/or acquiring. A similar view may be supported by the Bank of Italy's 2017 report on our markets, which attributed significant market share to us, both in terms of value and volume, in particular for credit card transfers. If a regulator were to determine that we hold a dominant position, this may result in regulatory restrictions on our ability to act freely in these markets, set the price of our products or services, or maintain existing operations or operating segments, which could have a material adverse effect on our business, financial condition and results of operations.

Moreover, given the limited number of operators in the sector, any future acquisitions or disposals could be subject to in-depth investigation, with additional conditions or remedies imposed, by the antitrust authorities, particularly if the traditional definition of the relevant markets remains unchanged notwithstanding the technological and regulatory developments described above.

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

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

We are subject to the risk of litigation and other claims

Companies within our Group are involved in a series of disputes arising out of their activities.

As of December 31, 2018, we set aside total provisions for disputes of €3.68 million (plus €0.5 million in provisions for legal expenses), against aggregate claims of €16 million. In addition, we have included €800,000 in "Other Provisions" for the labor disputes described below.

In particular, on January 7, 2014, BNL commenced proceedings against Bassilichi, BASE and Union Delta before the Court of Rome requesting reimbursement of money found to be missing from a money counting room in Turin managed by Union Delta, under a transport and counting of valuables agreement. The claim amounts to €5 million.

Under the agreement, BNL acted as purchaser, Bassilichi prime contractor as professional intermediary under Article 115 of the TULPS (Italian Consolidated Law on Public Security), BASE as Bassilichi's supplier, also under Article 115 of the TULPS, and Union Delta as provider of the service on site under a license pursuant to Article 134 of the TULPS.

BASE and Union Delta each called on their respective insurance policies for indemnification. On January 8, 2015, the Court of Rome declared Union Delta bankrupt and on March 31, 2015, the trial was adjourned and promptly resumed.

On November 7, 2018, the Court of Rome issued a first-instance judgment against Bassilichi, rejecting claims against Union Delta as inadmissible and ordering Bassilichi jointly with BASE, to pay the amount of the claim as well as court fees equal to approximately €120,000. However, BASE indemnified Bassilichi for the entire amount. This part of the sentence was not appealed by BASE and has therefore became final. The Court of Rome also upheld BASE's application to be indemnified by its insurer (Lloyd's) of all sums to be paid to BNL (up to €100,000.00) including legal costs. This part of the judgment was challenged by BASE's insurer (Lloyd's). As of the date of this offering circular, the appeal proceedings are pending. The risk of losing, based on the opinions received from legal counsel, is assessed as possible.

We are also involved in a number of labor disputes, both in the first and second instance. Bassilichi (now Nexi Payments) is a defendant in 27 proceedings, concerning both the unlawful interposition of labor and the invalidity of a transfer of an employment relationship (from Bassilichi to Pay Care). Bassnet S.r.l. is a defendant in eight proceedings related to similar matters. Mercury Payment Services is a defendant in one proceeding relating to the non-payment of social charges. Finally, Nexi Payments is a defendant in two proceedings, the first related to an employee claiming a better employment classification and the second involving an employee seeking to invalidate the transfer of his employment from Nexi S.p.A. to Nexi Payments S.p.A. in July 2018, with subsequent reinstatement of the same by Depobank. As of December 31, 2018, the total amount claimed in these labor disputes was €800,000.

In the event that these proceedings or other proceedings are concluded unfavorably, there could be a material adverse effect on our business, financial condition and results of operations. See "Business—Legal Proceedings" and "Business—Intellectual Property—Intellectual Property Litigation."

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

As part of our business activities, we seek to maintain comprehensive insurance coverage at market rates, including property damage and business interruption, directors' and officers' liability, employer liability, and general liability insurance, as well as insurance coverage against unlawful acts by our employees. Such insurance policies do not cover all types of losses and liabilities that we and our directors and officers may face in the performance of our activities and are in any case subject to limits, sub-limits, overdrafts and/or deductibles, exclusions and conditions.

There can be no guarantee that our insurance policies will be sufficient to cover the full amount of damages or liabilities that we may face, nor can we guarantee that we will be able to renew our current insurance policies on favorable terms and conditions or to renew them without interruptions in coverage.

Furthermore, if we or other payment services providers suffer significant losses or make significant insurance claims, our ability to obtain insurance coverage in the future at commercially reasonable rates could be adversely affected, with a material adverse effect on our business, financial condition and results of operations.

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

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

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

Furthermore, our business activities may also involve risks relating to potential claims which may result from activities or errors by our employees and may result in breaches of security measures or damage to third parties. We are also exposed to the risk that our directors, employees or agents may commit cybercrimes such as breaches of the computer systems of our competitors, gain unlawful access to bank data (including customer data) and may cause damage to our computer systems and documents.

As of the date of this offering circular, we and our subsidiaries (with the exception of BassmArt) have adopted an organizational, management and control model pursuant to Legislative Decree 231/2001

(“**231 Model**”), as a defense against the administrative responsibility that could be attributed to us pursuant to Legislative Decree 231/2001 for offenses committed in our interest or for our benefit by our employees, directors and representatives.

However, the adoption of the 231 Model by us is not sufficient on its own to prevent sanctions under Legislative Decree 231/2001. While maintaining, implementing and updating the internal control systems, we may not be able to prevent or detect the commission of the offences covered in Legislative Decree 231/2001, especially given the nature and size of the Group.

Any proceedings relating to alleged offences covered by Legislative Decree 231/01, regardless of their outcome, could be costly and divert management’s attention from other aspects of the business, cause adverse publicity and reputational damage and could have an adverse effect on our business, financial condition and results of operations. Any of the above circumstances, including the failure to properly implement and update such control systems, may expose us to civil and administrative penalties under the provisions of Legislative Decree No. 231/2001 and cause damage to our reputation.

Specifically, under Legislative Decree No. 231/2001, we can be held liable for certain offenses committed in our interest or for our benefit in Italy or abroad (e.g., corruption, fraud against the State, corporate offenses, market abuse, certain environmental and workplace safety violations) by persons that have a relationship with us at the time of committing the offense in question, including third-party agents, partners or intermediaries, unless we can demonstrate that such persons intentionally violated our internal control model and that it would have been impossible for us to prevent such breach.

In such circumstances, we may be subject to fines, confiscations of profits or other penalties, including the termination of authorizations, permits, licenses, concessions and loan agreements, including subsidized loans, the suspension of our operations or a prohibition on contracts with public administrations.

In such a case, the duration of such punitive measures could range from a minimum of three months to a maximum of two years. Certain of the above-mentioned legal sanctions may also be applied as interim measures during investigations. However, in very serious cases, some of these measures can be imposed permanently.

In certain circumstances, as an alternative to the penalties described above, a court could appoint a third-party professional (*custode giudiziario*) to run the company, which would result in the profits obtained during the controlled administration period being automatically confiscated by the administrator. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

Changes to the accounting standards we use to prepare our financial statements, including IFRS 16, could impact the comparability of our results between periods and, if not properly implemented, could cause material misstatement of our results of operations and financial position

Like the other operators in the industry, we are exposed to the effects of the entry into force and the subsequent application of new international accounting standards (IAS/IFRS and related interpretations as approved and adopted in the EU and/or amendments to the same).

We prepare our consolidated and individual, financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Any changes to these accounting standards, the accompanying statements, the implementation guidelines or interpretation criteria could have a material impact on our results and financial situation set out in the financial statements.

As of the date of this offering circular, we expect that the entry into force from January 1, 2019 of IFRS 16 “Leasing” will have an impact on the preparation of our financial statements. The new standard provides a new definition of lease and introduces new criteria based on the concept of control (right of use) over an asset aimed at distinguishing lease contracts from service contracts. The new criteria include: the identification of the asset, the right of substitution of the asset, the right to obtain substantially all the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract. The principle establishes a unique model for the recognition and evaluation of lease contracts, which provides for leased assets (including operating leases) to be included as assets in the balance sheet, with a corresponding financial liability as a counter-entry. At the same time, IFRS also provides for the possibility of not recognizing certain leases involving “low-value assets” and leases with a term of less than or equal to 12 months as lease contracts.

The impact of the application of this new standard on our financial statements is yet to be determined.

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

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

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

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

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

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

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

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

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

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

Our subsidiaries, Nexi Payments and Mercury Payment Services, are subject to supervision by the Bank of Italy. In the exercise of its supervisory powers, the Bank of Italy conducts periodic inspections of the Group. These inspections could result in a request for organizational measures and the strengthening of controls aimed at overcoming any shortcomings that were detected, or, depending on the extent of any such shortcomings, could lead to the commencement of disciplinary proceedings against corporate representatives and/or our subsidiaries, any of which could have a material adverse effect on our business, financial conditions and results of operations.

The Bank of Italy carried out an inspection of Nexi Payments from February to May 2018 to ascertain compliance with regulations on transparency of transactions and fairness of customer relations. While our organizational and management structure were considered adequate for monitoring the rules on transparency and fairness in customer relations, the Bank of Italy identified areas for improvement, such as internal regulations, operating practices and internal architecture.

While we have taken measures to address the issues identified by the Bank of Italy, we cannot rule out the possibility that our subsidiaries will, in the future, be subject to additional assessments or specific requests. If this were the case and the Supervised Companies of the Group were not able to adapt promptly to the requests by the authorities and/or fail to comply with the measures imposed on them, they could be subject to sanctions or various measures, including the revocation of the relative authorizations, which could have a material adverse effect on our business, financial condition and results of operations.

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

We were a member of Visa Europe Limited ("**Visa Europe**"), a company which used to manage the Visa circuit in Europe, before it was acquired by Visa Inc. in 2016 following the transfer of the members' shareholdings to Visa Inc.

Following the investigation launched by the European Antitrust Authority with respect to the determination of the interchange fee on transactions carried out in Europe through the Visa circuit, several merchants in Europe have commenced legal proceedings or concluded settlement agreements with Visa Inc. concerning the alleged undue determination of the interchange fee applied by the circuit. In this context, at the time of the transfer of Visa Europe to Visa Inc., an independent company (441 Trust Company Ltd) was set up as a body representing the former members of Visa Europe in order to oversee the handling of litigation arising from the investigation and to be able to release, on the completion of the investigation and for the benefit of members, the unused funds set aside for this purpose. If, on the other hand, these funds were insufficient to cover the sums due with respect to the above legal proceedings, Visa Inc. may in turn take action against the former Visa Europe members.

Although investigations by the European antitrust authorities regarding the interbank credit and debit interest rates brought in the past against Visa were concluded with the assumptions of certain undertakings by Visa Europe to the European Commission and the introduction of the European Regulation regarding interbank commissions, further investigations by the European authorities were initiated in 2018. We have been requested by the competent authorities to provide information in this respect and several dealers in Europe have commenced court proceedings or have entered into moratorium agreements with Visa Europe and other Visa entities in relation to alleged breaches of competition law.

As of the date of this offering circular, we are unable to predict the outcome of the investigation against Visa Europe or the potential impact, if any, of the investigation on us or the current and other former members of Visa Europe.

Although, unlike some former members of Visa Europe in the United Kingdom, we have not entered into a formal agreement for loss sharing with other members, if Visa Europe were to incur losses in legal proceedings of this nature and seek recovery from its members or former members in accordance with the Visa Europe operating regulation, and if such claim were successful, our exposure to this uncapped liability could have a material adverse effect on our business, financial condition and results of operations.

The information about our industry, market share and competitive position in this offering circular may not be accurate

This offering circular contains some key information regarding our business activities and information on our competitive positioning in the markets in which we operate, as well as forecasts on future market developments, which are made by us on the basis of our specific knowledge of the sector, available data and experience. For instance, this information is set out in the description of our business activities, markets and competitive positioning,# our future plans and strategies, as well as in our expected trends. Such information has not been verified by independent third parties.

Furthermore, our results, competitive positioning and performance in our business sectors and/or in the various geographical areas referred to herein may vary in the future due to known and unknown risks, uncertainties and other risks, including those referred to in these risk factors.

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

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

Under Italian law, we and Depobank will remain jointly liable, proportionally to the actual value of the net equity retained and transferred, for Depobank's liabilities which arose prior to the effective date of the demerger and remained outstanding at that date.

Such joint and several liability applies to the extent that such liabilities and debts are not satisfied by Depobank when due, and is limited, subject to exceptions, to the actual value of the net equity transferred to us in our capacity as beneficiary of the demerger, and survives until such liabilities are satisfied. It cannot be ruled out that any of the creditors of Depobank may be able to provide evidence in court that the actual value of the transferred net assets was higher than that indicated in the deed of demerger, with the consequence that we may be held jointly and severally liable for the liabilities and debts transferred to Depobank even beyond the actual value of the transferred net assets. The limitation of liability does not apply to certain specific debts and liabilities.

For example (i) under Article 30, Paragraph 2 of Legislative Decree No. 231/2001, the beneficiary of the demerger is jointly liable for the payment of pecuniary penalties due by the demerged company without application of the limit of the actual value of the transferred net equity, if the branch of business in which the offense was committed was transferred, even in part, to the beneficiary, and (ii) under Article 173, Paragraph 13 of Presidential Decree No. 917/1986 and Article 15 of Legislative Decree No. 472/1997, with respect to tax liabilities only (taxes, penalties and interest) and in derogation of the provisions of the Italian Civil Code, the beneficiary can be jointly liable with the demerged company for an amount higher than the transferred net equity.

Any requirement to make payments under the above joint liability regime could have a material adverse effect on our business, financial condition and results of operations.

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

Our clearing activities are dependent on the financial institutions that participate in the clearing network. Although Directive 98/26/EC of the European Parliament and of the Council of May 19, 1998 on settlement finality in payment and securities settlement systems, as well as certain international standards, provide regulatory guidelines aimed at preventing breakdowns of this network in the event of technological or system malfunctions or any other form of distress at an institutional level, a technical malfunction by any of the network participants is still possible and would cause us to face difficulties in processing payments and finalizing settlements.

The impact of any such technical malfunction would be more pronounced as to real-time clearing compared to other types of clearing due to the immediacy of real-time clearing. These difficulties could indirectly cause considerable damage to our reputation and could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

- these measures are calculated solely on the basis of our historical data and are not indicative of our future performance;
- the APMs are not required by international accounting standards (IAS/IFRS) and are not subject to auditing;

- the APMs must not be considered as substitutes for the indicators provided for under the International Accounting Standards;
- the definitions of the indicators used by us, which are not governed by International Accounting Standards, may not be consistent with those adopted by other companies/groups and are therefore not comparable with similarly titled measures used by other companies/groups;
- the APMs must be read together with the other financial information included in this offering circular; and
- the definition and representation of the APMs are presented uniformly for all the periods for which the financial information is included in this offering circular.

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

If we are a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. Holders of our Shares could be subject to adverse U.S. federal income tax consequences

If we are a "passive foreign investment company", within the meaning of Section 1297 of the Internal Revenue Code of 1986, as amended, (a "**PFIC**") for any taxable year during which a U.S. Holder (as defined in "Tax Considerations—United States Taxation") holds our Shares, certain adverse U.S. federal income tax consequences may apply to the U.S. Holder. We do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year. However, our possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend on the composition of our income and assets, the market valuation of our assets (including, among others, our goodwill) from time to time, our cash balances and our spending schedule for the proceeds of the offering, as well as on the application of complex statutory and regulatory rules that are subject to potentially varying or changing interpretations. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were a PFIC, U.S. Holders of our Shares may be subject to adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognized and on certain actual or deemed distributions, interest charges on certain taxes treated as deferred, and additional reporting requirements. See "Tax Considerations—United States Taxation—Passive Foreign Investment Company Considerations."

Risks Related to Our Industry

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

The reference markets for Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business segments are highly competitive. In each of these markets, we compete on technology, price of offered services, speed, performance, quality and reliability, reputation and customer service.

While the Italian payments market has a large capacity for growth, given the low penetration of card payments compared to other major European countries, it is increasingly competitive and is experiencing a period of rapid transformation due to customer habits, technological innovation and recent legislation at the European and national levels. A decline in the markets for any of our services as a result of increased competition, a decrease in consumer spending, or a shift in consumer payment preferences could have a material adverse effect on our business or result in a temporary or permanent loss of market share.

As customers become more and more demanding and new generations enter the market, attention to the end-customer and managing the client experience is becoming increasingly important. In the event that we are not able to develop products that customers appreciate or that are easy for them to use, we could lose market share as customers move to our competitors or as a result of our failure to attract new customers.

We also face competition from existing suppliers, now dedicated to managing payment transactions processing activities, such as SIA, as these suppliers offer similar services to those we offer to our partner banks.

In some cases, competitors may have financial, technological and marketing resources that are significantly higher than ours and they may have gained greater experience in other markets. If our competitors are better able to exploit these advantages, we may not be able to attract or retain customers, which could have a material adverse effect on our business, financial condition, reputation and results of operations. Furthermore, if we fail to respond to technological changes or consumer payment preferences, we may lose our market share compared to competitors. Our competitors include payment service providers that are already established in Italy, such as UniCredit and Poste Italiane.

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

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

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

In addition, we face the threat of a further opening of the market as a result of changes in the applicable regulatory framework (including, in particular, the PSD2 Directive), and the threat of disintermediation of our activities as a result of new technological developments.

In particular, the "open banking" initiatives will guarantee the right of access by third party providers to the account establishment institute, particularly with regard to:

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

The "open banking" could lead in the medium/long term to greater market opening and partial disintermediation or cannibalization of the traditional value chain of digital payments, for example in the area of e-commerce payments, where there may be payment services that initiate a transfer or instant payment from the payer's account to the merchant's account.

Such services are already available in some European countries (e.g. Sofort in Germany) and could also gain market share in the Italian market.

Major retailers or e-commerce companies (such as Amazon, Alibaba) may decide to launch and promote payment services of this nature, to reduce the costs associated with card transactions.

These services could expand from the e-commerce field to other types of payment, such as physical payments to companies (P2B) or institutions (P2G).

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

Finally, fintech companies could use open banking or other technologies to develop alternative payment circuits, based on payment rails other than cards (such as MobilePay in Denmark, Tinaba or SatisPay in Italy). These companies and payment systems are currently experiencing significant volumes only in P2P money transfer transactions between individuals, which have insignificant economics.

In the long term, the evolution of blockchain and distributed ledger technology could lead to the growth of new payment technologies also able to disintermediate part of the value chain of payment cards, for example through the use of dedicated crypto currencies (so-called stablecoins) now essentially used for international payments (e.g. Ripple).

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

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

A significant part of our business consists in the provision of services to Italian banks, which represent over 80% of the Italian banking sector by number of branches. In particular, Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business services are provided, among other things, as part of agreements with certain of the main Italian banks. As a result, the performance of Italian financial institutions can materially affect our business. Our top 10 partner banks by revenue represented approximately 61% of our total revenue for the financial year ended as of December 31, 2017 based on our Unaudited 2018 Perimeter Information.

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

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

Furthermore, in the wake of the financial crisis, Italian banks have accumulated significant non-performing loan positions. The ECB remains focused on the assignment of non-performing loans and continues to consider proposals for more stringent measures. The main Italian financial institutions have implemented measures to control the impact of such loans on their financial condition, including implementing restructuring plans approved by the ECB and the Italian government and using the GACS scheme (Guarantee on Securitization of Non-performing Loans). However, should these Italian financial institutions not comply with the plans to reduce non-performing loans, or if the restructuring and the write-downs are not sufficient to adequately solve the problem of non-performing loans, the European authorities have the option of imposing penalties on the Italian banks or may request repayment of the aid that the banks have received. These problems could be further aggravated in the event of a significant and persistent increase of the yield spread between Italian government bonds and those of other European sovereigns, which could lead to a devaluation of the Italian sovereign debt securities held by the banks, with the consequent need, in the most extreme cases, to proceed with recapitalizations in order to meet the capital requirements imposed by the applicable regulations and regulators such as the ECB and Bank of Italy.

If our Italian bank clients and reference partners continue to be negatively influenced by these factors, this could have an adverse effect on our business, financial condition and results of operations.

In addition, given that the Italian banking sector is very fragmented, with over 200 active banks, we expect the trend of mergers and consolidations in the banking and financial services sectors in Italy to continue in the future. Mergers and consolidations of financial institutions, depending on the entities involved, could reduce the number of current and potential clients and partner banks and consequently could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, if our clients or partner banks go bankrupt, merge or are acquired by other entities that are not our clients or distribution partners or that employ our services to a lesser extent, we may incur potentially significant losses. Further consolidation in the Italian banking sector would also entail a greater concentration of customers, which could lead to downward pressure on our prices due to the lower number of competitive forces affecting the market.

Larger banks or financial institutions resulting from mergers or consolidations will have more bargaining power in negotiations with us. While clients benefit from the economies of scale of our business, in the event that they grow through consolidation or are able to replicate such economies of scale autonomously, they could decide to insource the services we currently provide or that we could carry out for them.

Furthermore, our dependence on our partner banks becomes more significant the larger they become, and accordingly losing a single partner bank could have a greater impact on our revenue, profitability and cash flows following such consolidation.

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

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

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

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

The general economic situation in Italy influences consumer confidence, consumer spending, consumer discretionary income and changes in consumer purchasing habits. The general economic situation in Italy can change suddenly due to a variety of factors over which we have no control, such as government policy, monetary policy and the international economic situation. A prolonged deterioration of the general economic situation in Italy or an increase in interest rates in Italy could adversely affect our financial performance by reducing the number of digital payment transactions or the spend per transaction. Given that we have a certain number of fixed and semi-fixed costs, including the costs of our debt financing, rents and salaries, our ability to quickly adjust costs and respond to changes in our business and the economy may be limited.

Similarly, an increase in the average cost of financing by the banks that finance our operations or a reduction in their commitments could result in increased cost of credit or reduced funding. Furthermore, if economic conditions cause our partner banks to tighten their credit requirements, this could reduce the number of cardholders and thus the number of digital payment transactions or the spend per transaction.

In addition, consumption is positively correlated with macroeconomic and political developments in Italy. In the past, macroeconomic and political events have had a negative effect on the country's growth, and persistent uncertainty could lead to a deterioration in investor and market confidence.

As of the date of this offering circular, the rating assigned to Italy by Moody's is Baa3, with a stable outlook, which is the lowest level of the investment grade category. On the other hand, both Fitch and

Standard & Poor's place the country's rating at a higher level, "BBB," but with a negative outlook, which implies that there may be a ratings downgrade in the coming months (i.e., to the same level as Moody's or lower) if the economic and political fundamentals in Italy on which the outlook is based deteriorate as expected.

In August and October 2018, respectively, Fitch and Standard & Poor's lowered the Italian Rating Outlook (BBB) from "stable" to "negative," an outlook confirmed by Fitch in February 2019. In October 2018, Moody's lowered the rating of Italy by one notch, from Baa2 to Baa3 (stable outlook) in light of the country's economic and political situation and the unfavorable international environment.

Finally, the conclusion of the ECB's quantitative easing program could mean that Italy will need to seek funding on the capital markets, potentially at higher rates than those obtained in recent years.

Continuation or further worsening of these difficult financial and macroeconomic conditions or a prolonged period of political instability could result in a decrease in the demand for our services due to a decrease in consumer spending or difficulties in carrying out our ordinary activities. These circumstances could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We operate in sectors subject to ongoing technological developments that lead to higher industry standards and rapidly changing customer needs and preferences.

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

The payments market is reshaping itself over the long term and developing digital innovation as a core feature is crucial for our future success.

We must anticipate and respond to these industry and customer changes, including by taking advantage of the growth in e-commerce and mobile wallet innovations, in order to remain competitive. We may be required to make investments to develop new technologies before knowing whether our predictions will accurately reflect customer preferences, or if we are not able to develop the necessary technologies internally, we may have to incur expenses in an attempt to obtain a license or acquire technologies from third parties.

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

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

Delays in product development may also require further investments in research and development. If there is an increase in costs associated with the development of new products and the improvement of products for which we are not achieving sufficient revenue, the development costs of new products may not be recoverable. An increase in costs or a decrease in revenue from new products, or both, could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain innovation or the introduction of new or updated technologies that respond to changes in terms of consumption, merchants, payment card systems or regulatory requirements could have a material adverse effect on our competitiveness and could cause us to lose market share, which could have a material adverse effect on our business, financial condition and results of operations.

In the wake of the increasing presence of internet systems and the emergence of smartphones and tablet computers, the financial services sector in which we operate could be altered by regulatory changes and/or emerging technologies aimed at competing with consolidated business models.

New technologies, including continued progress in proximity payment devices (such as contactless payment cards), digital currencies (including bitcoin and other technologies) and remote payment technologies (such as cloud-based accounts), as well as the evolution of consumer behavior (including changes toward digitalization, cost transparency and mobility) are rapidly changing the way people perform commercial transactions worldwide. Traditional and non-traditional competitors, such as mobile phone, technology and telecommunications companies and aggregators, are working toward providing digital and mobile payment services both for consumers and merchants, eliminating the need for credit and debit cards. As a result, consumers could begin to use their payment cards less, or not to use them at all.

In addition to emerging technologies, regulatory changes can have an impact on consumers' use of payment cards. For example, at the end of 2015, under Law No. 208 of December 28, 2015, as subsequently amended, the Italian government set a maximum limit of €3,000 for cash transactions (unless the transfer is made through banks, Poste Italiane, virtual money institutions and/or payment institutions), an increased limit compared to the previous one of €1,000. This limit was confirmed by Legislative Decree No. 90 of May 25, 2017, which amends Legislative Decree No. 231 of November 21, 2007 implementing the European Anti-Money Laundering Directive. However, if the Italian government were to repeal or increase the maximum limit for cash transactions, consumers might decide to use their payment cards less and use cash for larger transactions instead.

Our competitors might be able to innovate or adapt to new regulations faster than us, and new technologies could contribute to increasing competitive pressure, allowing competitors to offer more efficient services or to offer them at a lower cost.

Our success will depend in part on our ability to develop new technologies and to adapt to technological changes and the evolution of industry standards, which may require major research and development activities, entailing associated research and development costs. We might not have, or might not be able to attract, the personnel necessary for such research and development activities.

Any failure by us to keep up with innovation, make the shift to mobile commerce, which is device-based and multi-channel, or improve the quality of our customers' experience could have a material adverse effect on our business, financial condition and results of operations.

Finally, the trend of macro-economic indicators and, in particular, the public perception in the European Union that economic conditions are worsening, could have negative effects on our business, financial condition and results of operations. In particular, with respect to the European Union, recently, on more than one occasion, fears have emerged that the European Monetary Union could end or that member states could leave the Euro. The United Kingdom's exit from the European Union, following the results of the June 23, 2016 referendum is currently the subject of international negotiations in order to determine the procedures for its implementation, the final results of which cannot yet be predicted. On the date of this offering circular, a decision on how the United Kingdom will leave the European Union is expected by April 12, 2019 and there is the possibility that the United Kingdom will exit the European Union without a definitive or transitional agreement with the European Union. The possible outcomes and ultimate impact of the United Kingdom's exit from the European Union in macroeconomic terms are not foreseeable.

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

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

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

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

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

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

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

Finally, as has already happened in some European countries and in the United States, we and our merchants may also be subject to reporting and accounting requirements in order to facilitate taxation in e-commerce. If similar regulations are adopted in Italy, we may need to make investments to adjust our assets, with possible negative impacts on our operating performance.

Compliance with and monitoring of applicable laws and regulations can be difficult, time-consuming and costly. Furthermore, applicable laws and regulations and their interpretation and application may periodically change, and such changes could have a material adverse effect on our business. Our failure to comply with applicable laws or regulations could have a material adverse effect on our business, financial condition, reputation and results of operations.

Compliance with applicable regulation in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities

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

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

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

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

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

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

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

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

The clearing commissions due to card issuers, known as "interbank commissions," are subject to the EU Regulation on interbank commissions.

The EU Regulation on interbank commissions could have an impact on merchant acquirer transactions with regard to invoicing, pricing and negotiations with customers, and some merchants have obtained reductions in the commissions they pay for commercial services.

Our fees have been modified accordingly and, if in the future we and the merchants are unable to agree on price reductions, we may lose customers. Furthermore, the EU regulation on interbank commissions requires changes to the terminals in order to comply with the changes to the "Honor All Cards" rule (a rule that obliges all merchants to accept payment cards issued under the same trademark), to co-badging rules (allowing the holder of a card that includes several payment circuits to choose which of the payment circuits he wishes to use) and guidance rules (preventing merchants from directing consumers toward their choice of means of payment), as well as costly changes to our existing commercial agreements.

These or other provisions of the EU Regulation on interbank commissions could result in increased costs, increased operational and commercial complexity and could alter our systems and operations, which could have a material adverse effect on our business, financial condition and results of operations.

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

We are subject to complex tax laws. Should there be any change to Italian tax legislation or its interpretation or application by the Italian tax authorities or by courts, or should a different tax treatment or qualification of our business or our extraordinary transactions be definitively established, we may have to pay higher taxes, penalties and interest, or face withholding taxes or other events that could adversely affect our tax position, including with respect to tax payments.

If any of the above tax risks were to materialize, they could have a material adverse effect on our business, financial condition and results of operations.

Risks related to an Investment in the Offer Shares

An active and liquid trading market for our Offer Shares may not develop; the market price for our Offer Shares may be volatile and investors may not be able to resell their Offer Shares for a price equal to or greater than the initial price

Prior to the Offering, there has been no public market for the Offer Shares. Following the Offering, the Offer Shares will be traded on the MTA. However, following commencement of trading of the Offer Shares on the MTA, there can be no assurance that an active and liquid public trading market for the Offer Shares will not develop or be maintained after the Offering or that the Offer Shares will trade in the public market subsequent to the Offering at or above the Offer Price. The actual market price of the Offer Shares may be subject to negative price fluctuations due to several factors, including those described in these Risk Factors, may not reflect the actual operating performance of the Issuer and may be lower than the initial Offer Price investors paid to purchase the Offer Shares.

The price or performance of the Offer Shares may be adversely affected by the expiration or waiver of the lock-up for the Offer Shares

Mercury UK has agreed to abide by lock-up commitments which prevent it from, directly or indirectly, offering, selling, contracting to sell, pledging, loaning, granting any option, right, warrant or contract to purchase, making any short sale or otherwise disposing of our Shares, exercising any option to sell, purchasing any option or contract to sell, or lending or otherwise transferring or disposing of our Shares, requesting or demanding that we file a registration statement under the Securities Act or a similar document with any other securities regulator, stock exchange or listing authority, or entering into a swap or any other agreement or any transaction that transfers the economic consequence of ownership of any Shares or other financial instruments, including equity instruments, that grant the right to purchase, subscribe, convert into or exchange for Shares of the Issuer or other financial instruments, including equity instruments, or that grant rights inherent and/or similar to such Shares and/or financial instruments, or announce an intention to enter into any of the above transactions, for a period of 180 days from the Listing Date without the prior written consent of the Joint Global Coordinators, subject to certain exceptions. In addition, we and Banco BPM S.p.A., Banca Popolare di Sondrio S.C.p.A. and Credito Valtellinese S.p.A. have agreed to abide by similar lock-up commitments for a period of 180 days and 90 days, respectively, from the Listing Date. See "Sale and Distribution."

Upon the expiration of such lock-up commitments or waiver by the Joint Global Coordinators, the Issuer and the Selling Shareholders may sell their respective Offer Shares. If the Issuer or the Selling Shareholders sell a significant number of Offer Shares, or if there is a market perception that any such transactions are likely, this could result in a decline in the market price of the Offer Shares.

In addition, the Shareholders' Agreement, as defined in "Principal and Selling Shareholders", provides for agreements regarding restrictions on the transferability of the our shares pursuant to which, for a period of three years from the Listing Date, Mercury may transfer our Shares to third parties (and therefore to parties other than its subsidiaries or parent companies) only: (i) with the consent of Advent and Bain if the provision allows the Financial Sponsors to achieve a return on the initial investment in Nexi of not less than 2.5X (assuming a sale of 100% of the Issuer's share capital at that price), and (iii) with the consent of all the Financial Sponsors if the aforesaid provision does not allow such threshold to be reached.

If, on the expiration of the third anniversary of the admission to Listing Mercury still holds our Shares, or even before the expiration of the three years if the price of the Shares falls below a threshold which would enable the Financial Sponsors to realize a return of 2.5x (assuming a sale of 100% of the Issuer's share capital at that price), each Financial Sponsor shall have the right, but not the obligation, to request that it be allotted to it, or to one of its wholly-owned subsidiaries, a number of our Shares in proportion to its direct or indirect shareholding in Mercury (or the proceeds of the sale our Shares by Mercury under another equivalent mechanism) and provided that, prior to such allotment, the Financial Sponsor enters into an agreement to ensure that the disposal of the shareholding so allotted is carried out in a manner which ensures the orderly functioning of the market (known as an orderly marketing agreement) assigning, in this context, a right of co-sale to the other Financial Sponsors if the Financial Sponsor holds more than 5% of the Issuer's capital.

It should therefore be noted that these provisions may limit the sale of the Shares by Mercury UK with a consequent potential negative impact on the trend of the price of the Shares themselves.

Following the Offering, Mercury UK will remain a significant shareholder and may control or otherwise influence important actions we take, and its interests may conflict with yours

Prior to the Offering, Mercury UK owns 94.19% of our outstanding share capital. Immediately following completion of the Offering, Mercury UK will own 62.61% of our share capital (or 57.27%, assuming the Over-allotment Option is exercised in full). Consequently, Mercury UK will continue to have significant influence over matters submitted to a shareholder vote, including, for example, approval of our financial statements, the distribution of dividends, and the appointment and revocation of the Board of Directors and the Board of Statutory Auditors. Furthermore, the presence of a controlling shareholder could prevent, delay or otherwise discourage a change of control, denying shareholders (other than the Mercury UK) the opportunity to benefit from the premium generally related to the occurrence of a change of control. This could have a negative impact on the market value of our Shares. For further information on our shareholders, see "Principal and Selling Shareholders."

Mercury UK's €789,110,000 Floating Rate PIK Toggle Notes (the "**PIK Notes**") are secured by pledges on Mercury UK's entire share capital granted by each of its three shareholders. On the Listing Date, the PIK Notes could be repaid with funds provided by certain financial institutions ("**Margin Loan Lenders**") under a margin loan (the "**New Margin Loan**") for an aggregate amount of €840 million, which was entered into on April 10, 2019. As security for the obligations under the New Margin Loan, Mercury UK will grant a pledge on its Shares in the Issuer held on the Listing Date.

If Mercury UK breaches its obligations under either the New Margin Loan or the PIK Notes, the relevant security agent shall be entitled to enforce the pledge on the Shares pledged as collateral, which could have a negative impact on the price of the Shares (as the Shares received in an enforcement action can be sold in the market, including at a price below the Offer Price). This could also lead to a change of control of the Issuer, which in turn may trigger a change of control under our outstanding debt instruments. In addition, in the event that an event of default occurs under the New Margin Loan or the PIK Notes, the relevant security agent may enforce the pledge over Mercury UK's Shares in the Issuer and sell those shares in the market at a discount.

A change of control would occur in the event of an acquisition of a stake in our share capital of (a) more than 50% of our Shares with voting rights, either directly or indirectly, by a single person or a group of related persons acting in concert (who are not permitted holders or equity investors as defined in the relevant instrument) under the IPO Facilities Agreement, the Notes and the Revolving Credit Facility (provided certain other conditions have also been met for some of these financings) or (b) more than 25% of our Shares with voting rights, either directly or indirectly, post-IPO, under the bilateral loan agreements between Nexi Payments and Intesa Sanpaolo and Crédit Agricole in order to support working capital. Under the bilateral loan agreement between Mercury Payment Services and Intesa Sanpaolo for an aggregate amount of €365 million, a change of control would occur in the event that the Financial Sponsors cease to hold, indirectly, more than 50% of the share capital of Mercury Payment Services or in the event that the majority of Mercury Payment Services' directors cease to be appointed by the Financial Sponsors.

We cannot guarantee that we will pay dividends in the future.

On May 4, 2018, we distributed a dividend from the profits for the year ended December 31, 2017, equal to €56,000,000.00 (€0.0011 per share). On December 20, 2018, following our ordinary shareholders' meeting on December 19, 2018, we distributed an extraordinary dividend to our shareholders from available reserves totaling €2,202,750,000 (€0.4005 per share), in furtherance of the Reorganization and to refinance intercompany debt. No dividends were distributed during the years ended December 31, 2016 and 2017.

On February 13, 2019, the Board of Directors resolved to adopt a dividend policy that provides for a progressive increase in the percentage of available profit to be distributed, with a medium- to long-term target of between 20 and 30% of distributable profit subject to compliance with any limitations under applicable law or in contracts to which we are a party, as well as our financial and investment needs and any limitations provided for by applicable legislation. We do not expect to distribute a dividend for the financial year ending December 31, 2019.

We cannot guarantee that we will generate distributable profits in the future, or if we do, that we will resolve to distribute dividends to our shareholders. Our ability to accumulate distributable profits and reserves and to pay dividends depends on a series of factors that are unforeseeable as of the date of this offering circular, and are in part outside of our control, including growth of our market, and the political and macro-economic environments, and compliance with the terms and conditions set out in our debt instruments.

The price of our Shares may be higher than the open market price due to stabilization activities.

In connection with the Offering, the Stabilization Manager may engage in activities to stabilize, maintain or otherwise affect the price of our Offer Shares, including stabilizing transactions, short sales and purchases to cover positions created by short sales for not longer than 30 days after the Listing Date. As a result, the price of our Shares may be higher than the price that they would otherwise have in the open market. If these activities are commenced, they may be discontinued by the Stabilization Manager at any time without notice. If such activities are discontinued, it could have a material adverse effect on the price of the Offer Shares.

The future interests of the directors, statutory auditors and senior management may conflict with yours

As of the date of this offering circular, each of Paolo Bertoluzzo (member of the Board of Directors, Chief Executive Officer and General Manager), Bernardo Mingrone (Senior Manager), Enrico Trovati (Senior Manager), Renato Martini (Senior Manager), and Andrea Mencarini (Senior Manager) holds warrants to purchase our shares (the "**Warrants**").

Following the Offering, Mercury UK will continue to be our majority shareholder. Mercury UK will have sufficient votes to approve resolutions of our ordinary shareholders' meetings, such as the distribution of dividends and the ability to appoint the majority of the members of the Board of Directors and Board of Statutory Auditors. In addition, Mercury UK may decide to vote its controlling shares in ways that conflict with the interests of the minority shareholders. Mercury UK will be able to block the approval of resolutions of our extraordinary shareholders' meetings, such as changes to the share capital or the bylaws.

Maurizio Mussi, Robin Marshall and Luca Bassi are employees of Bain Capital; Francesco Casiraghi and Jeffrey David Paduch are employees of Advent; Simone Cucchetti and Federico Ghizzoni are an employee and vice president of Clessidra SGR S.p.A., respectively. Simone Cucchetti holds shares in the Clessidra Capital Partners 3 fund, which indirectly holds a stake in our share capital; Maurizio Mussi, Robin Marshall and Luca Bassi hold a stake in a fund managed by Bain Capital, which indirectly holds a stake in our share capital; and Francesco Casiraghi and Jeffrey David Paduch hold interests in one or more Advent funds, which indirectly hold a stake in our share capital.

Paolo Bertoluzzo, member of the Board of Directors, Chief Executive Officer and General Manager, Bernardo Mingrone, Senior Manager, Enrico Trovati, Senior Manager, Renato Martini, Senior Manager and Andrea Mencarini, Senior Manager have made the commitments to buy, at the Offer Price, from Mercury UK, which has undertaken to sell, within 10 days from the Listing Date, a number of Shares to be calculated on the basis of the Offer Price as set forth in the relevant agreements.

Lastly, a company owned by Giuseppe Capponcelli, a member of our Board of Directors, who, at the time of the acquisition of ICBPI by the Financial Sponsor, acted as Chief Executive Officer of such company, entered into two separate agreements with Mercury ABC Capital Limited on October 2, 2017, as amended on January 21, 2019. The first agreement is a strategic and commercial consulting agreement aimed at the pursuit of new business opportunities in the financial services sector for the benefit of the Issuer and its subsidiaries. This agreement will expire on August 31, 2022 and provides for a fixed fee on an annual basis. The second agreement relates to consultancy activities relating to the valuation of the investment made by the Financial Sponsors in the Issuer. This second agreement provides only for a variable remuneration linked to the return on the investment in the Issuer made by the Financial Sponsors in the context of a sale or listing of the Issuer.

Certain relationships between the Underwriters and the Issuer and Selling Shareholders may present conflicts of interest

Merrill Lynch International, Banca IMI S.p.A., Credit Suisse Securities (Europe) Limited, Goldman Sachs International and Mediobanca—Banca di Credito Finanziario S.p.A. are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Offering.

Banca Akros S.p.A., Barclays, Citigroup Global Markets Limited, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Europe SE and UniCredit Bank AG, Milan Branch are acting as Joint Bookrunners in connection with the Offering.

Banca IMI S.p.A. and Banca Akros S.p.A. are also acting as Sponsors in connection with the Offering.

BPER Banca S.p.A. is acting as Lead Manager in connection with the Offering.

Our relationships with the Joint Bookrunners, with the Lead Manager and with the Sponsors may present a conflict of interest because they will, subject to certain conditions, enter into an underwriting agreement under which they will undertake to place the Shares sold by the Selling Shareholders in the Offering and will receive commissions related to the roles played in the Offering.

In addition, the Joint Bookrunners, the Lead Manager and the Sponsors (or their parent companies and/or affiliates) (i) provide, may have provided or may provide in the future in the ordinary course of their business, in respect of which they have or may receive customary fees and commissions, (a) lending services (such as, e.g., granting of bilateral lines or revolving credit facilities), as well as advisory, investment banking and corporate finance services to us, our Group companies, the Selling Shareholders and/or their respective groups, also in relation to the Offering and (b) investment, trading and ancillary investment services also otherwise than in connection with the Offering, on their own account or on behalf of their clients, which may concern the Offer Shares or other financial instruments issued by the Company and/or may be related thereto; (ii) may have entered or may enter in the future, in the ordinary course of their business, into commercial relationships with us, our Group companies, the Selling Shareholders and/or their respective groups in respect of which they have or may receive customary fees and commissions; (iii) may enter into financing arrangements with investors, in connection with which they may from time to time acquire, hold or dispose of the Offer Shares; and (iv) may acquire, hold or dispose, also for trading purposes, financial instruments which we have issued or which will issue in future (such as, for example, those mentioned below). None of the Joint Bookrunners nor the Lead Manager intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so.

In addition, our relationship with Merrill Lynch International, Banca IMI S.p.A., Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A. and with Banca Akros S.p.A., Citigroup Global Markets Limited, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Europe SE and UniCredit Bank AG, Milan Branch may present a conflict of interest because (i) with the exception of UniCredit Bank AG, Milan Branch and HSBC France, they have acted together with UniCredit Bank AG and HSBC Bank plc (which belong to the banking groups, respectively, of UniCredit Bank AG, Milan Branch and HSBC France) as initial purchasers in relation to the issuance of the Listed Senior Secured Notes; (ii) Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to, holds a stake of 1.631% in our share capital, is one of the Selling Shareholders and will be subject to the lock-up commitments in the underwriting agreement; (iii) Goldman Sachs International and UniCredit Bank AG, which belongs to the banking group of UniCredit Bank AG, Milan Branch, have acted as initial purchasers in relation to the issuance of the Mercury Notes; (iv) UniCredit Factoring S.p.A., which belongs to the UniCredit banking group, acts as factor with respect to the Factoring Agreement entered into with Nexi Payments on June 26, 2018, which governs the transfer by Nexi Payments to UniCredit Factoring S.p.A., on an ongoing basis, of certain present and future accounts receivable for a maximum amount equal to €3.2 billion and pursuant the terms and conditions specified in the Factoring Agreement (for further information see "*Business—Material Contracts—Factoring Agreement*"); (v) Bank of America Merrill Lynch International Designated Activity Company, which is an affiliate of Merrill Lynch International, Intesa Sanpaolo S.p.A., which is the holding company of the banking group Banca IMI S.p.A. belongs to, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A., Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to, Citigroup Global Markets Limited, together with its subsidiary Citibank N.A., Milan Branch, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Limited, which belongs to the same banking group as UBS Europe SE, and UniCredit Bank AG, Milan Branch, together with the holding company UniCredit S.p.A., have acted as facility agent and arrangers and/or original lenders respectively in relation to the Revolving Credit Facility Agreement, which provides for a revolving credit facility in our favor for a maximum amount equal to € 325 million (in particular, UniCredit Bank AG, Milan Branch has acted as Facility Agent only); (vi) UBI Banca S.p.A. holds a stake of 0.653% in our share capital; and (vii) Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., which is the holding company of the banking group MPS Capital Services Banca per le Imprese S.p.A. belongs to, and UBI Banca S.p.A. are three of our bank partners and have granted us and our Group some of the bilateral lines to cover our issuing business' needs.

In addition, Intesa Sanpaolo S.p.A., the holding company of the banking group Banca IMI S.p.A. belongs to, has entered into several commercial agreements with us and our Group, and as of the date of this offering circular, it represents our main customer in terms of paid commissions, and Banca IMI S.p.A. holds interests in the Clessidra Capital Partners 3 fund which indirectly holds a stake in our share capital.

In addition, our relationship with Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to and which is acting as IPO Credit Facilities coordinator, Bank of America Merrill Lynch International Designated Activity Company, which is an affiliate of Merrill Lynch International, Banca IMI S.p.A., Credit Suisse AG, Milan Branch, which belongs to the banking group of Credit Suisse Securities (Europe) Limited and its affiliates, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A., Barclays, Citibank N.A., Milan Branch, which belongs to the banking group of Citigroup Global Markets Limited, HSBC France, UBI Banca S.p.A., UBS Europe SE, UniCredit S.p.A., which is the holding company of the banking group UniCredit Bank AG, Milan Branch, belongs to, and BPER Banca S.p.A. may present a conflict of interest because they have acted as agent, global coordinators and bookrunners in connection with the granting in our favor of (i) a term credit facility for an amount equal to €1.165 billion and (ii) a revolving credit facility for a maximum amount equal to €350 million, pursuant the terms and conditions of the IPO Credit Facilities Agreement (in particular, Banca IMI S.p.A. has acted as global coordinator and facility agent).

In addition, our relationship with those Underwriters acting, directly or indirectly through subsidiaries and/or companies belonging to the same banking group as margin loan lenders in connection with the New Margin Loan (which was entered into on April 10, 2019) may present a conflict of interests because: (i) should the market price of the shares decrease, they might carry out hedging transactions in order to cover financial risk relating to the pledged shares or, otherwise, (ii) they might become our shareholders following the enforcement of the pledge pursuant to the terms and conditions of the New Margin Loan. The Margin Loan Lenders will adopt appropriate measures to mitigate risks in order to properly address these potential conflicts of interests.

As a result, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of potential investors, or with our (and our Group's) interests and those of the Selling Shareholders.

For further information, see "Business—Material Contracts." For further information on services performed by the Underwriters or their affiliates for the Group, see "Sale and Distribution—Other relationships."

The future issuance of Shares in connection with our Long Term Investment Plan will dilute shareholders' holdings

On March 12, 2019, our ordinary shareholders' meeting approved the implementation of a long-term incentive plan in furtherance of the remuneration policy adopted by our board of directors on February 13, 2019. To service that plan, the board of directors has the authority to increase our share capital within 60 months from the date of the shareholders' resolution by up to €1,000,000, all of which must be allocated to capital, with the issuance of a total number of shares up to 1.5% of the number of Shares of the Company existing at Listing. Any issuance of Shares to service the plan will result in a dilution of shareholders' holdings at the time of issuance.

We are incorporated in Italy, and, as a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the United States against us or our officers and directors

We are incorporated under the laws of Italy, and the majority of our assets and the majority of our directors and officers are located outside of the United States. As a result, it may not be possible for the holders of the Offer Shares to effect service of process upon our directors or officers within the United States or to enforce against us or our directors or officers in the United States court judgments based on the civil liability provisions of the securities laws of the United States.

Investors from countries that do not use the euro as their currency may be adversely affected by exchange rate fluctuations

The Offer Shares will be denominated in euros, and any future payment of dividends on the Offer Shares will be made only in euros. The euro has fluctuated recently with respect to principal world currencies, including the US Dollar. The amount you will receive in US Dollars or any other currency as a result of payment of dividends or the sale of your Offer Shares can be adversely affected by variations in the rate of exchange.

US shareholders may not be able to exercise pre-emptive rights and as a result may experience substantial dilution upon future issuances of shares

US shareholders may not be able to exercise any pre-emptive or preferential rights in respect of the shares held by them unless the shares that are offered and sold are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We currently have no intention of filing any registration statement, and we cannot assure you that any exemption from such US securities law requirements would be available to enable US shareholders to exercise their pre-emptive rights or, if available, that we would utilize any such exemption. As a consequence, US holders of shares may face substantial dilution of their holdings in the Issuer should the Issuer sell shares or other securities in the future to persons other than its existing US shareholders.

The Offer Shares will not be freely transferable in the United States.

Any Offer Shares offered and sold to investors located in the United States will be "restricted securities" (as defined in Rule 144 under the Securities Act) and such Offer Shares may not be reoffered, resold, pledged or otherwise transferred, except (i) to a person reasonably believed to be a QIB, (ii) in an offshore transaction outside the United States in accordance with Rule 903 or Rule 904 under Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of the Offer Shares.

Non-Italian tax resident investors may be subject to taxation in Italy in relation to dividends and capital gains.

Pursuant to Italian tax law, dividends received and/or capital gains realized by non-Italian tax residents may be subject, under certain circumstances, to a 26% withholding tax or, in any case, to taxation in Italy, which may be reduced or eliminated according to domestic tax law of Italy or to the provisions set forth by double taxation treaties entered into by Italy (see "Tax Considerations—Italian taxation"). Any taxation in Italy in relation to such proceeds may trigger double taxation cases on non-Italian tax residents. In particular, double taxation cases may arise if the country of residence, pursuant to its domestic law, would not allow the deduction (or would allow only a partial deduction) of tax paid in Italy from the income tax due in that country of residence.

Therefore, prospective investors should take into consideration such circumstance for the purposes of their investment decision and should consult their own tax advisors on the applicable tax regime.

USE OF PROCEEDS

We estimate that proceeds from the Offering from the Primary Tranche, net of our share of underwriting commissions and fees, will be approximately €684.1 million. We estimate that Offering-related expenses, which will be borne by us, will be approximately €19 million, including any discretionary expenses. We will not receive proceeds from the sale by the Selling Shareholders of any Offer Shares in the Offering, including any Offer Shares sold pursuant to the exercise of the Over-allotment Option, and all such proceeds shall be received by the Selling Shareholders.

We expect to use the net proceeds of the Offering, together with funding provided under the IPO Facilities, to reduce our indebtedness and repay (i) the Senior Secured Floating Rate Notes and (ii) the Unlisted Senior Secured Notes, each of which is described under "Business—Material Contracts—Debt Instruments—The Notes."

EXCHANGE RATES

The following table shows, for the periods indicated, the high, low, average and period-end daily reference exchange rates published by the European Central Bank ("**ECB**") expressed in USD per €. The rates set forth below are provided solely for illustrative purposes and were not used by the Issuer in the preparation of the Carve-out Financial Statements. On April 11, 2019, the ECB daily reference exchange rate for the € against USD was €1.00 = USD 1.13.

	USD per €1.00			
	High	**Low**	**Average**(1)	**Period End**
Year ended December 31,				
2016	1.1569	1.0364	1.1042	1.0541
2017	1.2060	1.0385	1.1370	1.1993
2018	1.2493	1.1261	1.1810	1.1450
2019 (through April 11, 2019)	1.1535	1.1200	1.1344	1.1264
Month				
January 2019	1.1535	1.1341	1.1416	1.1488
February 2019	1.1471	1.1260	1.1351	1.1416
March 2019	1.1387	1.1218	1.1302	1.1235
April 2019 (through April 11, 2019)	1.1279	1.1200	1.1244	1.1264

Note:

(1) The average of the exchange rates on the last business day of each month during the relevant annual period and, with respect to monthly information, the average exchange rates on each business day for the relevant period.

Fluctuations in the exchange rate between the € and the US dollar may affect the Group's business. In addition, such fluctuations between the € and the US dollar affect the US dollar equivalent of the € price of the Shares traded on the MTA as well as the US dollar amounts received by US shareholders upon conversion of cash dividends, if any, paid in € with respect to the Shares.

CAPITALIZATION

The following table sets forth our capitalization as of February 28, 2019 (i) on an actual basis and (ii) as adjusted for the issuance and sale of Offer Shares by us and the application of the proceeds therefrom. We will not receive any proceeds from the sale of any Offer Shares by the Selling Shareholders in the Offering including the sale of any Offer Shares sold pursuant to the exercise of the Over-allotment Option.

The table below has been prepared using our Carve-out Financial Statements and should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our Carve-out Financial Statements, the related notes and the other financial information included elsewhere in this offering circular.

	As of February 28, 2019	
	Actual	**As adjusted for the Offering**
	(€ millions)	
Cash and cash equivalents	**165.7**	**151.6**
Indebtedness:		
Listed Notes	2,200.0	825.0
Unlisted Senior Secured Notes	400.0	—
IPO Facilities Agreement	—	1,165.0
Other indebtedness	9.9	9.9
Total debt	**2,609.9**	**1,999.0**
Net investment	**470.9**	**1,136.0**
Total capitalization	**3,080.83**	**3,135.89**

Note:

(1) Other indebtedness includes Bassilichi's facilities.

SELECTED FINANCIAL INFORMATION

The following tables present selected financial data and have been derived from, and should be read in conjunction with, our Carve-out Financial Statements included elsewhere in this offering circular and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Summary of Financial Information and Other Data—Unaudited Non-GAAP Aggregated Financial Information," "Use of Proceeds" and "Capitalization." See also "Presentation of Financial and Other Information." The Carve-out Financial Statements are presented in accordance with IFRS. The information below is not necessarily indicative of the results of future operations.

Selected Historical Statement of Profit or Loss and Other Comprehensive Income (Carve-out Basis)

	Year Ended		
	2018	2017	2016
		(€'000)	
Fee and commission income and fees for services	1,575,874	1,417,007	1,078,743
Fee and commission expense and cost of services	(620,882)	(582,474)	(559,317)
Net fee and commission income	954,992	834,533	519,426
Interest and similar income	56,114	22,078	24,279
Interest and similar expense	(99,089)	(37,654)	(31,724)
Interest margin	(42,975)	(15,576)	(7,445)
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss	(2,293)	(521)	(560)
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income	(5,188)	300	416
Total income	904,536	818,736	511,837
Personnel expense	(178,840)	(183,553)	(103,720)
Other administrative expenses	(458,412)	(427,032)	(276,913)
Total administrative expenses	(637,252)	(610,586)	(380,633)
Other net operating expense/income	4,107	(791)	(946)
Net impairment losses on financial assets at amortized cost	(2,239)	(2,767)	(2,246)
Net risks and charges	(33,188)	75	(6,574)
Depreciation and amortization of tangible and intangible assets	(114,870)	(88,553)	(27,421)
Operating margin	121,094	116,115	94,017
Net gain on equity investments and sales of investments	20,491	2,307	0
Profit from current operations before taxes	141,585	118,422	94,017
Income taxes	(66,730)	(46,503)	(33,553)
Profit/loss from assets held for sale net of taxes	(6,130)	205	2,225
Profit for the year	68,725	72,125	62,690
Profit for the year attributable to the owners of the parent	67,226	73,112	58,852
(Profit) loss for the year attributable to non-controlling interests	(1,499)	987	(3,838)
Basic/diluted earnings per share from continuing operations (in Euros)	0.013	n.a	n.a
Basic/diluted earnings per share (in Euros)	0.012	n.a	n.a
Statement of comprehensive income			
Profit for the year	68,725	72,125	62,690
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans	—	37	115
Financial assets at fair value through other comprehensive income	6,992	27,053	—
Comprehensive income	75,717	99,215	62,805
Attributable to the owners of the parent	74,143	99,861	58,967
Attributable to non-controlling interests	1,575	(646)	3,838

Selected Historical Statement of Financial Position Information (Carve-out Basis)

	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
		(in € thousands)	
Assets			
Cash and cash equivalents	40,688	134,420	8,426
Financial assets at fair value through profit or loss	10	154	136
Financial assets at fair value through other comprehensive income	100,114	83,255	47,596
Financial assets at amortised cost	1,668,452	3,112,352	2,877,838
a) loans and receivables with banks	561,209	332,986	329,506
b) loans and receivables with customers	1,107,243	2,779,365	2,548,332
Equity investments	730	—	—
Property and equipment	156,193	156,907	109,816
Investment property	3,151	6,206	6,495
Intangible assets	2,668,293	2,607,637	1,906,458
of which: goodwill	2,097,379	2,071,665	1,500,565
Tax assets	62,873	54,086	46,075
a) current	29,299	27,972	23,162
b) deferred	33,574	26,114	22,913
Non-current assets held for sale and disposal groups	80,498	66,071	53,884
Other assets	405,705	339,754	263,266
Total assets	5,186,707	6,560,842	5,319,990
Liabilities and net investment			
Financial liabilities at amortised cost	3,716,834	2,606,046	1,957,055
a) due to banks	792,896	2,492,556	1,858,775
b) due to customers	354,249	113,491	98,280
c) securities issued	2,569,689	—	—
Financial liabilities held for trading	3,154	1,051	—
Hedging derivatives	16,557	5,520	—
Tax liabilities	163,194	133,897	146,443
a) current	31,124	3,182	16,926
b) deferred	132,070	130,715	129,517
Liabilities associated with disposal groups	39,069	22,937	11,845
Other liabilities	716,375	720,504	474,384
Post-employment benefits	14,084	17,955	15,786
Provisions for risks and charges	46,552	33,127	17,329
Total liabilities	4,715,819	3,541,039	2,622,842
Net investment	470,888	3,019,803	2,697,148
Total liabilities and net investment	5,186,707	6,560,842	5,319,990

Selected Historical Cash Flow Statement Information

	2018	2017	2016
		(in € thousands)	
Cash flows from operating activities	139,944	696,296	68,838
Cash flows used in investing activities	151,887	793,740	1,082,411
Cash flows from financing activities	81,790	223,438	1,021,976

Selected Historical Segmental Statement of Profit or Loss and Other Comprehensive Income Information (Carve-out Basis)

	2018	2017	2016
		(in € thousands)	
Merchant Services & Solutions	435,693	352,527	207,972
Cards & Digital Payments	360,619	342,149	234,825
Digital banking solutions	113,723	97,351	60,131
Other services	32,436	29,759	7,974
Normalized total income	942,471	821,786	510,902

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the "Presentation of Financial and Other Information", "Summary of Financial Information and Other Data", "Selected Financial Information and Non-GAAP Measures" sections of this offering circular, our Carve-out Financial Statements included elsewhere in this offering circular. The statements in this discussion regarding our expectations of our future performance are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" section of this offering circular. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Factors Affecting Our Results of Operations

Briefly described below are the main factors that influenced our economic performance during 2016, 2017 and 2018:

Market for digital payments and payment cards

The total incomes of our Merchant Services & Solutions and Cards & Digital Payments business lines depend on the volume and value of the payment transactions we manage, both as acquirer and as issuer. These volumes depend in turn on the trend of total consumer spending and nominal GDP, the penetration level of digital payment instruments, as well as the percentage of payments managed by us (*i.e.,* our market share). Furthermore, the total income of these two business lines depends on the business model applied: licensing, servicing, direct or referral activities. (See "Business—Our Services")

The digital payments market in Italy grew at a CAGR of 7.2% between 2009 and 2018, higher than the growth rate recorded in both total consumer spending and GDP nominal growth. The value of card payment transactions in Italy between 2015 and 2018 recorded a growth of 9.7% per year, which led to an increase in the penetration of card payments (in terms of value) from 21% in 2015 to 26% in 2018. For further details, see "Business—Our Strengths—Large and attractive market underpinned by significant secular growth drivers".

With respect to the Merchant Services & Solutions business line, at the end of 2018, the aggregate value of the transactions managed through our acceptance network amounted to €249 billion, with the total number of transactions amounting to 3.2 billion. Among licensing, servicing, direct acquiring and referral activities, we provide our services to approximately 890,000 merchants, managing 1.4 million POS terminals. See "Business—Our Strengths—Established market leader at scale with broad payments system coverage".

With respect to the Cards & Digital Payments business line, at the end of 2018, the aggregate value of transactions managed through cards amounted to €197 billion, with the total number of transactions amounting to 2.4 billion (see "Business—Our Strengths—Established market leader at scale with broad payments system coverage"). As of December 31, 2018, we managed over 41 million credit and debit cards through this line of business.

Through the Digital Banking Solutions business line, we provide three types of service: the installation and management of ATMs on behalf of partner banks; the management of current accounts and payments (Clearing Services); and digital banking services to clients of partner banks (Digital Corporate Banking Services). The total income of this business line is influenced by the number of ATMs managed, the number of clearing transactions managed and the number of positions for digital payment services.

At December 31, 2018, we managed approximately 13,400 ATMs on behalf of 15 partner banks. With regards to Clearing Services in 2018, we executed 936 million compensations on behalf of approximately 130 client banks. With regards to Digital Corporate Banking Services in 2018, we provided approximately 420 thousand licenses for our platform.

For further details on the performance of the main markets in which we operated during 2018, 2017 and 2016, see "Business—Our Strengths—Established market leader at scale with broad payments system coverage".

Seasonality of our business

The financial information analyzed in the rest of this section refers to financial years of 12 months and is not influenced by seasonal factors. With respect to interim periods, the Issuing and Acquiring businesses are characterized by seasonal phenomena, which concentrate the largest volumes in the second half of the year. This concentration is attributable to the presence of summer holidays in the third quarter and Christmas holidays in the fourth quarter; in both circumstances, there is a sharp boost in consumption, with a consequent positive impact in terms of card holder spending and trading volumes in the affiliated network. The significant tourist influx of foreigners in the summer generally leads to a further increase in trading volumes. Statistically, holder spending accounts for about 47% in the first half of the year and 53% in the second half of the year, while trading shows slightly higher distribution in the second half of the year (54% vs. 46% in the first half). This distribution of volumes is reflected in our operating and financial margins, which are consequently higher in the second half of the year. With respect to Operating EBITDA, seasonality is slightly higher in consideration of the incidence of fixed structural costs; therefore, the first half of the year, characterized by lower volumes, shows a lower Operating EBITDA margin than the second half of the year.

Recent Developments

We recently carried out two disposals. In January 2019, we entered into an agreement to dispose of our entire stake in Oasi S.p.A. to Cedacri S.p.A., for which closed on February 25, 2019. On February 19, 2019, we entered into an agreement to sell our entire shareholding in Pay Care S.r.l. to Comdata S.p.A. for a consideration of €210,000 subject to purchase price adjustments.

Description of Key Line Items and Certain Key Performance Indicators

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

Net Operating Revenue

Net fee and commission income and expense are recognized on an accruals basis. Specifically, trading commissions on securities are recognized when the service is rendered. Fees and commissions included in amortized cost to calculate the effective interest rate are excluded from fee and commission income as they are recognized under interest. Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, financial assets at fair value through other comprehensive income, loans and receivables, liabilities. Interest income and expense are recognized in profit or loss on all instruments measured at amortized cost, using the effective interest method. In addition to the above, net operating revenue also includes net trading/hedging/financial assets at fair value through profit and loss and gain on disposal of investment, and net revenues from equity investments.

Payroll and Related Costs

Payroll and related costs primarily include expenditures for wages and salaries, social security charges, post-employment benefits and other employee benefits.

Other Administrative Expenses

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

Impairment Losses and Net Accruals for Risks and Charges

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

Depreciation and Amortization

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

Income Taxes

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

Alternative Performance Indicators

For an explanation and definitions of the alternative, non-GAAP performance measures referred to in the following description, see “Selected Financial Information”.

Results of Operations for the years ended December 31, 2018, 2017 and 2016

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Fee and commission income and fees for services	1,575,874	n.a.	1,417,007	n.a.	1,078,743	n.a.	158,867	11.2%	338,264	31.4%
Fee and commission expense and cost of services	(620,882)	(68.6%)	(582,474)	(71.1%)	(559,317)	n.a.	(38,408)	6.6%	(23,157)	4.1%
Net fee and commission income	954,992	n.a.	834,533	n.a.	519,426	n.a.	120,459	14.4%	315,107	60.7%
Interest and similar income	56,114	6.2%	22,078	2.7%	24,279	4.7%	34,036	n.a.	(2,201)	(9.1%)
Interest and similar expenses	(99,089)	(11.0%)	(37,654)	(4.6%)	(31,724)	(6.2%)	(61,435)	n.a.	(5,930)	18.7%
Interest margin	(42,975)	(4.8%)	(15,576)	(1.9%)	(7,445)	(1.5%)	(27,399)	n.a.	(8,131)	n.a.
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss	(2,293)	(0.3%)	(521)	(0.1%)	(560)	(0.1%)	(1,772)	n.a.	39	(7.0%)
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income	(5,188)	(0.6%)	300	0.0%	416	0.1%	(5,488)	n.a.	(116)	(27.9%)
Total income	904,536	100.0%	818,736	100.0%	511,837	100.0%	85,799	10.5%	306,899	60.0%
Personnel expenses	(178,840)	(19.8%)	(183,553)	(22.4%)	(103,720)	(20.3%)	4,713	(2.6%)	(79,833)	77.0%
Other administrative expenses	(458,412)	(50.7%)	(427,032)	(52.2%)	(276,913)	(54.1%)	(31,380)	7.3%	(150,119)	54.2%
Total administrative expenses	(637,252)	(70.5%)	(610,585)	(74.6%)	(380,633)	(74.4%)	(26,667)	4.4%	(229,952)	60.4%
Other operating net expenses/income	4,107	0.5%	(791)	(0.1%)	(946)	(0.2%)	4,898	n.a.	155	(16.4%)
Net impairment losses on financial assets at amortized cost	(2,239)	(0.2%)	(2,767)	(0.3%)	(2,246)	(0.4%)	528	(19.1%)	(521)	23.2%
Net provisions for risks and charges	(33,188)	(3.7%)	75	0.0%	(6,574)	(1.3%)	(33,263)	n.a.	6,649	n.a.
Depreciation and amortization of tangible and intangible assets	(114,870)	(12.7%)	(88,553)	(10.8%)	(27,421)	(5.4%)	(26,316)	29.7%	(61,132)	n.a.
Operating margin	121,094	13.4%	116,115	14.2%	94,017	18.4%	4,979	4.3%	22,098	23.5%
Net gain on equity investments and sales of investments	20,491	2.3%	2,307	0.3%	—	0.0%	18,184	n.a.	2,307	n.a.
Profit from current operations before taxes	141,585	15.7%	118,422	14.5%	94,017	18.4%	23,163	19.6%	24,405	26.0%
Income taxes	(66,730)	(7.4%)	(46,503)	(5.7%)	(33,553)	(6.6%)	(20,227)	43.5%	(12,950)	38.6%
Profit/loss from assets held for sale net of taxes	(6,130)	(0.7%)	205	0.0%	2,225	0.4%	(6,335)	n.a.	(2,020)	(90.7%)
Profit for the year	68,725	7.6%	72,125	8.8%	62,690	12.2%	(3,400)	(4.7%)	9,435	15.1%

The most significant changes in the years under review with respect to our main income statement items are briefly analyzed below. The discussion below includes discussion of certain Normalized Data, which have been adjusted to exclude certain revenues and charges of a non-recurring nature. The Normalized Data are adjusted to exclude, in particular, the item "Impairment/net writeback of tangible and intangible assets" and the effects of depreciation of the Customer Contracts (i.e., intangible assets arising from the allocation of the purchase price of Acquisitions).

We have included the Normalized Data in this offering circular because there are severe limitations to the comparability of our historical financial information for the 2016, 2017 and 2018 financial periods, since it includes items of revenue and expenses related to business transactions of a non-recurring nature. These non-recurring transactions include, among others, the Acquisitions, the issuance of the Notes, the Restructuring, the Reorganization and our rebranding as Nexi.

Adjustment for the effects of depreciation of Customer Contracts (i.e., depreciation of intangible assets arising from the allocation of the purchase price of Acquisitions) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

In addition, the format of our income statement includes financial charges and income related to both business operations (operating funding for working capital) and company financing sources (for development and inorganic growth) in the interest margin, included in the total income. Since our borrowing increased significantly in 2018, through the issue of the Notes, the amount of financial charges related to the latter, net of financial income from the related intercompany loans was reclassified outside operating margins in order to facilitate the comparability of the aforementioned margins and exclude the cost of indebtedness from the observation of the operating performance of our business.

Taking into account what has been described above, for a better and easier understanding of how our financial information is presented below, note the following:

- Starting from the Carve-out income statement for the years ended December 31, 2018, 2017 and 2016 reported on the previous page, comments are present at the level of single income statement line items, such as net income and personnel expenses or margins, such as operating margin and Operating EBITDA;
- For each income statement line time, we present different levels of information:
  a) First level: historical financial information referred to the Carve-out Financial Statements, and consequently based on IFRS that represent the starting point.
  b) Second level: presentation of the normalization effect on the Carve-out Financial Statement information presented in the first level to exclude the effect of non-recurring items. This presentation is also supported by specific reconciliation tables.
  c) Third level: Items that have been normalized (up to Normalized EBITDA) are then presented on a like-for-like basis in order to provide results over the three-year period 2018, 2017 and 2016 on the basis of our Group structure as of December 31, 2018 ("**2018 Perimeter**"). This presentation has been prepared by adding to the normalized historical results the historical data of the entities/ business acquired during the three years under review, as if these had been included in the Group's perimeter since 2016. That presentation is also supported by specific reconciliation tables.

Total income

Overview and non-recurring components

2018 vs. 2017

Our total income increased by €85,799 thousand (+10.5%), from €818,736 thousand for the year ended December 31, 2017 to €904,535 thousand for the year ended December 31, 2018, mainly due to an increase of €120,459 thousand in the net fee and commission income, partially offset by a decrease of €27,398 thousand in the interest margin.

For years ended December 31, 2018 and 2017, our total income included non-recurring negative components for €5,902 thousand and €3,049 thousand, respectively. In 2018, these expenses related mainly to commercial discounts on payment services recognized by Bassilichi Core in respect of MPS Acquiring under the Framework Service Agreements that will be in force until June 30, 2019 and due to the activation costs of factoring contracts. In 2017, non-recurring expenses related entirely to the aforementioned commercial discounts to MPS Acquiring. In 2018, the item also included net financial charges associated with the Notes amounting to €32,034 thousand (determined as the amount of financial charges accrued on the Notes amounting to €68,065 thousand, net of financial income deriving from the Intercompany Loan amounting to €36,031 thousand). Net of these non-recurring components and financial charges, our total income would have increased by €120,685 thousand (+14.7%) from €821,786 thousand in 2017 to €942,471 thousand in 2018.

2017 vs. 2016

Our total income increased by €306,899 thousand (+60.0%), from €511,837 thousand for the year ended December 31, 2016 to €818,736 thousand for the year ended December 31, 2017, mainly due to an increase of €315,107 thousand in the net fee and commission income, partially offset by a decrease of €8,131 thousand in the interest margin.

For the years ended December 31, 2017 and 2016 respectively, our total income included non-recurring negative components for €3,049 thousand related to commercial discounts on payment services recognized by Bassilichi in respect of MPS Acquiring as described above and non-recurring positive components amounting to €935 thousand relating to interest income received for the settlement of a dispute. Net of these non-recurring components, our total income would have increased by €310,884 thousand (+60.8%) from €510,902 thousand in 2016 to €821,786 thousand in 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Merchant Services & Solutions	435,693	48.2%	352,527	43.1%	207,972	40.6%	83,166	23.6%	144,555	69.5%
Cards & Digital Payment	360,619	39.9%	342,149	41.8%	234,825	45.9%	18,470	5.4%	107,324	45.7%
Digital Banking Solutions	113,723	12.6%	97,351	11.9%	60,131	11.7%	16,372	16.8%	37,220	61.9%
Other services	32,436	3.6%	29,759	3.6%	7,974	1.6%	2,678	9.0%	21,784	n.a.
Normalized total income	942,471	104.2%	821,785	100.4%	510,902	99.8%	120,686	14.7%	310,883	60.8%

Due to changes in our scope of consolidation, there are strong limits to the comparability of the values referred to in the previous tables. In particular, the acquisitions we made and the dates on which the acquired companies and/or business units entered our scope of consolidation are highlighted below:

- Carige Acquiring—October 1, 2018
- Sparkling—April 10, 2018
- MPS Acquiring—July 1, 2017
- Bassilichi—July 3, 2017
- Mercury Payment Services—December 15, 2016

(Hereinafter, jointly, these are referred to as the "**Acquisitions**".)

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

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

	Year ended December 31, 2018				
	Nexi Carve-out	Bassilichi "Core"(1)	Sparkling(2)	Carige Acquiring(3)	Total 2018 Perimeter(4)
			(In € thousands)		
Merchant Services & Solutions	435,693	(1,419)	702	1,857	436,833
Cards & Digital Payment	360,619	—	—	—	360,619
Digital Banking Solutions	113,723	(2,198)	—	—	111,525
Other services	32,436	(21,242)	—	—	11,194
Normalized total income	942,471	(24,859)	702	1,857	920,171

Notes:

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

(3) The data refers to the first quarter of 2018 and is derived from extractions from the accounting system of Sparkling 18 Srl, and was not subject to any audit activity.

(4) The data refers to the first nine months of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by management on the basis of accounting data and was not subject to any audit activity.

(5) The data is the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out at the beginning of the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question has not been subjected to any accounting audit exercise and/or activity.

	Year ended December 31, 2017						
	Nexi Carve-out	Bassilichi "Core"(1)	MPS Acquiring(2)	Sparkling(3)	Carige Acquiring(4)	Infra-group transactions(5)	Total 2018 Perimeter(6)
				(In € thousands)			
Merchant Services & Solutions	352,527	23,396	39,054	1,365	3,062	(19,148)	400,256
Cards & Digital Payment	342,149	—	—	—	—	—	342,149
Digital Banking Solutions	97,351	11,269	—	—	—	—	108,620
Other services	29,759	(14,579)	—	—	—	—	15,179
Normalized total income	821,785	20,086	39,054	1,365	3,062	(19,148)	866,204

Notes:

(6) The data refers exclusively to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation and is derived from the financial statements for the year ended December 31, 2017 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., subject to audit, to which the costs and revenues relating to the period from July 1, 2017 to December 31, 2017 have been subtracted as already included in the Carve-out Financial Statements following the acquisition on July 3, 2017. Furthermore, the data relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Bassilichi S.p.A., was not subject to any audit activity and was eliminated.

(7) The data refers exclusively to the first half of 2017 or the period prior to the inclusion of the business unit Merchant Acquiring Business in our scope of consolidation, which took place on July 1, 2017, is derived from the accounting system of Banca Monte Paschi S.p.A. and was not subject to any audit activity.

(8) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, and was not subject to any audit activity.

(9) The data refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.

(10) The data is derived from accounting entries of Nexi Payments S.p.A. (formerly CartaSì S.p.A.), Bassilichi S.p.A., Consorzio Triveneto S.p.A.

(11) The data represented in the column in question is the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out at the beginning the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

	Year ended December 31, 2016							
	Nexi Carve-out	Mercury Payment Services(1)	Bassilichi "Core"(2)	MPS Acquiring(3)	Sparkling(4)	Carige Acquiring(5)	Infra-group transactions(6)	Total 2018 Perimeter(7)
	(In € thousands)							
Merchant Services & Solutions . . .	207,972	60,200	40,079	86,504	430	4,122	(38,296)	361,011
Cards & Digital Payment . . .	234,825	80,078	—	—	—	—	—	314,903
Digital Banking Solutions . . .	60,131	—	41,083	—	—	—	—	101,214
Other services	7,974	(200)	6,355	—	—	—	—	14,129
Normalized total income	510,902	140,078	87,517	86,504	430	4,122	(38,296)	791,257

Notes:

(12) The data refers to the entire year 2016, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment Services S.p.A. (Mercury Payment Services), and was subject to a full audit.

(13) The data is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit. From the data extracted from the aforementioned financial statements, the data was eliminated relating to the business unit called Business Services (sold in June 2018) determined on the basis of extractions from the accounting system of Bassilichi S.p.A., which was not subject to any audit activity.

(14) The data is derived from the accounting situation for the period January 1, – December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte dei Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017, and was subject to audit.

(15) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, and was not subject to any audit activity.

(16) The data refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.

(17) The data is derived from accounting records of Nexi Payments S.p.A. (formerly CartaSì S.p.A.), Bassilichi S.p.A., Consorzio Triveneto S.p.A.

(18) The data represented in the column in question are the result of the sum of the previous columns and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Merchant Services & Solutions	436,833	47.5%	400,256	46.2%	361,011	45.6%	36,577	9.1%	39,245	10.9%
Cards & Digital Payment	360,619	39.2%	342,149	39.5%	314,903	39.8%	18,470	5.4%	27,246	8.7%
Digital Banking Solutions	111,525	12.1%	108,620	12.5%	101,214	12.8%	2,905	2.7%	7,406	7.3%
Other services	11,194	1.2%	15,179	1.8%	14,129	1.8%	(3,985)	(26.3%)	1,050	7.4%
Normalized total income 2018 Perimeter	920,171	100.0%	866,204	100.0%	791,257	100.0%	53,967	6.2%	74,947	9.5%

The data represented is the result of the sum of the previous tables and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us at the beginning of the reference period. The sum was performed for the sole purpose of representing the dynamics that have influenced the business in the reference three-year period. Furthermore, none of the data represented in the table has been subject to any accounting audit exercise and/or activity.

2018 vs. 2017

Our Normalized total income, on the basis of the 2018 Perimeter, increased by €53,967 thousand (+6.2%), from €866,204 thousand for the year ended December 31, 2017 to €920,171 thousand for the year ended December 31, 2018, mainly due to an increase in the results of the business lines Merchant Services & Solutions and Cards & Digital Payments. Briefly described below are the most significant changes in the years under examination with reference to our Normalized total income, on the basis of the 2018 Perimeter, for each business line.

The Normalized total income relating to the Merchant Services & Solutions business line, on the basis of the 2018 Perimeter, increased by €36,557 thousand (+9.1%) from €400,256 thousand for the year ended December 31, 2017 to €436,833 thousand for the year ended December 31, 2018. This increase was mainly due to the increase in the number of merchant transactions and the negotiated value as well as the number of POS terminals managed, which was in line with the growth recorded by the relevant reference market, and the effects of some initiatives aimed at improvements for customers, mainly through the launch of commercial campaigns for the sale of additional services with high added value, the launch of new services for merchants and banks as well as the review of the economic conditions applied to merchant and partner banks. The new services included the Protection Plus program to support merchants for certification with respect to safety standards and the launch of the Smart POS, i.e. the advanced payment terminal on Android technology (See "Business—Key Trends in Digital Payments Market—Technological innovation". In 2018, the implicit "take-rate" for the Merchant Services & Solutions business line, calculated as the ratio between the Normalized total income relating to the Merchant Services & Solutions business line and the aggregate value of transactions managed through the acquiring network, amounted to 18 basis points.

The Normalized total income relating to the Cards & Digital Payments business line, on the basis of the 2018 Perimeter, increased by €18,470 thousand (+5.4%) from €342,149 thousand for the year ended December 31, 2017 to €360,619 thousand for the year ended December 31, 2018. This increase was mainly due to the increase in the number of transactions by card and the relative amounts spent in line with the growth recorded by the reference market. The increase also reflects the effects of our business expansion of the range of products that we offered through the introduction of advanced products such as international debit cards and mobile payment solutions, as well as the effects of some initiatives to restruction our financial obligations. In 2018, activities aimed at improvements, realized through promotional campaigns and loyalty programs (customer engagement through websites and mobile phone applications), helped increase both the volume of expenditure and the loyalty of cardholders. In 2018, the implicit "take-rate" for the Cards & Digital Payments business line, calculated as the ratio between Normalized total income relating to the Cards & Digital Payments business line and the value of transactions executed through payment cards, amounted to 18 basis points.

The Normalized total income relating to the Digital Banking Solutions business line, on the basis of the 2018 Perimeter, increased by €2,905 thousand (+2.7%) from €108,620 thousand for the year ended December 31, 2017 to €111,525 thousand for the year ended December 31, 2018. This increase was mainly attributable to the effects of the activation, starting from July 2018, of contracts with DepoBank relating to the supply of ICT services and the distribution of DepoBank services to customers, including in particular the Check Image Truncation service (see "Business—Our New Products and Services—Digital Banking Solution business line"). The increase was partially offset by the decrease in results generated by sales of ATM terminals, as well as the results generated by e-banking activities, mainly attributable to the decrease in volumes associated with the loss of two main customers following recent reorganizations in the Italian banking sector.

The Normalized total income relating to other services, which mainly include revenues for call center and help-desk services, decreased by €3,985 thousand (-26.3%) from €15,179 thousand for the year ended December 31, 2017 to €11,194 thousand for the year ended December 31, 2018. This decrease was mainly attributable to the Normalized total income for 2017 including higher revenues for consultancy and other activities provided to Monte dei Paschi di Siena S.p.A. in relation to the optimization of the distribution network.

2017 vs. 2016

Our Normalized total income, on the basis of the 2018 Perimeter, increased by €74,947 thousand (+9.5%), from €791,527 thousand for the year ended December 31, 2016 to €866,204 thousand for the year ended December 31, 2017 mainly due to the increase in the results of the business lines Merchant Services & Solutions and Cards & Digital Payments. Briefly described below are the most significant changes in the years under examination with reference to the Normalized total income, on the basis of the 2018 Perimeter, generated by each business line.

The Normalized total income relating to the Merchant Services & Solutions business line, on the basis of the 2018 Perimeter, increased by €39,245 thousand (+10.9%) from €361,011 thousand for the year ended December 31, 2016 to €400,256 thousand for the year ended December 31, 2017. This increase was mainly due to (i) the increase in the number of merchant transactions, and the value traded, and the number of POS terminals managed in line with the growth recorded by the relevant reference market, (ii) the effects of some initiatives to update the economic conditions in the commercial agreements with partner banks, that we undertook in 2017; as well as (iii) the first effects of the initiatives aimed at improvements for customers, in particular one deriving from the acquisitions of DB and MPS Acquiring as described above.

The Normalized total income relating to the Cards & Digital Payments business line, on the basis of the 2018 Perimeter, increased by €27,246 thousand (+8.7%) from €314,903 thousand for the year ended December 31, 2016 to €342,149 thousand for the year ended December 31, 2017. This increase was mainly due to the growth recorded in the number of transactions by cards, and the relative values spent, in line with the growth recorded by the related market, as well as the effects of certain initiatives undertaken during the year to restructure our obligations under our commercial agreements with partner banks.

The Normalized total income relating to the Digital Banking Solutions business line, on the basis of the 2018 Perimeter, increased by €7,406 thousand (+7.3%) from €101,214 thousand for the year ended December 31, 2016 to €108,620 thousand for the year ended December 31, 2017. This increase was mainly due to the increase in sales volumes of ATM terminals by Bassilichi.

The Normalized total income relating to other services, on the basis of the 2018 Perimeter, which mainly includes revenues for call center and help desk services, increased by €1,050 thousand (+7.4%) from €14,129 thousand for the year ended December 31, 2016 to €15,179 thousand in the year ended December 31, 2017, mainly due to the growth in the market mentioned above.

Personnel expenses

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
1) Employees										
a) wages and salaries	119,681	13.2%	136,865	16.7%	73,784	14.4%	(17,184)	(12.6%)	63,081	85.5%
b) social security contributions	31,605	3.5%	27,087	3.3%	18,507	3.6%	4,519	16.7%	8,580	46.4%
c) employee severance indemnity	4,086	0.5%	2,250	0.3%	550	0.1%	1,836	81.6%	1,700	n.a.
d) pensions	32	0.0%	99	0.0%	47	0.0%	(67)	(68.1%)	52	n.a.
e) provision for employee severance indemnity	2,057	0.2%	257	0.0%	179	0.0%	1,800	n.a.	78	43.5%
g) contributions to external supplementary pension funds:	5,619	0.6%	4,816	0.6%	5,812	1.1%	803	16.7%	(996)	(17.1%)
—defined contribution	5,619	0.6%	4,816	0.6%	5,812	1.1%	803	16.7%	(996)	(17.1%)
i) other employee benefits	13,998	1.5%	11,946	1.5%	3,991	0.8%	2,052	17.2%	7,955	n.a.
2) Other personnel in activity	1,762	0.2%	234	0.0%	851	0.2%	1,528	n.a.	(616)	(72.4%)
Total	178,840	19.8%	183,553	22.4%	103,720	20.3%	(4,713)	(2.6%)	79,833	60.0%

Overview and non-recurring components

2018 vs. 2017

Personnel expenses decreased by €4,713 thousand (-2.6%) from €183,553 thousand for the year ended December 31, 2017 to €178,840 thousand for the year ended December 31, 2018. In the years ended December 31, 2018 and 2017 respectively, personnel expenses included non-recurring costs of €20,796 thousand and €50,788 thousand, mainly relating to restructuring costs of the former Bassilichi companies for reducing the personnel and one-off incentives paid as part of the Reorganization. Net of these non-recurring expenses, personnel expenses would have increased by €25,279 thousand (+19.0%) from €132,765 thousand for the year ended December 31, 2017 to €158,044 thousand for the year ended December 31, 2018.

2017 vs. 2016

Personnel expenses increased by €79,833 thousand (+60.0%) from €103,720 thousand for the year ended December 31, 2016 to €183,553 thousand for the year ended December 31, 2017. In the years ended December 31, 2017 and 2016 respectively, personnel expenses included non-recurring costs of €50,788 thousand related to restructuring costs and €15,659 thousand, mainly related to the Reorganization. Net of these non-recurring expenses, personnel expenses would have increased by €44,704 thousand (+50.8%) from €88,061 thousand for the year ended December 31, 2016 to €132,765 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Personnel expenses	178,840	19.8%	183,553	22.4%	103,720	20.3%	(4,713)	(2.6%)	79,833	60.0%
Non-recurring expenses	(20,796)	(2.3%)	(50,788)	(6.2%)	(15,659)	(3.1%)	29,992	(59.1%)	(35,129)	n.a.
Normalized personnel expenses	158,044	16.8%	132,765	16.2%	88,061	17.2%	25,279	19.0%	44,704	50.8%

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Normalized personnel expenses	158,044	16.8%	132,765	16.2%	88,061	17.2%	25,279	19.0%	44,704	50.8%
Bassilichi Core(1)	(11,136)	(1.2%)	2,494	0.3%	24,596	3.1%	(13,630)	n.a.	(22,102)	(89.9%)
MPS Acquiring(2)	—	0.0%	925	0.1%	1,844	0.2%	(925)	(100.0%)	(919)	(49.8%)
Mercury Payment Services(3)	—	0.0%	—	0.0%	16,635	2.1%	—	n.a.	(16,635)	(100.0%)
Sparkling(4)	131	0.0%	821	0.1%	424	0.1%	(690)	(84.0%)	397	93.6%
Carige Acquiring(5)	158	0.0%	210	0.0%	210	0.0%	(52)	(24.8%)	—	0.0%
Normalized personnel expenses 2018 Perimeter(6)	147,197	16.0%	137,215	15.8%	131,770	16.7%	9,982	7.3%	5,445	4.1%

Notes:

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

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

(21) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment Services S.p.A. (Mercury Payment Services) and was subject to full audit.

(22) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling 18 Srl, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, and was not subject to any audit activity.

(23) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management on the basis of accounting data and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.

(24) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the beginning of the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data represented in the column in question, has not been subjected to any accounting audit exercise and/or activity.

2018 vs. 2017

Personnel expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €9,982 thousand (+7.3%) from €137,215 thousand for the year ended December 31, 2017 to €147,197 thousand for the year ended December 31, 2018. This increase was mainly due to an increase in the number of our employees, as well as an increase in the average cost of remuneration following the expansion and renewal of the managerial structure aimed at acquiring new skills, in line with the renewed business model that we adopted.

2017 vs. 2016

Personnel expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €5,445 thousand (+4.1%) from €131,770 thousand for the year ended December 31, 2016 to €137,215 thousand for the year ended December 31, 2017. This increase was mainly due to an increase in the number of our employees, as well as an increase in the average cost of remuneration following the expansion and renewal of the managerial structure as described above.

Other administrative expenses

	Year ended December 31,						Changes			
	2018	**%**	**2017**	**%**	**2016**	**%**	**2018 vs. 2017**	**%**	**2017 vs. 2016**	**%**
	(In € thousands except for %)									
Third-party services	308,202	34.1%	250,098	30.5%	178,175	34.8%	58,104	23.2%	71,923	40.4%
Rent and building expenses	6,255	0.7%	3,920	0.5%	3,110	0.6%	2,335	59.6%	810	26.0%
Insurance	1,856	0.2%	1,814	0.2%	1,350	0.3%	42	2.3%	464	34.4%
Rentals and maintenance	45,780	5.1%	32,080	3.9%	29,368	5.7%	13,700	42.7%	2,712	9.2%
Shipping expenses	19,230	2.1%	19,726	2.4%	21,988	4.3%	(496)	(2.5%)	(2,262)	(10.3%)
Telephone and telegraph expenses	7,954	0.9%	5,163	0.6%	4,877	1.0%	2,791	54.1%	286	5.9%
Other taxes and stamp duties	60,807	6.7%	68,940	8.4%	42,536	8.3%	(8,133)	(11.8%)	26,404	62.1%
Legal, notary and consultancy fees	63,664	7.0%	34,053	4.2%	46,793	9.1%	29,611	87.0%	(12,740)	(27.2%)
Bassilichi administrative expenses	—	0.0%	64,379	7.9%	—	0.0%	(64,379)	100.0%	64,379	n.a.
Recoveries of taxes and stamp duties	(56,737)	(6.3%)	(54,116)	(6.6%)	(52,391)	(10.2%)	(2,621)	4.8%	(1,725)	3.3%
Remunerations to directors and auditors	1,400	0.2%	975	0.1%	1,106	0.2%	425	43.6%	(131)	(11.8%)
Total	458,412	50.7%	427,032	52.2%	276,913	54.1%	31,380	7.3%	150,119	54.2%

Overview and non-recurring components

2018 vs. 2017

Other administrative expenses increased by €31,380 thousand (+7.3%) from €427,032 thousand for the year ended December 31, 2017 to €458,412 thousand for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, other administrative expenses included non-recurring expenses amounting to €95,926 thousand and €84,488 thousand respectively. In 2018, these expenses mainly relate to: (i) €62,130 thousand for consultancy costs incurred in the context of the Reorganization and the issue of the Notes; (ii) €12,816 thousand for the completion of the rebranding program and the promotional launch of some new products, including the new YAP application; (iii) €15,778 thousand for expenses related to the Reorganization and acquisitions, including related non-deductible tax expenses; (iv) €2,790 thousand for administrative costs accrued in previous years; and (v) €1,976 thousand for costs for the re-internalization of data centers. In 2017, non-recurring expenses mainly refer to the Reorganization, the rebranding process, the acquisitions of MPS Acquiring, DB Acquiring and Bassilichi, as well as the tax expenses associated with these transactions. Net of these non-recurring expenses, other administrative expenses would have increased by €19,942 thousand (+5.8%) from €342,544 thousand for the year ended December 31, 2017 to €362,486 thousand for the year ended December 31, 2018.

2017 vs. 2016

Other administrative expenses increased by €150,119 thousand (+54.2%) from €276,913 thousand for the year ended December 31, 2016 to €427,032 thousand for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016 respectively, other administrative expenses include, non-recurring costs of €84,488 thousand (as discussed above) and €36,138 thousand relating to the acquisition of Mercury Payment Services. Net of these non-recurring expenses, Other administrative expenses would have increased by €101,769 thousand (+42.3%) from €240,775 thousand for the year ended December 31, 2016 to €342,544 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Other administrative expenses	458,412	50.7%	427,032	52.2%	276,913	54.1%	31,380	7.3%	150,119	54.2%
Non-recurring expenses	(95,926)	(10.6%)	(84,488)	(10.3%)	(36,138)	(7.1%)	(11,438)	13.5%	(48,350)	n.a.
Other normalized administrative expenses	362,486	38.5%	342,544	41.7%	240,775	47.1%	19,942	5.8%	101,769	42.3%

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Other normalized administrative expense	362,486	38.5%	342,544	41.7%	240,775	47.1%	19,942	5.8%	101,769	42.3%
Bassilichi Core[(1)]	(17,013)	(1.8%)	10,993	1.3%	56,733	7.2%	(28,006)	n.a.	(45,740)	(80.6%)
MPS Acquiring[(2)]	—	0.0%	16,014	1.8%	34,381	4.3%	(16,014)	(100.0%)	(18,367)	(53.4%)
Mercury Payment Services[(3)]	—	0.0%	—	0.0%	35,052	4.4%	—	n.a.	(35,052)	(100.0%)
Sparkling[(4)]	517	0.1%	498	0.1%	895	0.1%	19	3.8%	(397)	(44.4%)
Carige Acquiring[(5)]	314	0.0%	439	0.1%	406	0.1%	(125)	(28.5%)	33	8.1%
Infra-group transactions[(6)]	—	0.0%	(19,148)	(2.2%)	(38,296)	(4.8%)	19,148	(100.0%)	19,148	(50.0%)
Other normalized administrative expenses 2018 Perimeter[(7)]	346,304	37.6%	351,340	40.5%	329,946	41.7%	(5,036)	(1.4%)	21,394	6.5%

Notes:

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

(2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the business unit MPS Acquiring in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data for 2016 refers to the entire year, is derived from the accounting situation for the period January 1,—December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte dei Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017, and was subject to audit.
(3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment Services S.p.A. (Mercury Payment Services), and was subject to audit.
(4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling 18 Srl, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, not subject to any audit activity.
(5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Carige Acquiring in our scope of consolidation, is derived from calculations by our management on the basis of accounting data and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management based on accounting data and was not subject to any audit activity.
(6) The data is derived from accounting records of Nexi Payments S.p.A. (formerly CartaSì S.p.A.), Bassilichi S.p.A., Consorzio Triveneto S.p.A.
(7) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question has not been subjected to any accounting audit exercise and/or activity.

2018 vs. 2017

Other administrative expenses, normalized of non-recurring effects, on the basis of the 2018 Perimeter, decreased by €5,036 thousand (-1.4%) from €351,340 thousand for the year ended December 31, 2017 to €346,304 thousand for the year ended December 31, 2018. This decrease was mainly due to efficiency initiatives realized through the renegotiation of contracts with some of our main suppliers, economies of scale on card purchases and the efficiency of IT processes. These initiatives more than offset the higher commercial costs incurred as a result of the numerous promotional campaigns undertaken in 2018 in order to increase improvements for and retention of customers, as well as to attract new customers. During 2018, we launched around 200 campaigns focused on consumer behavior, as well as an involvement program designed to increase the frequency of use and card spending, by incorporating features ranging from instant digital winnings to points collection (for example, the digital programme #iovinco was launched with the specific purpose of increasing the use of cards and downloads of the Nexi Pay app).

2017 vs. 2016

Other administrative expenses, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €21,394 thousand (+6.5%) from €329,946 thousand for the year ended December 31, 2016 to €351,340 thousand for the year ended December 31, 2017. This increase was mainly due to an increase in the volumes of transactions and cards managed, partially offset by efficiency initiatives realized through the renegotiation of contracts with some of our main suppliers, economies of scale on card purchases and the efficiency of IT processes.

Other net operating expenses/income

Overview and non-recurring components

2018 vs. 2017

Other net operating expenses/income, which mainly include the recovery of expenses and losses on regular transactions, increased by €4,898 thousand, from negative €791 thousand for the year ended December 31, 2017 to positive €4,107 thousand for the year ended December 31, 2018.

2017 vs. 2016

Other net operating expenses/income, which mainly include the recovery of expenses and losses on regular transactions, decreased by €155 thousand (-16.4%), from negative €946 thousand for the year ended December 31, 2016 to negative €791 thousand for the year ended December 31, 2017.

Net impairment losses on financial assets at amortized cost

Overview

2018 vs. 2017

Net impairment losses on financial assets at amortized cost decreased by €528 thousand (-19.1%), from €2,767 thousand for the year ended December 31, 2017 to €2,239 thousand for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017 respectively, net impairment on assets measured at amortized cost included non-recurring expenses for €722 thousand and €1,272 thousand relating to the impairment losses on financial assets at amortized cost of Bassilichi Core. Net of these non-recurring expenses, net impairment of assets measured at amortized cost would have increased by €22 thousand (+1.5%) from €1,495 thousand for the year ended December 31, 2017 to €1,517 thousand for the year ended December 31, 2018.

2017 vs. 2016

Net impairment losses on financial assets at amortized cost increased by €521 thousand (+23.2%), from €2,246 thousand for the year ended December 31, 2016 to €2,767 thousand for the year ended December 31, 2017. For the year ended December 31, 2017, net impairment losses on financial assets at amortized cost included non-recurring expenses for €1,272 thousand. Net of these non-recurring expenses, net impairment losses on financial assets at amortized cost would have decreased by €751 thousand (-33.4%) from €2,246 thousand for the year ended December 31, 2016 to €1,495 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Net impairment losses on financial assets at amortized cost	2,239	0.2%	2,767	0.3%	2,246	0.4%	(528)	(19.1%)	521	23.2%
Non-recurring expenses	(722)	(0.1%)	(1,272)	(0.2%)	—	0.0%	550	(43.2%)	(1,272)	n.a.
Normalized net impairment losses on financial assets at amortized cost	1,517	0.2%	1,495	0.2%	2,246	0.4%	22	1.5%	(751)	(33.4%)

Net provisions for risks and charges

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Net provisions for risks and charges	(28,637)	(3.2%)	4,428	0.5%	(1,086)	(0.2%)	(33,065)	n.a.	5,514	n.a.
Net provisions for fraud Nexi Payments	(4,551)	(0.5%)	(4,353)	(0.5%)	(5,488)	(1.1%)	(198)	4.5%	1,135	(20.7%)
Total	(33,188)	(3.7%)	75	0.0%	(6,574)	(1.3%)	(33,263)	n.a.	6,649	n.a.

Overview and non-recurring components

2018 vs. 2017

Net provisions for risks and charges increased by €33,263 thousand, from positive €75 thousand for the year ended December 31, 2017 to negative €33,188 thousand for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, net provisions for risks and charges included non-recurring net allocations amounting to €27,705 thousand relating to contractual penalties and disputes and releases of provisions for risks and charges relating to Bassilichi Core amounting to €6,070 thousand, respectively. Net of these non-recurring allocations and releases, net provisions for risks and charges increased by €502 thousand (+8.4%), from negative €5,985 thousand for the year ended December 31, 2017 to negative €5,483 thousand for the year ended December 31, 2018.

2017 vs. 2016

Net provisions for risks and charges decreased by €6,649 thousand, from negative €6,574 thousand for the year ended December 31, 2016 to positive €75 thousand for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016 respectively, net provisions for risks and charges included the non-recurring release of provisions for risks and charges relating to Bassilichi Core for €6,070 thousand and €1,020 thousand. Net of these non-recurring releases, net provisions for risks and charges increased by €1,608 thousand, from negative €7,593 thousand for the year ended December 31, 2016 to negative €5,985 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Net provisions for risks and charges	(33,188)	(3.7%)	75	0.0%	(6,574)	(1.3%)	(33,263)	n.a.	6,649	n.a.
Non-recurring expenses/(income)	27,705	3.1%	(6,060)	(0.7%)	(1,019)	(0.2%)	33,765	n.a.	(5,041)	n.a.
Normalized net provisions for risks and charges	(5,483)	(0.6%)	(5,985)	(0.7%)	(7,593)	(1.5%)	502	(8.4%)	1,608	(21.2%)

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Normalized net provisions for risks and charges	(5,483)	(0.6%)	(5,985)	(0.7%)	(7,593)	(1.5%)	502	(8.4%)	1,608	(21.2%)
Bassilichi Core(1)	—	n.a.	—	n.a.	(292)	(0.0%)	—	n.a.	292	(100.0%)
MPS Acquiring(2)	—	n.a.	(351)	(0.0%)	(700)	(0.1%)	351	n.a.	349	(49.9%)
Mercury Payment Services(3)	—	n.a.	—	n.a.	(341)	(0.0%)	—	n.a.	341	(100.0%)
Sparkling(4)	—	n.a.	—	n.a.	—	n.a.	—	n.a.	—	n.a.
Carige Acquiring(5)	(151)	(0.0%)	(201)	(0.0%)	—	n.a.	50	(24.9%)	(201)	n.a.
Normalized net provisions for risks and charges 2018 Perimeter(6)	(5,634)	(0.6%)	(6,537)	(0.8%)	(8,926)	(1.1%)	903	(13.8%)	2,389	(26.8%)

Notes:

(1) The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit.

(2) The data for 2017 exclusively refers to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data for 2016 refers to the

entire year and is derived from the accounting situation for the period January 1, – December 31, 2016 of the business unit Merchant Acquiring Business of Banca Monte Paschi di Siena S.p.A. drawn up for the purposes of final determination of the purchase and sale price of the business unit Merchant Acquiring Business in accordance with the Sale and Purchase Agreement stipulated with Istituto Centrale delle Banche Popolari S.p.A. on February 3, 2017 and was subject to audit.

(3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment Services S.p.A. (Mercury Payment Services) and was subject to full audit.

(4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling 18 Srl, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, and was not subject to any audit activity.

(5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management on the basis of accounting and management data, and was not subject to any audit activity. The data related to 2017 refers to the entire financial year, is derived from estimates by our management on a historical basis and was not subject to any audit activity.

(6) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question, has not been subjected to any accounting audit exercise and/or activity.

2018 vs. 2017

Net provisions for risks and charges, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €903 thousand (+13.8%), from negative €6,537 thousand for the year ended December 31, 2017 to negative €5,364 thousand for the year ended December 31, 2018.

2017 vs. 2016

Net provisions for risks and charges, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €2,389 thousand, from negative €8,926 thousand for the year ended December 31, 2016 to negative €6,537 thousand for the year ended December 31, 2017.

Operating EBITDA

To monitor and evaluate our economic and financial performance, our management use – in addition to the items included in our income statement – Operating EBITDA, defined as the profit for the year adjusted for the following items: (i) Profit/loss on discontinued operations after taxes; (ii) Income taxes; (iii) Net gain on equity investments and sales of investments; (iv) Net financial charges related to the Notes (which are included in the Interest margin) and (v) depreciation and amortization of tangible and intangible assets. Operating EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure with respect to those provided by the financial statements for the assessment of our economic performance.

Overview and non-recurring components

2018 vs. 2017

Operating EBITDA increased by €31,295 thousand (+15.3%) from €204,669 thousand for the year ended December 31, 2017 to €235,964 thousand for the year ended December 31, 2018. This increase was mainly due to the increase in the total income and the decrease in personnel expenses, partially offset by the increase in other administrative expenses and net provisions for risks and charges as described above. For the years ended December 31, 2018 and 2017, Operating EBITDA included, respectively, net non-recurring expenses of €151,050 thousand and €133,537 thousand, mainly relating to personnel expenses, other administrative expenses and net provisions for risks and charges as described above. In 2018, the item also included net financial charges associated with the Notes amounting to €32,034 thousand. Net of non-recurring components and the aforementioned net financial charges, Operating EBITDA would have increased by €80,843 thousand (+23.9%), from €338,205 thousand for the year ended December 31, 2017 to €419,048 thousand for the year ended December 31, 2018.

2017 vs. 2016

Operating EBITDA increased by €83,230 thousand (+68.5%) from €121,439 thousand for the year ended December 31, 2016 to €204,669 thousand for the year ended December 31, 2017. This increase is mainly due to the increase in the total income, partially offset by the increase in personnel expenses and other administrative expenses, as described above. For the years ended December 31, 2017 and 2016 Operating EBITDA includes, respectively, net non-recurring expenses of €133,537 thousand and €49,843 thousand, mainly relating to personnel expenses and other administrative expenses described above. Net of non-recurring components, Operating EBITDA would have increased by €166,924 thousand from €171,281 thousand for the year ended December 31, 2016 to €338,205 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Operating EBITDA	235,964	26.1%	204,669	25.0%	121,438	23.7%	31,295	15.3%	83,230	68.5%
Financial charges related to the Notes	32,034	3.5%	—	0.0%	—	0.0%	32,034	n.a.	—	n.a.
Non-recurring (expenses)/income with impact on Operating EBITDA	151,051	16.7%	133,537	16.3%	49,843	9.7%	17,514	13.1%	83,694	n.a.
Normalized EBITDA	419,048	44.5%	338,205	41.2%	171,281	33.5%	80,843	23.9%	166,924	97.5%

For further information on non-recurring expenses/income, see "*Selected financial information and non-gaap measures*".

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Normalized EBITDA	419,048	44.5%	338,205	41.2%	171,281	33.5%	80,843	23.9%	166,924	97.5%
Bassilichi Core(1)	3,290	0.4%	6,599	0.8%	5,896	0.7%	(3,309)	(50.1%)	703	11.9%
MPS Acquiring(2)	—	0.0%	21,764	2.5%	49,579	6.3%	(21,764)	(100.0%)	(27,815)	(56.1%)
Mercury Payment Services(3)	—	0.0%	—	0.0%	88,050	11.1%	—	n.a.	(88,050)	(100.0%)
Sparkling(4)	57	0.0%	46	0.0%	(888)	(0.1%)	11	23.9%	934	n.a.
Carige Acquiring(5)	1,234	0.1%	2,212	0.3%	3,507	0.4%	(978)	(44.2%)	(1,295)	(36.9%)
Normalized EBITDA 2018 Perimeter(6)	423,629	46.0%	368,826	42.6%	317,425	40.1%	54,803	14.9%	51,401	16.2%

Notes:

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

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

(3) The data refers to the entire year, is derived from the financial statements for the year ended December 31, 2016 of Mercury Payment Services S.p.A. (Mercury Payment Services) and was subject to full audit.

(4) The data for 2018 refers to the first quarter of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation, is derived from extractions from the accounting system of Sparkling 18 Srl, and was not subject to any audit activity. The data for 2017 and 2016 is derived from the financial statements for the year ended December 31, 2017 of Sparkling 18 Srl, and was not subject to any audit activity.

(5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management as detailed above with reference to the individual economic items and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management as detailed above with reference to individual economic items and was not subject to any audit activity.

(6) The data in question is the result of the sum of the previous rows and does not represent in any way the result that would have been obtained if the Acquisitions had actually been carried out by us during the reference period. The sum was carried out with the sole purpose of representing the dynamics that have influenced the business in the reference period. Furthermore, the data in question, has not been subjected to any accounting audit exercise and/or activity.

2018 vs. 2017

Normalized EBITDA, net of non-recurring effects, on the basis of the 2018 Perimeter increased by €54,803 thousand (+14.9%) from €368,826 thousand for the year ended December 31, 2017 to €423,629 thousand for the year ended December 31, 2018, mainly due to the increase in the Normalized total income relating to the 2018 Perimeter (+6.2%) as previously commented, and the decrease in other administrative expenses (-1.4%), partially offset by the increase in personnel expenses (+7.3%).

2017 vs. 2016

Normalized EBITDA, net of non-recurring effects, on the basis of the 2018 Perimeter increased by €51,401 thousand (+16.2%) from €317,425 thousand for the year ended December 31, 2016 to €368,826 thousand for the year ended December 31, 2017, mainly due to the increase in the Normalized total income relating to the 2018 Perimeter (+9.5%) as previously commented. This was partially offset by the increase in personnel expenses (+4.1%) and other administrative expenses (+6.5%).

Significant incidence of certain items on the profit for the year

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

	Year ended December 31, 2018		
	Carve-out Financial Statements	**Reconciliation**	**Normalized**
		(In € thousands)	
Operating EBITDA	267,997	151,051[(1)]	419,048
Depreciation and amortization of tangible and intangible assets	(114,870)	40,168[(2)]	(74,702)
Financial income related to intercompany loans related to the Notes	36,031	—	36,031
Financial charges related to the Notes	(68,065)	—	(68,065)
Net gain on equity investments and sales of investments	20,491	(20,491)[(3)]	—
Income taxes	(66,730)	(45,531)[(4)]	(112,261)
Profit/loss from assets held for sale net of taxes	(6,130)	—	(6,130)
Profit for the year	68,725	125,196	193,921
Loss for the year attributable to non-controlling interests	(1,499)	(613)	(2,112)
Profit for the year attributable to the owners of the parent	67,226	124,583	191,809

Notes:

(1) Relates to the net non-recurring items of the period as described above and in particular to:
- €5.9 million of net revenues;
- €20.8 million of personnel expenses;
- €95.9 million of administrative expenses; and
- €27.7 million of net allocations to provisions for risks and charges.

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

(3) €21,000 thousand related to non-recurring income deriving from the sale of the acquiring books of the former Veneto banks sold to Intesa Sanpaolo S.p.A and €902 thousand for impairment of Bassilichi's associated companies, K Red and Rs Record store.

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

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

Moreover, in consideration of the fact that: (i) the Notes were issued in 2018 and, therefore, the financial charges associated with them do not affect the income statement for all of the 12 months in question, and that (ii) the intercompany loan was entered into and settled in 2018 and therefore, after the end of 2018, financial income will not accrue, the amount of the net financial charges from the Carve-out Financial Statements of €32,034 thousand, is not representative of the cost of our debt on continuous annual basis (other conditions such as interest rates being equal). In this regard, it is noted that the net financial charges on a pro-forma basis for 2018 amount to €108 million, gross of the related tax effect of €26 million. In future years, given that the Notes provide for a bullet repayment between 2023 and 2024, in the medium term, the related financial charges are estimated to grow progressively from €108 million to €120 million (including the effects of the amortization of accessory charges incurred for the issue of the Notes), due to the expected trend in interest rates.

Depreciation and amortization of tangible and intangible assets

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Depreciation and amortization of tangible assets	41,706	4.6%	32,468	4.0%	21,015	4.1%	9,238	28.5%	11,453	54.5%
Depreciation and amortization of intangible assets	73,163	8.1%	56,085	6.9%	6,406	1.3%	17,078	30.5%	49,679	n.a.
Total	114,870	12.7%	88,553	10.8%	27,421	5.4%	26,316	29.7%	61,132	n.a.

Overview and non-recurring components

2018 vs. 2017

Depreciation and amortization of tangible and intangible assets increased by €26,316 thousand (+29.7%), from €88,553 thousand for the year ended December 31, 2017 to €114,870 thousand for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, depreciation and amortization of tangible and intangible assets included depreciation and amortization of €40,167 thousand and €33,446 thousand, respectively, relating to Customer Contracts or intangible assets deriving from the purchase price allocation. Net of such amortization, depreciation and amortization of tangible and intangible assets would have increased by €19,595 thousand from €55,107 thousand for the year ended December 31, 2017 to €74,703 thousand for the year ended December 31, 2018.

2017 vs. 2016

Depreciation and amortization of tangible and intangible assets increased by €61,132 thousand, from €27,421 thousand for the year ended December 31, 2016 to €88,553 thousand for the year ended December 31, 2017. For the year ended December 31, 2017, depreciation and amortization of tangible and intangible assets included amortization of €33,446 thousand relating to Customer Contracts or intangible assets deriving from the purchase price allocation. Net of such amortization, depreciation and amortization of tangible and intangible assets would have increased by €27,686 thousand from €27,421 thousand for the year ended December 31, 2016 to €55,107 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Depreciation and amortization of tangible and intangible assets	114,870	12.7%	88,553	10.8%	27,421	5.4%	26,316	29.7%	61,132	n.a.
Amortization related to Customer Contracts	(40,167)	(4.4%)	(33,446)	(4.1%)	—	0.0%	(6,721)	20.1%	(33,446)	n.a.
Normalized depreciation and amortization of tangible and intangible assets	74,702	7.9%	55,107	6.7%	27,421	5.4%	19,595	35.6%	27,686	n.a.

2018 vs. 2017

The increase in Normalized depreciation and amortization of tangible and intangible assets of €19,595 thousand from €55,107 thousand for the year ended December 31, 2017 to €74,702 thousand for the year ended December 31, 2018 is mainly attributable to the effect of the Sparkling contribution for the last nine months of 2018 (amounting to €483 thousand), and Bassilichi for the full year 2018 and for the second half of 2017 (respectively €13.928 thousand and €7,011 thousand). Excluding the effects of the aforementioned acquisitions, Normalized depreciation and amortization of tangible and intangible assets increased by €12,195 thousand from €48,096 thousand for the year ended December 31, 2017 to €60,291 thousand for the year ended December 31, 2018 mainly due to the increase in investments in software and technological developments that we made in 2018 (see “Business—Our New Products and Services”).

2017 vs. 2016

The increase in Normalized depreciation and amortization of tangible and intangible assets of €27,686 thousand from €27,421 thousand for the year ended December 31, 2016 to €55,107 thousand for the year ended December 31, 2017 is mainly attributable to the effect of the Bassilichi contribution for the second half of 2017 (amounting to €7,011 thousand) and of Mercury Payment Services for the full year 2017 (amounting to €8,665 thousand). Excluding the effects of the aforementioned acquisitions, Normalized depreciation and amortization of tangible and intangible assets increased by €12,010 thousand from €27,421 thousand for the year ended December 31, 2016 to €39,431 thousand for the year ended December 31, 2017 mainly due to the increase in investments in software and technological developments that we made in 2017 (see "Business—Our New Products and Services").

Operating margin

Overview and non-recurring components

2018 vs. 2017

Operating margin increased by €4,979 thousand (+4.3%) from €116,115 thousand for the year ended December 31, 2017 to €121,094 thousand for the year ended December 31, 2018. This increase was due to the increase in Operating EBITDA analyzed above, partially offset by the increase in depreciation and amortization of tangible and intangible assets described above. For the years ended December 31, 2018 and 2017, the operating margin included net non-recurring expenses of €151,050 thousand and €133,537 thousand, respectively, mainly related to personnel expenses, other administrative expenses, and net provisions for risks and charges, and amortization relating to Customer Contracts amounting to €40,167 thousand and €33,446 thousand respectively. In 2018, the item also included net financial charges associated with the Notes amounting to €32,034 thousand. Net of the aforementioned expenses, the operating margin would have increased by €61,246 thousand from €283,099 thousand for the year ended December 31, 2017 to €344,345 thousand for the year ended December 31, 2018.

2017 vs. 2016

Operating margin increased by €22,098 thousand (+23.5%) from €94,017 thousand for the year ended December 31, 2016 to €116,115 thousand for the year ended December 31, 2017. This increase was due to the increase in Operating EBITDA analyzed above, partially offset by the increase in depreciation and amortization of tangible and intangible assets described above. For the years ended December 31, 2017 and 2016, the operating margin includes net non-recurring expenses of €133,537 thousand and €49,843 thousand, respectively, mainly related to personnel expenses and other administrative expenses and, only in 2017, amortization relating to Customer Contracts amounting to €33,446 thousand. Net of the aforementioned expenses, the operating margin would have increased by €139,238 thousand from €143,860 thousand for the year ended December 31, 2016 to €283,099 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Operating Margin	121,094	13.4%	116,115	14.2%	94,017	18.4%	4,979	4.3%	22,098	23.5%
Financial charges related to Notes	32,034	3.5%	—	0.0%	—	0.0%	32,034	n.a.	—	n.a.
Non-recurring expenses with impact on the Operating Margin	151,051	16.7%	133,537	16.3%	49,843	9.7%	17,514	13.1%	83,694	n.a.
Amortization related to Customer Contracts	40,167	4.4%	33,446	4.1%	—	0.0%	6,721	20.1%	33,446	n.a.
Normalized Operating Margin	344,345	36.5%	283,099	34.4%	143,860	28.2%	61,246	21.6%	139,239	96.8%

2018 vs. 2017

The increase in operating margin, net of non-recurring components, amortization related to Customer Contracts and net financial charges related to Notes, amounting to €61,246 thousand from €283,099 thousand for the year ended December 31, 2017 to €344,345 thousand for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to €167 thousand), of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €38,448 thousand and €25,889 thousand, respectively). Excluding the effects of the aforementioned acquisitions, the Normalized operating margin increased by €48,522 thousand from €257,209 thousand for the year ended December 31, 2017 to €305,731 thousand for the year ended December 31, 2018.

2017 vs. 2016

The increase in operating margin, net of non-recurring items and amortization related to Customer Contracts amounting to €139,238 thousand from €143,860 thousand for the year ended December 31, 2016 to €283,099 thousand for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €25,889 thousand) and the contribution of Mercury Payment Services for the full year 2017 (amounting to €90,035 thousand). Excluding the effects of the aforementioned acquisitions, the Normalized operating margin increased by €23,314 thousand from €143,860 thousand for the year ended December 31, 2016 to €167,174 thousand for the year ended December 31, 2017.

Net gain on equity investments and sales of investment

2018 vs. 2017

Net gain on equity investments and sales of investment amounting to €20,491 thousand for the year ended December 31, 2018 and €2,307 thousand for the year ended December 31, 2017 are mainly related to (i) €21,000 thousand for non-recurring income deriving from the sale of the books of the former Veneto banks sold to Intesa Sanpaolo SpA and (ii) €902 thousand for impairment of the associated companies K Red and Rs Record store.

2017 vs. 2016

Net gain on equity investments and sales of investment amounting to €2,307 thousand for 2017 and zero for 2016 are mainly related to shareholdings consolidated using the equity method in the associated companies Win Join, Rs Record store, ICT Logistics, Bassnet S.r.l. and K Red.

Profit from current operations before taxes

Overview and non-recurring components

2018 vs. 2017

Profit from current operations before taxes increased by €23,163 thousand (+19.6%), from €118,422 thousand for the year ended December 31, 2017 to €141,585 thousand for the year ended December 31, 2018. This increase was mainly due to the increase in Operating EBITDA and net gain on equity investments and sales of investment commented above, partially offset by the increase in depreciation and amortization of tangible and intangible assets. For the years ended December 31, 2018 and 2017, profit from current operations before taxes included net non-recurring expenses of €130,560 thousand and €133,537 thousand, respectively, mainly related to personnel expenses, Other administrative expenses and to amortization relating to Customer Contracts amounting to €40,167 thousand and €33,446 thousand respectively. Net of the aforementioned expenses, profit from current operations before taxes would have increased by €26,907 thousand from €285,405 thousand for the year ended December 31, 2017 to €312,312 thousand for the year ended December 31, 2018.

2017 vs. 2016

Profit from current operations before taxes increased by €24,405 thousand (+26.0%), from €94,017 thousand for the year ended December 31, 2016 to €118,422 thousand for the year ended December 31, 2017. This increase was mainly due to the increase in Operating EBITDA and profits/(losses) from shareholdings and disposal of investments commented above, partially offset by the increase in depreciation and amortization of tangible and intangible assets. For the years ended December 31, 2017 and 2016, profit from current operations before taxes included net non-recurring expenses of €133,537 thousand and €49,843 thousand, respectively, mainly related to personnel expenses and tther administrative expenses and, only for 2017, amortization relating to Customer Contracts amounting to €33,446 thousand. Net of the aforementioned expenses, profit from current operations before taxes would have increased by €141,545 thousand from €143,860 thousand for the year ended December 31, 2016 to €285,405 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	**%**	**2017**	**%**	**2016**	**%**	**2018 vs. 2017**	**%**	**2017 vs. 2016**	**%**
	(In € thousands except for %)									
Profit from current operations before taxes	141,585	15.%	118,422	14.5%	94,017	18.4%	23,163	19.6%	24,405	26.0%
Non-recurring expenses with impact on Profit from current operations before taxes	130,560	14.4%	133,537	16.3%	49,843	9.7%	(2,977)	(2.2%)	83,694	n.a.
Amortization related to Customer Contracts	40,167	4.4%	33,446	4.1%	—	0.0%	6,721	20.1%	33,446	n.a.
Normalized profit from current operations before taxes	312,312	33.1%	285,405	34.7%	143,860	28.2%	26,907	9.4%	141,545	98.4%

2018 vs. 2017

The increase in Normalized profit from current operations before taxes of €26,907 thousand from €285,405 thousand for the year ended December 31, 2017 to €312,312 thousand for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to €167 thousand), and of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €39,345 thousand and €28,196 thousand, respectively). Excluding the effects of the aforementioned acquisitions, Normalized Profit from current operations before taxes would have increased by €15,591 thousand from €257,209 thousand for the year ended December 31, 2017 to €272,800 thousand for the year ended December 31, 2018, in line with the increase in the operating margin on the same perimeter as commented above.

2017 vs. 2016

The increase in Normalized profit from current operations before taxes of €141,545 thousand from €143,860 thousand for the year ended December 31, 2016 to €285,405 thousand for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €28,196 thousand) and the contribution of Mercury Payment Services for the full year 2017 (amounting to €90,035 thousand). Excluding the effects of the aforementioned acquisitions, Normalized profit from current operations before taxes would have increased by €23,314 thousand from €143,860 thousand in 2016 to €167,174 thousand in 2017, in line with the increase in the operating margin on the same perimeter as commented above.

Income taxes

Overview and non-recurring components

2018 vs. 2017

Income taxes increased by €20,227 thousand, from €46,503 thousand for the year ended December 31, 2017 to €66,730 thousand for the year ended December 31, 2018. This increase was mainly due to the increase in profit from current operations before taxes. For the years ended December 31, 2018 and 2017, income taxes included non-recurring expenses amounting to €32,248 thousand and €52,493 thousand respectively, mainly relating to the taxation associated with non-recurring income and expenses that impacted profit from current operations before taxes. In 2018 and 2017, income taxes also included tax expenses associated with the amortization related to Customer Contracts, amounting to €13,283 thousand and €11,061 thousand, respectively. Net of the aforementioned expenses, ton income for the year from current operations would have increased by €2,204 thousand from €110,057 thousand for the year ended December 31, 2017 to €112,261 thousand for the year ended December 31, 2018.

2017 vs. 2016

Income taxes increased by €12,950 thousand, from €33,553 thousand for the year ended December 31, 2016 to €46,503 thousand for the year ended December 31, 2017. This increase was mainly due to the increase in profit from current operations before taxes. For the years ended December 31, 2017 and 2016, income taxes included net non-recurring expenses amounting to €52,493 thousand and €17,789 thousand respectively, mainly relating to the taxation associated with non-recurring income and expenses that impacted on profit from current operations before taxes. In 2017 only, income taxes also included tax expenses associated with the amortization related to Customer Contracts, amounting to €11,061 thousand. Net of the aforementioned expenses, income taxes would have increased by €58,715 thousand from €51,342 thousand for the year ended December 31, the year ended December 31, 2016 to €110,057 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	%	2017	%	2016	%	2018 vs. 2017	%	2017 vs. 2016	%
	(In € thousands except for %)									
Income taxes	66,730	7.4%	46,503	5.7%	33,553	6.6%	20,227	43.5%	12,950	38.6%
Tax expenses associated with non-recurring expenses	32,248	3.6%	52,493	6.4%	17,789	3.5%	(20,245)	(38.6%)	34,704	n.a.
Tax expenses associated with Customer Contracts	13,283	1.5%	11,061	1.4%	—	0.0%	2,222	20.1%	11,061	n.a.
Normalized income taxes	112,261	11.9%	110,057	13.4%	51,342	10.0%	2,204	2.0%	58,715	n.a.

2018 vs. 2017

The increase of €2,204 thousand in Normalized income taxes from €110,057 thousand for the year ended December 31, 2017 to €112,261 thousand for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018, respectively (amounting to €224 thousand), and of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €16,660 thousand and €12,977 thousand, respectively). Excluding the effects of the aforementioned acquisitions, Normalized income taxes would have decreased by €1,703 thousand, from €97,080 thousand for the year ended December 31, 2017 to €95,377 thousand for the year ended December 31, 2018.

2017 vs. 2016

The increase of €58,715 thousand in Normalized income taxes from €51,342 thousand for the year ended December 31, 2016 to €110,057 thousand for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €12,977 thousand) and the contribution of Mercury Payment Services for the full year 2017 (amounting to €39,755 thousand). Excluding the effects of the aforementioned acquisitions, Normalized income taxes would have increased by €5,983 thousand, from €51,342 thousand for the year ended December 31, 2016 to €57,325 thousand for the year ended December 31, 2017.

Profit for the year

Overview and non-recurring components

2018 vs. 2017

Profit for the year decreased by €3,400 thousand (-4.7%) from €72,125 thousand for the year ended December 31, 2017 to €68,725 thousand for the year ended December 31, 2018. This decrease was due to the increase in the profit from current activities before taxes (amounting to €23,163 thousand), more than offset by the combination of (i) the increase in income taxes (amounting to €20,227 thousand) and (ii) the decrease in profit/loss from discontinued operations after taxes (amounting to €6,336 thousand). For the years ended December 31, 2018 and 2017, profit for the year included non-recurring expenses amounting to €98,312 thousand and €81,044 thousand respectively and tax expenses related to the amortization of Customer Contracts amounting to €26,884 thousand and €22,385 thousand respectively. Net of the aforementioned expenses, profit for the year would have increased by €18,367 thousand from €175,554 thousand in the year ended December 31, 2017 to €193,921 thousand in 2018.

2017 vs. 2016

Profit for the year increased by €9,435 thousand (+15.1%) from €62,690 thousand for the year ended December 31, 2016 to €72,125 thousand for the year ended December 31, 2017. This increase was mainly due to the increase in profit from current activities before taxes (amounting to €24,405 thousand), partially offset by the increase in income taxes (amounting to €12,950 thousand) and the decrease in profit/loss from discontinued operations after taxes (amounting to €2,020 thousand). For the years ended December 31, 2017 and 2016, profit for the year included non-recurring expenses amounting to €81,044 thousand and €32,054 thousand respectively and, only for the year ended December 31, 2017, tax expenses related to the amortization of Customer Contracts amounting to €22,385 thousand. Net of the aforementioned expenses, profit for the year would have increased by €80,810 thousand from €94,744 thousand for the year ended December 31, 2016 to €175,554 thousand for the year ended December 31, 2017.

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

	Year ended December 31,						Changes			
	2018	**%**	**2017**	**%**	**2016**	**%**	**2018 vs. 2017**	**%**	**2017 vs. 2016**	**%**
				(In € thousands except for %)						
Profit for the year	68,725	7.6%	72,125	8.8%	62,690	12.2%	(3,400)	(4.7%)	9,435	15.1%
Non-recurring expenses with impact on the Profit for the year	98,312	10.9%	81,044	9.9%	32,054	6.3%	17,268	21.3%	48,990	n.a.
Amortization related to Customer Contracts	26,884	3.0%	22,385	2.7%	—	0.0%	4,499	20.1%	22,385	n.a.
Normalized profit for the year	193,921	20.6%	175,554	21.4%	94,744	18.5%	18,367	10.5%	80,810	85.3%

2018 vs. 2017

The increase of €18,367 thousand in Normalized profit for the year from €175,554 thousand for the year ended December 31, 2017 to €193,921 thousand for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €16,635 thousand and €14,461 thousand, respectively). Excluding the effects of the aforementioned acquisitions and those of the acquisitions of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to a negative impact of €57 thousand), Normalized profit for the year would have increased by €16,250 thousand from €161,093 thousand for the year ended December 31, 2017 to €177,343 thousand for the year ended December 31, 2018.

2017 vs. 2016

The increase of €80,810 thousand in Normalized profit for the year from €94,744 thousand for the year ended December 31, 2016 to €175,554 thousand for the year ended December 31, 2017 was mainly attributable to the effect of the contribution of Bassilichi and MPS Acquiring for the second half of 2017 (amounting to €14,461 thousand) and the contribution of Mercury Payment Services for the full year 2017 (amounting to

€50,280 thousand). Excluding the effects of the aforementioned acquisitions, Normalized profit for the year would have increased by €16,069 thousand from €94,744 thousand for the year ended December 31, 2016 to €110,813 thousand for the year ended December 31, 2017.

Liquidity and Capital Resources

Liquidity

The following section provides an analysis of our financial position as of December 31, 2018, 2017 and 2016 and of our cash flows for the years ended on said dates. In addition to the financial indebtedness related to the Notes and loans undertaken in connection with our investments, we have some credit lines to manage our working capital requirements in order to settle e-money transactions.

Our financial structure changed significantly in 2018 as a result of the Reorganization, which included the issuance of the Notes and refinancing the intra-group debt. Prior to the Reorganization, for reasons related to the obligation to comply with the capital requirements required by law and applicable regulations, we were substantially free of financial debt while the company Mercury Bondo PLC, an associated company of the parent company Mercury UK Holdco Limited, had a bond whose coupons were actually repaid through dividends that we (at the time Latino Italy S.p.A.) and DepoBank (at the time ICBPI) provided to the parent company Mercury UK Holdco and that the latter provided to its parent companies. The issuance of the Notes allowed us to complete the Reorganization, repay a debt of Nexi to the parent company that emerged in the context of the Reorganization and repay Mercury Bondo PLC bond. Specifically, in line with the provisions of the documentation relating to the Notes, the proceeds deriving from the Notes were used to, among other things: (i) repay a loan of €380 million to Mercury UK Holdco Limited included in the demerger compendium relating to the Reorganization; and (ii) to distribute an extraordinary dividend of €2,203 million to Nexi shareholders on December 20, 2018. Therefore, an extremely significant portion of the proceeds of the Notes has been withdrawn from our available funds and, specifically, it has not been used for purposes strictly related to the development our operations or investments. The Notes will involve significant financial charges until repayment, which is expected to occur between 2023 and 2024.

Prior to the issuance of the Notes, we held no medium/long-term financial debts, with the exception of certain loans for a limited amount, that were included in the consolidation perimeter due to the acquisition of Bassilichi.

As of December 31, 2018, we also had €325 million available under the Revolving Credit Facility. As of December 31, 2018, 2017 and 2016, we did not have any restricted liquid assets. However, as our subsidiaries Mercury Payment Service and Nexi Payments are regulated companies pursuant to the legislation in force for Payment Institutions and Electronic Money Institutes, their ability to distribute dividends for our benefit is subject to regulatory capital requirements provided by relevant regulations. The Notes and the Revolving Credit Facility provide a pledge on all of our relevant accounts and therefore our cash balance is entirely subject to pledge. In addition, the Notes and the Revolving Credit Facility contain, among other things, limitations on the distribution of dividends and the provision of loans to third parties.

In relation to the settlement of electronic money transactions, the acquiring activities that affect us entail that between the date of the credit that we make to the merchant and the re-crediting of the sums that we receive from the circuits, there is a variable duration between a working day and three working days, depending on the circumstances, while for issuing activities, the exposure can last for up to forty-five days or a longer term. In order to manage our working capital requirements, deriving primarily from these intermediation activities of financial flows that we carry out on behalf of various parties, we have set up credit lines with operating methods and for amounts that are considered sufficient to cover the financing requirements of our clearing services. In particular:

(vi) €3,200,000 thousand available under the Factoring Agreement, used to manage the issuing activities (see "Business—Material Contracts")

(vii) a total amount of €1,474 million available as of December 31, 2018 under the Bilateral Lines with different technical forms (on demand, committed, revolving, etc.) to cover acquiring activities, credits from issuing activities not covered by the Factoring Agreement and any other short-term operating requirements (see "Business—Material Contracts ").

The Factoring Agreement did not have significant consequences on our business model but instead led to a significant accounting reflection related to the fact that, in accordance with IFRS, the receivables subject to pro-soluto transfer and the corresponding debt are subject to derecognition from our financial statements and a financial reflection since, pursuant to the Factoring Agreement, Nexi receives the amount of the sale on a daily basis from the factor rather than having to wait for the monthly collection of the account statements of the holders through the partner banks (who, in turn, credit the amount of the factor to our account at UniCredit Factoring S.p.A. which serves as guarantee of our obligations under the Factoring Agreement).

Financial Position

The table below shows the breakdown of our Net financial position at December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
	(In thousands of Euro)		
A. Cash	40,688	134,420	8,426
B. Other cash and cash equivalents	—	—	—
C. Securities held for trading	—	—	—
D. Liquidity (A) + (B) + (C)	**40,688**	**134,420**	**8,426**
E. Current financial receivables	—	—	—
F. Current bank payables	(20,404)	(18,006)	—
G. Current portion of non-current debt	(7,239)	(13,030)	—
H. Other current financial payables	—	—	—
I. Current financial debt (F) + (G) + (H)	**(27,643)**	**(31,036)**	**—**
—of which guaranteed	—	—	—
—of which not guaranteed	*(27,643)*	*(31,036)*	—
J. Net current financial position (I) + (E) + (D)	**13,045**	**103,384**	**8,426**
K. Non-current bank payables	(7,535)	(26,611)	—
L. Notes issued	(2,569,689)	—	—
M. Other non-current financial payables	—	—	—
N. Non-current financial debt (K) + (L) + (M)	**(2,577,224)**	**(26,611)**	**—**
—of which guaranteed	*(2,570,892)*	*(2,034)*	—
—of which not guaranteed	*(6,332)*	*(24,577)*	—
O. Net financial position (J) + (N)	**(2,564,179)**	**76,773**	**8,426**

The following is a brief analysis of the main items included in our Net financial position as of December 31, 2018, 2017 and 2016.

Cash—Item A of Net financial position

Our Cash amounted to €40,688 thousand, €134,420 thousand and €8,426 thousand respectively at December 31, 2018, 2017 and 2016. The amount at December 31, 2017 mainly reflects the balance, amounting to €113 million, received in December 2017 following the sale of the subsidiary Mercury Processing (a company not included in the scope of our Carve-Out Financial Statements).

Due to the trend in interest rates in the years in question, liquidity did not generate any significant positive or negative returns.

As of December 31, 2018, 2017 and 2016, we had no restricted liquid assets. As our subsidiaries Mercury Payment Service and Nexi Payments are regulated companies pursuant to the legislation in force for Payment Institutions and Electronic Money Institutes, their ability to distribute dividends is impacted by regulatory capital requirements that must be maintained on the basis of the legislation in force.

The Notes and the Revolving Credit Facility provide for a pledge on all of our relevant accounts. Therefore, the aforementioned balance of €40,688 thousand as of December 31, 2018 is entirely subject to such pledge.

In addition, the Notes and the Revolving Credit Facility envisage, among other things, limitations on the distribution of dividends and the provision of loans to third parties.

Current bank payables—Item F of Net financial position

Current bank payables amounted to €20,404 thousand as of December 31, 2018 (€18,006 thousand as of December 31, 2017) and mainly related to certain credit lines of a limited amount held by our subsidiary Bassilichi.

Non-current bank payables—Item G and K of Net financial position

Non-current bank payables amounted to €14,774 thousand as of December 31, 2018 (€39,641 thousand as of December 31, 2017) and mainly related to certain financing lines of a limited amount held by our subsidiary Bassilichi.

Some of these loans are backed by the following collateral: (i) the property, located in Monteriggioni (Siena), that we own is subject to a mortgage pursuant to the loan agreement issued by UniCredit Banca d'Impresa S.p.A. to Bassilichi on December 22, 2006 for €2,600 thousand with maturity of January 31, 2020. As of the date of this offering circular, the residual debt relating to this loan was €294 thousand; and (ii) the property owned in Siena is subject to a mortgage under the mortgage loan agreement issued by Credito Artigiano S.p.A. to Bassilichi for €2,000 thousand. The mortgage was registered on March 30, 2012 for the sum of €3,600 thousand for a period of 15 years. The properties in question have not been subject to recent assessments by experts and that they have insurance coverage.

Notes issued—Item L of Net financial position

As of December 31, 2018, this item includes the balance related to the Notes, amounting to €2,569,689 thousand, including €12,729 thousand of accrued interest. This amount is shown net of costs incurred for the issue of the same, amounting to approximately €43,040 thousand.

The main terms and conditions of the Notes are summarized below:

- *Total amount of the Listed Notes*: €2,200 million, of which €825 million is at fixed rate and €1,375 million is at variable rate;
- *Total amount of the Unlisted Senior Secured Notes*: €400 million;
- *Maturity of the fixed-rate Listed Notes*: November 1, 2023;
- *Maturity of the variable-rate Listed Notes*: May 1, 2023;
- *Maturity of the Unlisted Senior Secured Notes*: July 2, 2024;
- *Interest of fixed-rate securities*: 4.125% per year;
- *Interest of variable-rate securities*: EURIBOR 3 months (with 0% floor) plus 3.625% per year;
- *Interest of the Unlisted Senior Secured Notes*: EURIBOR 3 months (with 0% floor) plus 3.625% per year;
- *Payment of interest on fixed-rate securities*: every six months on November 30 and May 31, starting from November 30, 2018;
- *Payment of interest on variable-rate securities*: quarterly every August 31, November 30, February 28 and May 31, starting from August 31, 2018;
- *Payment of interest on the Unlisted Senior Secured Notes*: quarterly every August 31, November 30, February 28 and May 31, starting from August 31, 2018.

The Notes provide for certain commitments which, subject to certain specific exceptions, limit our ability to, inter alia: (i) carry out extraordinary transactions; (ii) assume additional indebtedness; (iii) make certain payments, including restrictions on the distribution of dividends and the provision of loans to third parties; and (iv) transfer, sell or lend shares of controlled companies, as well as transfer, sell or lease assets or other assets of the Issuer and certain subsidiaries.

The Notes also provide for certain obligations upon the occurrence of a change of control, as well as obligations for the provision of periodic annual and quarterly information and on the occasion of significant events.

At the date of this offering circular, the Notes are assisted by certain real guarantees including:

- a pledge on all of our relevant accounts;
- a pledge of all our existing and future shares in Nexi Payments, representing 98.92% of Nexi Payments' share capital;
- a pledge on our shares of Mercury Payment Services, representing 100% of the share capital of Mercury Payment Services.

The Notes are not secured by real guarantees on properties.

The Notes represent a senior indebtedness secured by our real guarantees, equal to a payment order with current and future indebtedness that is not expressly subordinated to the Notes, and preferred to pay the existing and future indebtedness expressly subordinated to it.

The Notes do not require the measurement by us of specific financial covenants on a recurring basis. However, some transactions such as entering into new loans, the distribution of dividends or the sale of companies/business units, can take place only under certain conditions which include, among other things, compliance with certain parameters. By way of example, the transfer of a company/business unit is permitted only if the following conditions are met: it must be at market value, at least 75% of the amount must be paid in cash no later than at the closing date of the transaction and the proceeds must be used for the purposes set forth in the Notes. From the date of issue of the Notes to the date of this offering circular, the only transaction that involved the verification of the financed parameters was the transfer of Oasi; this transaction respected the thresholds of the Notes for these types of transactions by a significant margin.

A sensitivity analysis of financial expenses to changes in interest rates focused on the Notes, considering the limited significance of other existing loans, was carried out at the date closest to that of this Document, and projects an increase of approximately €8 million of total and cumulative financial expenses up to 2024 relating to the Notes on the basis of the positive evolution of future market rates consistent with the current prospective interest rate curve, which envisages a return to positive Euribor rates at the end of 2021 (with a translation of about one year compared to the indications at the end of 2018). Given the current phase of macroeconomic and political instability and, consequently, of the financial markets, the evolution of interest rates could differ significantly from what is currently expected by the market and expressed by the current perspective of interest rates. It was therefore decided to estimate that a hypothetical instant increase of rates of +100 basis points, compared to the current perspective curve of interest rates envisaged by the financial market, would entail a further increase in financial expenses, in terms of greater cumulative total interest paid up to 2024, of approximately €70 million. These assessments prudentially exclude the potential benefits that can be associated, in these scenarios, with the exercise of the early repayment right provided on the variable-rate bonds, as well as the potential benefits deriving from the possible alternative financing and/or hedging of the interest rate risk that can be identified following the possible redefinition of the capital structure and the possible improvement in credit spreads achievable after the Listing is finalized.

Although the Group has procedures to identify, monitor and manage these types of risks, which include (a) weekly monitoring of the interest rate market curve to which its debt is indexed, the performance of its listed securities and country risk and other macroeconomic market indicators and (b) periodic alignments with the study offices of the leading reporting banks on financial market prospects, the occurrence of unexpected events or the inadequacy of the procedures adopted could have a negative impact on the economic, equity and/or financial situation of ourselves or the Group.

At the date of this offering circular and at December 31, 2018, the contractual obligations related to the Notes including the financial parameters set forth therein have been complied with.

For further information on the Notes, refer to "Business—Material Contracts—The Notes".

Lastly, it is noted that (i) the clauses, obligations, limitations, constraints and parameters of existing loans have always been respected from the date that they were entered into to the date of this offering circular; (ii) we have always fulfilled our obligations and commitments in relation to all existing loans; (iii) we have regularly respected our commitments and repaid the installments of our loans and the Notes on the basis of the relative amortization plans; (iv) from the date the existing loans and the Notes were entered into to the date of this offering circular, there were no circumstances that could lead to compulsory early repayment or termination thereof; and (v) the existing loans and the Notes have not been renegotiated so far.

Cash Flow Information

The following table shows our cash flow statements for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
	(In thousands of Euro)		
A. OPERATING ACTIVITIES			
1. Operations			
Profit the year	68,725	72,125	62,690
Impairment of assets held for sale	6,050	—	—
Gains on financial assets held for trading and on other financial assets/liabilities measured at fair value with impact on the Income Statement and on hedging activities	2,293	521	560
Net allocations to provisions for risks and charges and other costs/revenues	40,615	(1,505)	1,359
Net impairment of impairment of tangible and intangible assets	114,870	88,553	27,421
Taxes, duties and unpaid tax credits	20,501	46,503	33,553
Gains from disposal	(21,000)	—	—
Interest expense on accrued and unpaid notes	12,729	—	—
Other adjustments	6,224	(13)	64
	251,007	206,184	125,647
2. Cash flows generated from/absorbed by financial assets			
Financial assets measured at fair value with impact on total profitability	144	(18)	—
Financial assets held for trading	—	1,726	170,721
Loans and receivables with banks	(228,222)	(3,480)	(60,744)
Loans and receivables with customers	1,672,122	(231,034)	(33,444)
Assets held for sale	(14,427)	(12,187)	(15,214)
Other assets	(57,163)	17,365	15,615
	1,372,454	(227,628)	76,934
3. Cash flows generated from/absorbed by financial liabilities			
Due to banks	(1,699,660)	576,133	(338,500)
Due to customers	240,758	6,835	13,104
Financial liabilities held for trading	2,102	1,051	—
Hedge derivatives	—	5,520	—
Liabilities held for sale	16,132	11,091	1,674
Other liabilities	(42,849)	117,110	189,979
	(1,483,517)	717,740	(133,743)
Net cash flows generated by operating activities	139,944	696,296	68,838
B. INVESTING ACTIVITIES			
1. Cash flows generated from/absorbed by			
Purchases of tangible assets	(40,600)	(41,665)	(25,746)
Sales of tangible assets	5,072	1,611	2,529
Purchases of intangible assets	(109,936)	(40,469)	(26,185)
Purchases/sales of subsidiaries and business units	(6,422)	(713,217)	(1,033,009)
Net cash flows used in investing activities	(151,887)	(793,740)	(1,082,411)
C. FINANCING ACTIVITIES			
1. Cash flows generated from/absorbed by			
Reimbursement of payables to parent company	(380,000)	—	—
Dividends (paid)/collected	(56,000)	(89,805)	(69,330)
Issue/(Purchase) of equity instruments	—	314,118	1,090,929
Issue of debt securities	2,556,960	—	—
Distribution of dividends to third parties	(2,202,750)	(875)	(1,781)
Sale/(Purchase) of minority control	—	—	2,158
Net cash flow generated by/(used in) financing activities	(81,790)	223,438	1,021,976
NET CASH FLOWS FOR THE YEAR	(93,733)	125,994	8,403
Total net cash flows for the year	(93,733)	125,994	8,403
Cash and cash equivalents at the beginning of the year	134,420	8,426	23
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40,688	134,420	8,426

Net negative cash flows for the year ended December 31, 2018 amounted to €93,733 thousand, while net positive cash flows amounted to €125,994 thousand for the year ended December 31, 2017 and €8,403 thousand for the year ended December 31, 2016.

The main phenomena that have influenced the cash flow trends in the years under examination are briefly described below.

Net Cash flows generated by Operating Activities

2018 vs. 2017

Net cash flows generated by operating activities amounted to €139,944 thousand and €696,296 thousand respectively for the years ended December 31, 2018 and 2017 mainly due to:

- positive net cash flows from operations of €251,007 thousand for the year ended December 31, 2018, an increase of €44,823 thousand compared to the year ended December 31, 2017 (€206,184 thousand), mainly due to: (i) an increase in the item net impairment/reversal of impairment on tangible and intangible assets, from €88,553 thousand for the year ended December 31, 2017 thousand to €114,870 thousand for the year ended December 31, 2018, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination and (ii) an increase in the item net provisions for risks and charges that amounted to negative €1,505 thousand for the year ended December 31, 2017 and positive €40,615 thousand for the year ended December 31, 2018. The 2018 balance includes non-recurring components including €27.5 million for expenses on supply agreements deriving from the completion of the integration of Bassilichi into Nexi Payments, estimated penalties and expenses for the closure of the liquidation of Bassnet amounting to €2.8 million and €4 million for contingent tax liabilities;
- net cash flow generated from financial assets amounted to €1,372,454 thousand for the year ended December 31, 2018 compared to a net cash flow absorbed by financial assets of €227,628 thousand for the year ended December 31, 2017 due mainly to the change in receivables from customers, which generated cash amounting to €1,483,517 thousand in 2018 and absorbed cash amounting to €231,034 thousand in 2017. In 2018, following the completion of the Reorganization, we modified our operating funding model by opening factoring facilities *pro-soluto* and *pro-solvendo* for the transfer of credit from the credit cards as balance and financing lines provided by financial institutions. The decrease in this item at December 31, 2018 compared to December 31, 2017 was mainly attributable to the recourse of the transfer of credit pro-soluto through the activation of the Factoring Agreement entered into with Unicredit Factoring SpA in 2018 (see "Business—Material Contracts");
- net cash flow absorbed by financial liabilities amounting to €1,483,517 thousand for the year ended December 31, 2018 compared to net cash flow generated from financial liabilities of €717,740 thousand for the year ended December 31, 2017, the change was primarily attributable to the decrease in exposure to banks mainly due to the aforementioned process, starting from 2018, for the disposal of credit pro-soluto through the Factoring Agreement.

2017 vs. 2016

Net cash flows generated by operating activities amounted to €696,296 thousand for the year ended December 31, 2017 and €68,838 thousand for the year ended December 31, 2016 mainly due to:

- positive cash flow from operations of €206,184 thousand for the year ended December 31, 2017, an increase of €80,537 thousand compared to the year ended December 31, 2016 (€125,647 thousand), mainly due to: (i) an increase in the item Net impairment/reversal of impairment on tangible and intangible assets, which increased from €27,421 thousand for the year ended December 31, 2016 to €88,553 thousand for the year ended December 31, 2017, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination (see "Business—Our History"); and (ii) the increase in the item Taxes, duties and unpaid tax credits, which increased from €33,553 thousand for the year ended December 31, 2016 to €46,503 thousand for the year ended December 31, 2017 primarily due to the tax benefits attributable to ACE that we mainly used in 2016;
- net cash flow absorbed by financial assets of €227,628 thousand for the year ended December 31, 2017 compared to net cash flow generated from financial assets of €76,934 thousand for the year ended December 31, 2016 due to the combined effect of: (i) the change in receivables from customers, which

absorbed cash flows amounting to €231,034 thousand for the year ended December 31, 2017, a significant increase compared to the corresponding value of €33,444 thousand in the year ended December 31, 2016, mainly due to higher volumes of transactions generated both by ordinary credit cards and by the new acquiring perimeters of MPS and DB acquired in 2017; and (ii) in 2016, the collection of non-recurring income amounting to €212 million due to the disposal of our shareholding in Visa Europe;

- net cash flow generated from financial liabilities amounting to €717,740 thousand for the year ended December 31, 2017 compared to net cash flow absorbed by financial liabilities amounting to €133,743 thousand for the year ended December 31, 2016 mainly due to the increase in payables to banks related to the acquisitions of the MPS and DB acquiring businesses in 2017 and funded through the use of credit lines with Depobank.

Net Cash Flows used in Investing Activities

2018 vs. 2017

Net cash flows used in investing activities amounted to €151,887 thousand for the year ended December 31, 2018 and €793,740 thousand for the year ended December 31, 2017, primarily attributable to:

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713,217 thousand and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;
- net cash flows used in investments in tangible assets amounting to €40,600 thousand and €41,665 thousand for the years ended December 31, 2018 and 2017, respectively;
- net cash flows used in investments in intangible assets amounting to €109,937 thousand and €40,469 thousand for the years ended December 31, 2018 and 2017, respectively.

2017 vs. 2016

Net cash flows used in investing activities amounted to €793,740 thousand for the year ended December 31, 2017 and €1,082,411 thousand for the year ended December 31, 2016, primarily attributable to:

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713,217 thousand and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;
- net cash flows used in purchases of subsidiaries and business units in 2016, amounting to €1,033,009 thousand and mainly related to Mercury Payment Services;
- net cash flows used in investments in tangible assets amounting to €41,665 thousand and €25,746 thousand for the years ended December 31, 2017 and 2016, respectively;
- net cash flows used in investments in intangible assets amounting to €40,469 thousand and €26,185 thousand for the years ended December 31, 2017 and 2016, respectively.

Net Cash Flows generated by Financing Activities

2018 vs. 2017

Net cash flows used in financing activities amounted to €81,790 thousand for the year ended December 31, 2018, while net cash flows generated by financing activities amounted to €223,438 thousand for the year ended December 31, 2017. With reference to 2018, the main cash flow relates to the issue of the Notes for €2,556,960 thousand. This available funding was mainly used to: (i) repay a loan of €380 million to Mercury included in the demerger compendium relating to the Reorganization; and (ii) to distribute, on December 20, 2018, to our shareholders an extraordinary dividend of €2,203 million.

2017 vs. 2016

Net cash flows generated by financing activities amounted to €223,438 thousand for the year ended December 31, 2017 and €1,021,976 thousand for the year ended December 31, 2016 mainly due to capital injections received in the two-year period in question to enable the acquisition of Mercury Payment Services and Bassilichi (see “Business—Our History”).

Capital Expenditure and Investments

The following table shows the amounts of the tangible and intangible investments sub-divided by type for the years ended 2018, 2017 and 2016.

	For the year ended December 31,		
	2018	2017	2016
		(in € thousands)	
Tangible assets	159,344	163,113	116,311
Property and equipment	156,193	156,907	109,816
Investment property	3,151	6,206	6,495
Intangible assets	2,668,293	2,607,637	1,906,458
Goodwill	2,097,379	2,071,665	1,500,565
Intangible assets—Customer contracts	418,603	458,770	365,529
Other intangible assets	152,311	77,202	40,364
Total	2,827,637	2,771,750	2,022,769

As of December 31, 2016, "Property and equipment" includes the assets acquired in 2015 when the Mercury Group was set up and remeasured due to completion of the purchase price allocation (PPA) procedure, net of amortization for the year. The 2017 increase of this caption mainly relates to the acquisition of Bassilichi on July 1, 2017. The balance at December 31, 2018 is unchanged due to the new technological investments and new POS devices and ATMs which were just below the depreciation expense for the year.

As of December 31, 2018, 2017 and 2016, "Investment property" includes the buildings and land held for investment purposes. These properties include the following:

- Via Selvamaggio, Colle di Val D'Elsa, owned by Bassilichi S.p.A.;
- Strada delle Frigge, Moteriggioni, owned by Bassilichi S.p.A.;
- Via Nazionale 3, San Giovanni al Natisone, owned by HelpLine S.p.A.

The property owned by Bassilichi was classified in this category in 2018 after completion of the acquisition and integration process. In 2018, Nexi Payments S.p.A. sold its property at Stada 1, Assago MilanoFiori (Milan), recognizing a gain of €150 thousand. Investment property is recognized in accordance with IAS 40 and includes buildings (both owned and held under finance lease) held to earn rentals or for capital appreciation.

"Goodwill" as of December 31, 2016 includes the impact of the acquisition of the ICBPI Group by Mercury for the part allocated to the non-banking activities that were then transferred to Nexi after the Reorganization. It also includes the goodwill related to Mercury Payment Services, the acquisition of which was completed at the end of 2016, which amounted to €590.8 million after the PPA procedure.

The goodwill increase recognized in 2017 was due to the acquisition of the merchant acquiring business from Monte dei Paschi di Siena S.p.A. and Deutsche Bank S.p.A. (€433.4 million) and Bassilichi S.p.A. (€137.7 million).

The goodwill increase recognized in 2017 is due to the acquisition of the Carige Acquiring business (approximately €22 million) and Sparkling 18 (for the remainder).

"Intangible assets—Customer Contracts" in 2016 are mainly related to the Customer Contracts allocated during the PPA of the Mercury Payment Services. The Customer Contracts in 2017 relate to the PPA allocation of the merchant acquiring business of Monte dei Paschi di Siena S.p.A. and Deutsche Bank S.p.A.

The "Other intangible assets" include new software and technological upgrades.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes certain of our contractual obligations and commitments owed to third parties (excluding any interest payments or accruals on such contractual obligations and commitments), by period, as of the date of this offering circular:

	Less than 1 year	1-5 years	More than 5 years	Total
		(In € million)		
Listed Notes[(1)(4)]	—	2,200	—	2,200
Unlisted Senior Secured Notes[(2)(4)]	—	400	—	400
Bassilichi facilities	7.2	7.3	0.2	14.8
Total[(3)]	7.2	2,607.3	0.2	2,614.8

Notes:

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

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

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

(4) Equivalent to book-value as of December 31, 2018 based on the amortized cost of €2,569.7 million as classified in the financial statement caption “financial liabilities at amortized cost: c) securities issued” of the Carve-Out Financial Statements.

Qualitative Disclosure on Market Risk

Interest Rate Risk

We are exposed to market risk associated with changes in interest rates. Borrowings under the Revolving Credit Facility, the Unlisted Senior Secured Notes and the Listed Senior Secured Notes bear interest at a variable rate. Interest rate changes generally impact the amount of our interest payments in respect of variable rate debt and, therefore, our future earnings and cash flows. We are continuing to evaluate various hedging strategies that we may put in place in the future with respect to interest rate risk. The Listed Fixed Rate Notes have a fixed rate coupon. For fixed rate debt, interest rate changes affect the fair market value of such debt but do not impact earnings or cash flows.

Price Risk

Nexi Payments has exposure to price risk by an investment in Visa Europe shares. This risk is hedged by a collar of which 16% of the amount is classified as a trading instrument and consequently exposed to price risk, which represents the risk of changes in the price of financial instruments dependent on fluctuations in market variables and specific factors of issuers or of the counterparties.

Currency Risk

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

Critical Accounting Estimates

Preparation of the consolidated financial statements requires the use of estimates and assumptions that could have significant effects on amounts recognized to the statement of financial position and income statement, in addition to disclosures on any potential assets and liabilities recognized. Formulation of these estimates requires the use of available data and the use of subjective assessments, also based on past experience, to make reasonable assumptions for the recognition of events. By their very nature, estimates and assumptions can change from year to year, and therefore it cannot be excluded that in next year’s financial statements the current figures will not vary, even significantly, due to changes in the subjective assessments made. We have identified the following matters that involve estimates and assumptions that affect our financial statements.

Financial assets at fair value through profit and loss

2018 carve-out

This category includes financial assets other than those classified as at fair value through other comprehensive income and at amortized cost. At the reporting date, the caption solely consists of equity instruments held for purposes other than trading that the Group has not elected to measure at fair value through other comprehensive income. According to the general rules of IFRS 9 on the reclassification of financial assets (excluding equity instruments which may never be reclassified), reclassifications into other categories are not allowed unless the entity changes its business model for managing financial assets. This should be highly infrequent and the financial assets may be reclassified out of the amortized cost measurement category into one of the other two categories established by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognized prospectively from the reclassification date. The effective interest rate of the reclassified financial asset is determined using its fair value at the reclassification date, which is the date of initial staging for impairment purposes.

They are initially recognized at fair value which is usually the transaction price.

They are subsequently measured at fair value and any fair value gains or losses are recognized as net trading income (expense) in profit or loss.

Fair value is determined using the criteria set out in the section "Fair value".

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

Specifically, transferred financial assets are derecognized when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

Financial assets and liabilities at fair value through profit or loss as classified as of December 31, 2017 and 2016

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognized under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Debt and equity instruments are recognized at their settlement date while derivatives are recognized at their trading date.

Financial assets held for trading are initially recognized at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognized as "Net hedging or trading income (expense) or gains/losses on the sale or repurchase of financial assets and liabilities" in the income statement. Interest accrued on these assets is recognized as "Interest and similar income", although interest and/or other income and expense on trading derivatives are recognized as "Net hedging or trading income (expense) or gains/losses on the sale or repurchase of financial assets and liabilities" in the income statement.

The specific section provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

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

Financial assets at fair value through other comprehensive income

2018 Carve-out

This category includes equity instruments other that those held for trading which the Group has elected to measure at fair value through other comprehensive income. Non-derivative financial assets held within the Hold to Collect and Sell business model show a nil balance at the reporting date as they are factored on a daily basis. According to the general rules of IFRS 9 on the reclassification of financial assets (excluding equity instruments, which cannot be reclassified), when, and only when, an entity changes its business model for managing financial assets, it shall reclassify all affected assets. This should be highly infrequent and the financial assets may be reclassified out of the fair value through other comprehensive income category into one of the other two categories established by IFRS 9 (Financial assets at amortized cost or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognized retrospectively from the reclassification date. If an entity reclassifies a financial asset into the amortized cost measurement category, the cumulative gain or loss in the fair value reserve is reclassified as an adjustment to the fair value of the financial asset at the reclassification date. If an entity reclassifies a financial asset into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognized in the fair value reserve is removed from equity to profit or loss.

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

They are measured at fair value through other comprehensive income. Dividends are recognized in the income statement while any impairment losses and gains or losses on their sale are not recognized in profit or loss.

Fair value is determined using the criteria set out in the relevant subsequent section.

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

Specifically, transferred financial assets are derecognized when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

2017 and 2016 carve-out former available-for-sale (AFS) financial assets

This category includes non-derivative financial assets that are not classified as financial assets at amortized cost.

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

AFS financial assets are subsequently measured at fair value with recognition of interest from amortized cost accounting in profit or loss and any fair value gains or losses in a specific equity reserve until the asset is derecognized or an impairment loss is recognized. Gains or losses recognized in equity are reclassified to profit or loss when the asset is sold.

Realized gains or losses are recognized as "Dividends and net fair value gains or losses on investments at fair value through other comprehensive income" in the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are carried at cost when it is not possible to calculate their fair value reliably. The Group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, it recognizes it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognized in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months. If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognized in profit or loss, the impairment loss is reversed and the related amount is recognized in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortized cost had the loss not been recognized. Impairment losses on shares, recognized in profit or loss, cannot be reversed through profit or loss but only directly through equity.

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

Financial assets at amortized cost

2018 Carve-out

This category includes non-derivative financial assets held within the HTC business model whose contractual provisions generate cash flows that are solely payments of principal and interest on the outstanding principle (SPPI test). According to the general rules of IFRS 9 on the reclassification of financial assets, reclassifications into other categories are not allowed unless the entity changes its business model for managing financial assets. This should be highly infrequent and the financial assets may be reclassified out of the amortized cost measurement category into one of the other two categories established by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognized retrospectively from the reclassification date. If an entity reclassifies a financial asset into the fair value through profit or loss or other comprehensive income measurement categories, any gain or loss arising from the difference between its amortized cost and fair value is recognized in profit or loss or in other comprehensive income, respectively.

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

They are subsequently measured at amortized cost using the effective interest method.

Financial assets at amortized cost are tested for impairment at each reporting date. The impairment rules described below also apply to loan commitments and financial guarantee contracts.

Impairment is calculated considering the financial asset's expected credit losses. Application of the related method requires classification of the financial assets into three stages depending on whether there has been a significant increase in credit risk since initial recognition. A different recognition level is applied to each stage. Specifically:

- Stage 1 includes performing financial instruments that have not seen a significant increase in credit risk since their initial recognition or financial instruments with a low credit risk at the reporting date. The loss allowance for a financial instrument is measured at an amount equal to the 12-month expected credit losses.
- Stage 2 includes performing financial instruments that have seen a significant increase in credit risk since their initial recognition. Impairment is measured using their lifetime expected credit losses;
- Stage 3 includes credit-impaired financial instruments. Impairment is measured using their lifetime expected credit losses. Credit-impaired financial assets include financial assets classified as bad, unlike to pay or past due by more than 90 days according to Bank of Italy's rules and the IFRS.

With respect to impairment:

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

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

Impairment losses are recognized in profit or loss as net impairment losses.

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

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

Specifically, transferred financial assets are derecognized when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

2017 and 2016 Carve-out former loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognized at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognized amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Interest is recognized as net interest income (expense) in the income statement. Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably. Loans and receivables tested individually for impairment include positions classified as bad and unlikely to pay as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively. The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the Group uses their present value, while if it is probable that they will be enforced, it considers their realizable value net of the costs to be incurred for enforcement. Impairment losses are recognized as "Impairment losses and net accruals to provisions for risks and charges" in the income statement. Loans and receivables are reinstated to their original value in subsequent years when the reasons for impairment are no longer valid, as long as this assessment may be objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognized in the income statement and may not exceed the asset's amortized cost had the impairment loss not been recognized. Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealized loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognized in profit or loss.

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

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 recognized 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 recognized separately. If the difference is negative, it is recognized directly in profit or loss (excess cost).

Goodwill is recognized at cost, net of accumulated impairment losses. It is not amortized. It is tested annually for impairment even if there are no indicators of impairment.

Goodwill arising from a business combination is allocated to cash generating units ("**CGUs**") or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGO is the higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount. Impairment losses on goodwill are recognized in profit or loss and are not reversed in subsequent periods. In addition to goodwill, intangible assets with a finite useful life (customer contracts) arising from allocation of the transaction price of business combinations are tested for impairment.

Non-current assets held for sale and disposal groups/liabilities associated with disposal groups

Non-current assets or disposal groups that the Group has decided to sell and their sale is deemed highly probable are classified under assets as "Non-current assets and disposal groups" and liabilities as "Liabilities associated with disposal groups".

They are measured at the lower of their carrying amount and fair value less costs to sell.

Gains and losses (net of tax) on disposal groups recognized as such in the reporting period are presented separately in the income statement.

Current and deferred taxes

The Group estimates current and deferred taxes, considering the domestic tax consolidation scheme.

Current taxes not yet paid in whole or in part at the reporting date are recognized as tax liabilities in the statement of financial position (IRAP), while those covered by the domestic tax consolidation are recognized under "Other liabilities" as a liability with the tax consolidation parent (IRES). If payments on account in the current or previous reporting periods exceed the related tax expense, the difference is recognized as an asset under "Tax assets—a) current" (IRAP) and as "Other assets" (IRES). Current and deferred taxes are recognized as "Income taxes" in the income statement unless they relate to actuarial gains or losses on defined benefit plans and gains or losses on financial assets at fair value through other comprehensive income, which are recognized directly in the related valuation reserves, net of tax.

Deferred tax assets and liabilities are recognized in the statement of financial position without offsetting as "Deferred tax assets" and "Deferred tax liabilities", respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The Group recognizes deferred tax assets (in caption 100.b) for deductible temporary differences and carryfoward 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 assets.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the Group does not expect to undertake transactions that would require their taxation.

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, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the Group may find itself.

BUSINESS

This section includes certain technical terms that are commonly used in our industry. See "Glossary" for a detailed explanation of these terms. We have estimated certain information in this offering circular regarding market share and our position relative to our competitors based on our internal data and certain extrapolations. See "Industry."

Overview

We are the leading paytech company in Italy. As of December 31, 2018, we managed directly or through approximately 150 partner banks over 41 million payment cards for 30 million cardholders, and serve more than 890,000 merchants.

Our technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Our business is built on long-standing and deeply-rooted relationships with approximately 150 partner banks, which we estimate covered approximately 80% of the Italian banking sector by number of branches as of December 31, 2018.

We have a history of growth based on both organic development and synergistic acquisitions.

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

On a pro-forma basis, for the year ended December 31, 2018, we managed a stock of more than 41 million payment cards and processed approximately 6 billion acquiring and issuing transactions, with a combined transaction value of approximately €446 billion, including issuing volumes of approximately €197 billion and acquiring volumes of approximately €249 billion.

The table below sets forth the volumes and the value of issuing and acquiring transactions for the years ended December 31, 2018, 2017 and 2016:

	For the year ended December 31			
	2018	**2017**	**2016**	**CAGR**
	Volume in millions			*(%)*
Acquiring—Merchant Services & Solutions	3,196	2,855	2,631	10.2
Issuing—Cards & Digital Payments	2,357	2,135	1,955	9.8
	Value in € billions			
Acquiring—Merchant Services & Solutions	249	233	221	6.1
Issuing—Cards & Digital Payments	197	186	177	5.5

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

The table below sets forth our normalized Unaudited Non-GAAP Aggregated Financial Information.

	For the year ended December 31		
	2018	**2017**	**2016**
	(In thousands of Euro and percentage of total financial and operating result)		
Merchant Services & Solutions	448,027	415,435	375,140
Cards & Digital Payments	360,619	342,149	314,903
Digital Banking Solutions	111,525	108,620	101,214
Net operating revenue	**920,171**	**866,204**	**791,257**

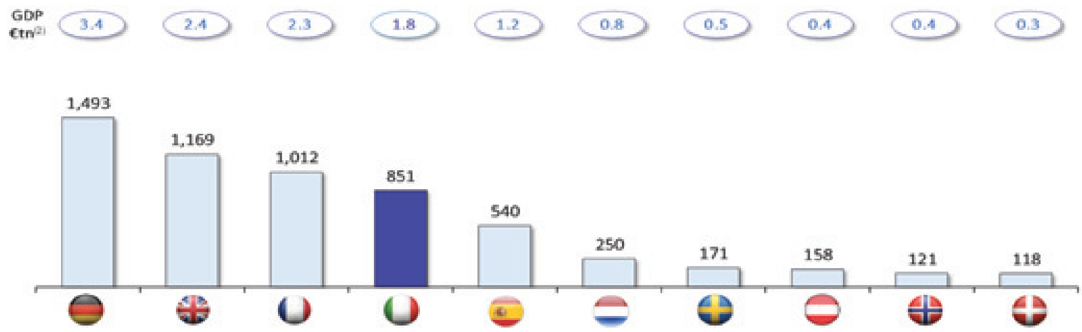
As of December 31, 2018, we employed 2,292 people, including employees of Oasi, Pay Care and Moneynet

Our Strengths

1. *Large and attractive market underpinned by significant secular growth drivers*

Italy is Europe's fourth largest economy by nominal GDP (approximately €1,800 billion in 2018 according to Eurostat) and total consumer spending (estimated at €851 billion in 2018 according to Euromonitor International) as shown in the chart below.

Total Consumer Spending 2018, Selected European Countries (€ billions)[(1)]



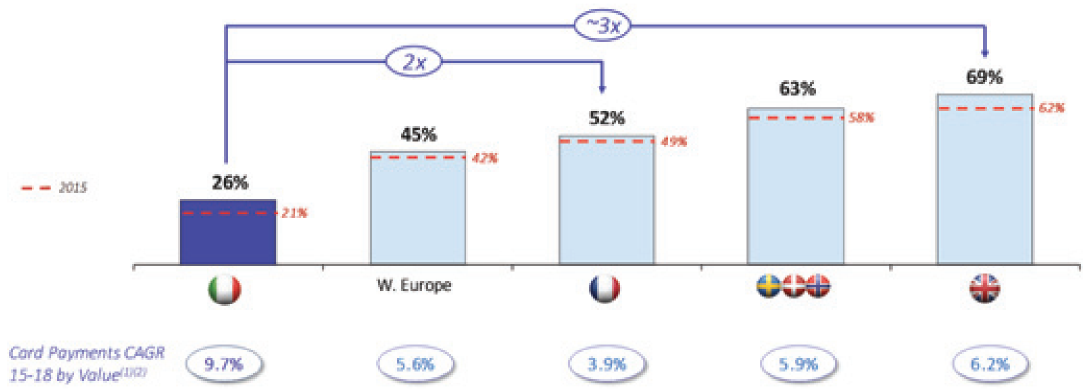
Source: (1) Euromonitor International Consumer Finance 2019 Edition; (2) Eurostat; 3Q-2018 LTM GDP at current market prices in euro and unadjusted (i.e., neither seasonally adjusted nor calendar adjusted data).

Note:

Selected countries include Western European countries with the exception of Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions, other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate).

In Italy, where we operate, penetration of digital payment methods is significantly lower than the European average, for a number of reasons, such as the sub-optimal level of fixed broadband connectivity in certain areas of the country (resulting in low transaction speed and uneven distribution of POS terminals among merchants), the preponderance of prepaid cards as opposed to credit cards, the low average spending limits (and relatively low limits on credit cards in particular), and the national debit card scheme. The total value of purchases made through digital payment methods in the Italian market is one of the lowest in Europe (equal to 26% of total purchases by value), compared to an average in Western Europe of 45%, and significantly lower than that in other major, more mature, European markets, with some of these markets, including France and Great Britain, enjoying a level of penetration for payment cards that is twice or three times that of Italy (52% and 69%, respectively) (source: Euromonitor International Consumer Finance – 2019 Edition). In addition, the penetration of payments in Italy is lower than in other European countries because of the presence of specific cultural factors such as the preference for cash, cardholders' perception that they have little control over their spending, and the low perception of merchant reliability. Due to these specific factors, the penetration of payments in Italy may not reach the level of level of other European countries.

Consumer Card Payment Transactions Penetration, Selected Countries (% by value of transactions, 2018)



Source: Euromonitor International Consumer Finance 2019 Edition.

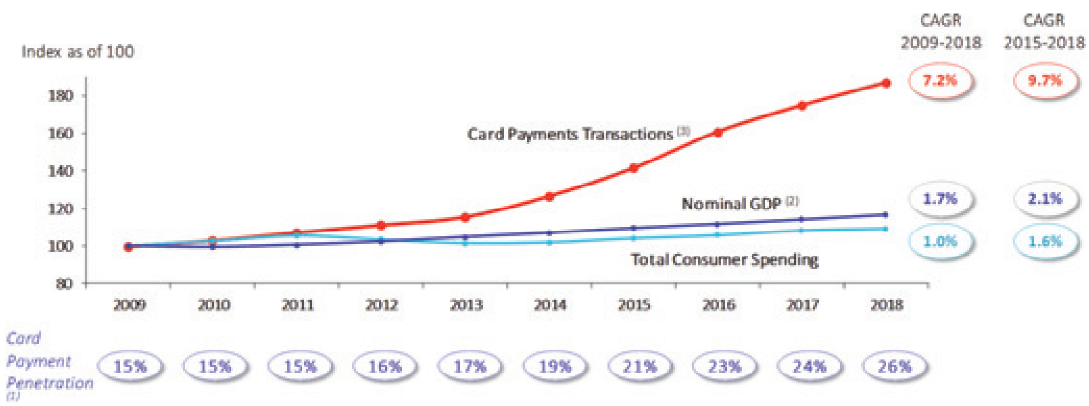
Notes:
(44) Consumer card payments CAGR 15-18 by value for Western Europe total and Nordics based on fixed 2018 euro exchange rates and for all other countries based on local currency.
(45) Refers to consumer card payments market.

Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions, other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending. Consumer card payments is defined as card payment transactions (excluding commercial transactions).

The growth in the value of card payment transactions in Italy has accelerated, growing at a CAGR of 9.7% between 2015 and 2018. This has translated into an increase in card payments penetration from 21% of total transaction value in 2015 to 26% in 2018. Over the same period, card payments penetration increased from 49% of total transaction value to 52% in France (a CAGR of 3.9%) and from 62% to 69% in the UK (a CAGR of 6.2%) (source: Euromonitor International Consumer Finance—2019 Edition).

The rapid and substantial growth of card payments in Italy has taken place notwithstanding the Italian macroeconomic and political backdrop in recent years. As shown in the chart below, card payment transactions value in Italy grew at a CAGR of 7.2% between 2009 and 2018, faster than total consumer spending and nominal GDP.

Growth of Italian Card Payments (in values) consistently outperforming Italian total consumer spending growth and nominal GDP from 2009 to date indexed to 100(1)(2)

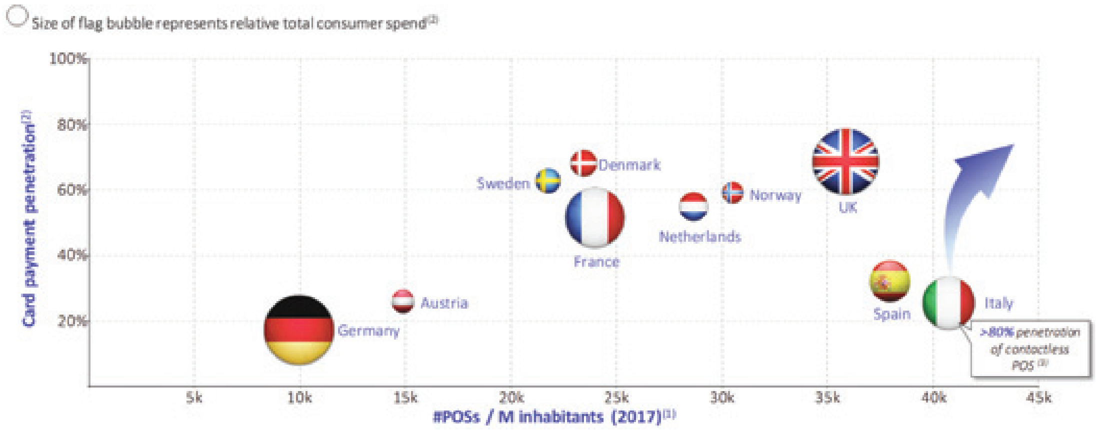


Source: (1) Euromonitor International Consumer Finance 2019 Edition; (2) Economist Intelligence Unit; (3) Refers to consumer card payments market.

Note:
Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending. Consumer card payments is defined as card payment transactions (excluding commercial transactions).

As shown in the chart below, Italy's POS infrastructure is well developed, with a high number of POS terminals per capita (over 40 thousand per million inhabitants) (source: Edgar, Dunn & Company). In addition, we estimate that over 80% of POSs in Italy were equipped with contactless payment technology as of the end of 2018.

Number of POS per million inhabitants and penetration of card payments in Selected European Countries(1)(2)



Source: (1) Edgar, Dunn & Company (EDC); (2) Euromonitor International Consumer Finance 2019 Edition; (3) Issuer estimate.

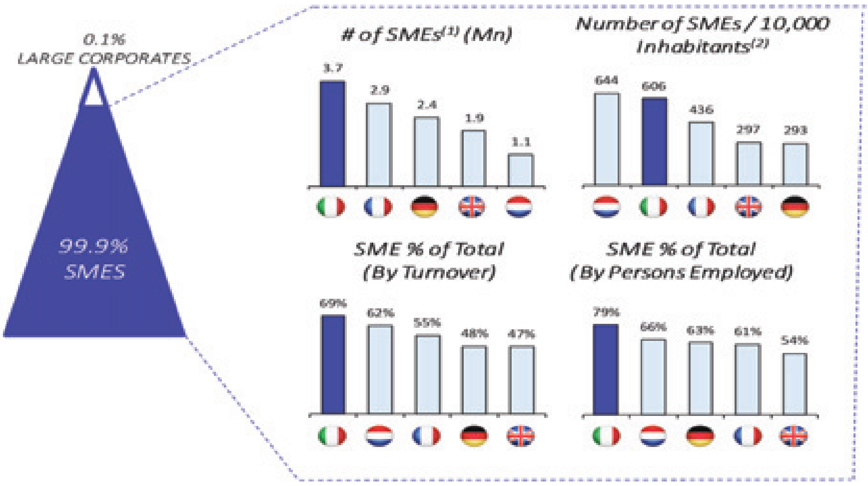
Note:

Selected countries include Western European countries with the exception of Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions, other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending.

In our view, the availability of a well-developed infrastructure contributes to the realisation of the conditions necessary to achieving what we believe to be sustained potential growth in the digital payments industry in Italy, consistent with the historical growth rates observed in other, more developed, European payment markets to date and characterized by high penetration rates of card payments. For example, according to Euromonitor, for the period 2004-2018, the card payments penetration increased from 34% to 63% of total transaction value in Sweden, from 27% to 52% of total transaction value in France and from 34% to 55% of total transaction value in the Netherlands. Although the infrastructure is well-developed, nevertheless there are considerable disparities between different regions in Italy. The high number of POSs is also linked to the fact that merchants often use different terminals to accept different types of digital payments.

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

Number of SMEs in Selected European Countries



Source: (1) Eurostat 2015; (2) World Bank population data.

Note:
SMEs are defined as enterprises with fewer than 250 persons employed; the number of persons employed is defined as the total number of persons who works in the observation unit as well as persons working outside the unit but are paid by it (e.g., sales representatives, delivery personnel, etc.). It excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service.

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

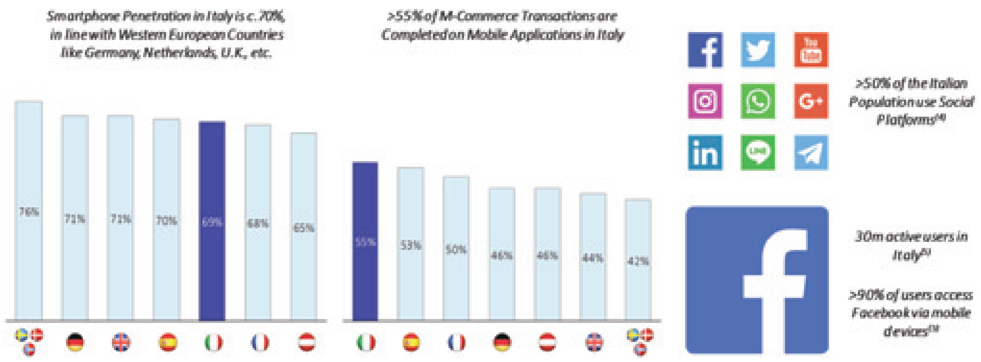
Statistics on e-commerce industry in Selected European Countries(1)

Source: Politecnico of Milan, Osservatorio e-commerce B2C, October 2018.

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

In our view, continued mobile-centric innovation in the payments market combined with growth in the adoption of this channel is expected to result in further acceleration of growth in the Italian payments market. Key factors driving this growth are the high level of mobile penetration in Italy (the penetration of smartphones in Italy is equal to approximately 70%, in line with Western European countries) (source: Edgar, Dunn & Company (EDC) – 2017 data), favorable demographic trends with younger generations being naturally more attracted to digital applications (over 50% of the Italian population regularly uses social media platforms, with about 30 million Italians registered as Facebook users (source: articles published by e-marketer and associated press national agency (ANSA) dated February 6, 2017 and May 31, 2017, respectively)) and the availability of modern payments infrastructure. "Penetration" was calculated as number of people with a smartphone, divided by the total population, while "smartphone" defined as a mobile phone that performs many of the functions of a computer, typically having a touchscreen interface, Internet access, and an operating system capable of running downloaded apps.

Mobile industry statistics in Selected European Countries(1)(2)(3)



Source: (1) Edgard, Dunn & Company (EDC)—2017 data; (4) e-market article dated Feb 6, 2017; (5) News article published by ansa.it dated May 31, 2017.

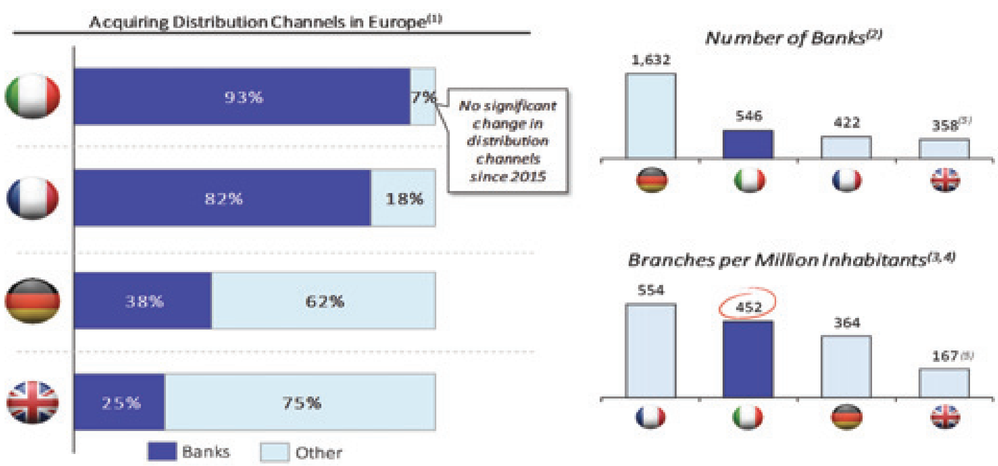
Notes:

(1) Penetration calculated as number of people with a smartphone, divided by the total population. Smartphone defined as a mobile phone that performs many of the functions of a computer, typically having a touchscreen interface, Internet access, and an operating system capable of running downloaded apps.

(2) M-commerce defined as transactions conducted electronically via mobile phone.

The Italian banking sector is highly fragmented compared to that of other European countries, with a large number of banks and branches per inhabitant. At the same time, the Italian payments market is characterized by the strong presence of SMEs (by volume), with Italian banks, due to their widespread coverage of the territory, representing the largest distribution channel for payment services. We estimate that banks accounted for 93% of products and services relating to merchant acceptance in 2018.

Products and services distribution channels relating to merchant acceptance in Selected European Countries



Source: (1) Management data; (2) European Banking Federation as of December 31, 2017; (3) European Central Bank—2017 domestic number of branches; (4) The World Bank; (5) Based on 2014 data (latest available for number of branches).

Given the complexity and fast-changing, technology-driven developments in the payments system, we believe that banks are increasingly focused on offering innovative value-added products and services to their customers. Consequently, banks, and in particular small and medium-sized ones, are typically seeking support from specialist payments companies, for their end-to-end digital payment needs, a trend from which we benefit. We believe that this development is particularly favorable, given we currently have established and long-term relationships (both in terms of historical relationships and contractual arrangements relating to future commercial relationships, in some cases extending to 2025) with most of our 150 Italian client banks.

Digitalization of payments is a priority in Italy's national agenda as a means to favor the country's growth and to increase transparency and security of financial activities and commercial exchanges. See "Industry—Key Trends in the Digital Payments Market—Regulatory changes" for a description of these initiatives.

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

2. *Established market leader at scale with broad payments system coverage*

We believe that, due to our leadership position across several industry segments, we play a pivotal role in the Italian payments ecosystem.

However, we achieve all our revenues in Italy and are therefore exposed to the country's macroeconomic conditions. This makes us less diversified compared to other international players in the payments sector.

Below is a summary of our position within the Italian market:

- with reference to the offer of products and services relating to the Merchant Services & Solutions business unit, we manage, directly or indirectly, payment and withdrawal transactions equal to:
  - approximately 70% of the value of card transactions excluding national schemes (Bancomat/PagoBancomat);
  - approximately 50% of the value of card transactions including national schemes (Bancomat/PagoBancomat); and
  - approximately 21% of e-commerce transactions; excluding the top 20 e-commerce international merchants present in the Italian e-commerce market, not commercially addressable by us, the e-commerce market share would be 42%; and
- with reference to the Cards & Digital Payments business units, we manage, directly or indirectly, payment and withdrawal transactions equal to:
  - approximately 60% of the value of card transactions excluding national schemes (Bancomat/PagoBancomat); and
  - approximately 44% of the value of paper transactions including national schemes (Bancomat/PagoBancomat).

We estimate, based on the percentage of card spending carried out on our issuing or acquiring platform, that approximately 90% of the total consumer card spending in Italy for the year ended December 31, 2018 (excluding national schemes Bancomat/PagoBancomat), flowed through at least one part of our value chain. The perimeter considered in the analysis includes the transactions of a card managed by us, by a merchant managed by us or both. The numerator of the ratio is the sum of the value of our Issuing and Merchant Services transactions, while the denominator is the total value of transactions on the Italian market in the same reference period.

Through our business units built around our customer-centric vision, we have breadth and depth in our product offering and coverage of the digital payments value chain.

Competitive positioning of the Group

Source: management, company information and websites

Note:

Methodology: Score from 0 to 10 assigned to each category based on management estimates. Left graph (Portfolio size; Presence on the value chain): Nexi (9.0;8.8), Adyen (3.5;9.3), Amex (5.0;6.3), Diners Club (3.5;0.5), Discover (2.0;2.0), Elavon (7.0;5.8), Equens (6.0;3.3), iZettle (3.0;5.3), Paypal (4.8;7.8), Sia (6.5;2.0), Six Payments (8.0;6.8), Stripe (1.0;7.0), SumUp (1.0;3.5), Wirecard (2.8;8.0). Right Graph (Geographic Focus; Portfolio Size / Presence on the value chain): Nexi (9.0;9.0), Adyen (3.0;6.8), Amex (5.2;5.5), Diners Club (5.3;0.9), Discover(2.0;0.8), Elavon (2.5;7.3), Equens (6.2;3.8), iZettle (1.8;3.5), Paypal (5.5;6.0), Sia (9.0;3.5), Six Payments (5.0;8.0), Stripe (4.5;4.2), SumUp (4.8;2.3), Wirecard (2.5;5.5)

(1) Indicative representation of position in the value chain (network, processors, POS terminals, online, acquiring, capacity omni-channel).
(2) Indicative representation of the portfolio size (products and services offered).
(3) Sum of (1) and (2) as shown in the matrix on the left.
(4) Indicative representation of local experience and geographical presence (Italian website, dedicated customer service, number of employees in Italy, where available).

By way of example, for the year ended December 31, 2018:

- with respect to products and services related to merchant acquiring:
  - we served approximately 890,000 merchants, with large acquiring volumes of 3.2 billion transactions, equivalent to total transaction value of €249 billion; and
  - based on our estimates, we processed, directly or indirectly, approximately 70% of Italy's card payment transactions by value (excluding transactions on PagoBancomat);
- with respect to issuing activities:
  - we have a significant size in the segment, with over 41 million payment cards under management, with large issuing volumes amounting to 2.4 billion transactions (equivalent to €197 billion by payment transactions value); and
  - based on our estimates, we processed, directly or indirectly, approximately 60% of Italy's card payment transactions, by value (excluding transactions on PagoBancomat); and
- with respect to digital banking solutions and services, based on our estimates:
  - we managed 936 million transactions through our clearing houses for Italy and the SEPA area, with a market share of 16% for the year ended December 31, 2017;
  - we are the main provider of digital corporate banking services when measured by e-banking licenses (equal to approximately 420,000, constituting a 25% share of the market by number of e-banking licenses), providing Italian corporates with key digital front-end systems for the management of electronic flows; and
  - in the self-banking industry, we manage approximately 13,400 ATMs with a 29% market share.

In addition, we are developing the Italian Gateway for Open Banking, as explained under "—Our Services—Digital Banking Solutions," to capture the opportunities from PSD2.

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

Our extensive and diversified coverage of the payments system allows us to:

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

Despite our strong competitive position, we are subject to competitive pressures from both domestic and foreign operators, the threat of a further opening of the market as a result of changes in the applicable regulatory framework (including, in particular, the PSD2 Directive), and the threat of disintermediation of our activities as a result of new technological developments.

In particular, the open banking initiatives will guarantee the right of access by third-party providers to the account establishment institute, particularly with regard to:

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

3. *Established and value-oriented partnerships with Italian banks*

We derive the majority of our revenues from commercial relationships with approximately 150 Italian banks (which, with more than 20,000 branches, represent approximately 80% of Italy's banking sector by number of branches). These banks are both direct customers and partners serving as strategic distributors of our services and products or referral networks for potential cardholders and merchant and corporate clients. They include some of the main Italian banking groups and their extensive coverage creates an effective distribution reach. In particular, our bank partnerships encompass a broad spectrum of the players active in Italy: from large domestic players, such as Intesa Sanpaolo, Banco BPM, UBI and Banca Monte dei Paschi di Siena, to medium-sized banks like BPER, Credito Valtellinese and Banca Carige, and local banks, such as Banca Popolare di Bari, whether traditional commercial banks or digital banks (e.g., Widiba) and from pure Italian players to foreign-owned operators (e.g., Deutsche Bank or Crédit Agricole).

We depend on our partner banks for the distribution of our products. As a consequence, maintaining long-term business relations with them is a key element of our strategy as PayTech leader in Italy in partnership with banks.

Our relationships with partner banks are built around a wide set of different service models, offering attractive solutions to address each partner bank's requirements in digital payments acceptance and issuance strategy, from technological outsourcing of selected activities (clearing and settlement) to providing services that can cover the entire value chain (from the supply of technology and material support to process management, maintenance activities and customer support).

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

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

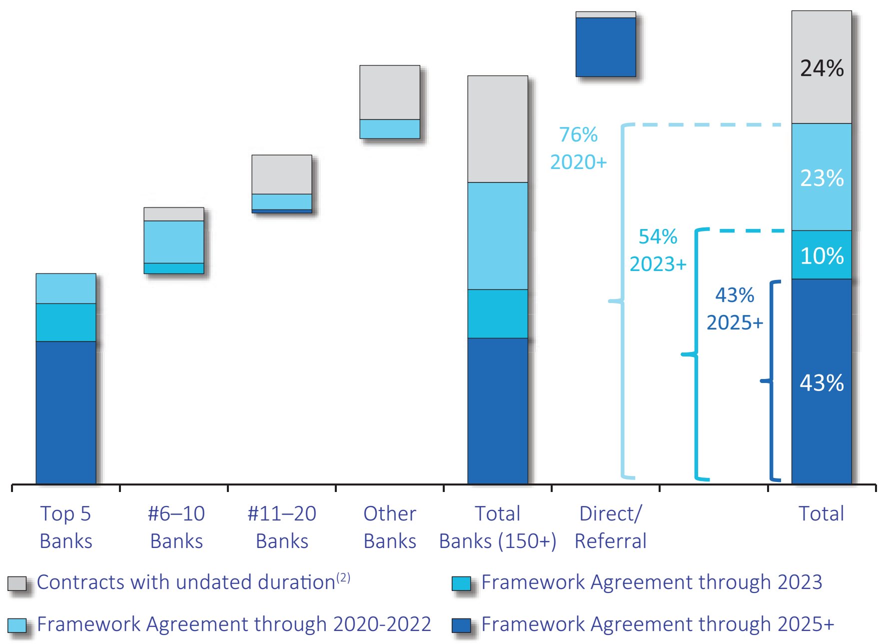
- the combination of our know-how, business support activities, specialization and investment in innovation that allows us to deliver faster, highly-integrated and technology-driven payment services, which are strategically important for banks; and
- our scale, which creates significant cost advantages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

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

Key features of the relationships with our partner banks include:

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

Operating Revenues Contribution[(1)]



Source: Management data.

Notes:
(1) By 2018 pro forma revenues.
(2) Subject to termination by the client bank.

4. *Diversified product portfolio, positioned to capture many growth opportunities*

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

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

We believe that we maintain a significant competitive advantage in product innovation, having introduced in recent years a significant number of well-funded, highly innovative, and differentiating products and solutions that are driving near- and long-term growth. These include:

- Merchant Services and Solutions:
  - In order to drive digitalization and expand our merchant services portfolio from traditional acquiring further into value added and software services, we were the first in Italy to introduce SmartPOS devices, targeting both SMEs and innovative retail chains. Developed through an exclusive, multi-year strategic partnership with Poynt, a Silicon Valley-based company and leading player in developing smart terminals, the SmartPOS offering consists of advanced smart terminals and a powerful and flexible Android-based operating system. Beyond omni-acceptance traditional payment features, the SmartPOS proposition includes a proprietary app store onboard, which merchants can use to download apps and combine a variety of value-added services and software (with over 40 apps available) to help our merchants run their business more efficiently and in a more integrated way. Due to exclusive software partnerships with selected cash register providers, the SmartPOS can become an all-in-one device for SMEs, acting as an electronic cash register. We estimate that, on average, a SmartPOS generates €14 more in monthly revenue than a traditional terminal, both for us and our partner banks (while a SmartPOS with ECR generates €40 more per month). SmartPOS accounts for 20% of sales with the banks that first purchased the device. We believe that SmartPOS represents the path to digitalization across all different merchant segments. Given its value-added features and convenience for merchants, we believe that the SmartPOS could contribute to increased merchant willingness to accept digital payments, thereby driving cashless penetration in Italy;
  - In the LAKA (Large and Key Accounts) segment, which includes our most sophisticated customers, we are investing to deploy omni-channel payments solutions to provide a seamless purchasing experience to end customers and building a specialized team of approximately 120 employees, comprising sales engineers, and industry product specialists to serve more sophisticated end-users operating under a multi-channel and, in some instances, multi-country model. In addition, through the acquisition of Sparkling 18, we provide large merchants with integrated apps or software components for omni-channel mobile payments solutions, with specific offers for industry niches. We serve most sectors, with a comprehensive offer for large retailers (such as Auchan, Carrefour, Coin and Esselunga), established restaurants (such as Roadhouse, Rosso Pomodoro and Eataly), some of the main telephone operators (such as Vodafone and Tim), international and national insurance companies (such as Allianz, Generali, Genialloyd, Linear and UnipolSai), companies in the wellness sector (such as Virgin Active), and transport companies (like ATM Milan);
  - In the e-commerce space, we offer a comprehensive, easy-to-deploy payment gateway solution, Xpay. Xpay gateway, serving a wide range of customers, from SMEs and mid-sized merchants to large merchants, offers a broad array of payment methods and is capable of accepting over 400 payment methods. A merchant can enroll with a streamlined, fully digital process and be live in 24 hours. In addition, Xpay offers plug-ins for many cart and shop management platforms such as Woo, Magento e PrestaShop. Given its many features through our Xpay offering, we have the ability to cross-sell our e-commerce proposition to our physical SMEs merchant clients;
  - We believe that we are well-positioned to capture the opportunities arising from invisible payments and the rise of Internet of Things, or IoT, payments. Xpay Invisible is our offering for the app economy and for invisible payments which eliminates explicit exchange of credentials during each payment, therefore increasing efficiency of the payment experience and driving digital penetration domestically. We already serve important players in Italy such as Enjoy (car sharing), MiMoto (motorbike sharing), Enistation (fuel pumps) and many others via a wide and granular set of payment APIs; and

- We offer the Nexi Business App, a data-centric mobile application that allows smart tracking of a merchant's business in real time (card payments, cash etc.), and through self-care activities and access to a business insights dashboard, powered by advanced analytics, where merchants can compare key performance indicators of their business versus their industry as well as against businesses of varying sizes, both at the local and national level, and gain insights on their customer profile. We believe that the Nexi Business App will contribute to merchants' increased willingness to accept cashless forms of payment, given the possibility to access valued-add ancillary services such as business critical data. Launched just over a year ago, the Nexi Business App is one of the most successful SME Italian business apps, both in terms of penetration and rating, with over 120,000 merchants using it every month (of which more than 80% are active weekly users, averaging more than four accesses per month), representing more than 35% of the partner banks that are using the product.

- Cards and Digital Payments market:

  - We are developing our core credit products to drive digitalization, usage and penetration. As an example, at the end of 2017, we launched a feature allowing repayment in instalments, and are working to introduce a dynamic credit limit extension that would bring potentially significant commission inflows while not absorbing capital;

  - We have developed and already commercialized a differentiating product with the Black credit card, the first contactless, metal-veneer card with dedicated services in Europe, exclusively designed for high net-worth individuals;

  - We have an innovative product in the corporate card segment, reinforcing our current offering of corporate cards, in the form of a virtual card to capture further business travel spending, aligned with a centralized virtual account for B2B payments, enabling us to enter the "procure to pay" segment with a highly integrated offering;

  - We also have a new international debit card, available also as a corporate card for micro-entrepreneurs and independent professionals, that allows for online purchases, mobile payments and international payments, currently not possible with Italian debit cards and therefore driving higher card usage domestically as a result of its superior product characteristics. We managed more than 3.8 million cards in 2018, an increase of 33% compared to 2017, due in part to the involvement of approximately 50 banks, including 12 that offer the card, 40 of which are in the activation phase and a further four banks with whom negotiations are in progress;

  - We are developing our national debit card business, where we already provide several core services along the value chain, aimed at enabling Bancomat innovation through product characteristics such as virtualization, e-commerce usage and selected mobile payment use cases, which in turn will contribute to driving more card usage;

  - We offer new, fully digital card management capabilities, including instant issuing, card tokenization (i.e., the replacement of sensitive data with non-sensitive data) and a comprehensive offering of mobile payments, with Apple, Samsung, and Google Pay, and a flexible, yet standardized, architecture. The Nexi Pay app, a consumer mobile application that allows for expense monitoring, card management, and access to other value-added services such as dynamic spending limits and instalments options in respect of certain purchases. We believe that our offer in the mobile segment can contribute to improving and simplifying the payment experience for end-users in Italy, thereby driving cashless penetration;

  - We have a next generation customer value management, or CVM, service, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending, which led to a 9% increase in reactivated cards and the issue of 53% more new payment cards (an increase of 8% of activated credit cards over the period from March 1, 2018 to October 30, 2018), as a result of features ranging from digital instant wins to gift collections. For example, our digital instant-win lottery, called "#iovinco" (or "#iwin"), was launched specifically to increase card usage and downloads of our Nexi Pay app (an increase of 26% in transactions effected in the m-commerce channel). In the period from April to December 2018, there were 18.7 million interactions with #iovinco, an increase of 7% in the number of transactions and 4% in volumes traded.

- Digital Banking Solutions:

  - Our instant payments platform allows users to carry out instant clearing and manage real-time, IBAN-based, interbank payments with pan-European interoperability thanks to the agreement with the other major European instant ACH (EBA clearing) and the upcoming connection, scheduled for May 2019, with the ECB Tips infrastructure. In this segment, we provide important ACH VAS (e.g., anti-fraud) and support banks with co-marketing activities and in developing innovative use cases that can drive growth of the market. We currently offer instant payment gateway services to four banking groups that represent approximately 14% of the Italian banking sector by number of branches;

- We are well-positioned in the B2B Corporate digital payments market, being the largest Italian corporate front-end/digital banking solutions provider, already helping a number of banks and corporates, with over 420,000 workstations installed, to simplify their daily business, ensure easy, efficient payment operations and optimize finance management. We are evolving our product proposition with a completely revamped Digital Corporate Banking solution, including a new state-of-the-art e-invoice management platform, fully integrated with payment and collection services, a dedicated mobile app for CFOs, and a digital signature document exchange platform, to become the main one-stop-provider of advanced digital payments solutions for business customers; and
- We also have a new self-banking offering, with a totally re-designed interface and innovative functions (including an interactive CRM function, cardless withdrawals and advanced monitoring and maintenance services), which can provide end-to-end, fully-outsourced services, to support the banks' branch transformation processes.

As we deploy these products and services, we continue to invest and seek out new business opportunities to support our long-term growth prospects. Such opportunities include the following:

- We see significant future potential for corporate digital payments and we are well positioned to have a central role, thanks to our digital corporate solutions in Digital Corporate Banking, Collections and Commercial Cards. We are working on a new comprehensive and integrated offering, in order to best position ourselves to address the rise of B2B payments, which combines different businesses including corporate cards, virtual payment accounts, instant payments and electronic invoice management;
- We have already made important steps toward capturing the opportunities created by the introduction of PSD2. We won the tender held by the consortium CBI (the consortium that is managing Italian corporate banking interoperability infrastructure) to build the pan-Italian open banking gateway, CBI Globe, currently under development with the aim of launching in the second quarter of 2019 when the PSD2 will be fully in force. The CBI Globe PSD2 gateway not only allows Italian banks to comply with PSD2 requirements, but it also represents the key infrastructure needed to fully capture the wide range of open banking opportunities.
- In the second half of 2018, we launched YAP, our mobile-centric payments platform (P2P and P2B) that has a fully digital onboarding process, is virtual card-based and was specifically designed for Millennials (approximately six million Italians). The YAP platform has already been used by more than 150,000 customers (70% of whom are under 30), with 88% of active users conducting at least one transaction per month, and who give a rating above 4.5 in the App Store. YAP allows payments to other users (i.e., peer-to-peer or P2P) or to merchants, either online or in physical stores via POS contactless (peer-to-business or P2B). Yap represents an additional element of competitive diversification towards the entry and diffusion of payment instruments based on "rails" other than cards or disintermediation by new entrants (e.g., large digital players), which could still pose a threat to our future development considering that we could not be able to neutralize the effects of the entry of these technological players into the Italian market; and
- We are harnessing new data-enabled products, such as customer consumption analysis for large merchants, enhanced customer experience features for our consumers, developing existing bank tools and deploying dynamic real-time predictive tools enabling in-depth monitoring of activities and fraud prevention.

5. *Leading technological capabilities enabling innovation delivery and next-generation platform deployment*

Technology is one of our strategic priorities, as it enables us to drive operational excellence and our innovative capabilities, allowing us to deliver a best-in-class experience. We aim to stimulate innovation in our ecosystem and act as an innovation hub in the Italian financial system.

Our technological DNA can be summarized with the following slogan: "A qualified team that combines Italian creativity with solid engineering skills to develop high quality innovation at low cost."

We believe that our technological know-how is one of our key strategic competitive advantages for long-term and profitable growth. The key pillars of our technology strategy are summarized below.

- A team combining engineering skills and advanced digital knowledge;

- Quality and safety as a foundation for the growth of our business;
- A proven ability to innovate in terms of speed and purpose of execution and ability to execute complex transformation processes; and
- A next-generation platform with progressive modular development providing a competitive advantage in terms of innovation and cost efficiency.

Team combining engineering skills and advanced digital knowledge

Our IT strategy is underpinned by a team of highly qualified and experienced talented professionals. Hiring the best talent in the industry is of paramount importance for any technology business, and for us it is essential in order to maximize the potential of our business.

In order to secure the best talent in the industry, for whom there is strong competition, we have invested considerable resources in identifying and selecting highly qualified professionals. At the end of 2018, we had more than 330 dedicated full-time employees, 63% of whom were digital and business architects, 32% system engineers and 5% management. Over the past 24 months, we have restructured our IT organization by more than 30%, hiring more than 100 engineers and architects, and replacing 70% of our IT managers. A modern corporate culture, oriented toward technological innovation, plays an important role in the image of our employees and in the retention of them, creating an ecosystem for the creative exchange of ideas.

Our IT structure is organized into specialized units that reflect our three business units, and is supported by virtual teams that encourage collaboration and interactions between and within teams.

Our IT organization is managed by an expert management team with experience in technology and payments. Our organizational structure stimulates the skills of our employees with methods that are constantly evolving.

The co-leadership method entrusts the management of the specialized business units to two captains, one from the business unit and the other from the IT department. Together, the captains have joint responsibility for the project's development, combining IT know-how with business knowledge, and creating a working relationship based on knowledge and trust, and focused toward a common goal.

Quality and safety as a foundation for the growth of our activities

Quality and safety are the second pillar of our IT strategy. We believe that these are essential elements as the reputation and trust of customers depends on our ability to develop technology in a reliable and secure manner.

Service quality is maintained at a level commensurate with customer expectations through the Live Service Management team. This team ensures that customer activities are carried out smoothly, using a variety of processes and tools required to perform monitoring for more than 100 types of service, providing:

- a control room allowing round-the-clock monitoring, proactively detecting potential problems before receiving feedback from banks and customers;
- more than 200 service level agreements ("**SLAs**") and quality of service indicators, which enable direct contact and cooperation with partner banks;
- more than 220 automated checks in real time; and
- 24-hour availability of IT managers to quickly resolve any potential malfunctions.

As a result, according to our Service Stability Index, the number of total security events detected decreased by 72%, from 226 events in the fourth quarter of 2017 to 64 in the fourth quarter of 2018.

Information security is part of our DNA and is maintained at very high levels as our reputation and our customers depend critically on it.

In recent years, we have invested heavily in cyber security to be able to provide effective defenses against various types of cyber-attacks, including phishing campaigns, malware and attacks directed at our web portals.

The Security Operations Center monitors and detects suspicious activity 24 hours a day. In 2018 alone, the center analyzed 165,000 major security events, handled over 270 service requests, blocked more than 350 phishing exercises, and identified and managed more than 700 security events, without detecting any material breach. These mainly involved attacks on our web interfaces and malware attempts.

To reduce the risk of security incidents, we have strengthened prevention, detection and response capabilities across all security domains.

As further evidence of the soundness of our IT security systems, we did not encounter any IT violations, GDPR violations and/or significant fraud during 2018.

Proven ability to innovate in terms of speed and purpose of execution and ability to execute complex transformation processes

Efficient execution, stability and security have allowed us to develop complex and innovative solutions for our customers. Since 2016, our execution capacity has increased by three times with the release of more than 6,000 new versions of applications in the last 24 months.

Our track record of success includes a large number of projects, ranging from product innovation to strategic projects with partner banks, such as Nexi Business, YAP, and the Nexi Pay app. We have also developed advanced methods that allow new updates to be released quickly, and we perform robust testing to minimize possible failures after the trial version (known as "*beta*"). For selected examples of our product innovation, see "Business—Our New Products and Services."

Next-generation platform with progressive modular development providing a competitive advantage in terms of innovation and cost efficiency

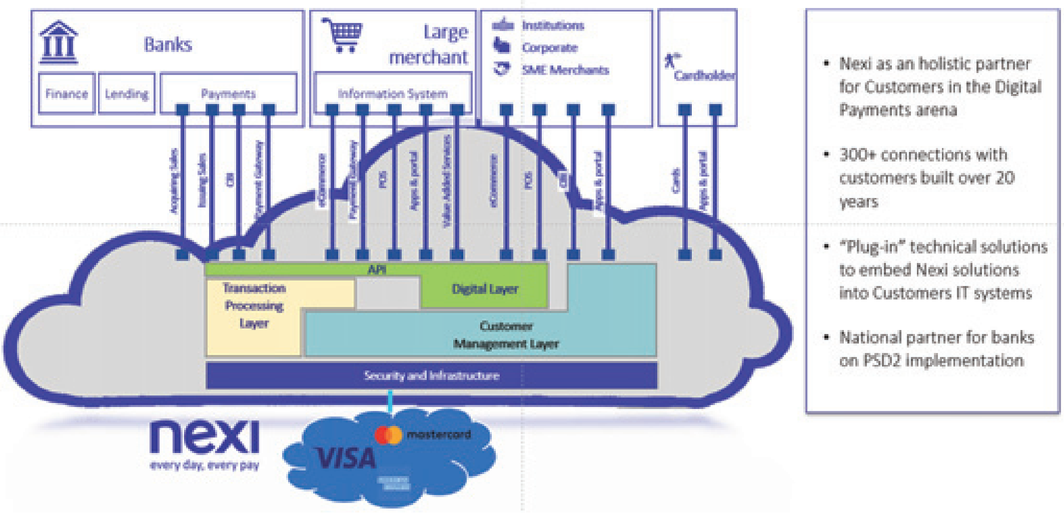
Our next-generation platform is based on a progressive modular development strategy, through which we acquire the most valuable and differentiating intellectual property rights for the business by developing them in-house and combine them with selected external components to take advantage of economies of scale and accelerate the speed of development and innovation. Our technological platform is complex and requires significant technological know-how to be maintained and developed.

Internally developed digital front ends combined with interfaces for easy integration with customers

Our IT solutions allow us to be a reference partner for our customers in the field of digital payments. Our ecosystem boasts more than 300 connections with our customers, developed over the last 20 years, which are the basis of long-standing relationships with our customers.

We have further strengthened our relationships with our customers through the development of plug-in solutions that supplement our product offering within our customers' IT systems. Our technological skills enjoy considerable recognition at national level, as shown by our selection as national partner of Italian banks for the implementation of PSD2. We expect that in the coming years, the CBI Globe initiative (i.e., the development of the pan-Italian open-banking gateway) will strengthen our strategic positioning in the field of digital payments.

Our digital architecture



Source: Management data.

Use of cloud architecture and Customer Service Management systems to increase business effectiveness and improve customer service

We have benefited from our cloud architecture and customer management service systems to increase commercial effectiveness and improve our customer service. We have developed a sales tool that provides a 360-degree view of the customer, from sales reporting to customer management and marketing campaigns. This tool will be integrated into the customers' banking systems, thereby strengthening the technological partnership between us and our customers.

Use of strategic partnerships or internal capabilities to manage processing activities

We use a combination of internal capabilities and strategic partnerships. For example, some payment features are managed in cooperation with our strategic partners, while we manage the gateway connections and technology. In particular, we have relationships with SIA and equensWorldline for the supply of processing services.

Robust technology infrastructure that includes security technologies and a hybrid cloud data center for reliability, scalability and rapid deployment

Our data center and IT infrastructure are built and optimized to support the digital transformation. We use hybrid technology that combines an in-house data center with public cloud service providers such as AWS and Azure. We also maintain a higher level of service by operating our data centers in active-active mode. The applications are divided between two main sites ensuring reliability in the event of any failure, including the malfunction of an entire data center.

In the financial years from December 31, 2016 to December 31, 2018, we invested over €325 million (including capex and operating expenses in the 2016-2018 period) in technological infrastructure, starting a process of efficiency and cost reduction, completing more than 50 transformation projects during the period. Among the main results of this technological transformation, we tripled our man days compared to 2016, reaching 330,000 in 2018, we reduced our ratio of operating and processing costs to revenues for the IT department, from 19% in 2016 to 17% in 2018, due to the development and launch of new, more modern, simple and efficient platforms, combined with initiatives to revise spending by management.

Well-positioned for the future through an investment-backed platform with a proven track record of innovation and transformation initiatives

Our investments in recent years have contributed to the development of a robust platform supported by investments, with a clear vision and execution plan to continue to provide high quality services.

In addition to the significant investments of the last 36 months of over €325 million, we intend to continue to invest over the next two years, mainly in innovative products and in the continued development of a new generation platform.

Group. See "Business—Our New Products and Services."

6. *Attractive financial profile combining growth, high operating leverage and strong cash flow generation*

With strong operating revenues of €931 million for 2018 on a pro-forma basis, we rank among the largest players in the European payments sector and are the largest paytech company in Italy by revenue, with Normalized EBITDA on a pro-forma basis of approximately twice that of the second largest paytech company in Italy. Taking into account both organic and market growth as well as the contribution from the acquisitions of the last two years, Normalized EBITDA on a pro-forma basis rose from €317 million for the year ended December 31, 2016 to €519 million for the year ended December 31, 2018 on a pro forma basis, which, in 2018, includes the €95 million of benefits to be achieved by the end of 2020. See "Annex B—Targets" for a discussion of projections and forecasts contained in this offering circular.

We have a history of consistent growth through both organic development and synergistic acquisitions. We recorded significant growth rates in terms of Total income and Operating EBITDA. In particular, historical Carve-out Total income and Operating EBITDA increased by 35.2% and 49.7% respectively, over the period 2016 to 2018. However, this growth was impacted by the timing of several acquisitions. On the basis of Unaudited 2018 Perimeter Information, Normalized total income and Normalized EBITDA increased by 7.8% and 15.5%, respectively, over the period 2016 to 2018.

Our growth is the result of a resilient and diversified business model and various other factors, including, among others:

- the fact that our end markets benefit from strong consolidated growth drivers as well as several structural characteristics which are specific to Italy;
- our established relationships with our partner banks; and
- our broad portfolio of products and services, which generates an attractive mix of volume-driven revenues and installed base driven revenues (47% and 53% in 2018, respectively.

Volume-driven revenues are linked to the volumes and payment transactions value we manage.

Installed base-driven revenues are primarily related to the number of apps, POS terminals, managed cards and loyalty programs.

Revenue drivers

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

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

A large portion of our principal cost components are fixed (approximately 64% in 2018), such as ICT operation costs, general operating expenses and salaries. As a result, our business benefits from a significant degree of operating leverage, which supports our growth in an efficient and profitable manner.

Our operating business is highly cash-generative, which allowed us to undertake significant extraordinary investments in transformation and innovation initiatives to further enhance our platform and the range of services and products offered. We estimate that capital expenditure in 2018 equaled approximately 16% of our operating revenues on a pro-forma basis, including non-recurring items. Excluding these items, ordinary and non-recurring capital expenditure totaled approximately €85 million, or 9% of operating revenues.

Taking into account both the ordinary component of capital expenditure and the change in the other net liabilities included in working capital recorded for 2018 (equal to approximately €27 million), we estimate that our normalized operating, pre-tax cash flow (excluding non-recurring items) was approximately €312 million, or approximately 74% of Normalized EBITDA, on a pro-forma basis. Such change of the net working capital relates only to variations of operating items, excluding certain line items relating to our acquiring and issuing activities covered by dedicated financing arrangements. Cash generation in 2018, including non-recurring items of approximately €131 million and capex related to transformation projects of approximately €65 million would amount to €42 million.

We have a strong track record of delivering on key strategic initiatives. For example, in the context of the issuance of the bonds in 2017 and the Notes in 2018, we had identified total expected improvements in Normalized EBITDA of €191 million, of which €96 million has been realized by the end of 2018. Taking into account the initiatives already carried out in 2018, the total benefit to EBITDA related to the three categories of Initiatives expected by 2020 is therefore equal to €95 million.

The initiatives identified in the bond financing transactions of 2017 and 2018 refer to three main categories:

a) Cost efficiency initiatives: these include cost reduction initiatives for production costs and general and administrative expenses, staff rationalization, reduction in IT processing and management costs and optimization of the center of customer service;

b) Initiatives for integration synergies on Bassilichi and Mercury Payment Services; and

c) Initiatives for innovation and customer value management: these include the launch of new products and other initiatives for managing customer value.

7. *Strong management team with proven track record across multiple value creation levers*

Since the acquisition by the Financial Sponsors in 2015, we have further strengthened our management:

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

The combination of these key strategic additions to management and the expansion of our technological capabilities has enabled us to simultaneously implement substantial strategic initiatives since 2016, as highlighted by the following:

- During the 2016-2018 period, we grew significantly through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, our Normalized EBITDA, as reported in our Unaudited 2018 Perimeter Information increased at a CAGR of 15.5% for the period.
- Since 2016, we successfully completed six acquisitions (Mercury Payment Services, Bassilichi, Sparkling 18, and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), while making our business more focused by selectively streamlining non-core and marginal operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors affecting our results of operations". Our recent acquisitions served different strategic purposes, ranging from

increasing our customer base and expanding our business coverage (e.g., Mercury Payment Services and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), increasing our technological capabilities, for example through the acquisition of Sparkling 18, and adding new synergistic and strategic business lines (e.g., Bassilichi). In addition to the expected financial benefits and synergies, these acquisitions have strengthened our customer relationships, added significant scale to our issuing, acquiring and POS management capabilities and expanded our customer base. The disposal of certain non-core businesses generated proceeds of €381 million between 2017 and the date of this offering circular, more than the non-recurring costs relating to the Transformation Program (as defined below) and the Reorganization (as defined below).

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

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

Our Strategy

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

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

Achieving profitable and sustainable growth due to a wide range of high quality products

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

Investing in cutting-edge technological capabilities

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

Continuously focusing on aspects of operational efficiency

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

Acquiring talent and the best skills in the industry

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

Strengthening the platform through disciplined acquisitions and partnerships

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

- domestic consolidation, increasing our scale, for example by acquiring merchant books. The acquisitions of Mercury Payment Services and the merchant books of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige that have increased our operational scale;
- enhancing our technological capabilities in selected high-growth products (such as with the acquisition of Sparkling 18); and
- acquiring new synergistic and strategic business lines (such as with the acquisition of Bassilichi).

In addition, we remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry. A possible international expansion would have a transformative impact and would be considered only if it would create value for shareholders.

Our History

Nexi S.p.A. was incorporated on April 21, 2016, and the Group's current scope is the result of the Reorganization that was completed in 2018 and described below. Our activities commenced in 1939 when six Italian banks founded a joint undertaking to provide essential banking infrastructure to the entire network of Italy's cooperative banks called the Istituto Centrale delle Banche Popolari Italiane S.p.A., or ICBPI. In keeping with this objective, we gradually expanded our service offering, both organically and through a series of synergistic acquisitions. Our expansion positioned us at the forefront of developments in payment technology and enabled us to drive innovation in the Italian market over the course of the following decades.

Set forth below are the key acquisitions and events that have contributed to our leading position in the Italian payments sector:

- In 2004, we acquired the payments business and debit card activities of Banca Popolare di Lodi, which widened our network of partner banks to include the *casse di risparmio* savings banks.
- In 2008, we started to expand our POS management business through the acquisition of Cim Italia.
- In 2009, we acquired Nexi Payments (formerly, CartaSì), the leading Italian provider of digital payment services, with a strong presence in issuing, acquiring, POS and ATM management.
- In 2014, we further expanded our Cards & Digital Payments business unit through the acquisitions of C-Card and Unicard, which we subsequently merged with Nexi Payments.
- In 2015, we were acquired by a company owned by Advent International, Bain Capital and Clessidra S.g.r. (the "**Financial Sponsors**"), which provided us with insights into operational excellence gained from the Financial Sponsors' investments in other leading payments companies such as Worldpay, Nets and Vantiv and provided us with the financial resources to consolidate the Italian payments sector.

In the context of this acquisition, the Financial Sponsors undertook to the Bank of Italy to maintain a controlling stake in Nexi Payments until 2020. Following the expiry of their lock-up commitments in connection with the Offering, the Financial Sponsors will determine whether to transfer their shares in Issuer in accordance with the indications they have provided to the Bank of Italy.

- Following our acquisition by the Financial Sponsors in 2015, we undertook several strategic initiatives that form the basis of our transformation program (the "**Transformation Program**"), which include: (i) investment in our technology infrastructure, including in application-based services and IT control; (ii) selective acquisitions in the payments sector, including Mercury Payment Services, MPS Acquiring, Bassilichi and DB Acquiring; (iii) promoting significant recurring cost savings and operational efficiencies guided by the Financial Sponsors; (iv) our rebranding as Nexi; and (v) enhancements to our senior management.
- In 2016, we acquired Mercury Payment Services (formerly Setefi Services S.p.A.), which provides payment services to Intesa Sanpaolo, one of the largest banking groups in Italy. Apart from strengthening this key relationship, the acquisition also added significant scale to our issuing, acquiring and POS management capabilities.
- In 2017, we completed the acquisition of three additional businesses; MPS Acquiring, Bassilichi and DB Acquiring. MPS Acquiring provides acquiring and POS management services to BMPS, Italy's fourth-largest bank, and its customers. The acquisition provided us with direct access to BMPS customers and improved our monetization of our BMPS relationship. Bassilichi is a complementary business that provides POS management and ancillary services via BMPS. Our investment in DB Acquiring, Deutsche Bank's Italian merchant acquiring business, further increased the number of our merchant customers.
- At the end of 2017, we commenced a review of our corporate structure (the "**Reorganization**") to align it more closely with our core business. In November 2017, we changed our name Nexi S.p.A. and adopted the Nexi brand. In addition, as part of the Reorganization, which was completed in July 2018, we spun off Depobank S.p.A., which contained our banking activities, to focus on our core payments activities and driving innovation in our industry. The Reorganization was approved by the Bank of Italy on April 11, 2018 and by the ECB on April 27, 2018. The Bank of Italy permitted the non-consolidation of the two spun-off entities (Depobank and Nexi) based on the interpretation of European sector regulations. In particular, the Consultation Paper issued by the EBA containing the draft of regulatory technical standards for the implementation of Article 18 of EU Regulation no. 575/2013 requires that, in order to find that there is a common direction of two or more legal entities, there must be an effective influence by same management on each of the entities, which was not the case in respect of Depobank and Nexi. Following the reorganization, the relevant commercial registers were updated to remove Nexi as a banking group and therefore, as a result of the Reorganization, the Nexi Group is not subject to prudential supervision at consolidated level, while its subsidiaries Nexi Payments, Mercury Payment Services and Moneynet remain subject to the supervision by the Bank of Italy. With respect to Moneynet (whos sale is pending approval of the Bank of Italy as of the date of this offering circular), there are recapitalization requirements of approximately €3 million relating to Nexi Payments. The commitments underlying the sale of the investee mainly relating to the net financial position at the closing date have already been allocated in our financial statements for the year ended December 31, 2018.
- In 2018, we expanded our leading Merchant Services & Solutions business unit capabilities by acquiring Carige Acquiring for a consideration of approximately €23 million, effective September 30, 2018, and by acquiring the start-up company, Sparkling 18, one of the most innovative companies in the new digital payments industry and one of the seven companies in the world that Mastercard has included among its "platinum digital vendors." Sparkling 18 has developed solutions for innovative and entirely digital purchasing experiences for brands such as Eataly, Auchan, Rosso Pomodoro and Roadhouse.
- In January 2019, we entered into an agreement to dispose of our entire stake in Oasi S.p.A. to Cedacri S.p.A., which closed on February 25, 2019.

Consistent with other actions taken to consolidate our core business, digital payments, we have sold, or have entered into agreements to sell, our holdings in the following non-core businesses:

- Fondo Italiano di Investimenti;
- Transfer Agent Pension Fund;

- Mercury Processing Services International d.o.o.;
- Brokerage and Market making;
- Hi-MTF;
- non-core real estate portfolio;
- the business services line of the Bassilichi Group;
- Bassilichi CEE d.o.o. Belgrade;
- Oasi S.p.A.;
- Pay Care, a company which holds the call center activities of the Bassilichi Group; and
- Moneynet.

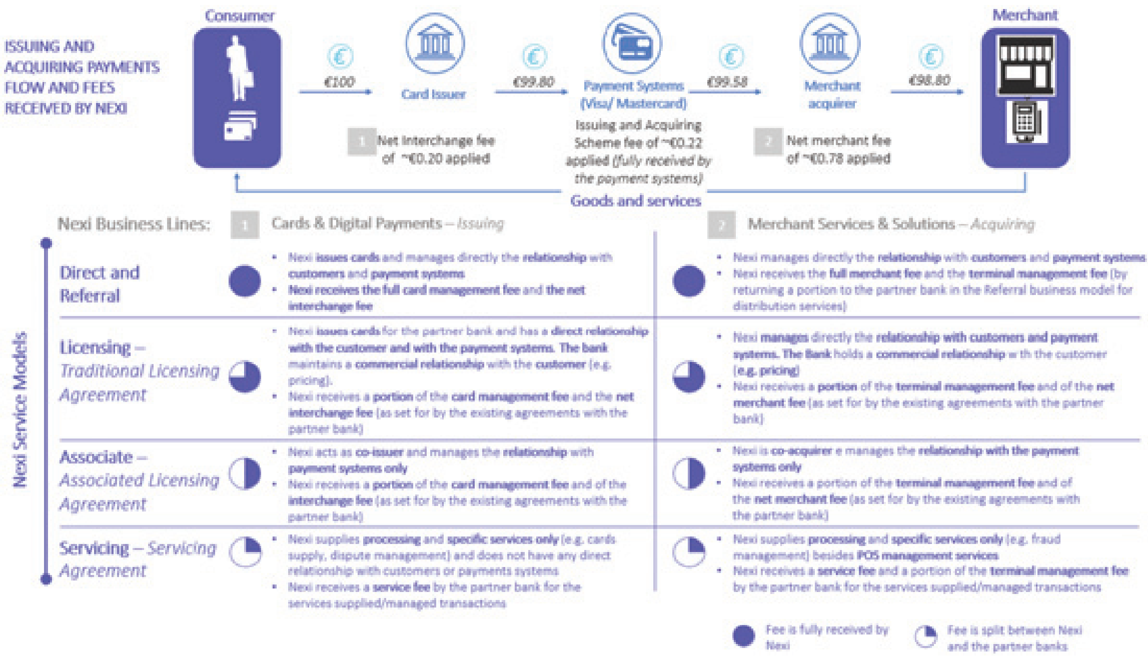
We are also assessing the sale of companies acquired through the acquisition of the Bassilichi group, such as Bassnet.

Since the market in which we operate is undergoing a period of consolidation, we aim to consolidate our position as leader in the field of payments in Italy in part through external growth (i.e., through acquisitions of other companies or business units). Following our acquisition by the Financial Sponsors, we have engaged in discussions and negotiations with third parties to assess several possible transactions, some of which came to fruition, as demonstrated by the acquisitions made from 2016 onward, while others did not. Looking to the future, we will continue to evaluate opportunities for new transactions, following a selective and well-regulated approach. However, our business plan has been conceived without envisaging the contribution of new acquisitions or mergers.

Our Services

Set forth below is a description of our business units and the services and products we provide.

The table below sets forth our different service models and commissions received along the payments value chain:



Merchant Services & Solutions

Overview

A merchant acquirer is a bank or other service provider such as the Group that provides a merchant with the infrastructure necessary to enable digital payment acceptance and that executes card payments on the merchant's behalf. Through business relationships with partner banks, we provide a full range of innovative services for merchants, which allow them to accept digital payments for transactions carried out at retail outlets as well as digital transactions conducted over the Internet, known as e-commerce. In addition, we provide administrative services such as tracking merchant payments, producing monthly reports, data analysis services for merchants and banks, customer care services and dispute management and communication and support services through promotional campaigns. To provide this wide range of services, the Merchant Services & Solutions business unit makes use of approximately 302 dedicated professionals (belonging to different units, such as: marketing, sales, ICT and operations, as well as an internal "digital factory" dedicated to the development of applications for merchants.

The Merchant Services & Solutions business unit generated €448 million of revenues (including €11 million relating to our contact center classified as "other services"), or 48% of our revenue, as of December 31, 2018, on the basis of the 2018 Perimeter. The services provided by this operating unit can be divided into payment acceptance services, also referred to as acquiring services, and POS management. We operate with different service models, characterized by a different relationship with the partner banks and thus a different coverage of the value chain. The charts below sets forth an overview of our activities, internally managed and outsourced, in the various service models:

Figure 1: Value chain acquiring and Group positioning in the different service models

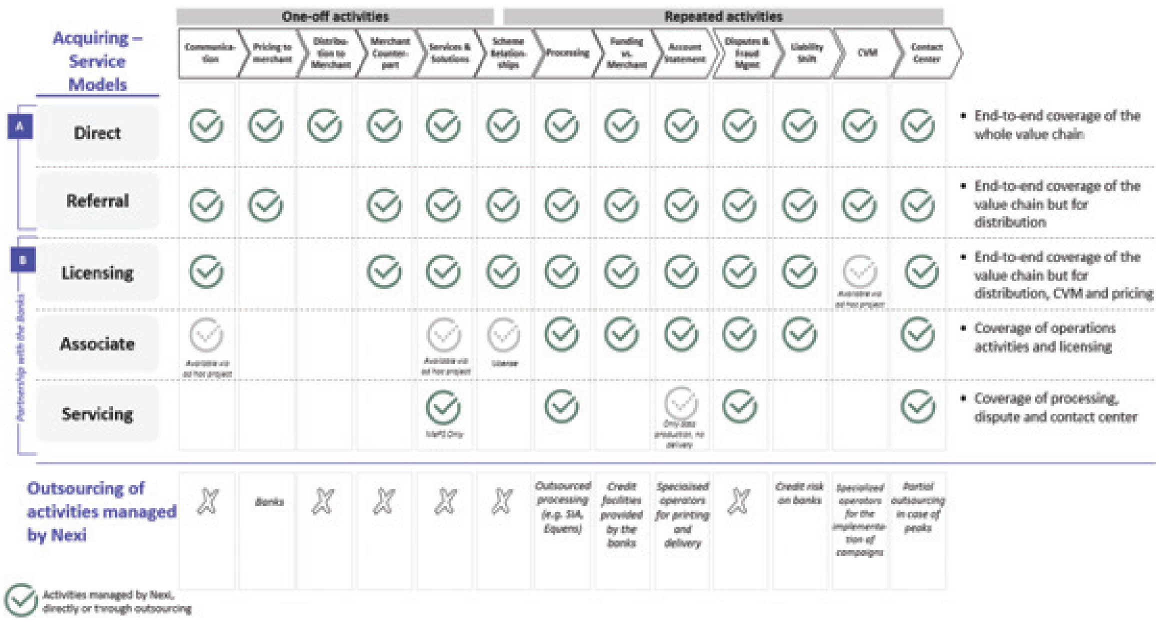
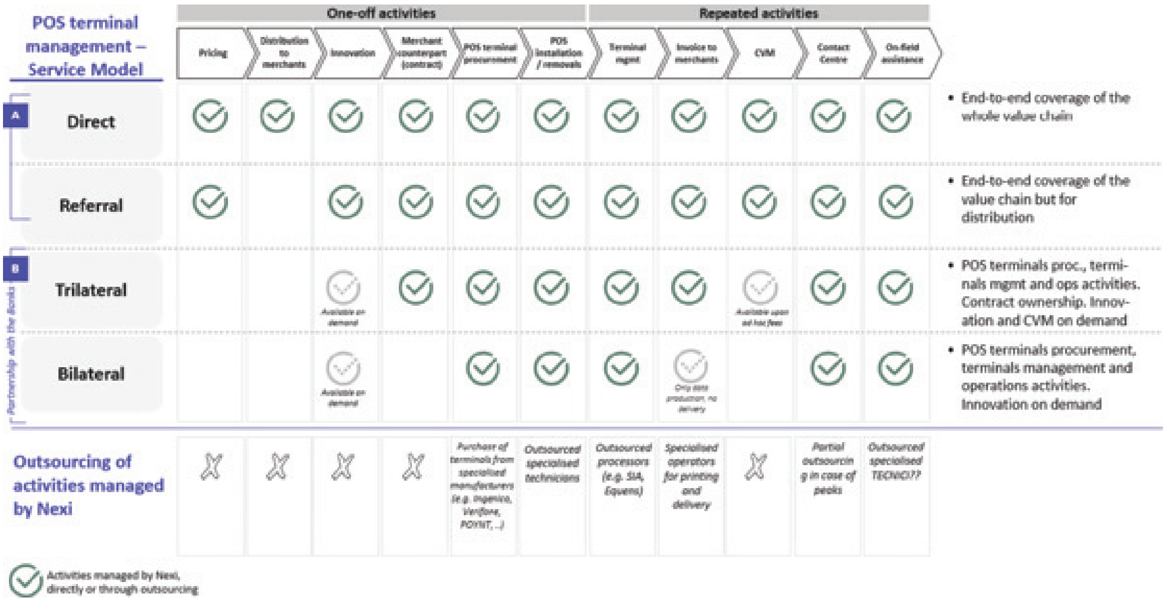


Figure 2: Value Chain POS management and Group positioning in the different service models



As shown in the charts above, acquiring services are the set of services that allow a merchant to accept payments with cards or other digital instruments belonging to credit and debit circuits.

POS management involves the configuration, activation and maintenance of POS, its integration into the merchant's accounting software, and the provision of fraud, dispute management and customer assistance through a dedicated call center. POS comprises two categories:

(i) physical POS: electronic devices enabling payments to be made by electronic money (i.e., by credit, debit or prepaid cards) that are installed at most retail outlets (such as large-scale retail trade, apparel stores, drug stores, grocery stores, electronics stores, restaurants and hotels, etc.); and

(ii) e-commerce POS: payment interfaces on websites or mobile applications that allow online shopping.

We are committed to ensuring that our physical POS network provides the highest quality for accepting digital payments. As of December 31, 2018, 85% of POSs allowed for contactless payments (an increase compared to December 31, 2016, when only 65% of POSs had this feature, and from December 31, 2017, when 81% had this feature). We estimate that 54% of transactions were through contactless payment in 2018. In addition, we encouraged the migration of terminals to new technologies, improving the average speed of transactions carried out on the network (the average transaction duration was 12.4 seconds, an increase compared to the average duration in 2016 of 14.6 seconds and the average duration in 2017 of 13.5 seconds). We are also focusing on the development of e-commerce POS functionalities (marketed under the trademark X-Pay, which was developed with the support of 500 developers), which has led to a 46% increase in activations to new clients from 2017 to 2018 and a 19% increase in the installed base.

As already highlighted in the charts above, depending on the service model, we manage different aspects of the value chain:

(i) in the Direct and Referral models, we directly serve certain operators. In these cases, we independently define the commercial policies and pricing that apply to merchants. We primarily sell our acquiring and POS as a bundle, although we do also sell individual service components to certain of our customers; and

(ii) in models based on partnerships—Licensing, Associates and Servicing—we cooperate with partner banks in the provision of our acquiring services and POS management, using their branch networks and existing relationships for the acquisition and management of customers, while at the same time making our expertise and know-how available on all technological and service aspects. See "—Partnership-Based Acquiring and POS Management."

The following paragraphs provide a more detailed description of each business model.

Direct and Referral Acquiring and POS Management

In the direct acquiring model, we serve certain large merchants directly without the involvement of a partner bank. These merchants include insurance companies, companies operating in the large-scale retail industry, telecommunications companies (to which we provide acquiring services for the domiciliation of payments, for example) and luxury goods companies.

Following our acquisition of DB Acquiring and MPS Acquiring's merchant acquiring and POS contracts on June 1 and July 1, 2017, respectively, and of Banca Carige's acquiring business in September 2018, we expanded the pool of merchants that we manage directly. Under the direct acquiring model, we contract with the merchant directly, while the referral banks provide services and sales support on our behalf *vis-à-vis* merchants. The referral banks' remuneration is negotiated on a case-by-case basis and governed by specific contractual agreements.

We serve approximately 550,000 merchants through the direct and referral licensing models.

Partnership-Based Acquiring and POS Management

In service models based on partnerships, the services carried out in favor of merchants are divided between us and our partner banks. We are generally responsible for the production of account statements, dispute management, credit collection, fraud management and customer service through our dedicated call center, whereas the computer processing part of acquiring transactions is outsourced to certain of our suppliers.

The scope of the services that we provide depends on whether our partner bank has entered into a license agreement or servicing agreement with us.

With regard to POS management services, regardless of the type of acquiring service provided, our partnerships with our partner banks for acquiring can take the form of a bilateral or trilateral contract. In the bilateral contract, we invoice services through the partner bank, which is exclusively responsible for contracting with the merchant for this type of service. In the trilateral contract, we invoice the POS management services directly to the merchants, transferring part of the revenues generated to the relevant partner banks.

Traditional Licensing Model

Under the traditional licensing model, we act as the acquirer. We enter directly into the contractual relationship with each merchant referred to us by a partner bank and manage credit, charge, debit and prepaid card payment for merchants. We have different forms of standard contracts for specific market sectors, such as online sales, sales in currencies other than Euro, and sales in the hotel and car rental sectors. We are therefore responsible for concluding merchant-customer agreements and process the transactions they originate. In addition, we provide fraud detection services as well as dispute, support and call center functions.

The licensing agreement sets forth the terms and conditions with which the merchant must comply regarding acceptance of payment cards for the payment of goods or services, as well as the service that we provide to the merchant.

We may terminate or modify the traditional agreement by giving two months' written notice; the merchant may terminate the contract without notice, in which case the merchant must cease to manage transactions with payment cardholders. In such cases, if a merchant terminates the contract, it must pay us any amounts due and must return all the related products we provided under the contract.

The licensing model is typically utilized by partner banks that seek to derive the full benefit from the economies of scale associated with our size in the Italian acquiring industry, the broad range of services we offer, our business know-how and specific knowledge of the industry.

The primary banks with whom we partner on a traditional licensing model are Banco BPM, BPER and Crédit Agricole.

Under a traditional licensing agreement, we obtain our revenue directly from merchants by charging a service fee for the acceptance of payment transactions (a "**merchant fee**") and service fees for POS management (rental, maintenance and management fee and one-off fees for technical assistance). The license agreements provide for a defined portion of these fees to be passed on to the partner banks. We must also pay fees to the issuer of the payment card ("**interchange fees**"), to the international and national card scheme operators ("**scheme fees**") and any interest accrued in connection with the advance of liquidity to merchants.

Associate Licensing Model

Under our associate licensing model, we act as co-acquirer and manage the relationship with the card scheme operators on behalf of a partner bank, in addition to all POS management services. The partner bank then manages, unlike in the traditional licensing model, the relationship with the merchant (for instance with respect to commission collection). We receive a transaction fee from the partner bank for each transaction we process, which covers the costs we incur in connection with the transaction.

Servicing Model

Under the servicing model, we provide a more limited range of acquiring services compared to licensing models. We provide all POS management services, which mainly relate to the set-up and maintenance of the merchant's payment acceptance hardware and software, while the partner bank enters into the contractual relationship with the merchant and also maintains its own contractual relationship with the card scheme operators. Partner banks typically use the servicing model when they prefer to maintain an exclusive relationship with the merchant. Our primary customers with whom we partner under a servicing agreement are ICCREA and Intesa Sanpaolo.

While the terms of our servicing agreements are customized and thus vary, servicing agreements often generate lower fees and lower revenues compared to licensing agreements. For every merchant acquiring transaction under a servicing agreement, we receive a flat fee from the partner bank which covers the costs we incur in connection with the transaction.

Market Position

As of December 31, 2018, we estimate that the aggregate value of transactions managed by us through the acquiring network amounted to €249 billion (CAGR of 6.1% for the 2016-2018 period), including acquiring transactions on ATM withdrawals, with the total number of transactions amounting to €3.2 billion (CAGR of 10.2% in the period 2016-2018). Between our licensing, servicing, direct acquiring and referral activities, we serve approximately 890,000 merchants, and manage 1.4 million POS terminals.

In 2018, POS transactions in Italy totaled €220 billion (excluding commercial transactions), a CAGR of 8% compared to 2016. According to our estimates, our market share of the total volume traded through international card scheme operators, including cash advances from ATMs, was 72% for the year ended December 31, 2018 (or 53% including national card scheme operators); the remaining 28% is mainly covered by international acquirers and other Italian operators (14% each).

Our market share of online payments was approximately 21% by value for the year ended December 31, 2018. The remaining 79% is divided between international acquirers, who represent 10%, and other Italian companies, who represent the remaining 69%. Our market share of transactions made from physical terminals was 85% by value for the year ended December 31, 2018, while the remaining 15% and 2% are represented by international merchant acquirers and other Italian operators, respectively. Excluding the top 20 international e-commerce merchants present on the Italian e-commerce market, which we cannot serve, we estimate that our market share of online payments would be 42%, with the remaining approximately 38% and approximately 20% represented by international merchant acquirers and other Italian operators, respectively for the year ended December 31, 2018.

Cards & Digital Payments

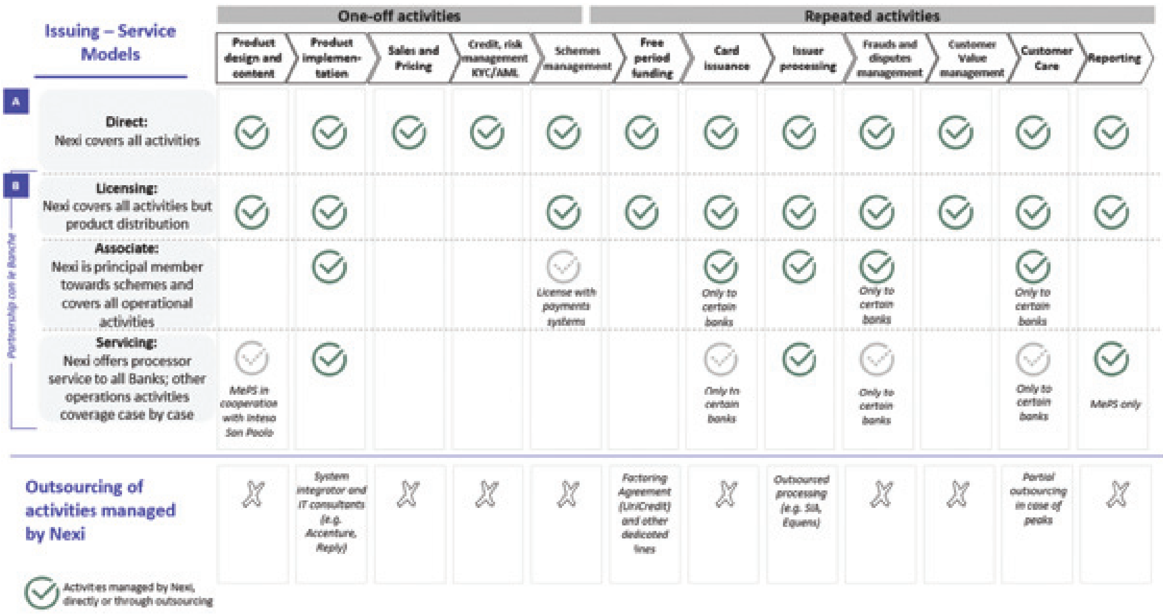
Overview

Through this unit, we provide, in cooperation with its partner banks, a wide range of issuing services, relating to the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. To provide this wide range of services, the Cards & Digital Payments business unit makes use of approximately 370 dedicated professionals, belonging to different units, such as marketing, sales, ICT and operations, supported by approximately 430 contact center staff.

For the year ended December 31, 2018, the Cards & Digital Payments business unit had net operating revenue of €361 million, or 39% of our revenue on the basis of the 2018 Perimeter. In the same period, we produced, personalized and dispatched approximately 10 million cards.

Our Cards & Digital Payments business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retail customers and large corporate customers without the involvement of partner banks (direct issuing).

The chart below sets forth an overview of our activities, both those managed internally and those that we outsource, in the Cards & Digital Payments service models:



Most of the cards issued are of the "balance" type, i.e., that require cardholders to pay off their balance on a monthly basis. We issue revolving cards, which allow the cardholder to pay off the balance in instalments, only in partnership with banks, which bear the risk of the insolvency of cardholders and thus all related credit risk.

Below is a description of both business models.

Direct Issuing

We issue deferred and prepaid cards directly without the involvement of partner banks. Our customers are primarily companies that retain our services to manage their employees' expenses or retail customers. As of December 31, 2018, we had issued approximately 635,000 cards directly, representing approximately 1.5% of the total stock of payment cards. Of these, approximately 55,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 580,000 were prepaid cards.

With respect to cards directly issued by us and not subject to factoring under the Factoring Agreement, the credit risk is assumed directly by us vis-à-vis the cardholders. The related working capital of cards issued directly by us and not subject to factoring under the Factoring Agreement as of December 31, 2018 represented approximately 1.5% of the total working capital generated by our issue activities. Lending by direct customers is subject to an assessment and credit scoring process, with possible requests for additional guarantees (e.g., bank guarantees).

Under direct issuing arrangements, we receive all the issuing fees generated by payment cards but also retain the ultimate credit risk associated with them. The credit exposure generated by our direct issuing business only accounts for approximately 1.5% of the aggregate credit exposure from all of our issuing activities.

Partnership-Based Issuing

In this context, both the issuing activities and the associated commission income are divided between us and the relevant partner bank. Our partner banks originate the business relationship with cardholders, relying on their branch networks and existing relationships with cardholders, while we handle the authentication and execution of card payments. As with the Merchant Services & Solutions business unit, the allocation of additional services depends on the specific agreement with each partner bank, although our agreements can be mainly classified as either licensing or servicing agreements. A key determinant of whether the licensing or servicing model is the best fit for any partner bank is whether it has the necessary scale and strategic rationale to acquire its own BIN (*bank identification number*) from card scheme operators.

Licensing Model

Under the licensing model, we handle all card issuing functions. We operate the licensing business through our traditional licensing and associate licensing models.

Traditional licensing model. Under the traditional licensing model, we act as the issuer of the payment card. We directly enter into a contractual relationship with each cardholder customer referred to us by a partner bank, manage the entire stock of cards for such partner bank, provide and manage the relationship with the card scheme operator and license our BIN to the partner bank. Additionally, we undertake the product development and marketing, customer care, fraud management and commission collection activities associated with the payment card.

Most of the payment cards issued pursuant to a licensing agreement are co-branded with both the Nexi logo and the partner bank's logo. Credit risk management, credit scoring, distribution and pricing is entirely managed by the co-issuing partner bank. Among our main customers adopting this solution are Banco BPM, Crédit Agricole-Cariparma, Mediolanum, Banca Popolare Sondrio and Unipol Gruppo Finanziario.

Under the traditional licensing agreement model, we collect revenue directly from customers holding payment cards, in the form of card management fees for certain services (e.g., for cash withdrawals and loyalty program membership) and from merchant acquirers through international card scheme operators (interchange fees). The license agreements provide for a portion of these revenues to be passed on to the partner banks. We also pay a fee to international card scheme operators (scheme fees) and interest in connection with the deferment of payments owed by cardholders.

We may amend the contract by giving cardholders two months' notice; however, where the amendment concerns tariffs, prices, conditions governed by consumer protection laws and legislation on transparency of payment services, amendments must be justified. We have the right to terminate such contracts for cause without notice or, in the absence of cause, by giving two months' notice. The circumstances in which it is possible for us to terminate a contract are numerous and include cardholder default.

Cardholders may also terminate at any time without penalty.

Associate Licensing Model. Under an associate licensing agreement, we act as co-issuer and manage the relationship with the card scheme operator on behalf of a partner bank which, in contrast to the traditional licensing model, manages the relationship with the cardholder (for instance, with respect to revenue collection). UBI Banca S.p.A and MPS are two examples of our customers who chose this associate licensing model.

Under the associate licensing model, we receive service fees from the relevant partner bank, to whom we charge a fixed fee based on the volumes of card stocks, number of transactions and transaction value.

We review the pricing of the commission components under the associate licensing model described above on an annual basis or whenever needed (for example, in the event of regulatory changes). Each year, we distribute a notice setting out the proposed pricing terms for the following year to each of our partner banks. The underlying contract entitles the partner bank to object to the proposed changes in pricing within 60 days, failing which the contract will automatically renew under the new terms for another one-year period. Revisions to service fees are generally accepted as changes that result from a variation to services offered or general cost structure changes. Each of our existing partner banks under an associate licensing model has been a partner bank for more than 15 years.

Servicing Model

Under the servicing model, we provide a more limited range of card issuing services and also collect lower fees. Under this model, our partner banks are responsible for and handle product development, customer care, marketing, distribution, price setting and fee collection but rely upon us for operational processing services and other specific services in the value chain (e.g., card supply and claims management). Under the servicing model, the partner bank (rather than us) enters into the contractual relationship with each cardholder customer and relies on its own BIN and relationship with the card scheme operators.

This model is typically used by financial institutions that have sufficient scale and strategic rationale to insource part of their payment card issuing business. Among our customers who cooperate with us under a servicing agreement are Intesa Sanpaolo S.p.A., Deutsche Bank, Banco BPM (with respect to the relationship with former Banco Popolare), BPER and ICCREA.

While our servicing contracts are customized and thus their duration and renewal terms vary, on average our servicing contracts have a duration of at least three years. Under this model, we receive a servicing fee from the partner bank that is based on the volumes of cards stock, number of transactions and transaction value.

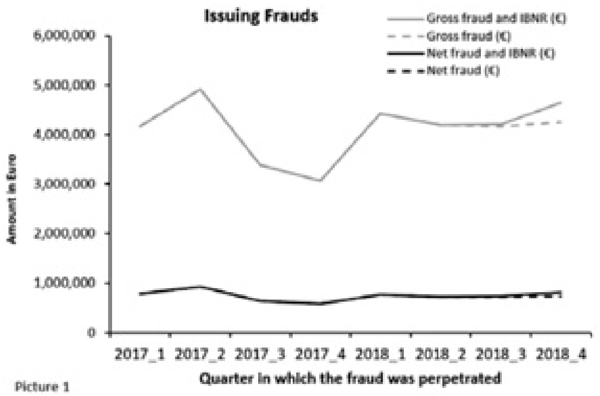
Market Position

Through our Cards & Digital Payments business unit we are the leading card issuer in Italy with an aggregate value of managed card transactions of €197 billion (CAGR of 5.5% between 2016-2018) and transactions totaling €2.4 billion (CAGR of 9.8% between 2016-2018) for the year ended December 31, 2018. In 2018, we managed more than 41 million payment cards, including 11.6 million credit and revolving cards, 6.7 million prepaid cards and 23 million debit cards on national and international card schemes. According to our estimates, POS and ATM issuing volumes in Italy totaled €450 billion for the period ended December 31, 2018, an increase of 4.5% compared to 2016. In 2018, we estimate that credit card transactions totaled €76 billion, debit card transactions €323 billion and prepaid card transactions €51 billion. According to our estimates, in 2018 we had a 60% market share of the total transaction volume on the international Visa, Mastercard and Amex schemes, excluding the national Bancomat scheme, or 44% including the national Bancomat scheme. For 2018, we had a market share, as measured by value of transactions, of 77% for credit card transactions (excluding prepaid cards), 39% for debit card transactions and 23% for prepaid card transactions. Our market share as measured by stock of credit and debit cards, was, respectively, 49% and 42%, for a total market share by aggregate stock of cards of 38% in 2018.

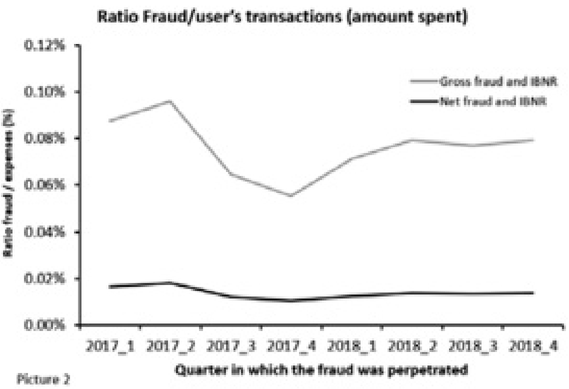
Data on Fraudulent Transactions in the Issuing Business

Information relating to fraud and fraudulent transactions during the years ended December 31, 2018 and December 31, 2017 is presented below.

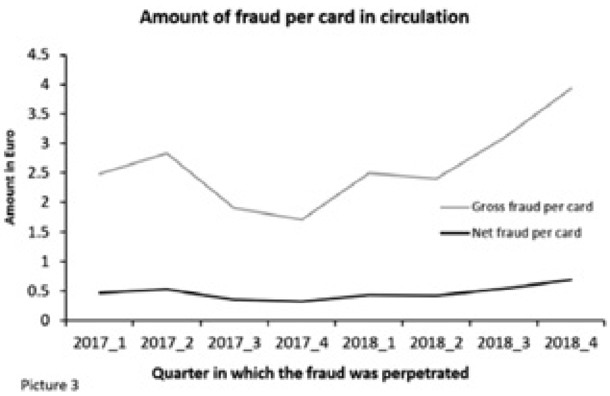
Trend of fraud involving Nexi Payments (analysis based on a sample consisting of fraud of own license on SIA processor) (Source: Operating Limits Reporting IV quarter 2018)



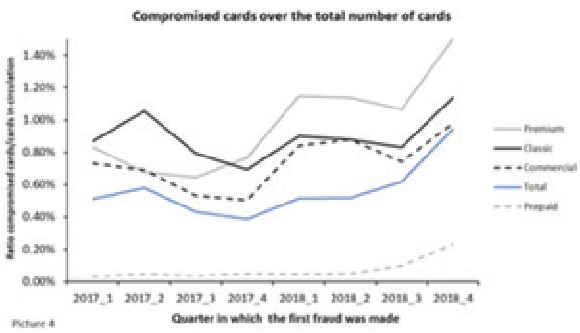
* Key: Issuing Frauds; amounts in Euro; quarter in which the fraud was perpetrated



* Key: Ratio Fraud/user's transactions; ratio fraud/ expenses; quarter in which the fraud was perpetrated



* Key: Amount of fraud per card in circulation; amount in Euro; quarter in which the fraud was perpetrated; gross fraud per card; net fraud per card



* Key: Compromised cards over the total number of cards; ratio compromised cards/cards in circulation; quarter in which the first fraud was perpetrated

With respect to the fourth quarter of 2018, fraud indicators point to a growing trend of issuing fraud (picture 1), and, to a lesser extent, a positive relationship of the value of the ratio between fraud and amounts spent by card holders (picture 2). There also appears to be a sharp increase in fraud on cards in circulation (picture 3), however, this is due to the removal from the database of two million prepaid Trenitalia cards. The data also show a significant increase in the percentage of newly compromised cards out of the total number of cards in circulation (picture 4).

The main risk of external fraud relates to fraudulent transactions in the issuing segment. In 2018, fraudulent transactions accounted for 0.07% of the total amount spent by cardholders. The table below shows the gross and net amounts of fraud in the issuing sector for 2018 by month:

	Gross amount of fraud	Net amount of fraud
	(in € million)	
Month		
January	1.9	0.3
February	1.9	0.4
March	2.2	0.4
April	2.2	0.4
May	2.0	0.4
June	1.7	0.3
July	1.8	0.3
August	2.0	0.4
September	2.0	0.4
October	2.1	0.4
November	2.2	0.4
December	2.5	0.4
Total	24.4	4.4

The table below a breakdown of fraudulent transactions in the section by type for 2018:

	Type of card blocking	(%)
Cases of fraud		
Stolen Credit Cards	S	49%
Unauthorized	I	31%
Lost	L	14%
Counterfeit	X	4%
Other	N	3%

Approximately €0.3 million are related to fraud on debt and fraud in the acquiring business.

The table below includes preliminary data on gross and net amounts of fraud during 2019 and shows a continuing trend of net fraud in the issuing sector:

	Gross amount of fraud	Net amount of fraud
	(in € million)	
Month		
January	2.7	0.4
February	2.4	0.4

Digital Banking Solutions

Through this business unit, we provide three types of services: ATM Management, Clearing Services and Digital Corporate Banking Services. To provide this range of services, this unit makes use of more than 300 dedicated professionals belonging to different units, such as marketing, sales, ICT and operations, as well as three internal “digital factories” dedicated to the development of applications.

For the year ended December 31, 2018, the Digital Banking Solutions business unit generated revenues of €112 million, equal to 12% of our revenues on the basis of the 2018 Perimeter.

ATM Management

We set up and maintain ATMs in Italy on behalf of our bank customers. ATMs are a key component of banks’ multichannel strategies, where the digital experience is becoming increasingly important. As of

December 31, 2018, we managed approximately 13,400 ATMs on behalf of 15 partner banks and had a 29% market share. Of such ATMs, 3,936 are cash-in machines (with a CAGR of 24.9% in the period 2016-2018), which, in addition to allowing for withdrawals, accept deposits.

The management of ATMs takes various forms and is subject to customer-specific requirements. The service may provide the complete management of the ATM machines ("full fleet"), which comprises purchasing, development of computer applications, processing, function monitoring and maintenance or may cover only parts of the listed services (e.g., only the management of processing services). Our commissions are typically dependent on the breadth of the service provided for each ATM machine, the number of ATMs managed and/or transactions executed.

The chart below provides an overview of our activities, both those managed internally and those that we outsource, in the various service models for ATM management:

Clearing Services

Within the Italian market, we operate as a clearing house (ACH – Automated Clearing House) for domestic and international payments in compliance with standard interbanking schemes. Through a dedicated platform, we process collection and payment orders for our partner banks and provide for the calculation of bilateral and multilateral balances that have to be settled on a later date. Clearing services are provided both directly and through partner banks. The latter is typically the case for smaller banks that do not have an order volume significant enough to justify the costs of membership. We recently launched ACH Instant Payments focused on the management of instant transfers. The service differs from traditional clearing for the speed of execution and the continuous availability of the service.

In 2017, we executed 915 million clearing transactions, giving us a market share of 16%. In 2018, we executed 936 million clearing transactions (with a CAGR of 3.8% in the period 2016-2018) on behalf of approximately 130 bank clients. Revenue for the provision of our clearing services is generated from commissions based on the number of offsetting operations or fixed commissions charged for recurring services.

Digital Corporate Banking Services

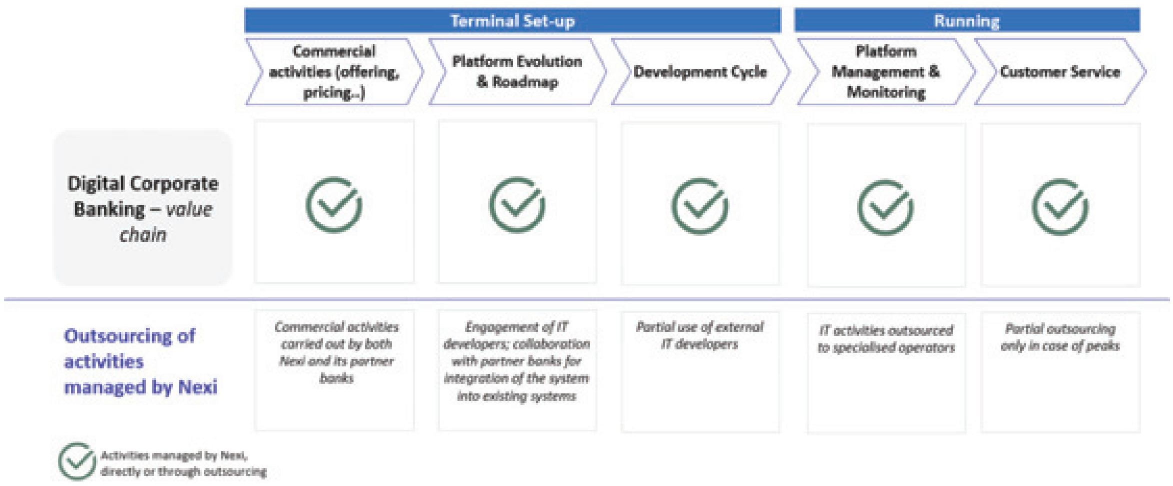
We provide digital solutions that help corporate clients of our partner banks manage their bank (so called *corporate customers*) accounts and payments, as follows:

- *Electronic/mobile banking*: We provide white label digital solutions allowing banks and corporate customers to establish their own branded corporate e-banking platform. In 2018, we granted approximately 420,000 licenses for our e-banking platform, corresponding to a market share of 25%, through 18 partner banks, and more than 3 billion transactions were carried out, representing an increase of 9.2% compared to 2017.

- *CBI Gateway, pensions and collections*: We create, market and install specialized payment platforms providing group-wide bank accounts and payment management systems to banks and corporate customers. This business unit also provides our market-leading CBI Gateway services. The CBI Gateway is an Italian multi-bank payment platform that was initially designed to facilitate interbank payments and communication. CBI Gateway was subsequently integrated into a payment hub connected with public authorities allowing for direct payment collection and delivery of supporting documentation.
- *CBI Globe—Open Banking Gateway*: CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The service aims to simplify account management for customers by offering both information and device services, taking advantage of the business opportunities introduced by the PSD2 directive. The PSD2 directive provides that, by September 2019, banks and payment institutions must provide access to their payment accounts to third parties registered as payment institutions. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we are developing the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents more than 70% of the Italian banking market in terms of branches. The CBI Globe Open Banking Gateway will be operational from June 2019.
- *Services for digital and multichannel payments*: We provide banks or companies with service, white label applications for electronic invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs.

Revenue in our digital corporate banking services unit is generated from commissions based on the number of e-banking licenses, fixed commissions charged for recurring services and service commissions for projects of realization and customization of platforms.

The chart below provides an overview of our activities, internally managed by and outsourced along the value chain of Digital Corporate Banking:



Partner Banks

We have long-standing relationships with our partner banks, some of which date back to our establishment in 1939. We have more than 41 million payment cards under management and approximately 890,000 merchants, and this customer base is built on referral relationships with approximately 150 partner banks, including two of the largest banking groups in Italy, Intesa Sanpaolo and Banca Monte dei Paschi di Siena. As of December 31, 2018, our partner banks collectively account for more than 80% of the Italian banking sector by number of branches. In terms of customer access, the Italian retail banking is the most important distribution channel in Italy for access to payment services and we estimate that it represented 93% of acquiring and POS distribution volumes in 2018.

Our top five and top 10 partner banks represented a significant percentage of our total revenues for the year ended on December 31, 2018, equal, respectively, to approximately 44.5% and 58.5%, on the basis of the 2018 Perimeter. As such, our activities and prospects are dependent on us maintaining and growing our relationships with our partner banks. The tables below set forth the percentage of revenues recorded in the years ended on

December 31, 2018 and December 31, 2017, respectively, on a pro-forma basis by residual maturity of framework contracts with partner banks divided by positioning in generating our revenues:

	Recurring annual contracts	2025+	2024	2023	2022	2021	2020	Total
2018								
Banks Nos. 1-5	—	30.2%	—	8.0%	—	—	6.3%	44.5%
Banks Nos. 6-10	2.8%	—	—	2.2%	0.6%	—	8.3%	14.0%
Banks Nos. 11-20	8.3%	0.7%	—	—	1.1%	1.0%	1.2%	12.3%
Other banks	11.4%	—	—	—	—	—	4.1%	15.5%
Direct/referral	1.3%	12.5%	—	—	—	—	—	13.7%
Total	23.8%	43.4%	0.0%	10.2%	1.7%	1.0%	19.9%	100.0%
2017								
Banks Nos. 1-5	—	32.7%	—	9.5%	—	—	6.5%	48.8%
Banks Nos. 6-10	2.1%	1.8%	—	—	0.8%	—	8.7%	13.5%
Banks Nos. 11-20	7.4%	—	—	1.4%	1.2%	1.1%	1.0%	12.1%
Other banks	9.0%	—	—	—	—	—	3.9%	13.0%
Direct/referral	1.8%	10.7%	—	—	—	—	0.0%	12.6%
Total	20.4%	45.3%	0.0%	10.9%	2.1%	1.1%	20.2%	100.0%

Because our distribution strategy is built on referral partnerships in which we rely on our partner banks' large branch networks and customer relationships for the marketing of our products, we depend on the continued success of these mutually beneficial partnerships. However, given the number of banks with which we have relationships, customer movement between banks does not materially affect us.

We believe our industry is characterized by a significant degree of customer loyalty that deters our bank customers from insourcing their payment activities or changing supplier. Among the reasons for this tendency is our size, which creates a significant cost advantage across production, processing and oversight that no single partner bank could match. Another obstacle is the need to obtain a BIN from card scheme operators, since this is a time-consuming process and requires investment and compliance with complex regulatory requirements. As a result, our business benefits from high rates of customer retention. Each of our top 10 partner banks by revenue has been a customer for more than 15 years.

Contractual structure of agreements with partner banks

Cards & Digital Payments and Merchant Services & Solutions business units

For the provision of Cards & Digital Payments and Merchant Services & Solutions services, where we do not operate under our direct issuance model or through referral agreements, we usually sign a form of license agreement with the bank (the "**Agreement**").

The Agreement follows either the traditional licensing model or associate licensing model, depending on whether it concerns the promotion and placement by the bank with its customers of the issuing and/or acquiring services provided by us. In most cases, the Agreement is for an indefinite period, with each party having the right to terminate with at least three months' notice. Agreements that were entered into prior to 1990 have an initial two-year term, with automatic annual renewal thereafter, unless either party terminates with at least three months' notice prior to the annual expiry date.

Once the partner bank signs the Agreement, we communicate any technical specifications or operating procedures necessary for the execution of the services covered by the Agreement, as well as any subsequent amendments thereto, through unilateral communications called "circulars" sent to the banks and published on the portal of each partner bank.

With respect to our card issuing activity and acquiring services, the Agreement sets forth:

- the roles of the parties: we are the issuer of the credit cards or (as the case may be) the acquirer and the bank places our services with its customers;
- ownership of the contractual relationship with customers;

- the pricing model: the economic conditions of the services are set by the bank, within the maximum limits indicated by us, in compliance with current legislation; and
- the allocation of credit risk, which remains exclusively with the partner bank.

With regard to the further models relating to the acquiring support services provided by our Merchant Services & Solutions business units to our partner banks, the servicing model is applied in a residual manner, with the exception of:

- the Bancomat Application Center platform offered to partner banks to support national card scheme clearing;
- the provision of POS to banks that have not opted for the partnership distribution model, which operates according to the same logic as the license agreements described above.

In connection with the issuing support services provided by our Cards & Digital Payments business unit to partner banks, we use two business models, in addition to the traditional licensing model, as described above:

- the servicing model, in which we operate as an outsourcer of the bank, which acts as the issuer, with its own license; and
- the associate licensing model, which represents a hybrid model between license and servicing, in which the license of the bank is associated with our subsidiary, which acts as counterparty to the card scheme operators.

Digital Banking Solutions business units

With reference to Digital Banking Solutions services, in most cases the bank signs a framework agreement with us for the provision of these services. This agreement defines the general conditions relating to the provision of services, referring to separate specific contracts for the regulation of each service ("**Service Contracts**"). Once the Digital Banking Solutions agreement has been signed, the partner bank has the right to choose which services to receive from us, by signing the specific Service Contracts.

Irrespective of the specificities of each service and the needs of each bank, most Service Contracts have some common contractual clauses. Specifically:

- *duration*: these are short/medium-term contracts (usually with a three-year term) that provide for automatic annual/biannual renewal and termination with three months' notice; and
- *KPIs & SLAs/Penalties*: we undertake to provide services in accordance with the KPIs (*Key Performance Indicators*) and SLAs (*Service Level Agreements*) agreed with the bank; in the event of non-compliance with these indicators, penalties are payable by us, the value of which, normally, does not exceed 10% of the total sums paid by the bank to us for the provision of the specific service in the reference year, except in cases of willful misconduct and gross negligence.

Our New Products and Services

We have introduced significant new products and services. Since 2016, we have been renewing our commercial offer for our various business lines. In particular, the most significant products launched since 2016 include:

Cards & Digital Payments Business

New products and services in our Cards & Digital Payments business line include:

- *Nexi Pay App:* The Nexi Pay App offers innovative tools for interaction with cardholders through a new smartphone app, the first version of which was launched in November 2017 (when we introduced the Nexi logo) and renewed in 2018. Between January 2018 and January 2019, our Nexi Pay application users grew by 38%;
- *Bancomat C-less*: Bancomat C-less is a card that allows holders of Bancomat payment cards to pay in contactless mode using NFC technology launched during 2018;
- *Prepaid Cards*: We renewed our offering of prepaid cards directed at non-bank customers during 2018, including cards for non-resident citizens and cards for teenagers between 12 and 18;

- *International Debit*: This product allows for use of a debit card worldwide and online in complete security. The product currently represents approximately 17% of the total debit cards managed (12 banks already active, 40 others contracted and in the process of being implemented);
- *Instalment payment optionality*: We launched a service that allows for payment in instalments for single purchases, through instalments from €250 to €2,400, for a minimum of three months to a maximum of 24 months (commissions applied from €3 to €264);
- *Black Card*: This is a metal veneer contactless credit card launched for banks' premium customers;
- *Spending Control*: This service allows customers to manage and control the use of the card by setting spending limits;
- *#iosi Engagement Program*:
  - #iosi: This is a free service for all customers, consisting of a wide range of services dedicated to Nexi cardholders, including an assistant to remind customers of deadlines, book travel at exclusive conditions and book tickets for events; also exists in a paying version for premium customers; and
  - #iosi collection: This is a points program that rewards expenses made with the card;
- *Mobile Payment services*: We expanded our services with the launch of several mobile payment solutions such as Apple Pay, Samsung Pay, Google Pay and YAP (mobile pay solution dedicated to Millennials, launched during 2018). For the three months ended December 31, 2018, we saw total growth in mobile payment transactions of 118%. In particular, average tickets for mobile payments totaled €52 compared to €84 for the standard use of payment cards; and
- *Corporate Cards*: We expanded this product line with the renewal of business and corporate offers for companies that need to provide their employees with a payment instrument at favorable conditions for the company and for the employee. In Italy, corporate card expenditure as a portion of total expenditures is limited, representing approximately 2.9% of about €500 billion of expenditure, according to Kaiser Research Analysis for Mastercard 2018. We estimate that there are over 130 thousand companies that are potential users of corporate cards, of which 30 thousand are high priority and already customers of five of the main partner banks. Our current range of corporate cards include the following:
  - corporate credit cards with centralized or individual debit;
  - credit cards for SMEs and VAT numbers; and
  - debit cards for SMEs and VAT numbers.

During 2019, we intend to develop the following advanced functionalities to support our corporate offering:

- services for the creation and management of virtual cards to be used for specific purposes payments; and
- services for the creation and management of centralized virtual card for the management of employee travel and the purchase of goods and services for the companies.

Merchant Services & Solutions Business Line

New products and services in our Merchant Services & Solutions business line include:

- *New e-commerce payment gateway*: We have launched and renewed many of the functions of our online and mobile payment acceptance platform including the acceptance of alternative payment methods (e.g., PayPal, Alipay);
- *Merchant App—Nexi Business*: This app gives merchants the opportunity to manage their business independently and receive regular updates on the progress of their business;
- *Micropayments*: This is an offer that we launched to encourage the acceptance of micropayments by merchants by providing for the reimbursement of all commissions on digital payments of up to €10;
- *POS innovation*:
  - New portfolio of available terminals, launched during 2018;
  - Premium service to guarantee assistance within four hours, including Saturday and Sunday in 44 provinces and within 90 minutes in Milan and Rome, available on 78% of merchants;
  - SmartPOS: This is a POS terminal launched during 2018 based on Android technology with a marketplace of services available to the merchant;

- PIN on Glass: This is a technology that allows digital payments to be accepted on standard terminals such as smartphones and tablets, which we expect to launch in 2019;

- PCI merchant services to ensure consumer data protection. The Protection Plus service is a program to support and assist merchants with the certification against PCI-DSS (Payment Card Industry Data Security Standards) made mandatory by international circuits; and

- Omni-acceptance, extension of the offer of acceptance of payments by circuits alternative (e.g., meal vouchers and minor issuer circuits, such as UPI, JCB, American Express) as of the date of this offering circular, we have signed four contracts with issuers of alternative payment methods (and four additional contracts are under negotiation).

Digital Banking Solutions Business Line

- *Check Image Truncation*: This allows for the electronic payment of checks through image exchange;

- *Instant Payments*: This is a platform for the interbank management of real time IBAN-based payments (average transaction execution time of 1.5 seconds);

- *Digital Corporate Banking*: We are upgrading our offering for these services, with market launch planned for 2019; and

- *ATM Revolution*: We are undertaking a renewal of our ATM systems, with market launch planned for 2019. This will enable us to provide a 360° offer to our customers, starting from the development of the physical interface with the customer to increased speed of replacement of the ATM fleet (more than 1,200 ATMs replaced in the last 12 months) and speed of withdrawal (less than 30 seconds). In addition, we have completely modified the ATM monitoring and maintenance service, which has helped reduce the number of maintenance interventions by approximately 5-15% compared to the fleet of ATMs not subject to this modified service, through the implementation of advanced systems including automatic terminal recovery (approximately 95% of the cases resolved in 2018) and remote assistance, as well as dedicated on-site personnel, coordinated by about 20 staff members.

Suppliers

Our key suppliers include:

- equensWorldline and SIA for processing of payments as well as providers of mass printing and delivery services in relation to account statements and credit cards;

- suppliers of smart cards (and related customization services) that comply with the EMV (Europay MasterCard Visa) technical standard, including Idemia (formerly, Oberthur), an Advent portfolio company;

- Poynt, our SmartPOS supplier, for advanced terminals characterized by a powerful and flexible operating system based on Android;

- suppliers of POS terminals for our Merchant Services & Solutions business unit (such as, Ingenico Italia and Verifone Italia); and

- suppliers of ATMs for our ATM management services.

For the services provided in 2018 we paid SIA approximately €44.6 million (including VAT), while we paid equensWorldline approximately €90.7 million (including VAT) in the same year.

For a description of our contractual relationships with SIA and equensWorldline, see "—Material Contracts—Agreements with ICT Providers."

Card Scheme Operators

Card scheme operators primarily include Visa, MasterCard and Bancomat, American Express, Diners Club, JCB and UnionPay International. Card schemes are payment networks linked to payment cards (such as debit, charge or credit cards) of which banks or other eligible financial institutions can become members.

Members of a payment network can issue or acquire payment cards operating on the network and charge fees in respect thereof. The card scheme operator that manages the circuits charges a scheme fee for such access.

The number of card scheme operators is limited, and Visa and MasterCard have significant scale, such that our business depends on our continuing relationship with them.

We primarily transact with Visa Inc., MasterCard Worldwide and Bancomat.

For a description of our contractual relationships with Visa Inc., Mastercard and Bancomat/Pago Bancomat, see "—Material Contracts—Agreements with Card Scheme Operators."

Material Contracts

Debt Instruments

IPO Facilities Agreement

Overview and structure

On March 20, 2019 the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment Services, entered into a facilities agreement (the "**IPO Facilities Agreement**"), with all of the Joint Global Coordinators of the Offering (or their affiliates) along with Banco BPM S.p.A., acting as global coordinators, all of the Joint Bookrunners of the Offering (or their affiliates) except for MPS Capital Services, along with BPER Banca S.p.A. as bookrunners, Cassa di Risparmio di Bolzano S.p.A., as lead arranger, Banca IMI S.p.A. as agent and U.S. Bank Trustees Limited as security agent, with respect to a €1,165 million term loan facility (the "**IPO Term Loan Facility**") and a €350 million revolving credit facility (the "**IPO Revolving Facility**" and, together with the IPO Term Loan Facility, the "**IPO Credit Facilities**"). The IPO Credit Facilities are governed by English law and are subject to the admission to trading of the Shares on the MTA (the "**Listing**").

Pursuant to the IPO Facilities Agreement, additional credit lines ("**Additional Facilities**") may be established, and auxiliary credit lines ("**Ancillary Facilities**") may be granted in lieu of all or part of the IPO Revolving Facility, up to the limits available under the IPO Revolving Facility.

The Issuer, Nexi Payments and Mercury Payment Services entered into the IPO Facilities Agreement as original borrowers ("**Original Borrowers**") and original guarantors ("**Original Guarantors**"). See "—Representations and warranties" below. In addition to these entities, the IPO Facilities Agreement provides that other members of the Group may become parties to the IPO Facilities Agreement as additional obligors ("**Additional Obligors**") and, in particular, as additional borrowers ("**Additional Borrowers**") or additional guarantors ("**Additional Guarantors**").

Purpose

The Issuer intends to use the funds obtained by the IPO Term Loan Facility, together with the proceeds arising from the capital increase of the Issuer and the available cash, to reimburse the nominal value, the reimbursement premium and the interests accrued but not yet paid on the €1.375 million senior secured floating rate notes and the €400 million Privately Placed Note, as well as to pay related commissions, costs or expenses (including certain costs and commissions relating to the Issuer's Listing process). The IPO Revolving Facility may replace and, if any amounts are outstanding thereunder, refinance the Revolving Credit Facility and may be available, *inter alia*, to finance or refinance working capital and/or for general corporate purposes of the Nexi Group.

The Issuer's obligations related to the IPO Facilities Agreement and the IPO Credit Facilities will rank *pari passu* with the obligations related to the Fixed Rate Notes, which will not be redeemed at the time of entering into the IPO Credit Facilities. In addition, it should be noted that the existing Intercreditor Agreement will also govern the relationships between creditors under the Notes, the IPO Facilities Agreement and that the IPO Credit Facilities will be secured by certain collateral that already secures the Notes and (prior to its replacement) the Revolving Credit Facility. See "—Collateral" below).

As described under "—Material Contracts—Debt Instruments—The Notes," these security interests will remain in place until: (i) the Notes achieve investment grade status (at least two rating agencies out of three provide a rating of "BBB-" or higher from Standard & Poor's Ratings Services, "Baa3" or higher by Moody's Investors Service Inc. or "BBB-" or higher from Fitch Ratings Inc.); or (ii) full repayment of the Notes. Therefore, upon the earlier occurrence of the two events described above, the IPO Credit Facilities will be unsecured.

Conditions of utilization of the IPO Credit Facilities

The IPO Credit Facilities can be used for the entire availability period, from the date of signing of the IPO Facilities Agreement to September 30, 2019 included (to the extent not utilized in full prior to that date).

The IPO Revolving Facility can be used for the entire availability period, from the first date of funding of the IPO Term Loan Facility (the "**Closing Date**") to the last month prior to the final repayment date for the IPO Revolving Facility (as described below).

The IPO Term Loan Facility may not be used if, as a result of the proposed utilization, more than four IPO Term Loan Facilities would be outstanding.

The interest period of any utilization of the IPO Term Loan Facility may be equal to three or six months, at the option of the Borrower, depending on what is indicated in the relevant utilization request (in respect of the first interest period for such utilization) or selection notice (in respect of subsequent interest periods).

The IPO Revolving Facility may be repaid and redrawn from time to time during its availability period. Any part of the IPO Term Loan Facility which is repaid or prepaid may not be redrawn.

The interest periods for a loan under the IPO Revolving Facility may be equal to one, two, three or six months, at the option of the Borrower, depending on what is indicated in the relevant utilization request. The IPO Revolving Facility can also be used in the form of letters of credit (subject to the accession of one or more issuing banks to the IPO Facilities Agreement) or Ancillary Facility, which could be either a bilateral or syndicated facility made availability in lieu of all or part of one or more Lenders' commitments under the IPO Revolving Facility.

Maturity and prepayment

The IPO Facilities Agreement provides for a bullet repayment of the IPO Term Loan Facility on the date falling five years after the Closing Date.

The IPO Facilities Agreement provides for the repayment of the IPO Revolving Credit Facility by way of repayment of each utilization of such facility on the last day of the relevant interest period (subject to the right to redraw such amounts as described above). The final repayment date for the IPO Facilities Agreement is the date falling five years after the Closing Date.

The IPO Facilities Agreement provides for a mandatory prepayment of the IPO Credit Facilities in each case of: (i) change of control (i.e., if one person, or a group of parties acting in concert, (except for the Equity Investors and any entity directly or indirectly controlled by them), which on the signing date of the IPO Facilities Agreement (i.e. March 20, 2019) does not control the Issuer holds, directly or indirectly, more than 50% of the share capital with voting rights of the Issuer); and (ii) in case of sale of all or substantially all of the assets of the Group to third parties (whether through individual sales or a series of related transactions) (each, an "**Exit Event**").

In such cases, without prejudice to the rights and obligations of other lenders, each lender (i) is released from the obligation to finance additional utilization requests (or to issue new letters of credit) and (ii) may request the agent to terminate its obligations under the IPO Facilities Agreement and immediately declare all outstanding amounts to be due and payable, in each case by notification to the agent within 30 days from the notification of the Exit Event of its intention to exercise the rights under (i) and (ii) above. If a lender fails to timely notify the agent, it will automatically waive the exit rights described above with respect to the specific Exit Event.

The IPO Facilities Agreement also contains a standard mandatory prepayment provision in the event that it becomes illegal for a lender to fulfill any of its obligations under the IPO Facilities Agreement.

Subject to certain exceptions, the IPO Facilities Agreement provides for voluntary prepayment of the IPO Credit Facilities (i) at any time, with prior notice, and (ii) upon the occurrence of a change of control, without the requirement for prior notice, as described above.

In any case of prepayment, the Issuer must also pay accrued interest on the prepaid amounts and, in the event of repayment on a date other than an interest payment date, market-standard breakage costs as set out in the IPO Facilities Agreement.

Interest

The IPO Term Loan Facility provides for a variable interest rate, equal to the Euribor for the period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage.

The IPO Revolving Facility provides for a variable interest rate, equal to the Euribor for the period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage.

In the event of a delay by the Issuer in making any payment (of capital, interests and accessories) due under the IPO Facilities Agreement, default interests will accrue on the overdue amount at a rate higher than the above-mentioned interest rates.

Main undertakings under the IPO Facilities Agreement

As customary for financing transactions of similar complexity and nature, the IPO Facilities Agreement sets forth certain obligations of the Issuer Issuer, Nexi Payments and Mercury Payment Services (each, an "**Obligor**"). Failure to comply with any of these obligations would result in a default, remediable within customary periods varying with the type of default, from the date of the default. The IPO Facilities Agreement provides for the following obligations, among others:

(i) with respect to the Issuer only, reporting obligations, through the delivery of annual and semi-annual consolidated financial statements and compliance certificates (to verify compliance with the financial covenant described in point (ii) below);

(ii) on each test date (i.e., June 30 and December 31 of each year), starting from June 30, 2020 if the Listing occurs by June 30, 2019 or December 31, 2020 if the Listing occurs after June 30, 2019, compliance with a leverage ratio (the "leverage ratio", i.e., ratio between net debt and consolidated EBITDA, as defined in the Notes) to be verified in the annual and semi-annual consolidated financial statements and which will have to comply with the specified ratios.

(iii) prohibition of substantial change in the business of the Group (i.e., the Issuer must ensure that there is no material change to the nature of the Group's business (considered as a whole) from that carried on at the date of the IPO Facilities Agreement);

(iv) obligation to promptly obtain, comply with and do all that is necessary to maintain in full force and effect any authorization required under any law or regulation, to enable to enter into and perform the finance documents;

(v) obligation to comply in all respects with all applicable laws, if failure so to comply would have a material adverse change for the Issuer;

(vi) negative pledge: the Obligor shall not create or permit to subsist (and the Issuer shall make that no other Group company creates or subsists) any security on their assets, except for securities and restrictions expressly permitted pursuant to the IPO Facilities Agreement, including:

  (a) any security existing on the Closing Date (i.e. the date of utilization of the IPO Term Loan Facility;

  (b) netting or set-off arrangements entered into by any member of the Group in the ordinary course of its business for the purpose of netting its debit and credit balances;

  (c) any security over or affecting any asset acquired by a member of the Group after the date of the IPO Facilities Agreement if:

    (i) the security was not created in contemplation of the acquisition of that asset; and

    (ii) the principal amount secured has not increased in contemplation of or since the date of the acquisition of that asset by a member of the Group;

  (d) any restriction with respect to capital stock of any joint venture to secure obligations of such joint venture or other joint venture partners;

  (e) restrictions with respect to cash pooling agreements between members of the Group;

(f) restrictions arising out of a legal proceeding which are contested in good faith; and

(g) restrictions arising out of any sale, lease, sublease, license, transfer or other disposal or similar arrangements incurred in the ordinary course of business;

(h) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of, or assets owned by, any joint venture;

(i) any restriction over any asset to secure indebtedness incurred to finance the purchase, improvement or construction of such asset provided that (x) the only recourse the creditor of such indebtedness has is to that asset and (y) the total principal amount of indebtedness secured does not exceed €150,000,000 or, if higher, an amount equal to 30% of LTM EBITDA (as such term is defined in the IPO Facilities Agreement) outstanding at any time;

(j) any restriction arising out of or entered into pursuant to any finance document including cash collateral;

(k) any restriction arising out of or in connection with any sale, lease, sublease, license, transfer or other disposal which is permitted pursuant to the IPO Facilities Agreement;

(l) any restriction over any rental deposit in respect of any property leased or licensed by a member of the Group or on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(m) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which any member of the Group has easement rights or any leased property and subordination or similar arrangements relating thereto; and (ii) any condemnation or eminent domain proceedings affecting any real property;

(n) any restriction in respect of taxes or other charges which are not yet due or the liability in respect of which is being contested by the relevant member of the Group in good faith by appropriate proceedings;

(o) any restriction which constitutes, is part of or is made under or in connection with any indebtedness borrowed or incurred by a member of the Group which is not expressly prohibited under the terms of the IPO Facility Agreement;

(p) any cash collateral provided in respect of letters of credit or bank guarantees to the Issuer of those letters of credit or bank guarantees;

(q) deposit to secure the performance of bids, tenders, trade contracts, governmental contract completion guarantees, surety, indemnity, customs, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), pledges, deposits or liens or securities under workers compensation laws or insurance related obligations;

(r) any restriction granted or arising over any shares or other ownership interests issued in connection with any employee or management incentive scheme or similar arrangements operated by or on behalf of any member of the Group which is not a member of the Group as at the date of the IPO Facility Agreement;

(s) any restriction granted in the ordinary course of business on arms' length or better terms relating to office equipment held under operating leases;

(t) any restriction granted over the shares of Visa Inc. held by a member of the Group;

(u) any restriction securing indebtedness the outstanding principal amount of which does not exceeds €103,800,000 (or its equivalent in other currencies) or, if higher, an amount equal to 20% of LTM EBITDA outstanding at any time;

(v) any restriction to which the majority of the lenders shall have given their prior written consent.

(vii) prohibition to carry out disposals (sales, leases, transfers or other deeds), except as expressly permitted under the IPO Facilities Agreement, including the following disposals:

(a) of assets by any member of the Group made in the ordinary course of business and at arms' length;

(b) of assets between members of the Group;

(c) of assets in exchange or replacement for other assets which are useful towards the ordinary business of the Group;

(d) of assets which are obsolete, damaged or no longer useful for the purpose of the business of the Group;

(e) of cash, cash equivalent investments or investments grade securities where that disposal is not prohibited by the finance documents;

(f) constituted by a license or sub-license of intellectual property rights or other general intangibles (in the case of any exclusive license or sale to a person which is not a member of the Group) if such intellectual property or other general intangibles are not required for the operation of the business of the Group;

(g) of assets which are required by law or regulation or are seized, expropriated or acquired by compulsory purchase by (or by the order of) any central or local governmental agency or authority or other regulatory body;

(h) of any asset (including shares in any subsidiary) provided that the asset(s) being sold had not contributed more than €25,950,000 (or its equivalent in other currencies) of consolidated EBITDA, or if higher, an amount equal to 5% of consolidated EBITDA;

(i) pursuant to the grant or termination of leasehold interests in, or licenses or sub-licenses of, property provided that (in the case of any exclusive lease or license to a person which is not a member of the Group) such property is not required for the operation of the business of the Group;

(j) pursuant to the terms of any agreement or contractual arrangement in existence on the Closing Date or of any assets (including any person which has become a member of the Group) acquired by a member of the Group after the Closing Date pursuant to the terms of any agreement or contractual arrangement in existence at the date on which it was acquired, in each case as any such contractual commitment may be replaced, renewed or extended from time to time;

(k) of any shares of the Issuer or any other member of the Group (including any treasury shares in connection with share incentive schemes) or which constitutes the making of a lawful distribution by a member of the Group;

(l) of assets under finance lease, hire purchase, capital lease, conditional sale agreements, retention of title or other agreements for the acquisition of assets on deferred payment terms;

(m) of assets arising as a result of any security or right of set-off or netting permitted and not expressly prohibited under the terms of the IPO Facilities Agreement;

(n) of assets pursuant to:

(1) any sale and leaseback, asset securitization or other similar arrangements entered into on arms' length or better terms (including any disposal of assets to another member of the Group (or a partnership or other entity owned by members of the Group) in order to facilitate such a transaction and any disposal of a member of the Group whose only material assets are subject of such sale and leaseback arrangements;

(2) any sale and leaseback, asset securitization or other similar arrangements which are outstanding or is committed on the closing date (i.e. the date on which the first utilization of the term loan facility made available under the IPO Facilities Agreement occurs) or is an amendment extension, renewal, refinancing of any of the foregoing;

(3) to the extent not permitted by sub-paragraph (1) and (2) above, any other sale and leaseback, asset securitization or other similar arrangements provided that in the case of such arrangements with a person who is not a member of the Group, the net proceeds of all such disposal does not exceed € 77,850,000 (or its equivalent in other currencies) or, if higher, an amount equal to fifteen (15) per cent of LTM EBITDA (as such term is defined in the IPO Facilities Agreement) over the life of the Facilities;

(o) of assets which become subject to vendor financing, deferred consideration or payment or other similar arrangement not expressly prohibited under the terms of the IPO Facilities Agreement;

(p) of a loan, credit or any other indebtedness outstanding as a result of, or in connection with, the conversion of such loan, credit or any other indebtedness outstanding into distributable reserves or share capital of any member of the Group or any other capitalization, forgiveness, waiver, release or other discharge of that loan, credit or indebtedness;

(q) of assets to a joint venture;

(r) which is a use of cash for purposes not otherwise prohibited by the terms of the finance documents;

(s) of capital stock as part of or pursuant to equity incentive or compensation plan approved or ratified by our Board of Directors or such other member of the Group;

(t) of all or part of the shares in Visa Inc. held by the Issuer or a member of the Group;

(u) (a) any dividend, distribution, payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or other similar transaction (however described) (a "**Permitted Payment**") or (b) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make any Permitted Payment provided that such Permitted Payment is made within 180 days of such asset sale, lease, transfer, issuance or other disposition;

(v) of assets in connection with enforcement, foreclosure, condemnation, taking by eminent domain or any similar action with respect to any such assets;

(w) of contract rights (including by way of surrender or waiver of such rights) or the settlement, release, surrender or waiver of contract, tort or other claims of any kind;

(x) of assets to a person who is providing services related to such assets, the provision of which have been or are to be outsourced by a member of the Group to such person provided that the Board of Directors of the Issuer or relevant member of the Group shall certify that, in the opinion of such Board of Directors, the outsourcing transaction will be economically beneficial to the relevant member of the Group (considered as a whole);

(y) of preferred stock or redeemable capital stock; and

(z) disposals of assets which are permitted to be disposed of under any of the preceding paragraphs above to a special purpose vehicle which is a member of the Group and the subsequent disposal of that special purpose vehicle provided that the assets transferred to the special purpose vehicle are the only material assets of that special purpose vehicle and such assets are similarly able to be disposed of in accordance with the preceding paragraphs above.

(viii) the Issuer shall ensure that, for the entire duration of the IPO Facilities Agreement, members of the Group that are not parties to the IPO Facilities Agreement will not incur indebtedness towards entities that are not members of the Group in an amount which exceeds €348,000,000 or, if higher, an amount equal to 20% of the total net indebtedness of the Group (as determined on the basis of the last consolidated financial statements);

(ix) prohibition on granting guarantees to any member of the Group, except for the guarantees expressly permitted under the IPO Facilities Agreement;

(x) requirement to conduct business in compliance with applicable anti-corruption laws;

(xi) obligation of all members of the Group to ensure that:

a. its payment obligations under any hedging, derivative or other financial instrument or transaction entered into in connection with protection against or benefit from fluctuation in any rate or price ("**Treasury Transaction**") which it enters into shall rank pari passu with or junior to the facilities;

b. each hedging agreement is based on either a 1992 ISDA Master Agreement or 2002 ISDA Master Agreement (or any such replacement) or another framework agreement which is similar in effect to such ISDA Master Agreement; and

c. it does not enter into any Treasury Transaction for speculative purposes;

(xii) requirement of all members of the Group to promptly do all such acts or execute all such documents as the security agent or the agent may reasonably specify;

a. to complete the perfection requirements in relation to the securities created under the finance documents or for the exercise of any rights, powers and remedies of the security agent provided by or pursuant to the finance document or by law;

b. in case of default, to facilitate the realization of the assets which are, or are intended to be, the subject of the security documents.

(xiii) prohibition of any member of the Group to incur or permit to subsist any super senior liabilities, until the occurance of the release date (i.e. the earlier to occur of the date on which the Notes achieve the investment grade status or the Notes are repaid or redeemed in full);

(xiv) obligation of the Issuer to ensure that each member of the Group shall, within ten (10) business days of the Closing Date (excluded), provide copies, executed and delivered, to the securities agent of the documents listed in the IPO Facilities Agreement.

(xv) prohibition on undertaking any merger or restructuring or other transactions, excepts for those transactions expressly permitted under the IPO Facilities Agreement.

Borrowers, guarantors and third-party guarantors

The Issuer, Nexi Payments and Mercury Payment Services are borrowers and guarantors pursuant to the IPO Facilities Agreement. The IPO Facilities Agreement provides mechanisms through which other members of the Group can become borrowers or guarantors (in compliance with certain agreed securities principles). If a member of the Group becomes an Additional Borrower, this company must also be a guarantor.

Pursuant to the IPO Facilities Agreement, in line with the undertakings under the Revolving Credit Facility, the Issuer agreed to ensure that EBITDA (calculated on the same basis as the "Consolidated EBITDA" (as defined in the IPO Facilities Agreement) but considering each entity on an unconsolidated basis and excluding, *inter alia*, goodwill and any infragroup entry) of the members of the Group who are guarantors is equal to at least 80%, respectively, of the consolidated EBITDA of the Group;

Pursuant to the IPO Facilities Agreement, such parameter would need to be tested on the date which is 90 days from (and excluding) the Closing Date (all parties necessary to comply with this obligation will be Original Guarantors, party to the IPO Facilities Agreement on the signing date) and thereafter by reference to the audited consolidated annual financial statements of the Group (commencing with the audited consolidated annual financial statements for the financial year ending December 31, 2019).

With respect to the Italian guarantors (all the guarantors are currently Italian guarantors, i.e., the Issuer, Nexi Payments and Mercury Payment Services), pursuant to the IPO Facilities Agreement, the obligations and liabilities of each guarantor shall not exceed, *inter alia*, the sum of:

(i) the aggregate amount of any facility made available to the such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) as borrower under the IPO Facilities Agreement and outstanding as at the date of enforcement of the guarantee; and

(ii) the aggregate amount of any intercompany loans or other financial support in any form (not including equity contributions) made available to such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by any Obligor (whether directly or indirectly) out of the proceeds of any utilization under the IPO Facilities Agreement and outstanding as at the date of enforcement of the guarantee,

provided that the maximum liability of any Italian guarantor under its guarantee may not exceed 120% of the amounts under the IPO Credit Facilities.

Representations and warranties

In addition to the undertakings listed above, the Issuer, together with Nexi Payments and Mercury Payment Services, will provide customary representations and warranties on the Closing Date and on the first day of any interest payment date (subject to default, remediable within 30 business days from the default), which are in certain cases subject to materiality and relevance (such as the occurrence of an event that is prejudicial to the activity of the Issuer) thresholds. These representations and warranties include: (i) the absence of litigation, arbitration and administrative proceedings; (ii) lack of misleading information provided to the lenders; (iii) the correctness and truthfulness of the financial statements; (iv) compliance with relevant laws; (v) validity and incorporation of the Issuer; (vi) validity and effectiveness of the obligations assumed pursuant to the financial documents; (vii) absence of conflicts between the stipulation of the IPO Facilities Agreement and the constitutional documents, laws or other applicable obligations; (viii) possession of the necessary powers and authorizations; (ix) choice of the applicable law; (x) absence of defaults and, to the Issuer's knowledge, the absence of events that would constitute a default; and (xi) *pari passu* ranking of the obligations deriving from the financial documents with any other unsecured and unsubordinated debt (present and future).

Fees

Pursuant to the IPO Facilities Agreement, the Issuer shall pay the following fees only if the Closing Date occurs by September 30, 2019:

(i) a commitment fee equal to a percentage of the applicable margin on the undrawn amounts under the IPO Revolving Facility for the period commencing on the Closing Date and during the entire duration of the IPO Facilities Agreement;

(ii) a utilization fee with respect to the IPO Revolving Facility, increasing for each day on which the aggregate amount of the IPO Revolving Facility which has not been repaid (A) exceeds 33⅓% but is less than or equal to 66⅔% of the total commitments available under the IPO Revolving Facility or (B) exceeds 66⅔% of the total commitments available under the IPO Revolving Facility; and

(iii) an arrangement fee (as governed by a fee letter) and a security agency fee (as governed by a fee letter).

Guarantees

The IPO Credit Facilities are guaranteed by guarantees from the Guarantors, as defined in the IPO Facilities Agreement (i.e., the Issuer, Nexi Payments and Mercury Payment Services). The undertakings of the Issuer pursuant to these guarantees are joint and several with the other financial counterparties of the IPO Facilities Agreement (including, among others, the agent, the security agent, the Mandated Lead Arranger, and each of the financing parties), subject to certain customary limitations (including as described above).

Collateral

Following the Closing Date and in accordance with the provisions of the IPO Facilities Agreement, the IPO Credit Facilities will be secured by the same collateral that currently secures the Notes and the Revolving Credit Facilities. In particular, the collateral includes:

(i) a pledge over the balance of certain bank accounts of the Issuer;

(ii) a pledge of Issuer's shares in Nexi Payments, which represents 98.92% of the share capital of Nexi Payments;

(iii) a pledge of Issuer's shares in Mercury Payment Services, which represents 100% of the share capital of Mercury Payment Services;

(iv) an undertaking to assign by way of security future receivables owed by Nexi Payments and Mercury Payment Services to the Issuer;

(v) an undertaking to assign by way of security future receivables owed by the Issuer and Mercury Payment Services to Nexi Payments; and

(vi) an undertaking to assign by way of security future receivables owed by the Issuer and Nexi Payments to Mercury Payment Services,

provided that in each case such security interests may be released in the circumstances described above or otherwise to the extent that the assets secured thereby are subject to a disposal or similar transaction which is permitted under the terms of the Notes and the IPO Credit Facilities or in other customary circumstances set out in the Intercreditor Agreement.

Events of default

The IPO Facilities Agreement also sets forth, in line with market practice, a series of events of default, including:

(i) payment default of the principal and interest under the IPO Credit Facilities (including principal and interest, unless such non-payment is made within 10 business days of its due date);

(ii) failure to comply with the financial covenant (deemed cured if complied with in the next testing period and the IPO Credit Facilities have not been accelerated);

(iii) the occurrence of an insolvency, even if not judicially ascertained (for example, mere financial difficulties of the applicable borrower or guarantor in fulfilling its payment obligations when due) or the commencement of insolvency proceedings;

(iv) untruthfulness of any of the representations and warranties;

(v) cross acceleration with other indebtedness of the Issuer, Nexi Payments and Mercury Payment Services (subject to a customary *de minimis* exception);

(vi) failure to comply with other obligations under the finance documents; and

(vii) unlawfulness or repudiation of a financing document.

Pursuant to the IPO Facilities Agreement, the occurrence of an event of default would allow the Majority Lenders (as defined below), acting through the agent, to, among other things, accelerate all or part of the outstanding loans and/or cancel the commitments and/or declare all or part of the loans payable on demand.

Lenders' decisions

The IPO Facilities Agreement provides that lenders' decisions concerning their rights pursuant to the IPO Facilities Agreement are taken collectively and, depending on the subject matter of the decision, (i) by majority of the lenders whose commitments aggregate 66 2/3% of the total commitments under the IPO Revolving Facility or 80% of the total commitments depending on the subject matter of the decision (the "**Majority Lenders**") or (ii) in some circumstances specified in the IPO Facilities Agreement, unanimously.

The Notes

On May 18, 2018, we issued €2.2 billion aggregate principal amount of Senior Secured Notes (the "**Listed Senior Secured Notes**"), comprised of €825 million 4 1/8% Senior Secured Notes due 2023 (the "**Listed Fixed Rate Notes**") and €1.375 million Senior Secured Floating Rate Notes due 2023 (the "**Listed Floating Rate Notes**"). The Listed Senior Secured Notes were admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

On July 2, 2018, we issued €400 million aggregate principal amount of Senior Secured Floating Rate Notes due 2024 (the "**Unlisted Senior Secured Notes**" and together with the Listed Senior Secured Notes, the "**Notes**"). The Listed Notes were issued pursuant to an indenture dated May 18, 2018, and the Unlisted Senior Secured Notes were issued pursuant to an indenture dated July 2, 2018. The substance of the indentures is the same and both are governed by the law of the State of New York (together, the "**Indentures**"). As used herein, "**Floating Rate Notes**" shall refer collectively to the Listed Floating Rate Notes and the Unlisted Senior Secured Notes.

Interest

The Listed Fixed Rate Notes bear interest at a rate of 4.125% per annum and will mature on November 1, 2023. Interest is payable semi-annually in arrears on November 30 and May 31 of each year.

The Listed Floating Rate Notes bear interest at a rate equal to three-month EURIBOR (with a 0% floor) plus 3.625% per annum, reset quarterly, and will mature on May 31, 2023. Interest is payable quarterly in arrears on August 31, November 30, February 28 and May 31 of each year.

The Unlisted Senior Secured Notes bear interest at the same rate and will mature on July 2, 2024. Interest is payable quarterly in arrears on August 31, November 30, February 28 and May 31 of each year.

Covenants and events of default

Subject to certain exceptions, the terms of the Notes and the Indentures restrict our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the Shares;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuer;

- engage in certain transactions with affiliates;
- consolidate or merge with other entities;
- impair security interests for the benefit of the holders of the Notes; and
- undertake activities or hold assets other than those typically undertaken by a finance subsidiary.

These limitations are subject to significant exceptions and qualifications and certain of the covenants will be suspended if and for as long as the Notes achieve investment grade ratings.

Security

As of the date of this offering circular, the Notes are secured by the following collateral:

- a pledge of all material bank accounts of the Issuer;
- a pledge of all our shares in Nexi Payments, representing 98.92% of Nexi Payments share capital;
- a pledge of all our existing shares in Mercury Payment Services, representing 100% of its share capital;
- a security assignment of any structural intercompany receivables owed to us by either Nexi Payments or Mercury Payment Services pursuant to any future intragroup loans;
- a security assignment of any structural intercompany receivables owed to Nexi Payments by either the Issuer or Mercury Payment Services pursuant to any future intragroup loans; and
- a security assignment of any structural intercompany receivables owed to Mercury Payment Services by either the Issuer or Nexi Payments pursuant to any future intragroup loans;

(all of such collateral, together with any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture or the Notes and/or any Notes Guarantee, in each case as may be in existence from time to time, the "**Collateral**").

Change of Control

The Indentures provide that upon a Change of Control, which includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of Issuer (former Latino Italy S.p.A.) and its restricted subsidiaries to specified other persons, the the noteholders will have the right to require the Issuer to offer to repurchase all of the outstanding Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the purchase, unless the Issuer has unconditionally exercised its right to redeem all of the Notes and given notice of redemption and all conditions to such redemption have been satisfied or waived in accordance with the Indentures.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date of the Notes), other than one or more permitted holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Notes' Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company to a person, other than a restricted subsidiary or one or more permitted holders.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (i) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Issuer's Voting Stock immediately prior to that transaction or (ii) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the holding company, and (b) the right to acquire Voting Stock (so long as such Person does not have the right to direct the voting of the Voting Stock subject to such right) or any veto power in connection with the acquisition or disposition of Voting Stock will not cause a party to be a beneficial owner.

"Change of Control Triggering Event" means the occurrence of a Change of Control, unless pro forma for the Change of Control, the Consolidated Gross Leverage Ratio, as defined in the Indentures, is less than 4.75 to 1.00; provided, however, that following the first Change of Control Triggering Event in respect of which no Change of Control Offer has been made or waived, the definition of Change of Control Triggering Event shall thereafter mean a Change of Control.

Prepayment and make-whole

Fixed Rate Notes

Except as described below and except for redemptions we may effect for tax reasons, the Fixed Rate Notes are not redeemable until November 30, 2019. On and after November 30, 2019, we may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and any additional amounts required to compensate for any tax withholding or deduction ("**Additional Amounts**"), if any, to, but not including, the applicable redemption date, if redeemed during the 12-month period beginning on November 30 of the years indicated below:

Year	Redemption Price
2019	102.0625%
2020	101.03125%
2021 and thereafter	100.0000%

Prior to November 30, 2019, we may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Notes issued under the Indenture (including the aggregate principal amount of any additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' prior written notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds, as defined in the Indentures, of one or more specified equity offerings at a redemption price of 104.1250% of the principal amount of the Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date; provided that:

(1) at least 50% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any additional Fixed Rate Notes) issued under the Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such qualifying equity offering.

At any time from time to time prior to November 30, 2019, we may, at our option, during each calendar year redeem up to 10% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' prior written notice, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes so redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date.

In addition, prior to November 30, 2019, we may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes, plus the Fixed Rate Applicable Premium, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date.

"**Fixed Rate Applicable Premium**" means, with respect to any Fixed Rate Note, the greater of:

(a) 1% of the principal amount of such Fixed Rate Note; and

(b) the excess (to the extent positive) of:

    (iii) the present value at such redemption date of (1) the redemption price of such Fixed Rate Note at November 30, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Fixed Rate Note to and including November 30, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; *over*

    (iv) the outstanding principal amount of such Fixed Rate Note,

as calculated by us or on our behalf by an agent we appoint.

Floating Rate Notes

Except as described below and except for certain redemptions we may effect for tax reasons, the Floating Rate Notes are not redeemable until May 31, 2019. On and after May 31, 2019, we may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date, if redeemed during the 12-month period beginning on May 31 of the years indicated below:

Year	Redemption Price
2019	101.0000%
2020 and thereafter	100.0000%

In addition, prior to May 31, 2019, we may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' prior written notice at a redemption price equal to 100% of the principal amount of the Floating Rate Notes, plus the Floating Rate Applicable Premium (as defined below), plus accrued and unpaid interest (calculated with reference to the interest rate as of the most recent Interest Calculation Date) and Additional Amounts, if any, to, but not including, the applicable redemption date.

"**Floating Rate Applicable Premium**" means, with respect to any Floating Rate Note the greater of:

(a) 1% of the principal amount of such Floating Rate Note; and

(b) the excess (to the extent positive) of:

(i) the present value at such redemption date of (1) the redemption price of such Floating Rate Note at May 31, 2019 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), *plus* (2) all required interest payments due on such Floating Rate Note to and including May 31, 2019 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate (as defined below) at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points and assuming that the rate of interest on the Floating Rate Notes for the period from the redemption date through May 31, 2019 will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given; *over*

(ii) the outstanding principal amount of such Floating Rate Note,

as calculated by us or on our behalf by an agent we appoint.

"**Bund Rate**" as selected by us, means the rate per annum equal to the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days, as defined in the Indentures, (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by our Board of Directors)) most nearly equal to the period from the redemption date to November 30, 2019, in respect of the Fixed Rate Notes, or May 31, 2019, in respect of the Floating Rate Notes; *provided*, *however*, that if the period from the redemption date to November 30, 2019, in respect of the Fixed Rate Notes, or May 31, 2019, in respect of the Floating Rate Notes, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to November 30, 2019, in respect of the Fixed Rate Notes, or May 31, 2019, in respect of the Floating Rate Notes, is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

Intercreditor Agreement

On May 18, 2018, an intercreditor agreement, as amended, supplemented and restated from time to time (the "**Intercreditor Agreement**"), has been entered into, among the Issuer (former Latino Italy S.p.A.) (and Nexi

Capital which, as of the date of this offering circular, has been merged by incorporation into the Issuer), as original debtor, issuer of the Notes and original intra-group lender, Mercury UK, as Topco, original subordinated creditor and original third party security provider, the financial institutions indicated thereunder, as original super senior arrangers, UniCredit Bank AG, Milan Branch, as original super senior agent, U.S. Bank Trustees Limited, as trustee and security agent, and, following their adherence on October 25, 2018, Mercury Payment Services and Nexi Payments, each as debtor and intra-group lender.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to our Group (i.e., the Issuer, the Restricted Subsidiary (as defined in the Intercreditor Agreement) and any other person that becomes party to the Intercreditor Agreement as a Debtor or third-party security provider) and, specifically:

(i) the ranking of the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the "**Debtors**") (other than Mercury UK ("**Topco**" for the purposes of the Intercreditor Agreement) and any member of the Senior Secured Group (as defined in the Intercreditor Agreement) which is designated as a Topco Borrower under the Intercreditor Agreement (a "**Topco Borrower**")) arising out of the Revolving Credit Facility Agreement, the Notes, transactions on derivatives aimed at hedging risks relating to fluctuations in interest rates, exchange rates or commodity prices (within the limits and under the conditions provided for therein) governed by the Revolving Credit Facility Agreement (the "**Hedging Liabilities**"), any potential intra-group liabilities or other subordinated liabilities;

(ii) the order and ranking of certain securities granted by Group's companies;

(iii) the permitted payments in respect of certain liabilities of the Group;

(iv) the enforcement of the granted securities;

(v) the exercise of certain rights (including acceleration) by the noteholders;

(vi) the terms under which certain payment obligations are qualified as subordinated liabilities upon the occurrence of certain insolvency events;

(vii) the principles governing the application of proceeds which may arise in connection with the enforcement of the securities;

(viii) the terms under which any security and/or guarantee may be released following the disposal of secured assets (also in case of a non-distressed disposal);

(ix) the circumstances in which the liabilities owed to certain creditors (including the noteholders) may be transferred to other third parties in the event of distressed disposal; and

(x) the order of application of proceeds (among creditors) deriving from the enforcement of securities or otherwise received by the security agent.

Ranking and priority of debts and securities

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other Debtor (other than Topco and Topco Borrower pursuant to the Intercreditor Agreement) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(i) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to any senior secured facilities agreements (the "**Senior Lender Liabilities**"), (ii) the lenders, issuing banks, and ancillary lenders in relation to the Revolving Credit Facility Agreement or any future super senior facilities agreement and any hedge counterparty under a hedging agreement that is designated by the Issuer as super senior ("**Super Senior Liabilities**"), (iii) to the trustee (other than certain amounts paid to it in its capacity as trustee), the holders of the Senior Secured Notes or future senior secured notes and the security agent in relation to the Senior Secured Notes and the holders of any future notes issued by or in relation to which a New Debt Financing (as defined in the Intercreditor Agreement) which are designated as senior the "**Senior Secured Notes Liabilities**"), (iv) the hedge counterparties in relation to any hedging agreements that are not designated as super senior, (v) the lender under any future loan made by the issuer of any Senior Secured Notes (other than the Issuer) to a member of the Group for the purposes of lending the proceeds of any Senior Secured Notes, (vi) the arrangers, agents, issuing banks and lenders under any cash management facility (the "**Cash Management Facility Liabilities**"), (vii) the lenders in relation to any future second lien facility agreement (the "**Second Lien Lender**

Liabilities"), (viii) any second lien notes trustee, the holders of any future second lien notes relating to a New Debt Financing (as defined in the Intercreditor Agreement) and the security agent in relation to any second lien notes (the "**Second Lien Notes"** and together with the Second Lien Lender Liabilities, the "**Second Lien Liabilities**"), (ix) any agent or trustee under any finance documents relating to any of the aforementioned liabilities, any agent or trustee under the Topco Liabilities (as defined below), (x) any arranger under any finance documents relating to any of the aforementioned liabilities, and (xi) the security agent, *pari passu* and without any preference between them; and

(ii) second, all liabilities owed (i) to the trustee (other than certain amounts paid to it in its capacity as Trustee of the Senior Secured Notes), and the holders of any future notes issued by or in relation to which a New Debt Financing has been made available to or by a Topco Borrower and designated by the Issuer as topco notes and the security agent in relation to such Topco Notes, (ii) under any future loan facility made available to any Topco Borrower, (iii) any arranger liabilities relating to any of the aforementioned liabilities (the liabilities from (i) to (iii), together the "**Topco Liabilities**"), and (iv) the liabilities owed under any future loan made by any Topco Borrower or by any affiliate not belonging to the Group with the proceeds of the Topco Liabilities (the "**Topco Proceeds Loan Liabilities**"), *pari passu* and without any preference between them.

The transaction security shall rank and secure the following liabilities in the following order:

(i) first, the Senior Lender Liabilities, the Super Senior Liabilities, the Senior Secured Notes Liabilities, the Cash Management Facility Liabilities and the Hedging Liabilities (as defined in the Intercreditor Agreement) and any agent liabilities, trustee liabilities and arranger liabilities in respect thereof *pari passu* and without any preference between them;

(ii) second, the Second Lien Liabilities *pari passu* and without any preference between them; and

(iii) third, (to the extent of the topco shared security under the Intercreditor Agreement) the Topco Liabilities *pari passu* and without any preference between them.

In addition, the securities which are created by a Topco Borrower or its affiliates (other than the member of the Group) or any member of the Group that directly holds shares in a Topco Borrower who is designated as such by the Issuer (each a "**Topco Independent Obligor**") shall rank and secure the Topco Liabilities *pari passu* and without any preference between them (but only to the extent that such security is expressed to secure the relevant liabilities) (hereinafter the "**Topco Independent Transaction Security**").

Furthermore, pursuant to the Intercreditor Agreement, the creditor of the Topco Liabilities has the right to take, accept or receive the benefit of, among others: (i) any Topco Shared Security from any member of the Group or from a third party security provider in respect of the Topco Liabilities; (ii) any additional guarantee, indemnity or other assurance from any member of the Group, subject to certain principles and conditions such as, among others, that all amounts received by any creditor of the Topco Liabilities with respect to such Topco Shared Security and/or guarantee, indemnity or assurance are paid to the security agent for application as set out under "—Application of proceeds" below. No security (other than pursuant to the security documents relating to Topco Independent Transaction Security or Topco Shared Security) shall be granted by a member of the Group in respect of any Topco Liabilities.

Payments

The creditors of the Group may receive payments in accordance with the provisions of the Intercreditor Agreement, by way of example, under the following circumstances:

(A) in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, Super Senior Liabilities and Cash Management Facility Liabilities (together with the Hedging Liabilities) at any time, provided that following certain acceleration events under the Revolving Credit Facility Agreement or Indenture or following certain insolvency events in relation to a member of the Group, payments may only be made and received by creditors in accordance with the provisions described below under "—Application of proceeds";

(B) prior to the first date on which all of the Senior Lender Liabilities, the Cash Management Facility Liabilities, the Hedging Liabilities (other than that designated as super senior by the Issuer), Super Senior Liabilities and the Senior Secured Notes Liabilities have been discharged, the debtors may only make certain specified payments in respect of the Second Lien Liabilities, subject to compliance with certain conditions in the Intercreditor Agreement including, among others, that the relevant payment is not prohibited by any prior ranking financing agreement and, subject to certain exceptions, that no payment stop notice has been issued (pursuant to the Intercreditor Agreement) and no payment default is continuing under, among others, the Revolving Credit Facility and the Indenture; and

(C) prior to the date which is the later of (x) the date set out in paragraph (B) above and (y) the first date on which all Second Lien Liabilities have been discharged, the Issuer, the Topco Borrowers or a third party security provider and other members of the Group may only make payments under the Topco Liabilities or under any Topco Proceeds Loan Liabilities only under the circumstances set out in the Intercreditor Agreement.

Application of proceeds

Subject to certain provisions set out in the Intercreditor Agreement relating to the securities enforcement, all amounts received or recovered by the security agent (other than amounts in respect of, among others, Topco Independent Transaction Security or any guarantees provided by any holding company of Topco or any subsidiary of any holding company of the Issuer (other than a member of the Group) in respect of any Topco Liabilities or Topco Proceeds Loan Liabilities) or in connection with the realization or enforcement of all or any part of the transaction security shall be applied in the following order of priority:

1. in discharging any liabilities *via-à-vis* the agents (including the trustees) relating to (i) the Senior Lender Liabilities, the Super Senior Liabilities, the Senior Secured Notes Liabilities and the Cash Management Facility Liabilities, (ii) the Second Lien Liabilities and (iii) the Topco Liabilities and any sums owed to the security agent and any receiver or delegate on a *pari passu* basis;

2. in payment of all costs and expenses incurred by any agent or secured creditor in connection with any realization or enforcement of the transaction security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the security agent under the Intercreditor Agreement;

3. (i) if the Super Senior Liabilities have not been extinguished yet (following enforcement, if any) for application towards the discharge of: (A) the Super Senior Liabilities and any arranger liabilities in connection therewith; and (B) Hedging Liabilities that have been designated by the Issuer as super senior (on a pro rata basis between the super senior Hedging Liabilities of each hedge counterparty), on a pro rata basis and ranking *pari passu* between paragraphs (A) and (B) above, or (ii) if the Super Senior Liabilities have been extinguished for application towards the discharge of: (A) the Senior Lender Liabilities and any arranger liabilities in connection therewith; (B) the Senior Secured Notes Liabilities; (C) the Cash Management Facility Liabilities; and (D) the Hedging Liabilities (other than the super senior Hedging Liabilities) on a pro rata basis and ranking *pari passu* between (A), (B), (C) and (D) above;

4. for application towards the discharge of the Second Lien Lender Liabilities (and any arranger liabilities in connection therewith) on a pro rata basis and ranking *pari passu* between themselves;

5. solely to the extent such proceeds are from the realization or enforcement of the Topco Shared Security and any guarantees provided by a Topco guarantor that is a member of the Group in respect of the Topco Liabilities, for application towards the discharge of the Topco Notes Liabilities and any arranger liabilities in connection therewith, on a pro rata basis and ranking *pari passu* between themselves;

6. if none of the debtors or, as the case may be, the third-party security providers is under any further actual or contingent liability, in payment to any other person whom the security agent is obliged to pay in priority to any debtor or third-party security provider; and

7. the balance, if any, in payment to the relevant debtor,

provided that all amounts from time to time received or recovered by the security agent from or in respect of a Topco Borrower (other than in connection with the realization or enforcement of the transaction security or Topco Independent Transaction Security) shall be held by the security agent on trust to apply in the following order of priority:

(i) in accordance with paragraph 1 above;

(ii) in accordance with paragraph 2 above;

(iii) in accordance with paragraphs 3, 4 and 5 above (in each case only to the extent there are liabilities due from the relevant Topco Borrower to such creditors);

(iv) if the debtor is under any further actual or contingent liability, in payment to any other person whom the security agent is obliged to pay in priority to any debtor or third-party security provider; and

(v) the balance, if any, in payment to the relevant debtor.

Subject to certain provisions set out in the Intercreditor Agreement, all amounts received or recovered by the security agent in connection with the realization or enforcement of Topco Independent Transaction Security or any guarantees provided by a Topco Guarantor (other than a member of the Group) shall be applied, *mutatis mutandis*, in the order of priority set out under paragraphs 1 to 7 above.

Provisions following an IPO

The Revolving Credit Facility Agreement and the Intercreditor Agreement contain an "IPO Pushdown" clause according to which, upon the occurrence of an IPO (i.e., the listing of the Shares on a regulated market), the Issuer will be entitled to require, by written notice to each agent (including the trustee, Unicredit Bank AG, Milan Branch as original super senior agent and U.S. Bank Trustees Limited as Security Agent) (and, pursuant to the Intercreditor Agreement, to each hedging counterparty) (the "**IPO Pushdown Notice**"), that the terms of the Debt Documents (as defined in the Intercreditor Agreement and including, among others, the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement) shall operate (with effect from the date specified in such IPO Pushdown Notice) such that, among others:

(i) the Group (and all related provisions and definitions) will refer to the "IPO Entity" or the "Pushdown Entity", (as defined, respectively, in the Revolving Credit Facility Agreement and the Intercreditor Agreement and that can be identified with the Issuer and its Restricted Subsidiaries);

(ii) all financial ratio calculations shall be made excluding any holding company of the Issuer and all reporting obligations shall be undertaken solely by the Issuer;

(iii) certain provisions of the Debt Documents (including representations, undertakings and events of default) will cease to apply to any holding company of the Issuer;

(iv) no event or circumstance (including change of control events) relating to any company holding the Issuer shall constitute, directly or indirectly, a breach of representations, warranties, undertakings or other provisions of the Debt Documents, a default or event of default;

(v) any holding company of the Issuer shall be irrevocably and unconditionally released from its obligations under the Debt Documents (including any transaction security granted by such holding company);

(vi) unless otherwise notified to the Issuer, (A) each subordinated creditor ("**Subordinated Creditor**", including Mercury, as Original Subordinated Creditor), third party security provider ("**Third Security Provider**", including Mercury, as Original Third Security Provider) or Topco Independent Obligor (the "**Released Entities**") shall be irrevocably and unconditionally released from all of its obligations and restriction under the Intercreditor Agreement, and (B) no other entity shall be obliged or required to become a party to the Intercreditor Agreement as Released Entity, provided that, with respect to the Subordinated Creditor only, the Issuer confirms in the IPO Pushdown Notice that the Board of Directors has approved the IPO.

Each party to the Intercreditor Agreement shall be required to enter into any amendment, release or replacement of any Debt Document and each trustee and security agent shall be required (at the expense of the Issuer) to enter into any amendment to the Debt Documents required by the Issuer and/or take such other action as is required to facilitate the matters described in each of the above paragraphs.

The IPO Pushdown clause operates for the sole purpose of releasing (a) the pledge on the Nexi Shares (transaction instrumental to the Offering), and (b) pledge on intercompany credits, as well as to eliminate the covenants linked to the loan agreement executed by Mercury UK.

The IPO Pushdown clause does not include the disapplication of the change of control clauses provided by the Notes or the Revolving Credit Facility, therefore we remain subject to all obligations arising from such clauses.

On February 11, 2019, we served the IPO Pushdown Notice requiring that, with effect from the Listing Date, the Debt Documents shall operate pursuant to the terms set out in in each of the above paragraphs under the heading "—Provisions following an IPO."

Factoring Agreement

On June 26, 2018, Nexi Payments and UniCredit Factoring S.p.A. ("**UniCredit Factoring**") entered into a factoring agreement, as subsequently amended on July 3, 2018 and August 3, 2018 (the "**Factoring Agreement**") governing the terms of the transfer by Nexi Payments ("**Transferor**") to Unicredit Factoring (the "**Factor**"), on an ongoing basis, of its present and future accounts receivable: (i) deriving from the use of balance credit cards (i.e., cards that require cardholders to pay off their balance on a monthly basis) issued by the Transferor and inclusive of the service fee applied by Nexi (and, therefore, excluding revolving credit cards, which allow the cardholder to pay the balance in instalments) (the "**Nexi Credit Cards**"); (ii) owed by the Transferor to cardholders of the covered Nexi credit cards (the "**Debtors**") who are also customers of the partner banks distributing the Nexi credit cards where the accounts underlying such cards were opened; and (iii) backed by the undertaking of the partner banks arising out of the agreements in force with Nexi Payments concerning the Nexi credit cards, which can be traced back to the predefined contractual schemes included in the Factoring Agreement (the "**Bank's Framework Agreement**"), concerning the amounts resulting from the monthly records prepared and issued by such partner banks (hereinafter the "**Receivables**").

Receivables with one or more of the following characteristics are expressly excluded from the Factoring Agreement: (i) whose risk of insolvency of the Debtors is not guaranteed by the relevant partner banks pursuant to the Bank's Framework Agreement; (ii) which are subject to repayment postponements arising from the use of both balance and revolving credit cards or in respect of which cardholders are allowed to pay the balance in instalments; (iii) which refer to a Bank's Framework Agreement that has become ineffective and/or is substantially different from the relevant scheme included in the Factoring Agreement (where such difference may have a detrimental effect on the Guarantee (as defined below)); (iv) arising from the use of Nexi credit cards not settled through the SDDs or for which Nexi has recalled; (v) arising from the use of cards issued by the Transferor for which customers have requested repayment or revocation of the SDD; and (vi) relating to Debtors' credit positions (the "**Excluded Receivables**").

The relationship between the Transferor and the partner banks in relation to the Receivables are governed by the Bank's Framework Agreement, which includes an undertaking by the partner banks to guarantee the insolvency risk of its customer's Debtors (the "**Guarantee**") whose benefit is assigned to the Factor.

To enable the transfer of the Receivables, the Factor has made available to the Transferor the following credit lines for the duration of the Factoring Agreement and for a total amount not exceeding €3,200,000,000 (together the "**Credit Facilities**"):

(a) a non-recourse, revolving credit line for up to €2,881,950,000 intended for non-recourse (i.e., *pro-soluto*) final purchase of Receivables with a maximum duration of three months falling within the *pro-soluto* limit (i.e., the maximum amount granted to each partner bank (other than those with a recourse limit) which applies to non-recourse factoring (the "**Non-Recourse Credit Facility**")). These Receivables are transferred on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed ceiling for: (i) the Non-Recourse Credit Facility; and (ii) the recourse ceiling granted to each partner bank concerned, with the Factor undertaking the risk of Debtor insolvency and bearing the loss if the Debtor does not pay the amount of the related Receivables;

(b) a recourse, revolving credit line for up to €318,450,000 intended for the advance with recourse of Receivables with a maximum duration of three months up to the recourse ceiling (i.e., the maximum amount granted to each partner bank (other than those with a non-recourse ceiling) which applies to recourse factoring (the "**Recourse Credit Facility**")). These Receivables are thus on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed limit: (i) the Recourse Credit Facility; and (ii) the recourse provided for each partner bank concerned. The advances paid by the Factor to the Transferor to allow the transfer of the Receivables included in the recourse ceiling is thus made within the thresholds available under (i) the Recourse Credit Facility and (ii) the ceiling granted to each partner bank with the Factor being excluded from the risk of insolvency of the assigned Debtors and relating to failures by them to pay the amount of the related Receivables; and

(c) a bridge facility of €350,000,000, aimed at obtaining financing through an advance on Receivables that have come into existence and are transferred on the same business day on which the Recourse Credit Facility is provided (or, as the case may be, on the following non-business day as identified in the Factoring Agreement). Such Receivables are identified by the Transferor to the Factor, on the business day following their transfer, through a notice providing the relevant data on an aggregate basis (the "**Bridge Facility**"). The draw-down period of the Bridge Facility is normally one working day and, in any case, may not exceed seven calendar days.

With respect to the non-recourse ceiling granted to each partner bank referred to in paragraph (a) above, the Factor has the right to revoke the credit lines in the following cases:

(a) a partner bank does not comply with the capital requirements provided for by law, regulations or guidelines of the relevant regulatory bodies concerning (a) the minimum CET1 ratio requirement or (b) the total capital ratio;

(b) the 20% risk weight does not apply in the calculation of the risk-weighted assets in respect of the relevant partner bank; or

(c) in the event of the partner bank's insolvency (without prejudice to the validity and effectiveness of any transfer of the Receivables already effected, even if not yet collected); while the Transferor may, starting from January 1, 2019 and for no more than twice a year, request an increase of the non-recourse ceiling with reference to one or more partner banks.

In the event of revocation under paragraphs (a) and (b) above, the Factor shall be required to grant a Recourse Credit Facility in the same amount following the revocation of the Non-Recourse Credit Facility.

If the Factor refuses to accept the request to raise the ceiling submitted by the Transferor, the Transferor will be released from its obligation to transfer additional Receivables owed to the Debtors of the partner bank having a ceiling in relation to which the request to increase the ceiling has been rejected (the "**Additional Receivables without Recourse**") and shall have the right to transfer the Additional Receivables without Recourse to other parties.

With regard to the recourse ceiling granted to each partner bank under paragraph (b) above, the Factor is entitled to revoke such plafond if the partner bank is insolvent and, concurrently, the Transferor is released from the obligation to transfer other Receivables relating to that partner bank (without prejudice to the validity and effectiveness of the transfer in relation to the Receivables already assigned, even if not collected). The Transferor has also the right, starting from January 1, 2019 and for no more than twice a year, to request an increase of the recourse ceiling with reference to one or more partner banks. If the Factor refuses to accept the request to increase the recourse ceiling submitted by the Transferor, the Transferor will be released from the obligation to transfer additional receivables owed to the Debtors of the partner bank granted with a recourse ceiling in relation to which the request to increase the plafond has been rejected (the "**Additional Receivables with Recourse**") and will have the right to assign the Additional Receivables with Recourse to other parties.

The Transferor, in exchange for the provision of the Credit Facilities by the Factor, transfers to the Factor on an ongoing basis from the date of the first transfer (i.e., July 1, 2018) all the Receivables due from the Debtors. The Factor purchases the Receivables undertaking to pay, as the case may be: (i) the transfer price, for the Receivables included in the non-recourse ceiling; or (ii) the advances for the Receivables within the non-recourse ceiling. Payments made by the Debtors through the partner banks relating to the Receivables are collected by the Transferor on a pledged account and subsequently transferred, on a daily basis, to the Factor.

In line with market practice, the Factoring Agreement provides for the issuance by Nexi Payments of customary representations and warranties to the Factor. In addition, the Factoring Agreement contains a cross default clause under which Nexi Payments has undertaken not to breach any provision contained in any financing agreement other than the Factoring Agreement which may result in the request for a payment (in advance of the original due date) in excess of €100,000,000.

The Factoring Agreement has a duration of three years, expiring on June 30, 2021. The Factor has undertaken to negotiate in good faith the agreement's renewal upon the Transferor's request at least 12 months prior to its expiration. Should Nexi Payments receive, at least two years after the signing of the Factoring Agreement, offers from other parties for the structuring of a factoring transaction involving the provisions of credit lines having similar characteristics to the Credit Facilities, the Transferor has agreed, on equal terms, to prefer the Factor (so-called "*right to match*").

Nexi Payments may terminate the Factoring Agreement at any time, without justification or cause, by giving at least five working days' notice to the Factor and paying the Factor a variable penalty to be calculated according to the date of exercise of the right of withdrawal (the "**Penalty Fee**"). In addition to the above, Nexi Payments may withdraw in the following cases: (i) if, as a result of the change in the 20% risk weighting for the purposes of calculating risk-weighted assets (RWA), the Factor revokes, in respect of one or more partner banks, the non-recourse ceiling; and (ii) if, for whatever reason, the portion of the advances with recourse is equal or exceeds the portion of the Receivables acquired within the non-recourse ceiling (to be calculated gross of the deleted receivables, i.e., credits excluded from the transfer since directly financed by the partner banks (the "**Deleted Receivables**")). In the event of withdrawal under (i) and (ii) above, Nexi Payments must pay the Factor a one-off all-inclusive amount, regardless of the date of exercise of the right of withdrawal and will not be compelled to pay the Penalty Fee. In any case, Nexi Payments will be entitled to withdraw from the Factoring Agreement at any time and without any penalty or charge in the event of a breach by the Factor of its confidentiality obligations under the Factoring Agreement.

Deleted Receivables and Additional Receivables without and with Recourse (where existing) result in a corresponding reduction in the Credit Facilities by an amount corresponding to the non-recourse ceiling or the recourse ceiling granted to the partner bank concerned by the aforesaid deletion/exclusions. This reduction does not entail charges to be borne by Nexi Payments where it does not exceed the total amount of €800 million. If, as a result of exceeding the above threshold, the weighted average of the probability of default of a partner bank (whose Receivables are still being transferred under the Factoring Agreement) worsens, the Factor may request an increase (up to a maximum of 20 bps) in the spread applicable to the non-recourse ceiling. If Nexi Payments and the Factor do not reach an agreement on the new financial terms within 45 days from the first day of trading, Nexi Payments may withdraw by paying a one-off all-inclusive amount and will not be compelled to pay the Penalty Fee.

The Factor has the right to terminate in the event that the Transferor, among others: (i) is no longer registered with the register of electronic currency institute or does not comply with the capital requirements required by the regulations; (ii) defaults on a payment under the Factoring Agreement and such failure is not remedied within 15 days; (iii) does not transmit the information flows in accordance with the contractual provisions; (iv) does not fulfill one of the contractual obligations set forth in the Factoring Agreement and such failure is not remedied within 15 days; (v) is subject to monitoring or emergency, or executive or precautionary measures for an amount exceeding €50,000,000; (vi) receives a judicial conviction for an amount exceeding €25,000,000 or a judicial or legal mortgage is registered on assets owned by the Transferor; (vii) is subject to an insolvency procedure, including voluntary ones; (viii) receives notices of assessment, tax files and/or registration for the payment of taxes, unless the payment of the related debt is discharged within 30 days or documents are provided within the same period proving (a) that the claim is groundless, or (b) that the amount has been paid in instalments. Finally, the Factor may terminate the Factoring Contract in the event that the board of directors of the Transferor is dismissed, in whole or in part, as a result of a measure of the administrative judicial authority, or a measure is issued by the administrative judicial authority that prevents the latter from carrying out its activity or limits its performance.

Agreements relating to acquisitions and disposals

Acquisition of the acquiring business of Deutsche Bank

On February 1, 2017, Nexi Payments (at that time CartaSì S.p.A.) entered into an agreement with Deutsche Bank S.p.A. ("**DB**") for the acquisition of the DB Acquiring business unit, comprising all tangible and intangible assets (including, but not limited to, contracts with suppliers and customers, accrued income and prepaid expenses) as well as the personnel necessary to carry out the activities pertaining to the business sold (respectively, the "**Branch**" and the "**DB Acquisition Agreement**").

The transaction closed on June 1, 2017.

Under the DB Acquisition Agreement, DB made representations and warranties relating, among others, to the operations of the transferred business, to its employees and agents and to pending proceedings, and assumed specific limited indemnification obligations in favor of Nexi Payments. In particular, under the DB Acquisition Agreement, DB shall indemnify Nexi Payments for any losses incurred as a result of a breach by DB of its representations and warranties.

The indemnification mechanism of the DB Acquisition Agreement provides for a maximum period of 18 months, starting from the closing date of the acquisition, within which Nexi Payments may notify DB of an alleged breach of the representations and warranties. There are express exceptions to the above deadline for certain representations and warranties of the seller ("**Special Guarantees**"), which provide, among others, that: (i) the seller meets all the necessary requirements to execute the transaction and the obligations included therein; (ii) the seller has the right and the power to transfer the business; and (iii) the seller's compliance with labor law. The notification of any breach of these representations is subject to the limit of a maximum 36 months from the closing of the transaction.

The DB Acquisition Agreement provides for: (i) a *de minimis* threshold equal to €30,000, below which claims are not covered; and (ii) a deductible equal to €300,000, such that only amounts in excess of this value will be indemnified. The total liability of DB is capped at 18% of the purchase price. However, a different cap is provided for the breach of certain undertakings and obligations under the agreement (e.g., the non-compete undertaking) or provided by the marketing and distribution agreement entered into between the same parties. The above limitations do not apply in cases of DB's willful misconduct of or claims arising from the violation of the Special Guarantees.

Under the DB Acquisition Agreement, there is an earn-out mechanism with a duration of three periods of 12 months each, starting from the closing date, under which the purchaser will have to pay a maximum aggregate amount of €16,000,000 calculated on the basis of the net income generated by the Branch in each period. As of the date of this offering circular, no earn-out amount has been paid to DB.

Finally, as part of the acquisition, a number of commercial agreements were entered into. See "—Commercial agreements with partner banks."

Agreement for the acquisition of the acquiring business of BMPS

On February 3, 2017, ICBPI (now Nexi Payments) entered into an agreement with BMPS for the acquisition of the MPS Acquiring business unit comprising the tangible and intangible assets (including, by way of example, contracts with suppliers and customers, accrued income and prepaid expenses) as well as the personnel necessary to carry out the activities pertaining to the business transferred (the "**Branch**" and the "**BMPS Acquisition Contract**," respectively). The transaction closed on June 30, 2017.

Under the BMPS Acquisition Contract, BMPS made representations and warranties in favor of Nexi Payments relating, among others, to the contractual documents, the employees and the pending proceedings, and provided us a limited indemnity.

In particular, under the BMPS Acquisition Contract, BMPS is obliged to indemnify Nexi Payments in the event that Nexi Payments incurs losses as a result of a breach by BMPS of its representations and warranties.

The indemnification mechanism of the BMPS Acquisition Contract provides for a maximum period of 30 months, starting from the closing of the acquisition, within which Nexi Payments may notify BMPS of an alleged breach of the representations and warranties. There are express exceptions to the deadline for certain of the seller's representations and warranties (the "**Special Guarantees**"), which provide, among others, that (i) the seller meets all the necessary requirements to execute the transaction and the obligations included therein; (ii) the seller has the right and the power to transfer the business; and (iii) the seller's compliance with labor law. The notification of any breach of these representations is subject to the limit of maximum four months from the expiry of the period set forth under the applicable statute of limitations.

The BMPS Acquisition Contract provides for: (i) a *de minimis* threshold of €20,000, below which claims are not covered; and (ii) a deductible of €1,000,000, such that only amounts in excess of this value will be indemnified. The total liability of BMPS is capped at 12% of the purchase price. The above limitations do not apply in cases of BMPS' willful misconduct or to claims arising from breach of the Special Guarantees (with the exception of the guarantees relating to employees).

Both parties have entered into a reciprocal obligation not to solicit each other's employees for a period of two years from the closing date.

The total consideration paid to BMPS in connection with the acquisition of the MPS Acquiring business amounted to €534,793,363.

Finally, as part of the acquisition, a number of commercial agreements were entered into. See "—Commercial agreements with partner banks."

Agreement for the acquisition of Banca Carige's acquiring business and that of its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A.

On April 3, 2018, we and Banca Carige entered into a sale and purchase agreement, subsequently amended on September 28, 2018, concerning the business unit through which Banca Carige and its subsidiaries, Banca del

Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., conducted their merchant acquiring activities, comprising all tangible and intangible assets (including, but not limited to, contracts with suppliers and customers, accrued income and prepaid expenses) as well as the personnel necessary to carry out the activities pertaining to the business sold (the "**Carige Acquisition Agreement**").

The closing took place on September 28, 2018 (the "**Closing Date**"), with effect from September 30, 2018.

Under the Carige Acquisition Agreement, Banca Carige made representations and warranties in favor of the purchaser relating, among others, to the contractual documentation and provided us a limited indemnity.

In particular, under the terms of the Carige Acquisition Agreement, Banca Carige is required to indemnify Nexi Payments in the event that the latter incurs any losses as a result of a breach by Banca Carige of its representations and warranties.

The indemnification mechanism of the Carige Acquisition Agreement provides for a maximum period of 24 months, starting from the closing date of the acquisition, within which Nexi Payments may notify Banca Carige of an alleged breach of the representations and warranties. There are express exceptions to this deadline for certain representations and warranties of the seller ("**Special Guarantees**"), which provide, among others, that: (i) the seller meets all the necessary requirements to execute the transaction and the obligations included therein; (ii) the seller has the right and the power to transfer the business; and (iii) the seller's compliance with labor law. The notification of any breach of these representations is subject to the limit of four months from the expiry of the period provided for under the applicable statute of limitations.

The Carige Acquisition Agreement provides for: (i) a *de minimis* threshold of €7,500, below which claims are not covered; and (ii) a deductible of €155,000, such that only amounts in excess of this value will be indemnified. The total liability of Banca Carige is capped at 12.5% of the purchase price. The above limitations do not apply in cases of Banca Carige's willful misconduct or claims arising from breach of the Special Guarantees (with the exception of the guarantees relating to employees).

Both parties have entered into a reciprocal obligation not to solicit each other's employees for a period of two years from the closing date.

The agreed consideration for the acquisition was €23,421,671.00, of which €3,000,000.00 was paid on the Closing Date, with the remaining portion deposited in escrow, to be gradually released as set forth under the Carige Acquisition Agreement.

Finally, as part of the acquisition, a number of commercial agreements were entered into. See "—Commercial agreements with partner banks."

Acquisition of Bassilichi

On December 6, 2016 ICBPI (subsequently, following the Reorganization, Depobank) entered into an agreement with certain shareholders of Bassilichi for the purchase of the shares respectively held by those shareholders, equal to 92.24% of the share capital of Bassilichi, as subsequently amended and supplemented by an addendum executed on June 30, 2017 (the "**Bassilichi Acquisition Agreement**").

As of the date of this offering circular, there are no indemnification obligations on the part of the sellers under the Bassilichi Acquisition Agreement, with the exception of those relating to tax and social security matters, which shall remain in force until the applicable statute of limitation has expired.

The closing of the transaction took place on July 3, 2017.

The total purchase price in connection with this acquisition amounted to €72,136,262.92 following purchase price adjustments.

Purchase of the entire shareholding in Sparkling 18

On March 14, 2018, we entered into a preliminary agreement with the shareholders of Sparkling 18 for the purchase of the Sparkling 18 shares respectively held by these shareholders, representing 89.84% of the share capital of Sparkling 18, while the remaining 10.16% of the share capital of Sparkling 18 was already held by our subsidiary Bassilichi (the "**SP18 Acquisition Contract**").

Pursuant to the SP18 Acquisition Contract, on March 26, 2018, we appointed Nexi Payments as the purchaser pursuant to Article 1401 of the Italian Civil Code.

The closing of the transaction took place on April 10, 2018.

Under the SP18 Acquisition Contract, the selling shareholders made representations and warranties in favor of the purchaser in line with market practice for similar transactions, and also assumed indemnification obligations in favor of the purchaser, subject to certain limitations.

In particular, under the SP18 Acquisition Contract, the selling shareholders are required to indemnify Nexi Payments in the event that it incurs any losses incurred as a result of a breach by the selling shareholders of the selling shareholders' representations and warranties.

The indemnification mechanism of the SP18 Acquisition Contract provides for a maximum of 42 months, starting from the closing date of the acquisition, within which Nexi Payments may notify the selling shareholders of an alleged breach of the representations and warranties. Special representations and warranties relating to employees and collaborators and to taxes are expressly excluded from this deadline and subject to the statute of limitations provided for by applicable law.

The SP18 Acquisition Contract provides for: (i) a deductible equal to €40,000, such that once this amount is exceeded, the amount that can be indemnified shall be each individual amount that contributed to reaching that deductible; and (ii) a cap of €1,000,000. Finally, the selling shareholders will be required to pay 89.84% of the indemnifiable liability. The above limitations do not apply in the case of willful misconduct or gross negligence on the part of the selling shareholders, or claims arising from the breach of representations and warranties relating to employees and collaborators, taxes, capacity, articles of association and share capital.

The selling shareholders have also undertaken the following obligations for a five-year period: (i) non-competition in the sector in which Sparkling 18 operates in Italy; and (ii) non-solicitation of customers and employees of Sparkling 18.

The total purchase price for the acquisition amounts to €2,500,000.00, of which €1,500,000.00 was paid to the selling shareholders on the closing date and the remaining €1,000,000.00 was deposited in an escrow account, to guarantee the indemnification obligations under the SP18 Acquisition Contract.

The SP18 Acquisition Contract also provides for the payment to the selling shareholders, upon the occurrence of certain conditions, of an additional amount by way of earn-out of €500,000.00. In particular, following the closing and the merger of Sparkling 18 into Nexi Payments, Nexi Payments has filed with the competent financial administration a petition pursuant to Article 11(2) of Law No. 212 of July 27, 2000 seeking the right to benefit from the advantages provided by law relating to Sparkling 18's past losses. In the event that the request is accepted, the payment of the aforesaid sum will be recognized as an earn-out. On March 20, 2019, the relevant financial administration upheld our request and, therefore, pursuant to the SP18 Acquisition Agreement, Nexi Payments will pay to the selling shareholders the aforesaid sum as an earn-out within 30 working days of the date on which the request has been upheld.

Corporate restructuring as part of the broader Reorganization

Between the end of 2017 and the first few months of 2019, we completed a series of disposals involving non-core assets, in order to simplify the Group's structure. The main transactions carried out during this period are described below.

Sale of the Business Services business unit

On April 13, 2018 we entered into a sale and purchase agreement with Ausilia S.r.l ("**Ausilia**") for the sale of our business services business unit, as subsequently amended and supplemented by two addenda signed on June 28, 2018 and comprising the tangible and intangible assets (including, for example, cash and cash equivalents of €754,000, and contracts with suppliers and customers) as well as the personnel necessary to carry out the activities pertaining to the business sold (the "**Business Services Transfer Agreement**").

The business sold, which specialized in back-office, licensing, fleet management, security and professional cash handling, consisted of tangible and intangible assets, liabilities and payables, as well as certain contractual relationships including employment contracts for 234 employees.

As part of the Business Services Transfer Agreement, Bassilichi made representations and warranties relating, among other things, to disputes and employees, while at the same time assuming specific indemnification obligations in favor of Ausilia. However, in line with market practice for similar transactions, these indemnification obligations are subject to certain limitations, which vary according to the nature of the representations and warranties or events from which the indemnification obligations may arise.

In particular, under the Business Services Transfer Agreement, the seller is required to indemnify Ausilia if the latter incurs any losses as a result of the breach by the seller of its representations and warranties.

The indemnification mechanism of the Business Services Transfer Agreement provides for a limit of 18 months, starting from the closing date, within which Ausilia may notify the seller of an alleged breach of representations and warranties. Expressly excluded are the seller's representations and warranties relating to employees, tax aspects, status and capacity as well as authorizations. The notification of any breach of these representations and warranties is subject to the limitations period provided by law.

In addition, the Business Services Transfer Agreement provides for: (i) a *de minimis* threshold of €10,000, below which claims are not covered; and (ii) a deductible of €150,000, such that only claims in excess of this amount will be indemnified. The seller's liability is capped at €1,500,000.

Following the fulfilment of the conditions precedent provided by the Business Services Transfer Agreement, the closing of the transaction took place on June 28, 2018 (the "**Closing Date**") with effect from June 30, 2018.

The sale price was €100,000.00 and was paid in full on the Closing Date. In addition, Bassilichi entered into a non-competition obligation regarding specific sectors in the territories where the business was carried on as of the Closing Date, for a period of five years from the Closing Date.

In the context of the Business Services Transfer Agreement, the parties undertook to sign: (i) a transition services agreement (including, among others, information technology), for services to be provided free of charge by Bassilichi to the purchaser until December 31, 2018; and (ii) a lease agreement for a building located in Monteriggioni, Italy.

Sale of Mercury Processing Services

On December 13, 2017 Latino Italy S.r.l. ("**Latino**") entered into a sale and purchase agreement with Eagle Eschborn GmbH ("**Eagle**"), a company indirectly controlled by funds managed by Advent and Bain Capital, for the sale to Eagle of the entire share capital of Mercury Processing Services International d.o.o. ("**MPSI**"), a Croatian company active in the management of electronic payment services and systems, which held respectively 100% of Mercury Processing Services International procesiranje plaèilnih kartic in razvoj d.o.o., based in Slovenia, and of Intesa Sanpaolo Card BiH d.o.o., based in Bosnia, companies also specializing in the processing of electronic payments (the "**Mercury Processing Services Transfer Agreement**").

Pursuant to the Mercury Processing Services Transfer Agreement, Latino agreed to a limited set of representations and warranties, relating to the status and capacity of the seller, authorizations, organization and validity and assumed specific indemnification obligations in favor of Eagle.

In particular, under the Mercury Processing Services Transfer Agreement, Latino is required to indemnify Eagle if Eagle incurs any losses resulting from a breach by Latino of its representations and warranties.

Eagle has 45 working days, starting from the moment in which it becomes aware of the violation, to notify Latino of the alleged violation of the representations and warranties. The seller's representations and warranties relating, among others, to undisclosed liabilities and to the seller's capacity and title in its shares ("**Main Warranties**") are subject to a maximum period of 15 working days from the expiry of the limitation period provided by law.

In addition, the Mercury Processing Services Transfer Agreement provides that the seller's liability: (i) with respect to undisclosed liabilities, may not exceed an amount equal to 5% of the sale price; and (ii) with regard to the breach of the Main Warranties, may not exceed an amount equal to the sale price.

The closing took place on December 19, 2017.

The sale price amounted to €114,000,000, of which €100,000,000 was paid in cash on the day of closing and €14,000,000 was paid in the form of the acceptance by the purchaser of a loan of the same amount paid at the same time as the closing by MPSI in favor of Latino. The Mercury Processing Services Transfer Agreement also provided for a potential deferred price component up to a maximum of €10,000,000 to be paid to Latino by the buyer based on specified amounts of revenue to be achieved by MPSI during 2020 under a specific agreement for the supply of processing services. In particular, if the revenue is: (i) greater than €3,200,000, the deferred purchase price shall amount to €10,000,000; (ii) less than €2,200,000, no deferred purchase price shall be due; and (iii) between €2,200,000 and €3,200,000, the deferred purchase price shall amount to between €0 and €10,000,000 depending on the achieved revenue.

Sale of our entire shareholding in Bassilichi CEE

On December 21, 2018, Bassilichi signed an agreement (the "**Bassilichi CEE Sale Agreement**") with TAS—Tecnologia Avanzata dei Sistemi S.p.A. ("**TAS**") for the sale to TAS of the entire shareholding (equal to 80%) held by Bassilichi in the Serbian company Bassilichi CEE d.o.o. Belgrade ("**Bassilichi CEE**"). Bassilichi CEE specializes in the development and installation of platforms for the management of transactions through POS, ATM, self-service kiosks and mobile devices.

Bassilichi granted representations and warranties in favor of the purchaser in line with market practice for similar transactions and has also undertook indemnification obligations in favor of the purchaser subject to certain limitations.

In particular, under the Bassilichi CEE Sale Agreement, the seller is required to indemnify TAS if the latter incurs losses as a result of a breach by the seller of the seller's representations and warranties.

The indemnification mechanism of the Bassilichi CEE Sale Agreement provides for a period of 16 months, starting from the closing date of the sale, within which TAS may notify us of the alleged breach of any representations and warranties. Express exceptions to the above are the seller's representations and warranties relating, among others, to capacity and authorization, establishment, ownership of the shares and tax matters, to which the period provided for bylaw applies.

In addition to the foregoing, the Bassilichi CEE Sale Agreement provides for: (i) a *de minimis* threshold of €5,000, below which claims will not be indemnified; and (ii) a deductible of €30,000. Our liability is capped at €150,000. The above limitations do not apply to cases of breach due to our willful misconduct or gross negligence.

The total sale price amounted to €1,000,000.00, of which €100,000.00 was paid on the closing date, while the remaining €900,000.00 shall be paid in tranches as follows: €300,000.00 as of December 31, 2019, €300,000.00 as of December 31, 2020 and €300,000.00 as of December 31, 2021.

On December 21, 2018, a commercial agreement was signed between TAS and Nexi Payments, which expires on December 31, 2021, which provides for a commitment by Nexi Payments to purchase from TAS the supply of perpetual-use license of software products, for an amount of not less than €5 million (the "**License Agreement**"). The agreement provides for limitations on the contractual and non-contractual liability of TAS, with the exception of cases of willful misconduct and gross negligence. Each party may terminate the agreement upon the occurrence of certain conditions, subject to notice to perform within 15 days.

Each party may terminate the License Agreement if the following events occur: (i) bankruptcy or other insolvency proceedings involving compulsory or voluntary liquidation; (ii) change in corporate structure or cessation of business; (iii) breach of contractual confidentiality obligations; and (iv) termination for any reason of the effectiveness of the Bassilichi CEE Sale Agreement. In case of early termination of the agreement attributable to Nexi Payments, TAS will be entitled to the payment of the total amount guaranteed as well as any agreed balance.

The sale contract includes non-competition clauses and so-called "non-solicitation" with a duration of 2 years, limited to the territories in which Bassilichi CEE operates (i.e. Serbia, Montenegro and Bosnia and Herzegovina).

In the context of the above transaction, Bassilichi and Nexi Payments have also undertaken to redefine in good faith the economic terms of the Bassilichi CEE Sale Agreement and the License Agreement, in the event that, following the approval by the latter of the 2018 balance sheet of Bassilichi CEE, material deviations in the inventory value, trade receivables and payables emerge, with respect to the balance sheet of reference under the Bassilichi CEE Sale Agreement.

Sale of the entire shareholding in Moneynet

On December 28, 2018, Bassilichi and Consorzio Triveneto (the "**Sellers**," now merged into Nexi Payments) signed a preliminary agreement for the sale of the entire shareholding held in Moneynet S.p.A. ("**Moneynet**") to CSH S.r.l, ("**CSH**") a company of the IVS group, a leader in Italy in the management of automatic and semi-automatic vending machines for the supply of hot and cold drinks and snacks (the "**Moneynet Sale Agreement**"). Moneynet is a company based in Palermo, specializing in the provision of e-money and payment services as well as assistance and maintenance of POS terminals.

The Sellers granted broad representations and warranties in favor of the buyer and assumed other commitments in line with market practice for similar transactions and have assumed specific indemnification obligations in relation to events attributable to the previous management.

These indemnification obligations are subject to certain limitations, in terms of duration and amount, which vary according to the nature of the representations and warranties or contractual provisions breached.

In particular, under the Moneynet Sale Agreement, the Sellers shall indemnify CSH for any losses incurred as a result of a breach by the Sellers of their representations and warranties.

The indemnification mechanism of the Moneynet Sale Agreement provides for a term of 18 months, starting from the closing date of the sale, within which CSH may notify us of the alleged breach of representations or warranties. Express exceptions to the above are the representations and warranties in relation to employment, social security and tax matters. A maximum period of notice of any breach of these representations and warranties shall be: (i) three years after the closing date with respect to employment and social security matters; and (ii) the period provided under the applicable statute of limitations with regard to tax matters.

In addition, the Moneynet Sale Agreement provides for: (i) a *de minimis* threshold of €10,000, below which no indemnity is provided; and (ii) a deductible of €25,000, such that only amounts in excess of this value will be indemnified.

The Sellers' liability may not exceed: (i) €700,000 for any liabilities arising from claims of customers for damages suffered in relation to payment accounts; (ii) €400,000 for any liabilities deriving from any breaches of tax representations and warranties; (iii) €300,000 for any liabilities arising from breaches of employment representations and warranties; and (iv) €100,000 for any other liabilities.

The Sellers have also undertaken to provide Moneynet with sufficient funds by its own means (including by renouncing loans or making non-repayable contributions or any other definitive title) so as to ensure that the net financial position of Moneynet at the closing date of the transaction ("**Closing Date**") shall be equal to €3,050,000.00.

The provisional price agreed upon for the purchase and sale of 100% of Moneynet's share capital is equal to €100,000.00, payable on the Closing Date.

This provisional price shall be subject to a series of adjustments, positive or negative, including, in particular, deriving from any differences in the actual net financial position of Moneynet at the Closing Date with respect to the aforementioned value agreed by the parties.

In the context of the transaction, the parties have also provided for:

(i) the execution, on the Closing Date, of a supply agreement of processing services between Moneynet, as the customer, and Nexi Payments, as the supplier, for a period of three years;

(ii) the execution, on the Closing Date, of a supply agreement for the assistance and maintenance services on POS terminals between Moneynet, as supplier, and Nexi Payments, as customer, for a period of three years;

(iii) our commitment to cooperate with the buyer in order to obtain the transfer, by Moneynet, of the business unit relating to the supply of assistance and maintenance services on POS terminals to a third party by December 31, 2021; and

(iv) our commitment to pay the buyer a maximum contribution of €1,500,000.00, if the mobility of personnel relating to the Field/POS branch or with another similar procedure resulting in the termination of employment with the above-mentioned staff, which may not be reabsorbed in order to proceed with the substantial liquidation of the Field/POS division.

The operation is subject to the fulfilment of certain conditions precedent in line with market practice for similar transactions, including the authorization by the Bank of Italy which, as of the date of this offering circular, has not yet been received.

We have agreed not to solicit Moneynet's employees, agents and collaborators for a period of five years.

Sale of the entire shareholding in Oasi

On January 22, 2019, we entered into a sale and purchase agreement for the sale of our entire shareholding in Oasi (the "**Oasi Sale Agreement**"), equal to 100% of its share capital, to Cedacri S.p.A. ("**Cedacri**").

The closing of the transaction took place on February 25, 2019 (the "**Closing Date**"). Under the Oasi Sale Agreement, we have made representations and warranties in favor of Cedacri and have also assumed specific obligations to indemnify and hold harmless Cedacri subject to certain limitations, which vary according to the nature of the representations and warranties or events that may give rise to our obligations.

In particular, under the Oasi Sale Agreement, we are required to indemnify Cedacri if it incurs any losses as a result of a breach of our representations and warranties.

The Oasi Sale Agreement provides that by June 30, 2020, Cedacri may notify us of the alleged breach of any representation and warranty. Express exceptions to the above are our representations and warranties relating to employment and tax matters. The term for the notification of any breach of these representations and warranties is equal to 15 days from the expiry of the period provided by law.

In addition, the Oasi Sale Agreement provides for: (i) a *de minimis* threshold of €25,000, below which claims will not be indemnified; and (ii) a deductible equal to €250,000, such that only amounts above this value will be indemnified. Our liability is capped at €15,000,000, with exception of the liabilities related to any breach of the representations and warranties related to our capacity and title to the shares sold.

The price agreed for the sale is €145,900,000.00, subject to adjustment on the basis of (i) the EBITDA recorded by the Oasi as of December 31, 2018 and (ii) the net financial position of the Oasi calculated as of the Closing Date.

The Oasi Sale Agreement provides for a positive earn-out for the seller up to a maximum of €9,000,000, subject to the achievement of certain commercial objectives by Oasi by December 31, 2019.

Cedacri has also undertaken to ensure that, within 30 working days after the Closing Date, Oasi pays us any debt that is due as of Closing Date. As of June 30, 2018, the reference date for calculating the net financial position of Oasi under the Oasi Sale Agreement, this amount was equal to €3,293,336.

The executed agreements also provide, among others, for the parties to acknowledge and strengthen the business relationship already in place on specific commercial areas, with particular reference to the development of the so-called "instant payments" and "issuing on-boarding" and POS solutions and any other business areas that the parties may consider of common interest in the future.

Sale of the entire shareholding in Pay Care

On February 19, 2019, Nexi Payments (the "**Seller**"), signed an agreement for the sale of the entire shareholding held in Pay Care S.r.l. ("**Pay Care**") to Comdata S.p.A. ("**Comdata**") (the "**Pay Care Sale Agreement**"). The transaction closed on the same date ("**Closing Date**")

The Seller has given extensive representations and warranties in favor of the buyer and assumed other commitments in line with market practice for similar transactions and has assumed specific obligations to indemnify and hold the buyer harmless in relation to events attributable to the previous management. Specifically, as of the date of this offering circular, Pay Care records a total amount of €165,954.00 to be paid to its employees, due as an incentive to leave and as a novation transaction following the redundancies that have taken place on January 31, 2019.

These indemnification obligations are subject to certain limitations, in terms of duration and amount, which vary according to the nature of the representations and warranties or contractual provisions breached.

In particular, under the Pay Care Sale Agreement, the Seller is required to indemnify Comdata if it incurs any losses as a result of a breach by us of our representations and warranties.

The indemnification mechanism of the Pay Care Sale Agreement provides for a term of 10 business days after the expiry of 18 months, starting from the Closing Date, within which Comdata may notify the Seller of the alleged breach of representations or warranties. However, with respect to certain of the Seller's representations and warranties (the "**Special Guarantees**"), including, among others, that (i) the Seller meets all the necessary requirements to execute the transaction and assumes the obligations under the Pay Care Sale Agreement; (ii) Pay Care is a validly incorporated company and is not involved in an insolvency process; (iii) the Seller has the right and the power to transfer the business; (iv) the Seller is in compliance with labor law; and (v) the Seller is compliance with tax law, the indemnification obligations shall expire after four months from the expiry of the period set forth under the applicable statute of limitations.

In addition, the Pay Care Sale Agreement provides for: (i) a *de minimis* threshold of €10,000, below which no indemnity is provided; and (ii) a threshold of €40,000, such that only amounts in excess of this value will be indemnified. Finally, the Seller's liability is capped at €900,000. The above limitations shall not apply to cases of breach due to our willful misconduct or gross negligence or claims arising from: (i) breach of the Special Guarantees; (ii) certain litigations; and (iii) a redundancy program initiated by Pay Care on November 12, 2018 and already completed as of the date of this offering circular.

The purchase price, calculated on the basis of an enterprise value of Pay Care equal to €210,000 is subject to adjustment taking into account the balance sheet of Pay Care at the Closing Date, which will be drawn up by the buyer within 60 days of the Closing Date.

In the context of the Pay Care Sale Agreement, Nexi Payments, Help Line, Pay Care and Comdata have signed a new framework service agreement (the "**Framework Agreement**") and Nexi Payments, Help Line and Pay Care have signed a new framework subcontracting agreement (the "**Subcontracting Agreement**") pursuant to which Pay Care undertakes to provide certain services, including those related to the help desk and call center, which Pay Care already performs for us, and services which Pay Care previously performed for SIA. We estimate that the costs associated with these agreements are on average equal to a maximum of €5.5 million on an annual basis, for a duration not exceeding 6 years.

The Framework Agreement and the Subcontracting Agreement will each have an initial term of three years (the "**First Term**"), at the end of which the parties will verify the fulfilment of the levels of service provided by Pay Care, as set forth in the Subcontracting Agreement (the "**Levels of Service**"). In the event of a positive outcome, the Framework Agreement and the Subcontracting Agreement will be extended for a further two year period (the "**Second Term**"). At the end of the Second Term, the parties will again verify the fulfilment of the Levels of Service by Pay Care and, in case of a positive outcome, the Framework Agreement and the Subcontracting Agreement will be extended for an additional year.

Finally, the Framework Agreement provides that, at the end of the First Term and the Second Term, Nexi Payments and Help Line will be entitled to: (i) withdraw from the Subcontracting Agreement only in respect of services where there was a serious and protracted breach of the key performance indicators for three consecutive months at least six or three times, depending on whether such breach occurred during the First Term or the Second Term, respectively (such breach, a "**Serious Breach**"); (ii) terminate the Subcontracting Agreement pursuant to Article 1456 of the Italian Civil Code if a Serious Breach occurred for at least 60% or 70% of the total guaranteed volumes under the Subcontracting Agreement, depending on whether it occurred during the First Term or the Second Term, respectively.

With respect to the Subcontracting Agreement, on the basis of performance parameters and the quality of the services provided, penalties and premiums will be charged to Pay Care for amounts equal to a percentage value based on the monthly turnover and the services provided.

Commercial agreements with partner banks

Commercial agreements with our former shareholder banks

In connection with the Financial Sponsors' acquisition of our predecessor ICBPI in 2015, each of the former shareholder banks (Credito Valtellinese S.c., Banco Popolare S.c., Banca Popolare di Vicenza S.c.p.a., Veneto Banca S.c.p.a., Banca Popolare dell'Emilia Romagna S.c., Iccrea Holding S.p.A., Banca Popolare di Cividale

S.c.p.a., UBI Banca S.c.p.a., Banca Popolare di Milano S.C.a.r.l., Banca Sella Holding S.p.A. and Banca Carige S.p.A., which, at the time held 93.7% of the share capital of ICBPI) has signed an agreement with certain Group companies (the "**2015 Agreement**") relating to commercial agreements in place between each bank and ICBPI Group companies.

Specifically, the 2015 Agreement provides for:

- the automatic extension by five years, i.e., until December 2020, of all the commercial agreements in place at the time between each of the former shareholder banks and the relevant Group companies. However, after the three-year anniversary of the 2015 Agreement (December 2018), the banks had the opportunity to withdraw from one or more of the commercial agreements, including without reason, by giving written notice to the relevant ICBPI group company. In this case, the withdrawing bank would be required to acknowledge to the relevant ICBPI group company the relevant loss of margin for the following two years, unless an agreement was reached for the reallocation of the contractual commitments on different products and/or services in portfolio to the relevant ICBPI group company that allowed it to maintain the same margin levels existing in the calendar year prior to the exercise of such right. None of the vendor banking groups has exercised the option to withdraw from one or more of the agreements upon expiry of the three-year period; and
- a commitment by each former shareholder bank to maintain, for the entire duration of the relevant commercial agreement, a minimum percentage of supplied products and services by the relevant ICBPI group company. If the percentage falls below the reference value by less than 5%, the bank may recover these volumes in the following 12 months. This commitment does not imply an exclusive relationship vis-à-vis the banks and the banks may decide to terminate individual agreements for the supply of products and/or services by the Group at any time.

Agreements with Intesa Sanpaolo

Through our subsidiary Mercury Payment Services (formerly Setefi Services S.p.A.), we entered into three core contracts with Intesa Sanpaolo ("**Intesa**"), as well as other banks in the Intesa Sanpaolo Group ("**Intesa Group**", and collectively with Intesa, "**ISP**") on December 21, 2015, effective from January 1, 2016 (the "**ISP Agreements**"), pursuant to which Mercury Payment Services provides to ISP (i) management of credit, debit and prepaid cards issued by Intesa Sanpaolo, including management of cards' authorization process, clearing activity with the operators of the payment networks and all ancillary activities connected with the performance of the services under the agreement, (ii) POS processing and servicing, including the procurement of POS terminals, management of the authorization process of the electronic transaction, transaction monitoring and fraud prevention and management of financial flows, and (iii) ATM services, ATM withdrawals and card payment advances and settlement of financial flows. In exchange, Intesa Sanpaolo will pay us certain agreed fees. The ISP Agreements set forth specific and detailed SLA and KPI on the operational services offered to ISPs and penalties for violation of each SLA and KPI. The ISP Agreements, as amended and renegotiated in 2016, expire on December 15, 2026, subject to automatic renewal for another two-year period. Either party may terminate the ISP Agreements with two years' written notice. Pursuant to the ISP Agreements, ISP may not entrust third parties with the provision of services, which will therefore be provided on an exclusive basis until the expiry date of December 15, 2026.

After the execution of the ISP Agreements, other banks in the Intesa Sanpaolo Group joined the agreements for payment cards and ATM services identified above.

Agreements with BMPS

BMPS Marketing and Distribution Agreement

On February 3, 2017, we and BMPS signed a 10-year marketing and distribution agreement, effective from July 1, 2017, pursuant to which Nexi Payments provides, according to specific quality standards, certain commercial products and services to BMPS (including merchant acquiring services and payment gateway services) and BMPS agrees, on an exclusive basis, to make available, promote, market and distribute such products and services to its customers, including through its distributors (the "**BMPS Marketing and Distribution Agreement**"). The above exclusive right binds BMPS for a period of five years from July 1, 2017. In addition, for each new point of sale contracted as a result of BMPS' promotion and marketing activity, Nexi Payments will pay BMPS a commission calculated on the basis of the net revenues generated by that new point of sale.

The BMPS Marketing and Distribution Agreement expires on February 3, 2027, subject to automatic renewal for a further period of five years. Either party may terminate the BMPS Marketing and Distribution Agreement with one year's written notice.

BMPS POS, ATM supply agreements and Interbank Corporate Banking Agreement

In the context of the acquisition by ICBPI of a controlling interest in Bassilichi (and subject to the completion of the acquisition), on December 6, 2016, BMPS and Bassilichi amended their existing supply agreements related to (i) POS, (ii) ATM and (iii) CBI (corporate banking interbank) services through the execution of an amendment agreement.

Following the execution of this amendment, the duration of the contracts for the provision of POS, ATM and CBI services was extended for an additional period of six years, renewable for a further two-year period upon the expiry of the six-year term (i.e., until June 30, 2025). Under the agreements described above, BMPS has the right to assign to Bassilichi additional services (such as BMPS's debit cards issuing platform, services related to corporate banking, and value-added services on POS terminals) and Bassilichi is entitled to approach BMPS with offers for other services. With regard to the provision of the POS services (i) in the context of the acquisition of MPS Acquiring, Bassilichi, ICBPI, BMPS and Consorzio Operativo Gruppo Monte Paschi entered into an agreement for the consensual termination of the agreement relating to, among others, the supply of POS services and (ii) on June 30, 2017, we, through our subsidiary Nexi Payments, and Bassilichi entered into an intra-group agreement under which Bassilichi undertook to provide, among others, POS services for Nexi Payments.

Agreements with Banca Carige S.p.A.

Commercial cooperation agreement in the acquiring sector with Banca Carige S.p.A.

On April 3, 2018, we entered into a commercial cooperation agreement in the acquiring sector, which became effective on September 28, 2018, pursuant to which Banca Carige and its subsidiaries, Banca Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., agreed to make available, promote, sell and distribute certain Nexi Payments products and services to their merchants on an exclusive basis for five years starting from September 30, 2018. Nexi Payments, in turn, has agreed to develop and offer such products and services to interested merchants, in compliance with specific quality standards (the "**Carige Acquiring Collaboration Agreement**").

In accordance with the Carige Acquiring Collaboration Agreement, Nexi Payments has undertaken to pay Banca Carige, for each year during the term of the agreement: (i) commissions on the basis of the net income generated by the merchants during the previous year, provided that such revenues exceed certain quantitative thresholds; (ii) commissions on the basis of net revenues generated from each new point of sale under contract by Nexi Payments as a result of the promotions activity carried out by Banca Carige; and (iii) incentives for a maximum amount of €250,000, based on performance and marketing campaign targets.

The Carige Acquiring Collaboration Agreement will expire on September 30, 2028, with automatic renewal for a further five years (unless terminated by one of the parties with at least one year's prior notice) and, at the expiration of this further period of five years, with subsequent automatic renewal on an annual basis (unless terminated by one of the parties to be notified at least 180 days before the expiration date).

Finally, for the entire duration of the agreement and for the 12 months following its termination, Nexi Payments and Banca Carige S.p.A. mutually agreed not to solicit the other's employees.

Commercial cooperation agreement in the international debit and prepaid card sectors with Banca Carige S.p.A.

On April 3, 2018, Nexi Payments entered into a commercial cooperation agreement with Banca Carige in the international debit and prepaid card sectors concerning the joint development of international debit and prepaid cards to be distributed by Banca Carige. and its subsidiaries, Banca Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A., to their customers on an exclusive basis (the "**Carige Partnership Agreement**"). Pursuant to the Carige Partnership Agreement, Banca Carige's exclusive commitment has a duration of five years from the date of completion of the individual product development.

The Carige Partnership Agreement provides that if, for reasons attributable to Banca Carige that are not even partly attributable to Nexi Payments, international debit cards and prepaid cards covered by the agreement are not fully developed by certain terms pursuant to the Carige Partnership Agreement, or if Banca Carige breaches the "right to match" clause (described below), Banca Carige shall pay Nexi Payments certain damages.

Pursuant to the Carige Partnership Agreement, if Banca Carige intends to implement instant payment solutions during the five years following the date of completion of the acquisition of the Carige Acquiring business, it is required to inform Nexi Payments and to grant the latter a period of 12 months for the negotiation of a potential agreement on exclusive basis for the provision of the above-mentioned services. In the event that at the end of this period of exclusivity the parties have not reached an agreement, Banca Carige shall have the right to consider offers submitted by other suppliers, it being understood that Nexi Payments (or another company of our Group operating in the instant payments sector) shall nevertheless have the right to match such offers from an economic and technical point of view and to be preferred to the competitor (so-called "right to match" clause).

The Carige Partnership Agreement will expire on April 3, 2028, with automatic renewal for a further five years (unless terminated by one of the parties with at least one year's notice) and, on expiry of this further period of five years, with subsequent automatic renewal on an annual basis (unless terminated by one of the parties with notice provided at least 180 days prior to its expiration).

Agreements with Deutsche Bank S.p.A.

Deutsche Bank S.p.A. Marketing and Distribution Agreement

On June 1, 2017, we entered into a marketing and distribution agreement (the "**DB Marketing and Distribution Agreement**") whereby DB has agreed to exclusively promote, sell and distribute Nexi Payments' products and services to its customers, using its own distribution network, for a term of five years. Nexi Payments has, in turn, agreed to make its products and services available and provide to its customers Nexi Payments' products and services in collaboration with DB, it being understood that any contractual relationships with customers shall remain with Nexi Payments.

However, if a change of business ownership event occurs (i.e., an event, not related to a listing of the company, that involves (i) the sale, assignment, lease or transfer of all or substantially all the assets owned by Nexi Payments or otherwise used by it for the provision of Nexi Payments products and services, or the (ii) direct or indirect sale, transfer, assignment or other forms of disposal of all or substantially all of the customer contracts or the related credit) that is not authorized by DB, DB shall have the right to terminate the agreement or to order the termination of the above-mentioned exclusive right.

Pursuant to the DB Marketing and Distribution Agreement, we agreed to pay DB a commission calculated as a percentage of the volumes of net revenue generated annually by the devices installed at customers' points of sale through DB's distribution network. In addition, for the first three years of the DB Marketing and Distribution Agreement, we have undertaken to pay Deutsche Bank an additional fee, on an annual basis, calculated in proportion to the fees paid to Deutsche Bank over the previous 12 months, and subject to certain additional conditions set out therein. Finally, we have also undertaken to pay DB for a period of 12 months following termination, for any reason, of the DB Marketing and Distribution Agreement, an additional fee calculated on the basis of the net revenues generated by the customers under contract through DB.

The DB Marketing and Distribution Agreement expires on February 1, 2022, subject to automatic renewal for an additional five-year term. Both parties may withdraw from the agreement with six months' prior written notice.

Finally, for the duration of the contract and for the 12 months following its expiration, Nexi Payments and DB mutually undertake to comply with a non-solicitation obligation with respect to the other's employees.

Deutsche Bank S.p.A. Cash and Telepayments Services Supply Agreement

On June 1, 2017, Nexi Payments and DB signed an agreement (the "**ATM Agreement**") entrusting Nexi Payments with the supply to DB of the following acquiring services on a non-exclusive basis (i) acceptance of international payment cards issued on the Visa and Mastercard schemes for the disbursement of cash (i.e., cash advances) and (ii) acceptance of PagoBancomat cards for payment functions on ATMs. Under the ATM Agreement Nexi Payments, we assume the role of acquirer of the Visa and Mastercard schemes licensed to us.

Under the terms of the ATM Agreement, Nexi Payments shall pay to DB a fee for each refill operation carried out on DB's ATM terminals. Revenues generated by DB in the cash advance business are taken into account in determining the fees payable by DB under the DB Marketing and Distribution Agreement.

The ATM Agreement does not provide for exclusive commitments by the parties.

The ATM Agreement is for an indefinite period. The parties have the right to withdraw from the agreement with 90 days' prior notice. The parties also agreed that the ATM Agreement will be automatically terminated if the DB Marketing and Distribution Agreement and the parties failed to reach an agreement regarding the review of the ATM Agreement within six months of the request by one of the parties.

Agreements with Banca Popolare dell'Emilia Romagna

Through our subsidiary Nexi Payments, we entered into a framework agreement with Banca Popolare dell'Emilia Romagna S.p.A. ("**BPER**") on December 21, 2018, pursuant to which Nexi Payments provides BPER with certain services described in the existing supply agreements (the "**BPER Existing Supply Agreements**").

Under the framework agreement, we agreed to grant BPER certain agreed discounts for each financial year from 2019 until 2025.

In a timeframe to be agreed by the parties, starting on January 1, 2021, BPER will have the right to: (i) reduce the perimeter and/or orders to Nexi Payments; (ii) terminate, in whole or in part, each BPER Existing Supply Agreement, with four months' written notice prior to each fiscal year end; and (iii) insource or appoint third party companies to provide the services, all in accordance with the terms agreed between the parties.

In a timeframe agreed by the parties, BPER will have the right to request Nexi Payments to carry out a review of the adequacy of the fees for one or more of the services covered by the BPER Existing Supply Agreements, in order to reach an agreement in good faith within the timeframe defined in the agreement.

Nexi Payments and BPER agreed to negotiate in good faith with respect to any changes in price resulting from the introduction of new regulations impacting the services covered under the agreement.

Agreements with Banco Popolare di Milano

Through our subsidiary Nexi Payments, we entered into a framework agreement with Banca Popolare di Milano S.p.A. ("**BPM**") on December 19, 2018, pursuant to which Nexi Payments provides BPM with certain services described in the existing supply agreements ("**BPM Existing Supply Agreements**").

The agreement does not provide for the exclusive right of our subsidiaries to provide the relevant services.

BPM may at any time, within the timeframe specified by the framework agreement, increase, change the scope of or terminate any of the services provided for by the agreement.

Pursuant to the framework agreement BPM may, by written within the timeframe specified in the framework agreement, request verification of the adequacy of the fees for one or more of the services provided under the BPM Existing Supply Agreements.

Agreements with ICT providers

Below is a description of the key terms and conditions of the agreements between us and, respectively, SIA and equensWorldline.

SIA agreements

On December 28, 2005, SIA (formerly known as *Società per i Servizi Bancari S.p.A.*) and Nexi Payments entered into an agreement, subsequently amended, regulating the provision of certain services from SIA (in compliance with specific quality standards referring, among others, to SIA's processing activity in the following areas: Cards & Digital Payments, Merchant Services & Solutions and Payments Services.

The agreement, with an original expiration date of December 31, 2011, is subject to automatic annual renewal. The parties can indicate an intention not to renew the agreement with at least 12 months' written notice before the expiration date.

In the event that SIA exercises its right to withdraw from the agreement, Nexi Payments can request, and obtain, that SIA (by means of a notice sent by Nexi Payments within 180 calendar days prior to the termination date) continues to provide the services for up to 24 months from the effective date of termination.

The agreement also prohibits Nexi Payments from soliciting SIA employees for the entire duration of the agreement (including any renewal thereof).

equensWorldline Agreement

On November 3, 2015, we, Equens SE and Worldline SA signed a term sheet that sets forth the principal terms and conditions to be reflected in any new and future service supply agreement for processing activity within the merchant acquiring value chain (each, a "**New Supply Agreement**"). This term sheet provides that each New Supply Agreement shall have a duration that varies according to the successful completion of Worldline SA's acquisition of Equens SE (the term sheet provides that the duration of each New Supply Agreement is five years from the closing of the corporate transaction mentioned above, completed in 2016, with the establishment of equensWorldline).

The term sheet provides that neither it nor any New Supply Agreement shall be interpreted as implying a commitment by us to acquire a minimum level of services from equensWorldline and/or to maintain a minimum level of expenditure in equensWorldline's favor.

With respect to intellectual property rights, we acknowledge that the intellectual property rights in the software relating to the IT platform operated and/or used by Equens SE for the provision of the services remain with Equens SE or any of its suppliers. We shall have ownership rights in any software which, in agreement with Equens SE, Equens SE will develop specifically for us. Such software shall be entirely and exclusively funded by us.

Finally, the term sheet provides that Equens SE is not our exclusive supplier of the services detailed in (i) the New Supply Agreements and (ii) the two service agreements signed on November 1, 2008 between ICBPI and Equens Italia S.p.A. and between Nexi Payments and Equens Italia S.p.A.

In addition, on November 3, 2015, ICBPI and Equens SE entered into an agreement to establish an exclusive distribution relationship relating to the services offered by ICBPI to banks and customers active in the Italian market, on the basis of the above-mentioned term sheet. The agreement expires in 2021 and may be terminated before then in the event of any material deviations from the key financial terms set forth in the term sheet.

Agreements with card scheme operators

Visa International Service Association Agreement

On October 13, 1986, Servizi Interbancari S.p.A. (now Nexi Payments) entered into a licensing agreement with Visa International Service Association ("**Visa International**").

Under this agreement, Visa International granted Nexi Payments a perpetual, non-exclusive and non-transferable license to use certain Visa trademarks (e.g., "Visa," "Blue, White and Gold Bands Design," "Dove Design," "e Design," and "All you need") in Italy. Nexi Payments has undertaken to comply with certain quality standards established by Visa International relating to the use of these trademarks.

The agreement has an unlimited duration and will remain in effect until Nexi Payments ceases to be a member of the Visa card scheme, at which time the agreement will automatically terminate.

Each party also has the right to terminate the contract as a consequence of the other party's breach of contractual provisions. The termination must be communicated in writing by means of a notice that must also specify the effective date of termination, which may not be before the 120th day from the date of receipt of such notice.

The economic conditions are established on the basis of the tariff structure provided by the card scheme operators. This structure is highly detailed and is based on business volumes generated. The main billing drivers are: number of transactions, value of transactions and number of cards.

MasterCard International Incorporated Agreement

On January 1, 1986, Servizi Interbancari, S.p.A. (now Nexi Payments) entered into a trademark license agreement with MasterCard International Incorporated ("**Mastercard**"), governed by the law of the State of New York.

Under this agreement, MasterCard granted Servizi Interbancari S.p.A. (now Nexi Payments) a perpetual, non-exclusive and non-transferable license to use MasterCard's trademarks (as specified in an annex to the agreement). Nexi Payments has undertaken, among others, in relation to the use of these trademarks and the execution of the activities that are the subject of the agreement, to comply with certain standards established by MasterCard, which include, among others, Nexi Payments' obligation to provide, to the extent permitted by law, cash advances to cardholders of cards bearing one of the trademarks covered by the agreement that were issued by other members and affiliates of the MasterCard circuit.

The agreement has an unlimited duration and will remain in effect as long as there is no cause for termination. The agreement provides for a number of circumstances in which Mastercard may terminate, as follows: (i) Nexi Payments ceases to be a member of the MasterCard card scheme, although, in this case, MasterCard may, rather than terminate, replace the license agreement with an authorization for Nexi Payments to use MasterCard trademarks; (ii) Nexi Payments does not comply with the standards for using the MasterCard trademarks; or (iii) Nexi Payments ceases to use the MasterCard trademarks covered by the agreement for a period of one year. Nexi Payments may terminate the contract by giving 30 days' written notice.

Finally, no royalties are paid by Nexi Payments to MasterCard for the trademark license. Instead, the agreement provides that the economic conditions are established on the basis of the tariff structure provided for by the card scheme operators. This structure is highly detailed and is based on business volumes generated. The main billing drivers are: number of transactions, value of transactions and number of cards.

Bancomat/PagoBancomat Agreements

Since 1997, we have had a commercial relationship with the Bancomat S.p.A. consortium ("**Bancomat**"), in relation to the trademark licenses for "Bancomat" and "PagoBancomat."

On April 3, 2018, Nexi Payments and Bancomat entered into an agreement for (i) membership in the Bancomat/PagoBancomat card schemes (the "**Circuits**") and (ii) a license to use the Bancomat and PagoBancomat trademarks under which the parties negotiated new terms and conditions.

The agreement sets forth the terms and conditions as well as the rights and obligations related to the participation in the Circuits and the issuing of cards capable of operating on such Circuits as well as to the acceptance of such cards on equipment enabled to operate on the Circuits. Under the agreement, Bancomat has granted Nexi Payments a non-exclusive and non-transferable license to join the Circuits, which authorizes Nexi Payments to (i) issue, process and place physical and virtual cards enabled for ATM withdrawals and payment on the PagoBancomat circuit, (ii) install POS equipment, both physical and virtual, ATM equipment and other physical and virtual devices enabled to operate on the Circuits, (iii) use the Bancomat and PagoBancomat trademarks in Italy, the European Union and in the other countries belonging to the Single Euro Payments Area (SEPA), as well as in Vatican City State and the Republic of San Marino. Nexi Payments pays certain fees, charges and commissions to Bancomat for the license.

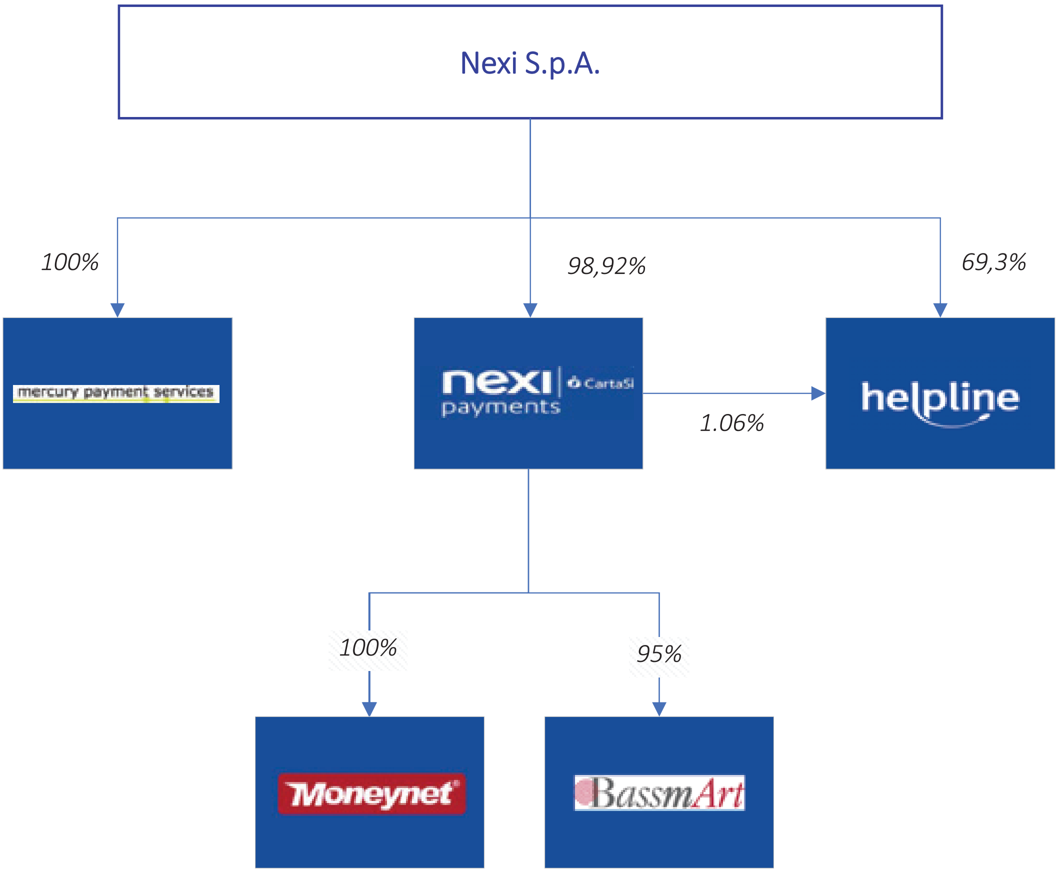
The license expired on December 31, 2018, with automatic annual renewal unless (i) Nexi Payments gives at least three months' notice of its intention to withdraw, provided it is certain that on that date Nexi Payments has ceased all operations in the Circuits, (ii) Nexi Payments is involved in a transformation, merger or demerger requiring a new license, or (iii) Bancomat exercises its withdrawal right in the case that Nexi Payments has ceased all activity on the Circuits for at least 12 months or has not commenced issuing or acquiring activities for at least 12 months from the date such rights were granted.

Bancomat also has the right to terminate the relationship resulting from the license, if, among others, Nexi Payments fails to pay membership fees or in the event of serious and repeated misuse of the Bancomat and PagoBancomat trademarks.

Organizational Structure

Nexi organizational chart

Set forth below is our Group structure, with our ownership in our subsidiaries.



As of the date of this offering circular, we have pledged as security under the Notes (i) our entire current (equal to 98.92%) and future shareholdings in Nexi Payments and (ii) our entire shareholding in Mercury Payment Services (equal to 100%). See "—Material Contracts—Debt Instruments—The Notes."

Set forth below is a list of the main duties and responsibilities granted to the departments/business units of Nexi Payments.

Cards & Digital Payments

Our Cards & Digital Payments business unit is oriented toward the needs of our customers holding payment, credit, debit and prepaid cards and provides licensing, servicing and direct channels related services. It is responsible for driving the development and performance of our commercial strategy in the issuing area aimed at increasing competitiveness, customer satisfaction, revenues and margins. It operates, directly or indirectly, on the necessary business levers, monitoring and verifying the trend of operating KPIs and service levels for customers.

The business unit oversees both the brand management and product communication activities and, with respect to the issuing business line, marketing, customer value management, product and service development and direct sales channel, as well as partnerships with non-banking players.

Our Cards & Digital Payments business unit comprises the following functions:

- Brand and Communication;
- Issuing Marketing;
- Customer Value Management;
- Digital Issuing Products;
- Issuing Products and Services; and
- Cards Sales and Partnership.

Merchant Services & Solutions

Our Merchant Services & Solutions business unit is geared to the needs of merchants. It is responsible for the costs and revenues of our "acquiring," "POS" and e-commerce activities and for all the value-added services that will be developed for target customers, overseeing product marketing, product and service development, direct sales channels, also through the development of banking partnerships within the Referral model, managing the primary relationship with POS suppliers and the development of partnerships in the Electronic Cash Register segment.

Our Merchant Services & Solutions business unit encompasses the following functions:

- MS Marketing;
- MS Customer Value Management;
- BSS & Acquiring Product and Service Development;
- POS & VAS Product and Service Development;
- E-Commerce;
- Corporate Proposition;
- Corporate Sales; and
- Referral Books.

Digital Banking Solutions

Our Digital Banking Solutions business unit oversees the development of the payment services market and the product/service portfolio of the "Payment" Competence Center, including digital corporate banking and ATM products and services, through the definition of the related offer.

The following functions report to our officer in charge of the Digital Banking Solutions business unit:

- ATM & Self Banking;
- Digital Corporate Banking;
- Payments Operations;
- Payments Marketing & Development; and
- Sales & Partnership.

Commercial Department

Our commercial department is devoted to the management of the sales of our products/services generated through our banking partnership channel and pertaining to the offer of the Cards & Digital Payments, the Merchant Services & Solutions and the Digital Banking Solutions business units. This department is responsible for developing relations with partner banks in order to pursue the highest level of satisfaction and the opportunities offered by the market with a view to creating value for the partnership.

The following functions report to our commercial department:

- Executive Partnership Managers;
- Banking Partners;
- Local P.A. & Multiutilities Development; and
- Commercial Planning & Operations.

Operations department

Our operations department is responsible for overseeing all payment card operations in support of the Cards & Digital Payments and Merchant Services & Solutions business units, focusing on service quality and improving operational efficiency and effectiveness. The operations department is also responsible for handling the claims and managing the operational relations with international circuits.

The following functions report to the operations department:

- Operations Issuing;
- Operations Merchant Services;
- Frauds & Credits;
- Disputes;
- Clearing and Transaction Management; and
- Operational Planning & Change Management Staff Unit.

Chief Information Officer (CIO)

The CIO is in charge of ensuring the constant monitoring of the technological component of our existing services and enabling a quick development of innovative solutions for our customers through the supervision of the entire ICT development chain relating to our products and providing, at the same time, secure, reliable and economical technological services.

Our CIO department consists of the following support services:

- CISO Area; and
- IT Strategy & Governance.

In addition, our CIO department also consists of the following services which are treated as competence centers (IT Competence):

- M&A, Operations and Corporate Systems;
- Issuing;
- Merchant Services;
- Payments & ATM;
- Digital;
- Data Analytics; and
- IT Service Management & Infrastructures.

Business development department

Our business development department is dedicated to the study and development of new strategic initiatives to support our business and, in particular, oversees the product and service innovation in areas such as digital and big data, working in close collaboration with our Chief Information Officer department and the other business units.

The following functions report to the business development department:

- Innovation Lab;
- Digital Merchant Services Products;
- Digital Channels;
- Insights and Market Research; and
- Big Data and Advanced Analytics.

The strategic projects managers report to the business development department and are in charge of managing cross-cutting strategic projects.

Corporate & External Affairs (C&EA)

Our Corporate & External Affairs Department oversees the legal and corporate governance aspects and handles the corporate secretary's duties of our corporate bodies.

This department also promotes our relationship with external stakeholders with the aim of supporting our business growth, defining the targets and strategies of our institutional and external communications, managing the related operational aspects and relations with the media. Finally, our Corporate & External Affairs Department oversees the relationship with law enforcement.

Our Corporate & External Affairs Department encompasses the following services:

- Institutional Affairs;
- External Communication & Media Relations;
- Corporate & Regulatory Affairs;
- Legal Affairs & Strategic Projects; and
- Security.

Chief Administrative Officer (CAO)

Our Chief Administrative Officer department deals with the administration, recruiting, training and development of the personnel, the relationship with the trade unions and the application of labor law.

The Chief Administrative Officer department is responsible for identifying our organizational structure and its relevant size, defining new procedures and improving those already in place, preparing and publishing our regulations and running the department secretaries.

Finally, it oversees the technical maintenance of the buildings and handles general services. It is also responsible for certain aspect related to health and safety matters.

Our Chief Administrative Officer department encompasses the following services:

- People Development;
- HR Management;
- HR Operations & General Services;
- Organization and Processes;
- Facility Management; and
- Health and Safety at work.

The CAO also includes the following staff structures:

- Industrial relations; and
- Secretary.

Chief Financial Officer (CFO)

Our Chief Financial Officer (CFO) oversees all finance, management planning and control, administration, strategic projects, financial analysis and reporting related matters and supports our business functions in the development of financial and business planning.

Our CFO oversees the following activities: purchase management, budget and tax management, liquidity and financial investments management, financial planning and enhancement of corporate assets, definition and control of budget and monitoring of financial and operational performance. The CFO is also in charge of implementing our corporate strategies regarding shareholdings and ordinary and extraordinary transactions (mergers, demergers, acquisitions and disposals of business units) and the relevant obligations, as well as liaising with the competent corporate functions.

The Chief Financial Officer department encompasses the following services:

- Business Unit & Commercial Business Partner;
- BP Costs & CM;

- ICT Cost Management & Administrative Support;
- Strategic Planning & Reporting;
- Administration;
- Finance;
- M&A, RE & Participations; and
- Supply Chain Management.

Our IT Services

We rely on an IT system which, through an integrated architecture encompassing the whole Group, allows us to manage our IT processes centrally. More specifically, the entire value chain associated with software development and implementation is controlled through this system.

As of December 31, 2018, Nexi Payments' technological services rely on more than 330 IT staff.

Chief Information Officer (CIO) department

Nexi Payments' Chief Information Officer (CIO) department includes: (i) specific IT Excellence Centers the IT platforms of which mirror our business units, (ii) IT Excellence Centers operating crosswise in relation to the business lines and other Nexi offices and (iii) support services provided to the CIO.

More specifically, set forth below are the IT Excellence Centers monitoring the specific business IT competence centers:

- **Merchant Services**, which monitors the IT platforms supporting business acquiring and merchants, with specific reference to the merchants' onboarding process, the main acquiring services, the implementation of the payment transactions and the accounting and administrative services associated with the payments, and the analysis and storing of data. The acquiring services are managed primarily in agreement with supplier equensWorldline SE, and, to a lesser extent, by SIA. In this context, the main POS management platforms are also monitored, with specific reference to the software for the management of terminals, to the management of the terminal's life cycle, the management of the accounting flows with the acquirers and to monitoring the VAS platforms.
- **Payments and ATM**, which monitors the IT platforms linked to ATM products and services and kiosks, the platforms linked to digital corporate banking services that manage bank accounts, payment devices, payments for tax/pension entities, foreign payments and electronic billing; finally, this center also manages processing platforms for domestic and foreign interbank payments by institutionally acting as an application center and SEPA ACH through the exchange of payments, collections and checks between banks and central regulatory systems (BdI and EBA). Recently, the technological and regulatory functions associated with the ACH Instant Payments have been activated to ensure that European banks can be fully reached through the EBA and TIPS (ECB) connections.
- **Issuing**, which monitors and manages the technological platform linked to the issuing and management of the credit cards, national and international debit cards, and prepaid cards. These platforms require the involvement (i) internally to our Group, to Mercury Payment Services and (ii) externally to our Group, of the equensWorldline and SIA processors to a different extent due to the differences in the technological areas. More specifically, SIA is the main supplier of credit products under our license, whereas equensWorldline mainly manages debit or credit products issued by banks.
- **M&A and Operations & Corporate Systems**, which monitors the technological platforms linked to the administration and accounting, overview and management systems. It also manages the main applications linked to the operations world and to the monitoring of the contact processes with customers. This area is monitored centrally by the Salesforce Excellence Center which provides the methodological and competence standards to all the applications developed on such platform; finally, it monitors the main technological projects linked to extraordinary operations involving the merger, integration or transfer of companies or corporate assets.

Set forth below are the IT Excellence Centers that monitor several business lines:

- **Digital**, which monitors the technological, architectural and developmental choices of our digital activities related to internal and external portals to customers and market, the mobile app and the payment platform solutions on the e-commerce world.

- **IT Service Management & Infrastructures**, which guarantees continuity of the IT services through ongoing monitoring and supervises and reports on the service levels of both suppliers of external services and our customers and on the recording, management and resolution of IT issues. Furthermore, it carries out the technical and architectural designing and the implementation of our infrastructures. It deals with the establishment and use of the company's databases. This function also deals with the application of the most innovative technological devices to make our infrastructures reliable, elastic, secure and flexible. It manages the processes and the technological, monitoring and managing tools for the planning of disaster recovery infrastructures. In particular, it also monitors, designs and manages technological services linked to individual productivity, such as the corporate network, e-mail, document and file sharing, mobile device management, user devices, PCs, etc. In addition, it monitors the quality assurance and test factory managing processes with specific regard to the tests concerning customer integration, regression, performance and testing. It takes care of releasing the software being produced. Finally, it is in charge of the management of the management costs of the infrastructures and the investments for technological renewal and for the development of the capacity to provide application services.

Finally, set forth below are the services and activities provided in support of the CIO:

- **IT Strategy and Governance**, which monitors the crosswise programs for the development of our strategic platforms and the design and management of our corporate architectures by ensuring its consistency with the specific business application architectures. It monitors and manages the applications for the management of the IT project portfolio and the latter's progress compared to the agreed plans. Finally, it monitors the management of the main suppliers and technological partners with regard to compliance with the main levels of service agreed with end customers and in general linked to the supplier's operational performance.
- **Chief Information & Security Officer (CISO)**, which manages the organizational and technical aspects associated with operational security and continuity of the services provided by us. More specifically, it deals with the implementation and management of the security systems, the safe implementation of the IT systems, the design and implementation of organizational and procedural safety measures, the performance of safety tests on new products and services. Furthermore, it manages possible security incidents and the system managing the company's operational continuity, and monitors fulfilment of the requirements for the PCI-DSS certification and other aspects of IT compliance under current regulations (such as PSD2 and GDPR).

The IT processing platform

The IT processing platform of our Group consists of the following application components: (i) Physical Digital Channels and Connection Layers, (ii) Transaction Processing Hub, (iii) Customer Management and (iv) Technology and Security Infrastructure.

- **Physical Digital Channels and Connection Layers**. The architectural component consists of the set of software programs and hardware infrastructures suitable for creating and managing the interface between the physical access channels and our Information System. The following elements form this component:
  - the systems that produce and manage the user interface and that guarantee an efficient information management by users of our systems;
  - the software layers that guarantee an interchangeability of the protocols of communication with external bodies, such as payment platforms;
  - the publication of APIs (Application Programming Interfaces), including those that comply with current standards (PSD2); and
  - the specific application systems referring to the access channel, such as, for example, the life cycle management of ATM and POS channel devices.
- **Transaction Processing Hub**. The structural component consists of the software programs and hardware infrastructures designed to manage various aspects of a payment transaction, ensuring its integrity, security and speed of execution. This architectural component specifically and separately manages the transactions related to:
  - the management of payment cards according to the different models of service of licensing and servicing, and divided into issuing and acquiring components;
  - the management of payment transactions relating to e-commerce and digital corporate banking; and

- the parametric access to international card scheme operators such as example VISA, Mastercard and American Express.

- **Customer Management**. The structural component is made up of the whole of the software programs and hardware infrastructure suitable for connecting in a parametric access flows from the physical channels with the processing systems of the transactions, so as to allow efficient customer management.
- **Technology and Security Infrastructure**. The structural component consists of the set of software programs and hardware infrastructures, aimed at providing the IT service as a whole, i.e.,:
  - to ensure the continuity of operation of the IT service;
  - to provide adequate performance in terms of quality, reliability and speed of the transactions; and
  - to ensure the security, confidentiality and protection of the IT system with respect to access, use and integrity of the information contained therein.

Employees

As of December 31, 2018, we had a total of 2,292 employees, excluding temporary workers, or 1,871 full-time equivalent employees. Our total number of employees included 100 top managers, 620 middle managers and 1,539 white collar employees.

Set forth below is a breakdown of our employees by category.

	As of December 31,		
	2018	2017	2016
Top managers	100	108	66
Middle managers	620	749	653
White collar employees	1,539	2,155	1,474
Other personnel	33	0	0
Total	2,922	3,012	2,139

Stock options

We currently have in place a stock option plan under which Mercury UK Ltd has granted 59 Group employees (the "**Beneficiaries**") the right to the free assignment by Mercury of our shares, vested over 24 months, under the circumstances set out in the plan documentation (the "**Mercury UK Stock Grant Plan**"). The purpose of the Mercury UK Stock Grant Plan, the full cost of which is borne by Mercury, is to further align the interests of the Beneficiaries, whose contribution is deemed to be of significant strategic importance, with the objectives of our shareholders. For a description of this plan, see "Management—Compensation—Mercury UK Stock Grant Plan."

Unionization

Our employees are subject to the following Italian national collective bargaining agreement (*Contratto Collettivo Nazionale del Lavoro or CCNL*): (i) the "CCNL" for employees of credit companies (*Contratto Collettivo Nazionale di Lavoro per le Imprese Creditizie*); (ii) the "CCNL" for managers of credit companies (*Contratto Collettivo Nazionale di Lavoro per i Dirigenti delle Imprese Creditizie*), applicable to our top managers; (iii) the "CCNL" for employees of commercial companies (*Contratto Collettivo Nazionale di Lavoro del Commercio*); (iv) the "CCNL" for employees of industrial companies (*Contratto Collettivo Nazionale Metalmeccanico*); and (v) additional collective bargaining agreements that govern working hours, contributions to pension funds and other benefits.

Intellectual Property

Brands

We operate a broad business portfolio and use a number of recognizable brands across our businesses and business units. We use the Nexi brand to market our services in our Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business units. Since most of our payment cards are co-branded with the Nexi brand appearing alongside the partner bank's logo, the Nexi brand is well established in the marketplace, with strong growth since its launch in November 2017. We use the Help Line trademark in our Digital Banking Solutions business unit. We use the Nexi brand to market our services in our Cards & Digital Payments business unit. In our Cards & Digital Payments business unit we also use the FastInvoice brand for products and services in connection with e-invoicing. Additionally, we leverage our Papen brand for the management and collection of pension payments for our bank customers. We expect to register additional brands and trademarks in the future.

Trademarks, domains and patents

As of the date of this offering circular, we hold numerous trademark registrations in Italy and Europe, including for Nexi, Help Line, Moneynet, Mercury Payment, Mercury Payment Services and others. We hold approximately 2,600 internet domain names relating to each of our brands and business units, and we believe that we hold all internet domains that are material to our businesses.

We aim to protect our domain names through a strategy aimed at preventing misuse of domain names lexically identical or similar to the name Nexi. We have purchased numerous domain names resembling (even remotely) "Nexi" or goods, trademarks and/or our subsidiaries over a wide range of domains, so as to inhibit misuse of domains similar to our official domain names. Regular internet scans are also carried out by the relevant offices or by external companies to identify, for example, any cases of the misuse of the "Nexi" name and to take the necessary protective action. We also use an external service for the technical and orderly management of the registration and maintenance of domains and for their renewal. Two separate offices (IT and Marketing/Communication) independently supervise the management of our domain names in order to increase effectiveness and to prevent operational errors.

The only patent held by the Group is Bassilichi's Italian patent relating to remote identification and tracking systems for the transport of high value items.

Licenses

We depend on the licenses we have obtained from each of Visa, MasterCard, Bancomat, PagoBancomat, American Express, Diners Club and JCB to participate in national and international card schemes, perform payments services and issue payment cards. The underlying license agreements include a change of control clause and can be terminated at any time, subject to notice periods of between three and 12 months. See "—Material Contracts—Agreements with card scheme operators."

Intellectual property litigation

Nexi Payments has received four complaints from third parties concerning its use and/or registration of certain trademarks. As of the date of this offering circular:

(a) two of these disputes (in August and October 2018) were not followed by administrative and/or legal proceedings against Nexi Payments;

(b) the opposition action (No 003018119) brought by Euronext N.V. (proprietor of the word and figurative mark "Next") against the European trademark application "Nexi" No 17124793 was defined by an agreement signed by Nexi Payments on October 11, 2018, by which Nexi Payments undertook to amend the trademark application and the further trademark registrations concerning the term "Nexi" by specifically limiting the services for which protection is sought and Euronext N.V. undertook to waive the opposition and not to contest the validity of the other trademark registrations. Nexi Payments is waiting to receive the settlement agreement signed by Euronext N.V.; and

(c) the opposition (No. 003018762) to the European trademark application "Nexi" No 017124793 filed by Next Retail Limited (owner of certain trademark registrations ("Next")) is pending. The parties are discussing the possibility of settling the matter and the proceedings have been suspended until January 16, 2020.

Property, Plant and Equipment

As of the date of this offering circular, our headquarters at Corso Sempione 55, 20149, Milan, is the only real estate asset that we consider to be a material part of our business.

Investments during the years ended December 31, 2018, 2017 and 2016

The following table shows the total amount of intangible and tangible investments, broken down by type, made during the years ending December 31, 2018, 2017 and 2016 (derived from the Consolidated Carve-out Financial Statements).

	As of December 31,		
	2018	**2017**	**2016**
		(in € thousands)	
Tangible assets	159,344	163,113	116,311
Tangible assets for functional use	156,193	156,907	109,816
Tangible assets held for investment	3,151	6,206	6,495
Intangible assets	2,668,293	2,607,637	1,906,458
Goodwill	2,097,379	2,071,665	1,500,565
Intangible assets – Customer Contracts	418,603	458,770	365,529
Other intangible assets	152,311	77,202	40,364
Total investments	2,827,637	2,771,750	2,022,769

Tangible assets

As of December 31, 2016, the item "Tangible assets for functional use" included the effect of the restatement to fair value of the assets acquired in 2015 with the creation of the Mercury Group as a result of the purchase price allocation (known as "**PPA**") net of depreciation in the reference period. The increase in the entry recorded as of December 31, 2017 is mainly due to input from the activities of Bassilichi, which was acquired on July 1, 2017. As of December 31, 2018, the balance remained stable as a result of new investments in technology and new POSs and ATMs, which were slightly lower than the depreciation for the year.

As of December 31, 2016, and December 31, 2017, tangible assets held for investment included the properties located at Assago Milanofiori Road 1 and San Giovanni al Natisone Via Nazionale 3. These investments were recorded on the basis of IAS 40 and include properties (either owned or under a finance lease) held to obtain remuneration through their rent or to obtain returns on capital invested through their increase in value on the market. As of December 31, 2018, following the completion of the acquisition and integration process, the properties owned by Bassilichi in Via Selvamaggio, Colle di Val d'Elsa (SI) and in Strada delle Frigge, Monteriggioni (SI) were also classified in this category. In the course of 2018, the property located at Assago Milanofiori Road 1 and owned by Nexi Payments S.p.A. was sold, resulting in a capital gain equal to €150,000.

Intangible assets

As of December 31, 2016, goodwill included the effect of the purchase price allocation relating to the acquisition of ICBPI by Mercury in respect of the non-banking activities that were transferred to Nexi as a result of the Reorganization. This value is net of an €27.3 million adjustment made in the course of this financial year as a result of the completion of the PPA. The amount also includes the goodwill of Mercury Payment Services (the acquisition of which was completed at the end of 2016) that, following the PPA, amounts to €590.8 million.

Goodwill increased as of December 31, 2017 due to the accounting of acquisitions of the merchant acquiring business from Monte dei Paschi di Siena S.p.A. and Deutsche Bank S.p.A. for a total of €433.4 million and the acquisition of the merchant acquiring business of Bassilichi for €137.7 million.

The increase in goodwill as of December 31, 2018 is instead related to the acquisition of the Carige acquiring business for about €22 million, with the remainder relating to the acquisition of Sparkling 18.

As of December 31, 2016, Intangible assets included Customer contracts related to customer contracts allocated during the PPA of Mercury Payment Services. The customer contracts classified in 2017 related to the allocation of the PPA in the MPS Acquiring and DB Acquiring businesses.

Other intangible assets consists of software and technological developments.

Investments in progress

No investments have been carried out in the period between December 31, 2018 and the date of this offering circular. However, from December 31, 2018 to the date of this offering circular, significant investments in progress include: (i) the internalization of data centers (with planned investments of approximately €10 million); (ii) the evolution of the acquiring and terminal management application platforms (with planned investments of approximately €12 million); and (iii) the integration of the IT systems of the former Group Bassilichi (with planned investments amounting to approximately €1.5 million). These investments, for a total of approximately €23.5 million, will be fully funded (taking account of the fact that, as of the date of this offering circular, no cash outflows have been recorded with reference to the aforementioned investments), through our equity (i.e., the resources that we have available as of the date of this offering circular).

All the investments listed above are in progress in Italy.

Future investments

Our Board of Directors has already approved for 2019 further investments for certain projects, including: (i) the evolution of the payment authorization system (approximately €4 million), (ii) the upgrade of the application platform for large merchants (approximately €7 million), (iii) the development of digital banking services (approximately €3 million), (iv) the development of CRM and marketing tools (approximately €4 million), (v) the purchase of POS and ATM terminals (approximately €33 million), and (vi) the restructuring of our properties (approximately €7 million). These investments, for a total of €58 million, will be financed through our equity (equity meaning the resources that we have made available as of the date of this offering circular).

Insurance

As part of our insurance program, we maintain the following insurance coverage. We are not currently involved in any material claims under any of our policies.

Policyholder	Branch
Nexi	ALL RISK
Nexi	BBB
Nexi	D&O
HELP	PHOTOVOLTAIC
Nexi	CYBER
Nexi	ELECTRONICS
Nexi	ATM
Nexi	MULTI-RISK
Nexi	PROFESSIONAL LIABILITY BANKS
Nexi	CIVIL LIABILITY ORIGINATING FROM USE OF ADVANCED FORMS OF ELECTRONIC SIGNATURE
Nexi	THIRD-PARTY CIVIL LIABILITY/WORKERS CIVIL LIABILITY
Mercury	LITIGATION PROCEEDINGS
Mercury	LITIGATION PROCEEDINGS
Moneynet	LITIGATION PROCEEDINGS
Mercury	PROFESSIONAL LIABILITY
Nexi	PHOTOVOLTAIC
Nexi	MEDICAL EXPENSES
Mercury	ACCIDENTS
Mercury	LIFE
Mercury	MEDICAL EXPENSES
Mercury	MEDICAL EXPENSES

All the policies indicated above are in force until December 31, 2019. With the exception of employee benefit policies, there have been no claims in the last three years for an individual amount in excess of €20,000 considering the current perimeter of the Group. Therefore, the premium increases that have occurred, were determined solely by market variables.

We believe that, as of the date of this offering circular, the insurance policies in place to cover the business risk and the risk related to our contractual agreements are adequate.

Legal Proceedings

As of the date of the officer circular, certain Group companies are involved, either as claimants or defendants, in legal proceedings in the ordinary course of their business. We have assessed the potential liabilities that may arise from pending litigation and have determined provisions on the basis of prudential criteria. As of December 31, 2018, provisions for "risks and charges for legal and tax litigation" amounted to approximately €3.68 million, whereas total claims amounted to €16 million (excluding labor disputes, which are subject to separate accounting). We also had €0.5 million of provisions related to legal costs in connection with the foregoing. In setting our provisions for "risks and charges for legal and tax litigation" the following elements were considered: (i) risks related to each single litigation; and (ii) the accounting standards of reference, which require that liability provisions be set for risks that are likely and quantifiable.

With respect to the types of liabilities that the disputes involving Group companies could generate in the future we point out the following:

- Liabilities considered likely and sufficiently determined: these expenses are associated with complaints from customers of issuing and acquiring services of Nexi Payments and amount to approximately €3.7 million, in addition to €0.5 million for relevant legal costs;
- Liabilities considered likely but not sufficiently determined: no such expense appears to exist as of the Registration Document Date;
- Potential liabilities: these liabilities are linked to disputes, currently pending against Nexi Payments whose outcome (and therefore the amount of relevant liabilities) is currently unpredictable given the stage of the litigation, or whose costs are subject to indemnification. This item includes, in particular, the following litigation: (i) Be Think and BNL-Union Delta-Base described below involving claims of €661 thousand and €5 million, respectively; (ii) a claw-back action within bankruptcy proceedings commenced by Alitalia for a total claim of €53 thousand; (iii) two claims for damages relating to an equal number of disputes concerning the management of cash brought by Gestione Centri Commerciali and BPER (whose risk shall be indemnified by the supplier) for a claim of €25,105 and €22,000, respectively; and (iv) certain claims brought by retailers against Nexi Payments for a total of approximately €986,000; and
- Unlikely liabilities: these relate to a single litigation, in which we are the defendant, where the opposing party's claims are believed to be unfounded. The proceedings were initiated by Tourist Service for an amount equal to €3,420,000.

The evaluation of the provisions for litigation was not carried out by independent experts but was nevertheless carried out with the support of the lawyers involved in each litigation.

In addition to the above, with regard to pending labor disputes, which as of December 31, 2018 involved claims for total amount of €800,000, a special item was set aside within Other Provisions amounting to €800,000.

Ongoing disputes

The significant ongoing disputes as of the date of the offering circular are set forth below.

Disputes with customers

BNL vs. Union Delta—BASE

On January 7, 2014, BNL commenced proceedings against Bassilichi, BASE and Union Delta before the Court of Rome, in which it sought payment of an amount found missing in a money counting room of Turin which was managed by Union Delta, on the basis of a transport and money counting agreement. The claim amounts to €5,000,000.00.

Under the aforementioned agreement, BNL was acting as the client and Bassilichi as professional intermediary in accordance with Article 115 of the Consolidated Law on Public Security, which in turn availed itself of Base as a supplier in accordance with Article 115 of the Consolidated Law on Public Security, and Union Delta as local service provider by virtue of the license in accordance with Article 134 of the Consolidated Law on Public Security.

Base and Union Delta requested the joinder of their insurance companies for indemnification purposes. On January 8, 2015, the Court of Rome declared the bankruptcy of Union Delta and, on March 31, 2015, the proceedings were interrupted and then timely resumed.

On November 7, 2018, the Court of Rome issued its first instance judgment against Bassilichi, dismissing the claims against Union Delta as unenforceable, and ordered Bassilichi, jointly and severally with Base, to pay the amount of the claim, as well as legal costs equal to €120,000. The Court of Rome, however, upheld the application of Bassilichi to be indemnified by Base in full from any sum to be paid to BNL as well as legal costs. This part of the judgment was not challenged by Base and, as such, is final. The Court of Rome also upheld Base's request to be held harmless by its insurer (Lloyd's) from all sums to be paid to BNL (except for an allowance of €100,000.00) including legal costs. This part of the judgment was appealed by Base's insurer (Lloyd's).

As of the date of the offering circular, the appeal proceedings have yet to commence. Based on the opinions received from our legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

Be Think (formerly Bee Team) litigation

On March 9, 2010, Be Think instigated proceedings against Bassilichi before the Court of Siena seeking €661,000 as consideration for services billed to Bassilichi but rendered in favor of the Consortium Monte Paschi Siena as end customer. The services in question are back-office services including processing of checks, bills of exchange and delegations of payment.

Bassilichi has challenged these claims, asking that the above amounts be set off with the penalties charged by the Consortium Monte Paschi di Siena to Bassilichi as contractor, equal to €556,221 as Bassilichi considers Be Think, as sub-contractor, to be liable for the claimed non-performances. Be Think has challenged such claims, claiming not to be liable for these penalties and, in the alternative, asking the Court to equitably reduce the amount of the penalties.

As of date of this offering circular, the parties are trying to reach an amicable settlement. Given ongoing negotiations, on February 22, 2019, the court adjourned the hearing to file the final requests for relief (*precisazione conlusioni*) until June 25, 2019.

Based on the opinions received from the legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

Tourist Service vs. CartaSì

On October 1, 2010, Tourist Service commenced proceedings before the Court of Cagliari against Nexi Payments, as merchant acquirer, and Banco di Sardegna S.p.A., as banking institution where Tourist Service held a bank account, seeking approximately €400,000, relating to a payment blocked by CartaSì (and Banco di Sardegna S.p.A.) and returned to its owners that was considered by CartaSì to be the result of fraudulent transactions. In addition to the above, Tourist Service has sought damages against Nexi Payments and Banco di Sardegna S.p.A. equal to €3,000,000 (direct damage and loss of profit) due to the alleged economic repercussions and the damage to its reputation that Tourist Service has allegedly suffered due to the disputed facts.

Nexi has claimed that the Court of Cagliari lacks territorial jurisdiction and has requested that the opposing party's claims be dismissed as unfounded in fact and in law. The proceedings, which were commenced as summary proceedings, have been converted to ordinary proceedings. Following the filing of the submissions in the discovery stage, Nexi's case file, held at the Registry of the Court of First Instance of Cagliari, went missing. Nexi then refiled its case, and Tourist Service claimed that the new case file was different from the old one. Nexi then filed specific submissions to prove the conformity of the new case file with the previous file submitted. At the hearing for the filing of the final requests for relief (*precisazione conclusioni*), Tourist Service's lawyer renounced his engagement as lawyer for Tourist Service. Tourist Service failed to appoint a new lawyer, thereby binding the current lawyer to continue to represent it in the proceedings.

At the last hearing held in March 2018, the judge adjourned the hearing for the filing of the final requests for relief (*precisazione conclusioni*) to October 16, 2019 to ensure that Tourist Service has sufficient time to appoint the new lawyer. Based on the opinions received from the legal advisors, the risk of a negative outcome of the proceedings is assessed as unlikely.

Labor law disputes

As of the date of the offering circular, we are involved in a series of labor law disputes, both in the first and in the second instance.

Bassilichi (now Nexi Payments) is the defendant in 27 proceedings relating to unlawful use of third-party workers (*interposizione illecita di manodopera*) and the invalidity of a transfer of an employment contract (Bassilichi—now Nexi Payments—to Pay Care). Bassnet S.r.l. is the defendant in eight proceedings relating to the same matters. Mercury Payment Services is the defendant in one proceeding relating to failure to pay social security contributions. Finally, Nexi Payments is the defendant in two proceedings, the first relating to a claim to a better occupational status (*miglior inquadramento*) and the second relating to a request to declare transfer of an employment contract from Nexi S.p.A. to Nexi Payments S.p.A., which occurred in July 2018, with the ensuing re-employment within Depobank invalid. As of December 31, 2018, the overall amount of these claims was equal to €800,000. Based on the opinions received from the legal advisors, the risk of a negative outcome of the proceedings is assessed as possible for all of the above disputes.

INDUSTRY

Certain of the projections and information set forth in this section have been derived from external sources, including industry publications and surveys, industry reports prepared by consultants, internal surveys as well as from customer feedback. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information or the assumptions on which it is based cannot be guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Certain information in this section has also been based on our own experience, internal studies, estimates and investigations of market conditions, in some cases combined with external sources. We cannot assure you that any of the assumptions we have made are accurate or correctly reflect our position in the market. The information and estimates in this section involve risks and uncertainty and are subject to change based on various factors. See "Market and Industry Information," "Forward-Looking Statements" and "Risk Factors." This industry section includes certain technical terms that are commonly used in our industry. See "Glossary" for a detailed explanation of these terms.

Economic Model of the Card Payments Industry

Card payments involve a number of services and players performing several different roles along the value chain. Participants in the industry generate revenue from fees that are typically calculated as a fixed fee on the transaction, to which an additional fee, based on a percentage of the transaction value, is added. Services and associated revenue streams are illustrated below:

The graph above illustrates a notional payment transaction, using hypothetical financial figures for Visa/ MasterCard credit and debit cards in Italy based on general market estimates that are not indicative of the actual terms of our commercial agreements.

- *Cardholder*

  Initiating the payment cycle, a cardholder intends to make a digital payment instead of a cash payment and presents a payment card (or mobile device which features contactless payment technology and is linked to a payment card) to pay for its purchase at a merchant (which may be a retail outlet or online store).

- *Card Issuer*

  The card issuer is a bank or other service provider which manages the cardholder's payment card and charges the underlying bank account or credit allowance. Through the hardware and software connecting the card issuer with the card scheme operator, the card issuer receives a digital request to authorize the card transaction. The card issuer verifies that the cardholder has sufficient funds available and authorizes the payment transaction via a digital message to the card scheme operator, registering a charge on the cardholder's balance (in the case of charge or credit cards) or placing a hold on the funds reserved for settlement of the transaction (in the case of prepaid or debit cards). Generally, one business day after the card purchase has been made, the card issuer pays the transaction value (€100) to the card scheme operator, net of the interchange fee (approximately €0.20). Card issuers may also outsource the transaction processing activities of the acquiring value chain to other companies, such as, for example, equensWorldline and SIA, or process the transactions themselves.

- *Card Scheme*

  One business day after receipt of the transaction value (€100) from the card issuer on the day after the card purchase, the card scheme operator passes the payment through to the merchant acquirer net of the scheme fee (€0.22) and the interchange fee charged by the card issuer.

- *Merchant Acquirer*

  The merchant acquirer typically settles the transaction value with the merchant on the day following the card purchase. Because the merchant acquirer itself receives payment from the card scheme operator only on the subsequent business day, the merchant acquirer on average provides funding to the merchant for one business day. As compensation for its services, the merchant acquirer charges a merchant service fee, based on a percentage of the transaction value, at the end of each month. After paying any additional applicable fees, the merchant acquirer retains a net merchant services fee.

Card issuing and merchant acquiring services may be offered either directly to the final customer (consumer, trader or business) or under a partnership model whereby a bank places on the market the products/services of a company specializing in payments. In the latter case, the revenues from the provision of payment services are divided between the two partners.

Key Trends in the Digital Payments Market

The digital payments market has shown two key trends in recent years:

- the progressive replacement of cash payments with digital tools; and
- the sustained growth of payments generated by e-marketing.

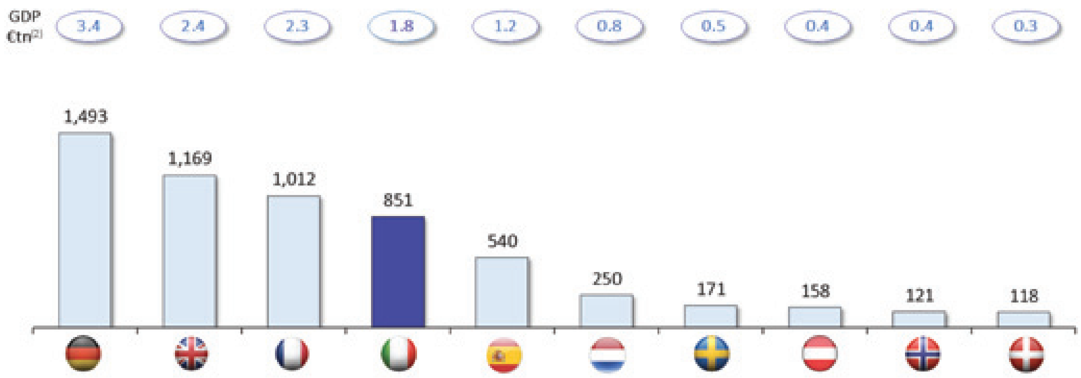
The development of the Italian digital payments market was as a result of:

- changes in the behavior and needs of end customers (consumers, merchants and businesses);
- technological innovations; and
- regulatory interventions.

Gradual replacement of cash payments with digital instruments

Italy, where we operate, is one of the largest European economies, with a GDP of approximately €1,800 billion and total consumer spending of €851 billion in 2018. Italy represents the fourth largest European economy (as shown in the graph below).

Total consumer spending (€ billions, 2018)(1)



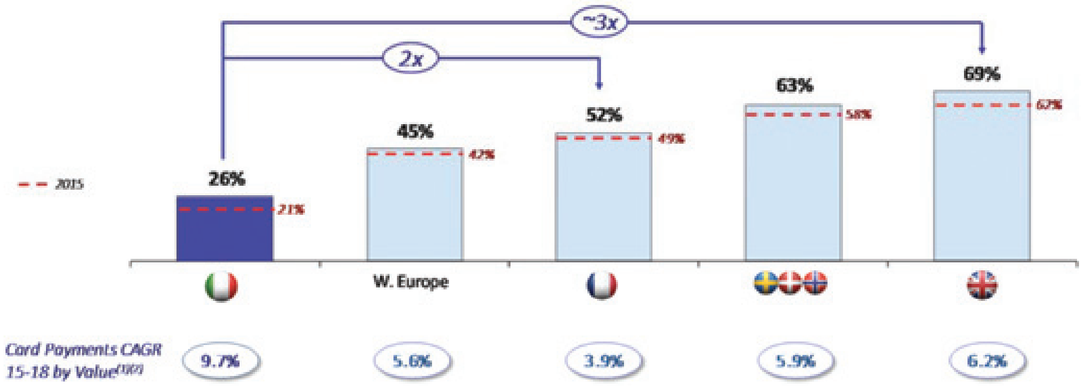
Source: *(1) Euromonitor International Consumer Finance 2019 Edition; (2) Eurostat; 3Q-2018 LTM GDP at current market prices in euro and unadjusted (i.e., neither seasonally adjusted nor calendar adjusted data).*

Note:

Selected countries include Western European countries with the exception of Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions, other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate).

Changes in consumer preferences, availability of new technological solutions and regulatory changes have driven the shift in Italian payments from cash to the use of digital payment instruments, consistent with trends seen in more mature European markets. Italy, however, still has lower penetration of digital payment instruments than such other markets. As shown in the graph below, the aggregate value of payment card spending in the Italian market is lower than the corresponding value in other more mature markets, including France, Scandinavia and Great Britain, which have payment card penetration levels that are double or triple that seen in Italy. Despite lower penetration as compared to other markets, as the graph below shows, payment card transaction value in Italy between 2015 and 2018 grew by a CAGR of 9.7%, one of the highest in Europe.

Growth in card payment penetration within some European countries starting from levels similar to the current Italian penetration (% by value; 2018)



Source: Euromonitor International Consumer Finance 2019 Edition.

Notes:

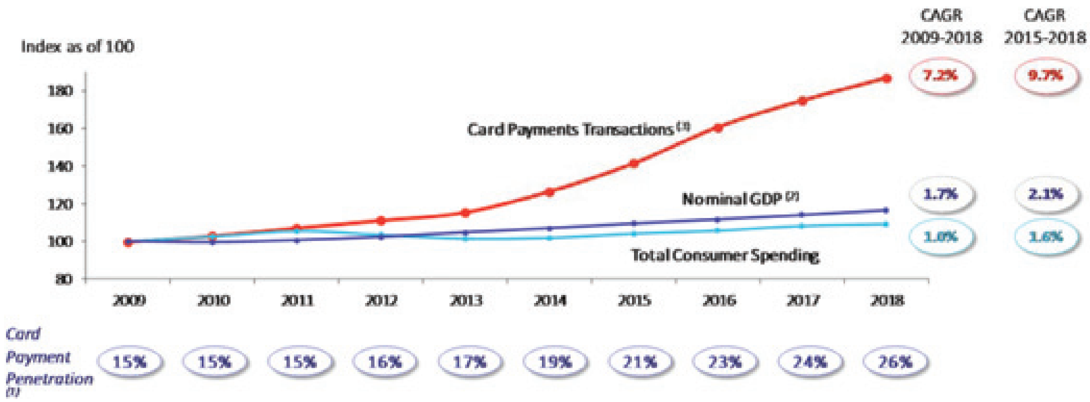
(1) Consumer card payments CAGR 15-18 by value for Western Europe total and Nordics based on fixed 2018 euro exchange rates and for all other countries based on local currency.

(2) Refers to consumer card payments market.

Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending. Consumer card payments is defined as card payment transactions (excluding commercial transactions).

In particular, the growth in digital payments in Italy in recent years has significantly outpaced the growth in consumption and GDP, as shown in the following table (in which the annual values of each indicator have been compared to the respective values of 2009, indexed to 100). The graph also shows that the percentage of card payments of total consumer spending increased from 15% in 2009 to 26% in 2018.

Penetration of digital payments compared to total consumer spending (percentage of total transactions by value)[(1)(2)]



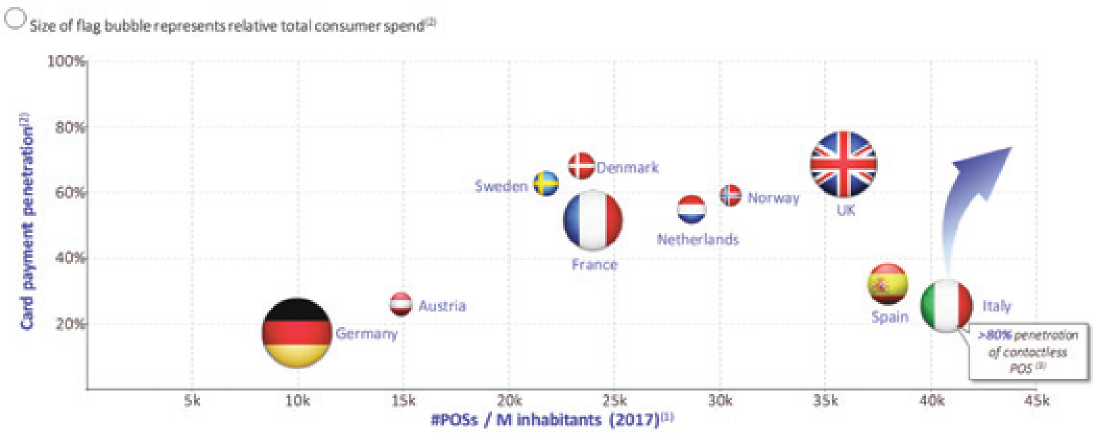
Source: (1) Euromonitor International Consumer Finance 2019 Edition; (2) Economist Intelligence Unit; (3) Refers to consumer card payments market.

Note:

Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending. Consumer card payments is defined as card payment transactions (excluding commercial transactions).

Other European countries, starting from the penetration level of digital payments in which Italy is located, i.e., about 30%, have recorded considerable growth in penetration, as shown by the following graph, which compares the penetration of card payments with the presence of POS terminals, shows that Italy has digital payment acceptance infrastructure comparable with economies having much higher card payment penetration.

Comparison between card payment penetration and POS network penetration[(1)(2)]



Source: (1) Edgar, Dunn & Company (EDC); (2) Euromonitor International Consumer Finance 2019 Edition; (3) Based on management estimates.

Note:

Selected countries include Western European countries with the exception of Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total consumer spending is defined as the sum of card payment transactions (excluding commercial transactions), cash transactions other paper payment transactions and electronic direct/ACH transactions. This tracks retail purchases, service purchases, utility payments, rental payments, etc. This amount excludes peer-to-peer payments, taxes, fines, loan interest charges and investments (including real estate). Card payment penetration is defined as card payment transactions (excluding commercial transactions) divided by total consumer spending.

Sustained growth of payments generated by e/m-commerce.

The Italian market for card payments grew at a CAGR of 9.7% between 2015 and 2018 in terms of transaction value (source: Euromonitor International Consumer Finance 2019 Edition) reflecting the progressive move from cash to digital payments.

During the period from 2016 until 2018, we estimate that our Merchant Services & Solutions business unit grew 10.2% by number of transactions and our Cards & Digital Payments business unit grew by 9.8% by number of transactions (source: management data).

We expect card payments to continue to penetrate the payments market, in part based on the following factors:

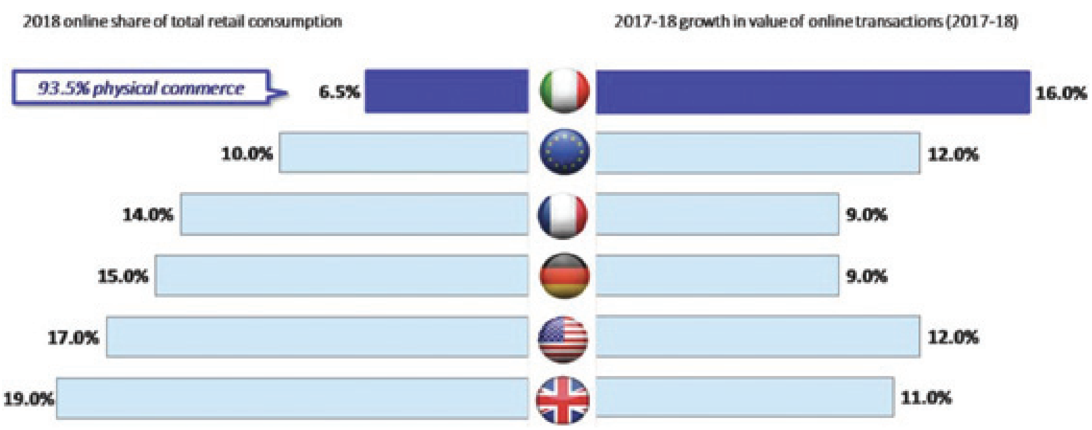
- the increased availability of POS terminals, which are necessary to accept card payments, as evidenced by the concentration of POSs per million of inhabitant (source: Edgar, Dunn & Company); and
- the substantial growth in penetration of card payments over the past several years in countries that had penetration rates of card payments in 2004 similar to the current penetration rate in Italy (source: Euromonitor International Consumer Finance 2019 Edition).

Growth of the reference market could also be supported by regulatory interventions to increase the digitization of the country, as described in greater detail below.

Supported by the evolving needs of end consumers, online commerce, or e-commerce (which includes m-commerce, or commerce conducted over the internet via a mobile device), has grown significantly in recent years, due to increased ease and security of online payments. Payment cards represent a key tool in online commerce transactions since they provide the opportunity for consumers to pay remotely for purchased goods and services.

The expansion of e/m-commerce continued in 2018. The value of online purchases in the world exceeded €2,500 billion (+20% compared to 2017). In Europe, the countries in which e/m-commerce has relatively high penetration rates are Great Britain (€110 billion market in 2018 (+11% compared to 2017) and a 19% penetration rate), Germany (€82 billion (+9% compared to 2017) and a 15% penetration rate) and France (€65 billion (+9% compared to 2017 and a 14% penetration rate). There are also countries where e/m-commerce is under development, characterized by lower penetration rates, such as Italy (€27.4 billion (+16% from 2017) and a 6.5% penetration rate), and Spain (€21 billion (+13% from 2017) and a 6% penetration rate).

E-commerce penetration[(1)] and growth



Source: Politecnico of Milan, Osservatorio e-commerce B2c, October 2018.

Note:

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

The growth of e/m-commerce in Italy in absolute value is equal to €3.8 billion, the highest ever. This result was driven by different dynamics among the segments (source: Politecnico of Milan). For the first time in 2017, the proportion of total goods purchased online overtook that of services (52% compared to 48%, respectively), reaching 56% and 44%, respectively, in 2018, in line with trends in more mature markets. This trend is favored by the growth of internet giants such as Amazon and Alibaba. In 2018, the role of smartphones became increasingly important, with online purchases made by smartphone accounting for 31% of total e/m-commerce, an increase from 25% in 2017. Purchases made from a desktop computer, while remaining the preferred device for online shopping, decreased from 67% in 2017 to 62% in 2018. The proportion of purchases made with tablets has also decreased, from 8% to 7%. According to the Politecnico of Milan, m-commerce from smartphones exceeded €8.4 billion for 2018, an increase of 40% from 2017. The growth of m-commerce from smartphones in absolute value is equal to €2.4 billion and represents 64% of the total value of e-commerce and m-commerce. E/m-commerce solutions are therefore changing consumers' and merchants' experience. Companies operating in the payment services industry are gradually repositioning themselves, given the high potential for growth and high profit margins. In recent years, providers of payment services have developed their software solutions for merchants to be able to provide multi-channel services and support those merchants who are active in the online commerce market with specific solutions.

In particular, the development of e-commerce requires that payment service providers pay the utmost attention to fraud, to limit the occurrence of unexpected costs generated by their services. We estimate that the gross fraud recorded by MasterCard and Visa in Europe in 2018 was 0.079% and 0.080% of total recorded sales, respectively.

Online commerce is also facilitated by tools such as electronic wallets and as a result, providers of payment services to merchants are supporting electronic wallet technologies to guarantee that their merchants can accept these payment methods. We have developed, through the Nexi Pay App, what we believe to be one of the most complete mobile payment platforms in the Italian market, which will allow customers of our partner banks to use Apple Pay, Samsung pay and Google Pay for purchases through their smartphone.

It is expected that these innovative payment solutions will continue to increase their level of penetration among customers and transform the payment experience for customers and merchants. It is unlikely, however, that these payments solutions will lead to a radical change in the payment sector in the short term, since they are based on existing card schemes and payment systems. For example, Apple Pay and Samsung Pay users are required to associate their payment card to the Apple Pay system or the Samsung Pay system, as the case may be. As a result, each transaction is processed in the exact same way and through the exact same players of a purchase made with a traditional, plastic card. In addition, aside from a limited fee payable by the card issuer to Apple or Samsung, there is no significant change in the unitary revenues of the merchant acquirer and the card issuer.

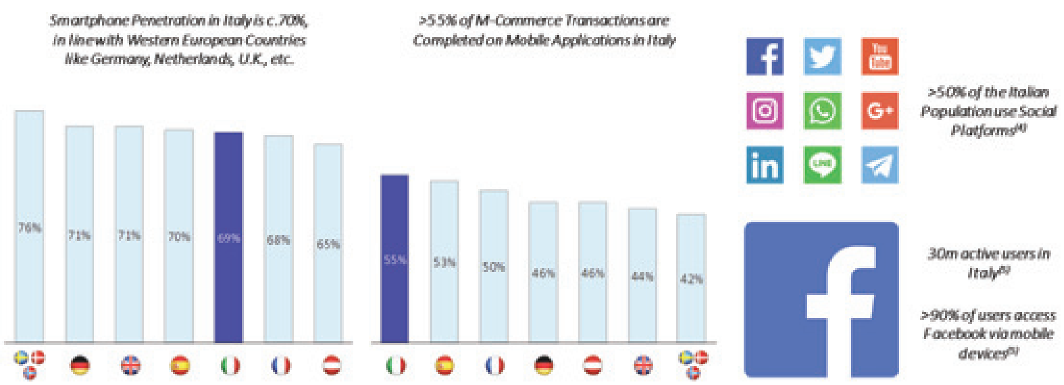
Evolution of end-customers

Individuals

The first element of consumer evolution concerns the growing interest in online commerce, which includes both e-commerce and m-commerce and involves the exchange of products or services through computers and wireless devices such as smartphones and tablets. Consumers are interested in buying online for the flexibility offered, since the restrictions in terms of location and opening hours of brick-and-mortar stores are removed. In addition, online commerce allows consumers to purchase goods and services from other countries without the need to travel.

In addition, mobile communication tools are increasingly at the center of many consumers' daily lives, ultimately driving commerce through the mobile channel. As a result, consumers are showing an increased interest for omni-channel purchase experiences, characterized by an integration of all the interaction channels (physical, web and mobile channels). As shown in the following graph, compared with other European countries, Italy is characterized by (i) penetration levels for smartphones in line with other Western European countries, (ii) a high incidence of the use of apps to complete purchases and (iii) a high use of social networks, in particular Facebook.

Use of mobile phones and social networks in Italy[(1)(2)(3)]



Source: *(1) Edgard, Dunn & Company (EDC)—2017 data; (4) e-market article dated February 6, 2017; (5) News article published by ansa.it dated May 31, 2017.*

Notes:

(1) Penetration calculated as number of people with a smartphone, divided by the total population. Smartphone defined as a mobile phone that performs many of the functions of a computer, typically having a touchscreen interface, Internet access, and an operating system capable of running downloaded apps.

(2) M-commerce defined as transactions conducted electronically via mobile phone.

Changes in consumer preferences have been further accelerated by demographic shifts, with 18-25 year olds, known as “millennials,” tending to be more comfortable with, and adapting more quickly to, new technologies. There are approximately 6 million millennials in Italy. In general, they are enthusiastic users of digital services, tend to be less attached to traditional banks and make significant use of their smart phones for acquisitions and transferring money between other individuals.

This behavioral shift in consumer preferences favors those merchants that are able to tailor their product offers to the specific, evolving needs of consumers, offering the possibility of leveraging data collected in electronic transactions to create loyalty programs and increase customer involvement.

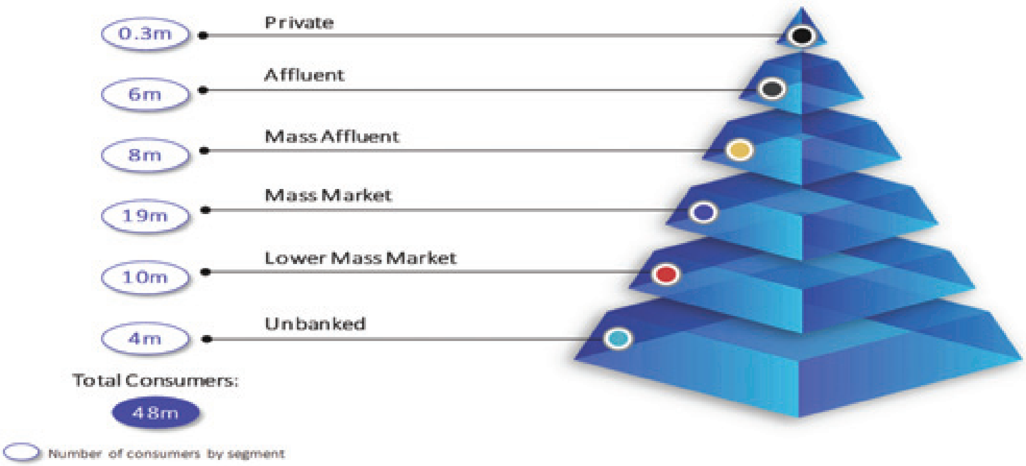
At the same time, the distribution of wealth and spending power is becoming increasingly uneven. In Italy, based on our analysis of ISTAT data, we estimate that 50% of wealth and consumption is in the hands of 10% of the population, which is generally older and usually more familiar with the use of payment cards. The rest of the population is more interested in keeping their family expenses under control, using digital payments for many services, such as digital services based on a subscription.

Finally, immigration is gradually changing the composition of end consumers. Once foreign nationals have established themselves in Italy, their financial and payment needs tend to change, and they require dedicated products, services and distribution channels.

Consumers’ needs regarding digital payment methods are also becoming polarized, with wealthy consumers demanding a higher level of service, while the mass market demands higher security, cost control, access to credit and digital services.

The following graph shows the consumer market segments in Italy.

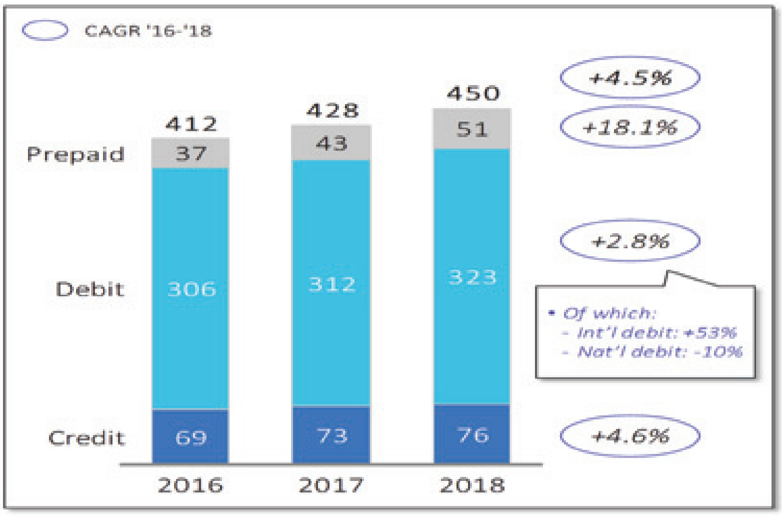
Consumer market segments in Italy



Source: Gfk Eurisko; management data.

As shown in the graphs below, there are approximately 109 million payment cards in Italy and they generate about €450 billion in transactions, including payments conducted at POSs and transactions at ATMs.

Value of payment transactions including payments at POS and transactions at ATMs in Italy (€ billions, 2016-2018)



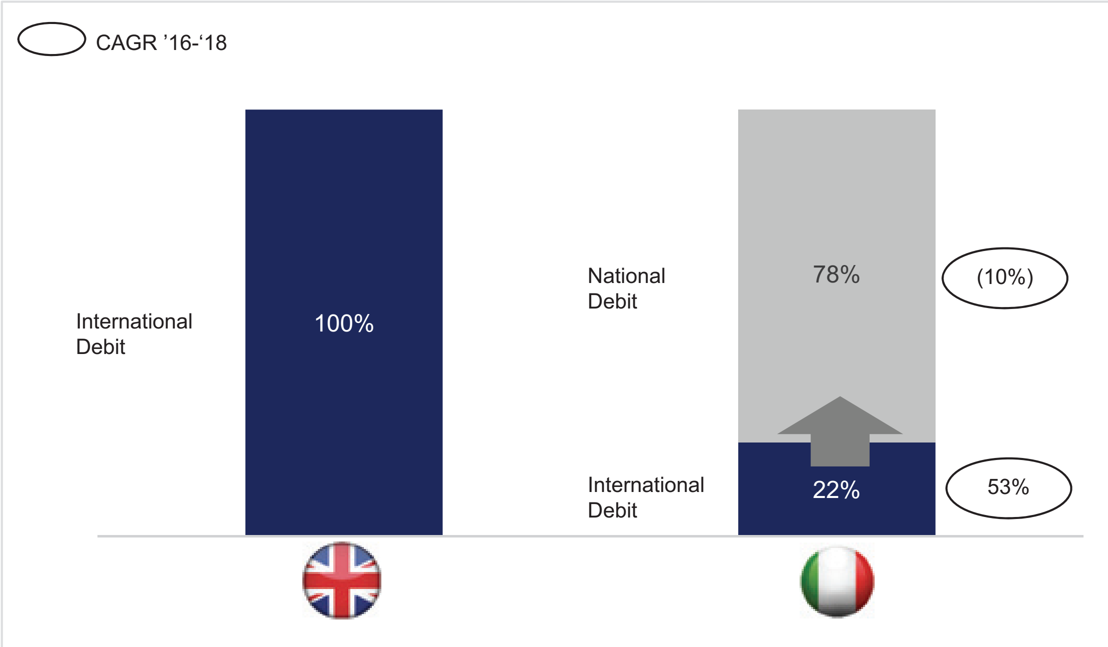
Source: Bank of Italy; management data.

As shown in the above graph, Italy has a mix of cards, with a high proportion of prepaid and national debit cards, and far fewer credit cards. In addition, the use of credit cards with revolving credit limits is very limited.

The widespread use of prepaid cards partly supported the spread of e-commerce in the mass market, prior to the launch of the international debit card.

As shown in the graph below, domestic debit cards predominate in Italy, since international debit cards were only recently introduced.

Distribution of debit cards (Italy compared to UK; 2018; % of cards)



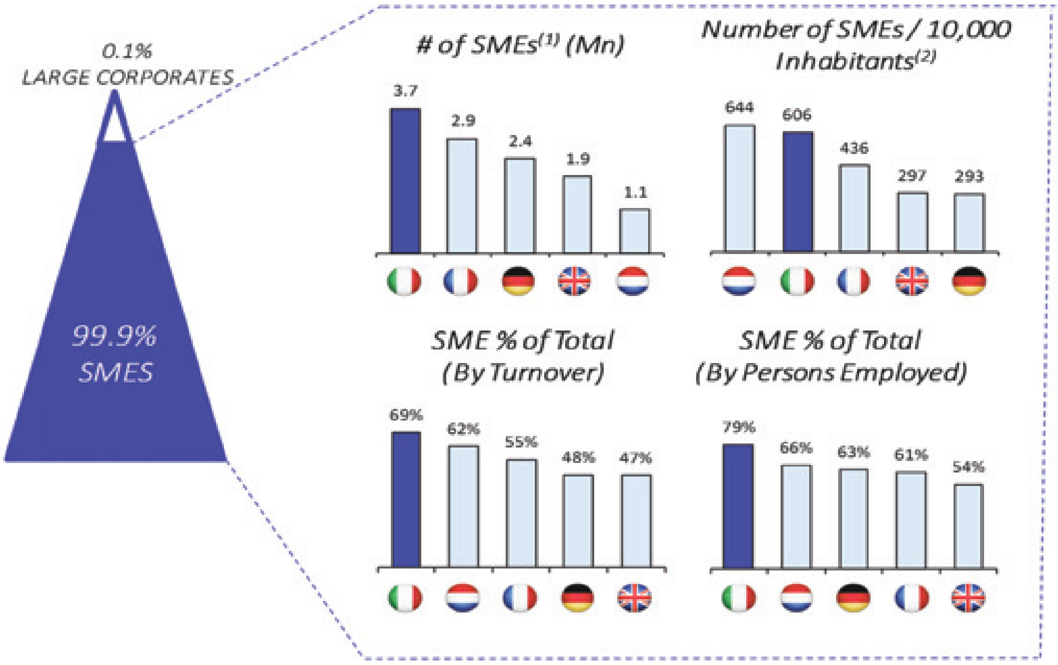
Source: Management data; press articles.

In Italy, payment card issuance is primarily done via banks, which is consistent with mature markets, where digital distribution channels are primarily focused on offering value-added services.

Merchants

Italy is a country dominated by small- and medium-sized enterprises ("**SMEs**"), with large companies representing only 0.1% of the total number of businesses. Compared to other European countries, Italy has one of the highest number of SMEs, with SMEs in Italy generating a larger share of total revenues and employing a larger portion of the total employee population than their counterparts in Holland, France, Germany or the UK.

The Italian entrepreneurial system

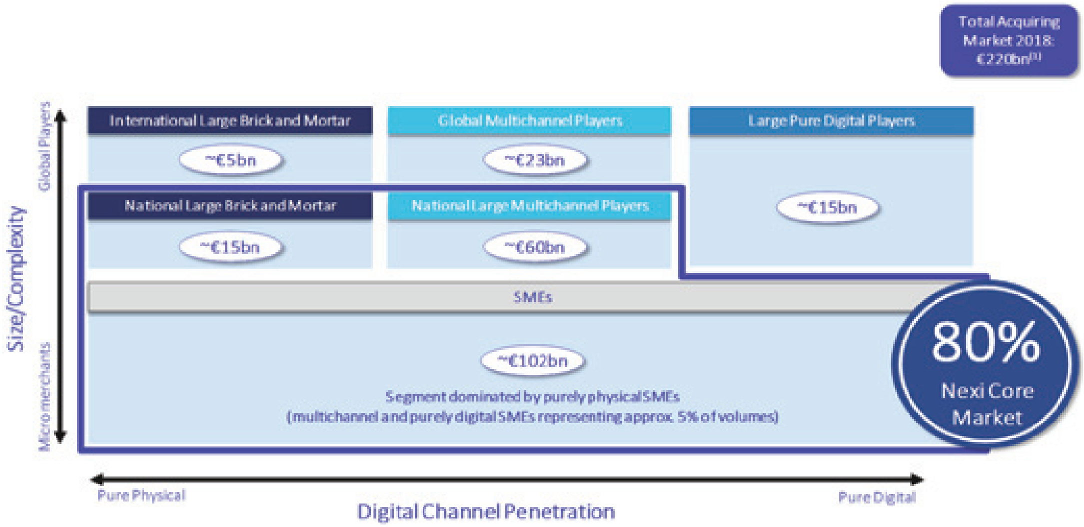


Source: (1) Eurostat 2015; (2) World Bank population data.

Note:
SMEs defined as enterprises with fewer than 250 persons employed; the number of persons employed is defined as the total number of persons who works in the observation unit as well as persons working outside the unit but are paid by it (e.g., sales representatives, delivery personnel, etc.). It excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service.

We estimate that, in 2018, our core market, composed of Italian SMEs and large national merchants operating physical stores or through multiple channels, represented 80% of the €220 billion acquiring market (measured by value of payment card transactions).

Market segmentation of acquiring services



Source: Euromonitor International Consumer Finance—2019 Edition for size of card transaction values; Management data for segmentation.

Payment services offered to merchants are increasingly becoming a technological service that is disconnected from financial services. Merchants, beginning with large players, are adopting omni-channel service models, demanding solutions that are tailored to their specific vertical segment of reference and recognizing payments as the enabling factor for a service or a customer's experience. SMEs are following the same path, albeit at a slower pace, mainly to respond to their customers' new demands.

Within this new context, providers of payment solutions to merchants play a dual role. First, they provide solutions for accepting payments and corresponding ancillary products that allow merchants to meet their customers' current payment expectations including acceptance of payments, payment of balances, settlement of any payment dispute, compliance with PCI regulations, customer payment information storage, reports and data analytics. Second, they offer value added services to support the merchants' activity, developed both internally and by third parties, including management of orders and bookings, inventory, employees, marketing activities, loyalty programs and customer involvement.

As a result, the pairing of payment services with management software, accounting software and other functions that allow customers to make multi-channel purchases are becoming a key element of the large merchants' offer and are expected to become so for SMEs as well. Supported by these integrated services, software and payment system providers are evaluating the possibility of providing payment services for SMEs alongside banks, following a path that has already been followed in more mature markets.

Large merchants also need tailored solutions that can cover the whole range of payment services, including cards and digital payments services (for example, corporate cards) and digital banking solutions (for example, corporate digital banking).

Corporate clients

In recent years, Italian companies (both large and medium-sized enterprises) have become more international, both by increasing the volume of products and services they export as well as by seeking out international suppliers that may be better performing or offer better pricing.

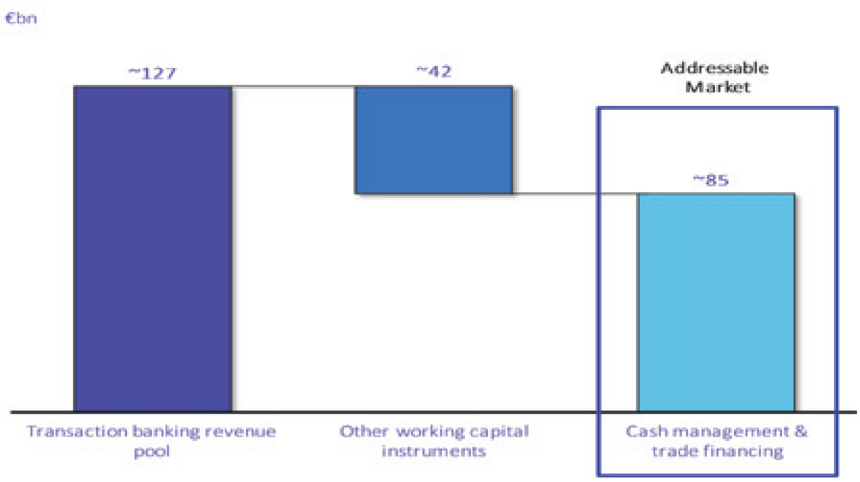
In parallel with these developments, businesses have begun to adopt more sophisticated supply-chain and inventory management systems to support their production and the provision of complex and de-localized services within supply chains that are increasingly based on just-in-time principles.

This increased organizational complexity has, in turn, increased these businesses' requirements for advanced payment services, including, for example, the need for cross-border and multi-currency payment capacity, as well as instant payments, financing of import or export commercial activities and centralized management of the liquidity.

Business customers are increasingly demanding flexible and more responsive solutions for clearing and settlement, and in particular, solutions that enable them to monitor and manage intra-day and within-day liquidity. Moreover, businesses operating in multiple geographical areas and managing complex cross-border supply chains often require real-time payment settlement to be able to operate efficiently.

The following graph shows the size of the market in terms of total revenues generated by B2B payment services.

Revenues from B2B payments (€ billions; Europe, Middle East and Africa; 2017)



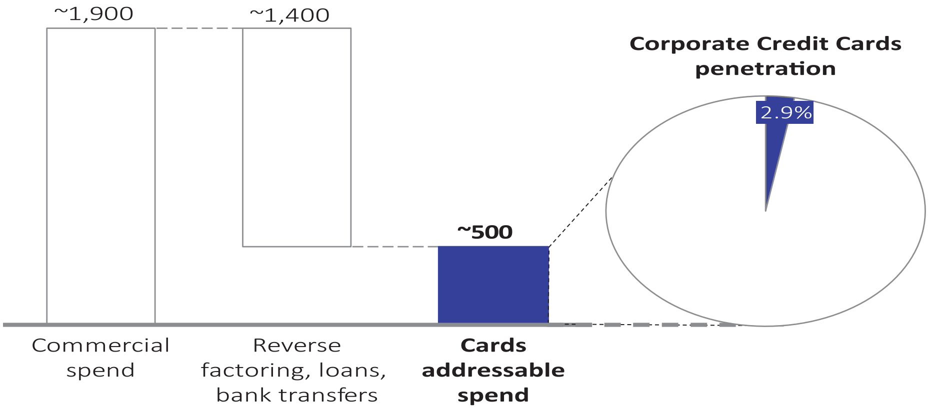
Source: McKinsey Report—2018 Global Payments: A dynamic industry continues to break new ground—average exchange rate of 2018 applied 1.18$/€.

The current market for business-related payment services shows significant areas for improvement because:

- payment processes are fragmented, manual and often paper-based;
- payment flows are often decoupled from the accounting flows of the liability cycle; and
- e-invoicing is being introduced on a large scale.

In addition, there is potential for greater penetration of payment cards among our corporate clients, as shown in the following graph.

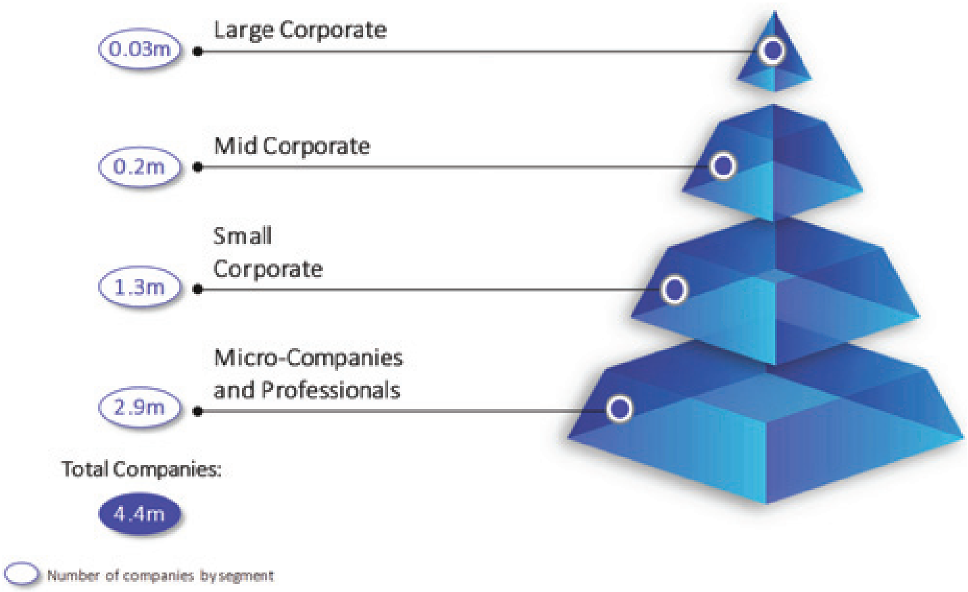
Addressable corporate card market by value of B2B transactions (€ billions)



Source: Kaiser Research analysis for Mastercard (2018).

The corporate client market can be further segment based on the sophistication of their payment requirements.

Segments of the Italian corporate client market



Source: Company analysis based on Istat data (2016).

Technological innovation

Technological innovation is one of the key factors in the increasingly global sector of payment solutions. The possibility for end customers to choose from a wider range of solutions, resulting from innovative payment technologies, has driven a change in consumer preferences, with consumers becoming increasingly more exacting in the way they interact with commerce. With the increased number of payment options available, consumers have demanded payment solutions that are simpler, fast and secure.

Technological innovation, paired with consumers' expectations, is leading the development of new payment methods. Contactless payment methods, for example, have been forecast to grow in Italy at a CAGR of 40% over the 2017-2020 period, in line with the increase of contactless payments in similar economies in Western Europe. Payment system innovations have been numerous in recent years and have focused primarily on:

- the development of electronic portfolios, programs or web services that allow users to store and control online shopping information such as log-ins, passwords, shipping addresses and credit card details in one central location. Online wallets provide a quick and convenient method for consumers to purchase products from any person or store across the globe. Smartphones equipped with Near Field Communication (NFC) may be used to complete contactless transactions with compatible POS terminals, by interacting with the current players of the payment chain (including card scheme merchants, card issuers and merchant acquirers) to offer cardholders functions that are easy and secure to use even at brick-and-mortar stores. International companies that offer these services jointly with more traditional players in the payment chain, include, among others, Apple, Samsung and Google;

- increasing scalability and integration of merchant payment acceptance products as their customization, for example, to be able to accept payments in multiple currencies and with different payments tools;
- introducing next generation physical tools for accepting payments (Smart POS), which pair the well-known payment functions of a traditional POS with next generation payment functions, including the possibility to download applications from a marketplace by offering to SMEs the possibility to access useful services for the management of their business; and
- on the development of instant payments platform that allows customers to instantly clear and settle account-based money transfers.

Following is a list of the main technological innovations of recent years that are likely to have an impact on the payment industry:

- Machine learning and artificial intelligence;
- Distributed ledger, also known as blockchain;
- Internet of Things, or IoT; and
- Biometry.

Artificial intelligence, machine learning and similar technologies will enable processing of very large amounts of data, analysis of internal processes and data analytics, ultimately creating opportunities in sectors like anti-fraud, automation of processes, designing of customers' digital experience, management of the relationship with clients and definition of prices. Some of the possible services that this new technology will introduce—such as benchmarking with competitors, customer profiling, antifraud, and dynamic reports—will soon become necessary elements in the development of an interesting commercial offer for large merchants and will ultimately increase SMEs' loyalty to their payment service supplier.

With regard to blockchain technology, which eliminates the individual broker by using algorithms to verify and safely authorize transactions, some occasional uses linked to payments are now turning into services to be offered to clients. For example, it is now possible to simplify the management of cross-border payments, which are currently dependent on the role played by the correspondent banks. However, some uncertainties still remain, especially with regard to blockchain's scalability and standardization.

It is likely that IoT, a network of "smart" and interconnected tools, will include the possibility to make payments, although in limited volumes, at least in the short and medium term. The diffusion of "smart objects" will extend the purchasing activity of end users to new contexts. For example:

- users will be able to make purchases in their cars, activating the related payments (e.g., for supplies, tolls, parking or fast-food chains);
- new-generation domestic appliances will be able to purchase goods autonomously, for example products needed to bring stocks back to a pre-established level, activating the relevant payments; and
- intelligent microphones will be able to execute purchase orders dictated to them, activating the relative payments.

Biometry enables identification of a customer by physical or behavioral features. It will simplify the user experience and represents an enabling factor that will further the spread of digital payments, by strengthening users' perception of their security.

Regulatory changes

Changes to European regulations, and especially the enactment of the regulation on payment services, PSD2, are providing additional opportunities and promoting competition in the payment services industry.

EU Member States transposed PSD2 into national law by January 13, 2018. PSD2 represents a significant regulatory development that impacts the payments value chain in Europe and is aimed at promoting current account-based payments and supporting the creation of a level playing field for participants in the payment system infrastructure, including for new participants.

PSD2 has also expanded the scope and range of regulated services and has updated the conduct of business requirements for payment service providers. PSD2's main objectives are to contribute to a more integrated and efficient EU market, to make payments safer and more secure, to protect consumers and to encourage a reduction in the cost of payments.

PSD2 is creating a more collaborative environment between incumbents and new entrants, spurring innovation and driving competition with the aim of providing more diverse and technologically advanced payment offerings to customers. PSD2 furthers cooperation between banks and third-party providers ("**TPPs**"), by encouraging the safe and secure, scalable and accelerated mutual sharing of data between banks and TPPs.

PSD2 requires banks to provide, upon a customer's request, a significant amount of data related to the customer's bank account to TPPs, to allow the providers to proceed with payments or use such data to develop new personalized offers. This allows TPPs to develop new payment offers in specific market segments.

Another payment-integration initiative affecting the European payments industry is the implementation of the Single Euro Payments Area ("**SEPA**"). The objective of SEPA is to extend European integration to non-cash euro retail payments and foster efficiency and competition within the Eurozone.

SEPA has introduced uniform payment instruments across Europe, including SEPA credit transfers and SEPA direct debits, and it eliminates interbank fees for payment transactions within the Eurozone. As a consequence of the introduction of SEPA and increased competition, clearing and settlement margins are expected to decrease and prices are expected to stabilize at levels below those existing prior SEPA's introduction.

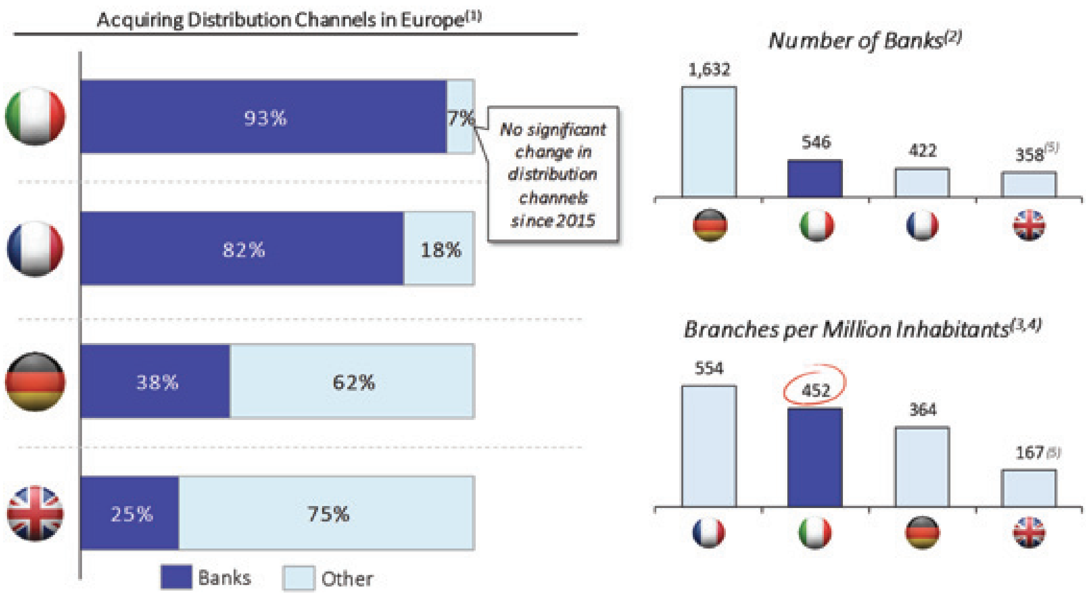
In addition to the PSD2 and SEPA changes, recent Italian governments have implemented other initiatives in recent years, with the aim of increasing the digitalization of the country. In particular:

- the Monti government (2011-2013) introduced a requirement for all operators and professionals to offer the possibility of paying by card;
- the Letta government (2013-2014) relaunched the digital agenda for Italy;
- the Renzi government (2014-2016) introduced a new system for the acceptance of digital payments by the public administration known as PagoPA and, beginning in January 2019, along with a requirement for electronic invoicing between certain categories of tax payers and a requirement that fuel be purchased digitally in order to benefit from tax exemptions; and
- the Conte government (currently in office) introduced a citizens' income ("*Reddito di Cittadinanza"*), that it will distribute by way of prepaid cards.

Evolution of banking partners:

The banking sector represents the largest distribution channel in Italy of payment solutions, for approximately 90% of all payment services to merchants. In addition, the Italian banking sector is substantially fragmented and characterised by a high number of branches in order to have a widespread presence in the territory, as shown in the following graph.

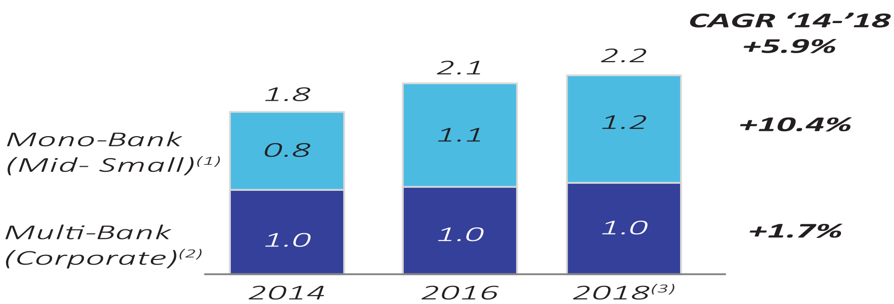
Italian banking system



Source: (1) management data; (2) European Banking Federation as of December 31, 2017; (3) European Central Bank—2017 number of domestic branches; (4) World Bank; (5) Based on 2014 data (latest available for number of branches).

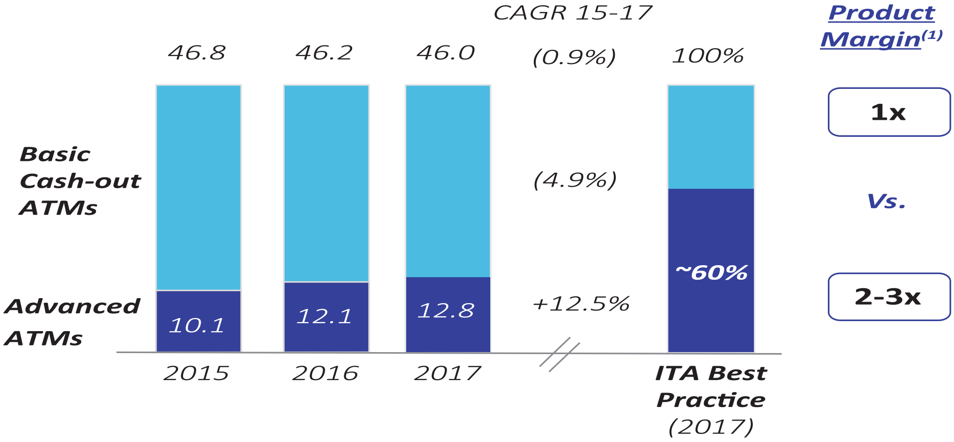
Through the Italian banking system, we offer payments (domestic and SEPA), digital corporate banking and self-banking services, which are aimed at consumers, merchants and companies. The following graph shows the evolution of these markets, in millions of firms registered with the CBI.

Italian digital corporate banking market (millions of entities enrolled to CBI)



Source: Management estimate; CBI statistical report for firms connected to CBI. (1) Assumed as proxy Mono-Bank firms = Mid-Small Business. (2) Assumed as proxy Multi-Bank firms connected with CBI = Corporate. (3) 1H2018 figures.

Italian self-banking market (thousands of ATMs)



Source: RBR for number of ATMs in Italy and best practice (best practice figures refer to 2017); Issuer information (2018). (1) EBIT margin.

Regarding the reference markets for our Digital Banking Solutions business unit:

- the Italian market for Digital Corporate Banking grew at a CAGR of 5.9% between 2014 and 2018 in terms of companies registered with the CBI (source: CBI Statistical Report) with significant growth in single-bank companies (growing at a CAGR of 10.4%) demonstrating the significant diffusion of corporate banking for SMEs. We expect these trends to continue in the coming years; and
- the Italian Self-Banking market showed a reduction in the number of overall ATMs (source: RBR) with a significant shift towards advanced ATMs between 2015 and 2017 (growing at a CAGR of 12.5%) as opposed to simple cash-outs ATMs (which decreased by a CAGR of 4.9% during the same period). We expect these trends to continue in the coming years.

Revenues for Digital Banking Solutions grew 5.0% faster than the reference market between 2016 and 2018 (source: management data).

Given the complexity of, and rapidly evolving technological developments in, the payment system infrastructure, banks are generally served by specialized payment companies, such as the Group, to which they delegate all activities of end-customer analysis, product and service innovation and management of payments.

In recent years, the banking sector has been under considerable pressure, generated by four main elements:

- difficulties in increasing revenues due to low interest rates as a result of an uncertain economic recovery;
- cost pressures to try to sustain margins and shareholder returns;
- reduction in the cost of risk, due to a gradual improvement in the quality of lending and extraordinary operations to dispose of impaired assets; and
- potential requirements to improve their capital position, due to low asset quality and increasingly stringent regulation.

These elements will continue to apply pressure to Italian banking groups, leading to further consolidation of the banking system. Even banks with a primarily local focus (for example, those operating on the BCC system) are facing the possibility of being required to consolidate or take assets of other banks, as required by law or regulatory authorities. However, the timing and direction of the consolidation trends are impossible to predict, considering the different factors affecting industry dynamics.

Regarding the possible development of our business as a result of the consolidation trends in the Italian banking sector, mergers and consolidation of financial institutions, depending on the entities involved, could reduce the number of customers (current and potential) and partner banks for the companies of our Group.

As a result, the larger banks or financial institutions resulting from mergers or consolidation may have more bargaining power in negotiations with our Group.

In addition, in the event that customers or partner banks should go bankrupt, merge or be acquired by other entities that are not customers or distribution partners of our Group or that make less use of its services, there may be a negative impact on the scope of services offered by our Group. For example, the recent acquisition of the former Venetian banks (Veneto Banca and Banca Popolare di Vicenza) by Intesa Sanpaolo has led to a change in the scope of our business with them, with a consequent reduction of the same.

Finally, in the event of significant consolidation, it is possible that clients will be able to replicate our economies of scale autonomously, thus deciding to insource their payment services we currently provide for them. However, in this regard, it should be noted that, faced with increasingly stringent capital requirements and greater regulatory complexity, banks are increasingly interested in accelerating the outsourcing of many products and development of services, particularly when it comes to technologically-specialized products such as payment services. Even large banks have found it convenient to outsource payment activities to a specialized provider. In fact, insourcing payment activities is complex and characterized by significant investment with uncertain returns. The two main Italian banks, resulting from a long process of consolidation (Intesa Sanpaolo and UniCredit), do not handle their own payment services, but outsource them to specialized external companies.

Finally, regardless of future merger scenarios, all Italian banks have started to restructure their distribution networks and branches in order to reduce costs and make full use of available digital technologies (for example, the new self-banking services offered by advanced ATMs, which we also provide).

Competitive Landscape

Globally, the payment industry has become a more complex and innovative environment, where industry participants must become highly specialized and technologically advanced, in order to guarantee a product offer that includes all the different types of payment services.

The increased complexity of products and services, and the demand for efficient operating platforms, has led to industry consolidation, which is expected to continue into the near future. Set forth below are some of the main mergers and acquisitions that have taken place recently:

- Acquisition of First Data by Fiserv (January 2019);
- Acquisition of Bambora by Ingenico (July 2018);
- Merger between Nets A/S and Concardis Payment Group (June 2018);
- Acquisition of SIX Payments Services by Worldline (May 2018);
- Acquisition of iZettle by PayPal (May 2018);
- Acquisition of BS PayOne by Ingenico Group (May 2018); and
- Acquisition of Worldpay Group by Vantiv (August 2017).

Notwithstanding this consolidation process, the European payment services market remains rather fragmented. The market includes international companies and national companies with a strong position in their domestic market. We do not expect the emergence of a single market leader on a European scale in the near future, in light of the long-standing and established relations existing between national payment companies and their partner banks.

We do not believe we have a single competitor for all of the businesses we carry out, since no other company in the industry has the same coverage in terms of products and services offered or customer segments served.

Payment services for merchants (Acquiring and POS)

The Italian market is relatively competitive. We have a stronghold in both the SME and the large merchant segment.

We and our partner banks mainly compete with other Italian non-partner operators.

The main competitors include:

- *UniCredit*

  UniCredit is an Italian banking and financial services group with one of the largest distribution networks and client bases;

- *Poste Italiane*

  Poste Italiane is the main provider of prepaid cards as a result of its Postepay prepaid card, which was launched in 2003 and among the first prepaid cards in Italy. Poste Italiane focuses on SMEs;

- *Gestpay*

  Gestpay is a payments gateway owned by Banca Sella. Gestpay focuses on e-commerce; and

- *BNL Positivity*

  BNL Positivity, a company in the BNL group, specializes in the management of electronic payment.

As of the date of this offering circular, we still have a limited share of the e-commerce/m-commerce market, approximately 21%, based on management's estimate of the e-commerce market at €31 billion, an increase of 19% from 2016. This positioning in this market segment is the result of:

- a significant presence of approximately 50% of the e-commerce and m-commerce market based on our estimates of large global operators (e.g., Amazon and Booking.com), usually serviced by foreign payment service providers; and
- our lower penetration in the e-commerce and m-commerce market compared to brick-and-mortar market penetration.

Analyzing the Italian market for acquiring services, our core market is comprised of SMEs and large national operators active in the physical or multi-channel channels. We estimate that our core market, as of the date of this offering circular, represents approximately 80% of the Italian market.

We renewed our offer of products and services in order to support the operators in our core market in their multi-channel transformation (with particular reference to the enhancement of the XPay e-commerce gateway), in order to fully benefit from the growth of the e-commerce and m-commerce market.

Among our Italian non-partner competitors, banking groups are increasingly considering the outsourcing of their payment solutions as a more cost-efficient solution due to the increasing complexity of the payment industry.

However, our core market does not include large digital global merchants, as they are usually supplied by foreign payment service providers.

Large international acquirers that compete with us in the e-commerce market or with regard to services for large global merchants include, for example:

- *Adyen*

  a listed firm based in Amsterdam, The Netherlands, providing multi-channel payments services mainly to large, international merchants through its single payment platform; and

- *Stripe*

  a United States-based privately held software firm that has been increasing its presence in Europe, including in Italy. Stripe provides the technical risk management infrastructure for internet businesses.

Compared to large international acquirers, however, we can identify further areas of collaboration, in particular in simplifying the customer's purchasing experience, based on our position and experience in the issuing market. If we exclude from the e-commerce and m-commerce market the top 20 global acquirers, we have a market share of approximately 40% based on our management estimates.

Finally, we may face competition from businesses interested in partnering with our existing bank partners, including the following:

- *Acquirer processor* which may offer payment transaction processing services directly to our partner banks and may choose to extend their coverage along the value chain. These include SIA, which is one of our suppliers, and SIX payments, the payments division of SIX Group, recently acquired by the international group Wordline with dominant positions in Switzerland and significant market shares in Austria and Germany; and
- possible integrations along the value chain by original equipment manufacturers which are active in the POS market, and may extend their coverage along the value chain.

Card issuing

Payment cards are linked to a bank deposit or credit line. The payment card enables the cardholder to access funds to make payments by electronic funds transfer or cash withdrawals at ATMs.

Payment cards come in a wide variety of types and designs, with a description of the most common types set forth below:

- *credit cards*

  characterized by an underlying revolving credit account established by the card issuer from which the cardholder can borrow money and can roll over outstanding balances from month-to-month, with interest accruing on the outstanding balance;

- *charge cards*

  similar to credit cards except that holders of charge cards have to settle their outstanding balance each month;

- *debit cards*

  unlike in the case of credit and charge cards, debit cards immediately withdraw funds from the cardholder's bank account when a payment or withdrawal is made; and

- *prepaid cards*

  characterized by a stored value with which payments can be made until the underlying account, which can be held by a bank or another provider, is depleted.

Companies operating in the Italian card issuing market may be large commercial banks serving their own client bases or card issuers that are not commercial banks but have strong partnerships with commercial banks. In Italy, payment cards are primarily distributed through the branch networks of commercial banks. As a result, card issuers that are not commercial banks, like us, operate in partnership with banks that do not have the scale or the strategic rationale to handle card issuing and management functions in-house.

We and our partner banks mainly compete with other Italian non-partner operators. Our main competitors include Italian banks such as UniCredit and BNL. Other card issuers that are not commercial banks include American Express, which has a meaningful presence in credit cards, and Poste Italiane, which is the main Italian provider of prepaid cards.

We may face competition from other types of players that sell directly to end consumers, including:

- *Natively digital banks*, such as N26 or Revolut;
- *Big Tech*, such as Amazon; and
- *International merchants*, such as Wirecard and PayPal.

We could also face competition in the card issuing business from other players that might partner with our partner banks. These include issuer processors that may offer payment transaction processing services directly to our partner banks and may choose to extend their coverage along the value chain.

Digital payment solutions

Wholesale, large-value payments in Italy are processed through TARGET2, the interbank payment system for real-time gross settlement of transfers throughout the Eurosystem, operated by the European Central Bank.

In contrast, clearing sub-systems handle retail, low-value electronic and paper-based transactions between participants on a net settlement basis.

Clearing and settlement of Italian domestic transactions between local clearing sub-systems are managed through “BI-COMP,” the national multilateral clearing and settlement platform managed by the Bank of Italy.

Local clearing subsystems act as assigned operators and are in charge of the multilateral clearing phase, while the Bank of Italy, through BI-COMP, is responsible for calculating clearing balances and transmission for settlement in TARGET2. Currently, there are three assigned operators in Italy: Depobank, SIA and ICCREA. Smaller banks without access to the BI-COMP platform settle their transactions through local platforms, such as Depobank or ICCREA. Settlement activities require a banking license.

SEPA transactions are cleared according to two alternative clearing models: a pan-European Automated Clearing House (“**ACH**”) model, which is managed by EBA Clearing, and the European Automated Clearing House Association (“**EACHA**”) model, which is based on the interconnection of local clearing sub-systems. Settlement of SEPA transactions is then executed by national European central banks, or by the European Central Bank. In Italy, Depobank and ICCREA operate a joint SEPA-compliant ACH which, following the EACHA model, is interconnected to other local clearing sub-systems, EBA Clearing and central banks.

SIA provides processing services to EBA Clearing but does not act as an ACH. Depobank, which formerly belonged to the Group, is responsible for transmitting our payments for settlement.

REGULATION

Relevant laws, rules and regulations

The following is a list of the primary laws, rules and regulations applicable to our activities, which are described in detail below.

In relation to the regulations indicated below, as of the date of this offering circular we are not aware of any breach of the aforesaid regulations by our subsidiaries, which may have a negative impact on our economic and financial position.

With respect to privacy and data protection regulations, from September 2018 we have resumed our implementation GDPR in light of our corporate reorganization and the regulatory changes that have taken place.

In particular (a) on September 4, 2018, Legislative Decree no. 101/2018 was published in the Official Gazette "Provisions for the adaptation of national legislation to the provisions of the Regulation (EU) 2016/679", in full force since September 19, 2018, amending the Data ProtectionCode, coordinating it with the GDPR and definitively completing the Privacy regulatory framework in Italy and (b) on October 8, 2018 the Authority issued a measure containing operational instructions on the compilation and storage of the Processing Register (*Registro delle attività di trattamento*).

As of the date of this offering circular, we are not aware of any possible changes to the primary regulations applicable to our industry listed below that may result in a significant impact on our business.

Payment services legislation

- PSD2, which repealed PSD1;
- CRD IV;
- the RRC;
- Directive 2009/110/EC of the European Parliament and of the Council of September 16, 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions;
- the Rules on Interchange Fees;
- the PAD;
- Commission Delegated Regulation (EU) 2018/389 of November 27, 2017 supplementing PSD2 as regards regulatory technical standards for strong customer authentication and common and secure open communication standards;
- EBA guidelines providing certain instructions to be followed by payment service providers and users, among others, with regard to the management of codes giving access to the use of payment instruments or payment accounts on the Internet;
- the Consolidated Banking Law;
- the Decree on Payment Services, as subsequently amended by Decree no. 218, which implemented the PSD2 in Italy;
- the MEF decrees;
- the Supervisory Provisions; and
- Bank of Italy regulation of September 18, 2012 regarding the supervisory provisions on retail payment systems (*Disposizioni in materia di sorveglianza sui sistemi di pagamento al dettaglio*).

Antitrust and competition law

- National competition laws, in particular the Competition Act, which lays down certain mandatory provisions concerning cartels, concentrations between undertakings and abuse of a dominant position in the market, as well as EU regulations, primarily including (i) the Treaty on the Functioning of the European Union ("**TFEU**"), with particular regard to infringements of EU antitrust rules (Articles 101 and 102 TFEU), such as cartels or abuse of a dominant position in the market, and (ii) Regulation (EC) No 139/2004 of January 20, 2004 on the control of concentrations between undertakings; and

- the Italian Civil Code, Legislative Decree No 206 of September 6, 2005 and the TFEU on unfair competition and unfair business-to-consumer commercial practices, and Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market.

Anti-money laundering and anti-terrorism legislation

- AMLD IV, implemented in Italy by Decree no. 90; and
- AML Decree, as recently amended by Decree No 90.

Privacy policy

- Regulation 2016/679/EU of the European Parliament and of the Council of April 27, 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (the "**General Data Protection Regulation**" or "**GDPR**"), as implemented in Italy by Legislative Decree no. 101 of August 10, 2018;
- Legislative Decree no. 196 of 30 June 2003 containing the "Personal Data Protection Code," as amended by Legislative Decree no. 101 of August 10 2018, containing "Provisions for the adaptation of national legislation to the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation)"; and
- the measures taken by the Italian Data Protection Authority.

Regulations applicable to payment institutions

The subsidiaries Nexi Payments, an Electronic Money Institution (*Istituto di Moneta Elettronica*), and Mercury Payment Services, a Payment Institution (*Istituto di Pagamento*), are subject to the regulations on the provision of payment services described below.

Overview

On November 13, 2007, the European Parliament and the Council adopted Directive 2007/64/EC ("**PSD1**") to harmonize the payment services market and remove legal barriers for payments throughout the EU. PSD1 has, among others, introduced a licensing system for market access by payment service providers and regulated the relationship between payment service providers and consumers. PSD1 was intended to improve competition by opening up payment markets to new entrants, thereby encouraging greater efficiency and cost reduction, and, at the same time, to support the creation of a Single European Market for Retail Payment Services ("**SEPA**").

On November 25, 2015, PSD1 was repealed by Directive (EU) No 2015/2366 of the European Parliament and of the Council ("**PSD2**"), in light of the progress made in the integration of the payments market in the EU and the considerable technical innovations that have occurred since the adoption of PSD1. PSD2 seeks to address the evolution of the payments market and respond to certain shortcomings of the previous regime, including, in particular: (i) the uneven application of the relevant rules in the different Member States; (ii) the existence of numerous exemptions from the scope of PSD1; and (iii) the regulatory vacuum in which many operators in the sector have operated under PSD1.

To this end, PSD2 has: (i) broadened the scope of application of the provisions on payment services; (ii) amended the own funds requirements imposed on payment institutions and electronic money institutions; (iii) introduced new payment services to cover services previously seen as merely complementary, such as the provision of payment orders and account information; and (iv) strengthened safeguards against operational and security risks related to payment services.

The framework outlined by PSD2 supplemented by the implementing regulations of the European Commission (including the Commission Delegated Regulation (EU) 2018/389 of November 27, 2017, which integrates the technical regulatory rules for strong customer authentication and open standards of common and secure communication) that are directly applicable to recipients and by the guidelines established by the European Banking Authority ("**EBA**").

Within the framework set out in PSD2, it is envisaged, among others, that:

- payment institutions are required to protect funds received from payment service users or through another payment service provider for the execution of payment transactions in two different ways: (i) the funds may not be confused with the funds of any natural or legal person other than the payment service users on whose behalf the funds are held; or (ii) the funds must be covered by an insurance policy or some other comparable guarantee obtained from an insurance undertaking or credit institution which does not belong to the same group as the payment institution;
- unless the payment service user has acted fraudulently, in the case of an unauthorized payment transaction resulting from the use or misappropriation of a lost or stolen payment instrument, the payment service provider shall reimburse the amount of the unauthorized payment transaction that was executed after the loss, theft or misappropriation was reported to him. Notwithstanding the above, the payer may be obliged to bear the loss relating to unauthorized payment transactions resulting from the use of a lost or stolen payment instrument or from its misappropriation up to a maximum of €50,000; and
- in relation to information security, payment service providers are called upon to establish a framework of mitigation measures and appropriate control mechanisms to manage operational and security risks, relating to the payment services they provide, establish and manage effective incident management procedures, including for the identification and classification of serious operational and security incidents. Payment service providers are also required to initiate a process of archiving, monitoring and controlling access to sensitive payment data.

In Italy, the fundamental principles governing the provision of payment services are contained in Legislative Decree no. 11 of January 27, 2010 ("**Decree on Payment Services**"), which implemented PSD1, the Consolidated Banking Act, as well as in the Bank of Italy Order of 17 May 2016 "Supervisory provisions for payment institutions and electronic money institutions" (the "**Supervisory provisions**").

Legislative Decree no. 218 of December 15, 2017 ("**Decree no. 218**") implemented PSD2 in Italy, making significant changes to both the Consolidated Banking Act and the Decree on Payment Services.

Decree no. 218 provided that all payment institutions and electronic money institutions that were authorized to operate as of January 13, 2018 could continue to operate under such authorization after July 13, 2018 as long as they complied with the requirements of articles 114-quinquies and 114-novies of the Consolidated Banking Act and transmitted the documentation attesting to such compliance to the Bank of Italy by April 13, 2018.

On April 13, 2018, Nexi Payments sent the Bank of Italy the required documentation in order to maintain our authorization to operate past July 13, 2018, which the Bank of Italy acknowledged positively on 20 July 2018, authorizing Nexi Payments to carry out EMI's activities. In the second half of 2017, we commenced a program to bring our operations in line with the new standards introduced by PSD2 and the regulatory technical standards adopted by the EBA. The program is ongoing, with certain updates becoming effective during 2019. On April 12, 2018, Mercury Payment Services sent the Bank of Italy the required documentation and, on July 13, 2018, the Bank of Italy authorized Mercury Payment Services to continue to operate as a payment institution.

On July 11, 2018, the Bank of Italy published a consultation document aimed at making some changes and additions to the Supervisory Provisions in order to implement the provisions contained in PSD2. The proposed amendments concern, among others: (i) the content of the program of activities to be submitted to the Bank of Italy at the time of authorization; (ii) the requirements regarding administrative and accounting organization and internal controls; (iii) the operations of Italian institutions in Italy and abroad and of foreign institutions in Italy; (iv) the introduction of new services for the provision of payment orders and information on accounts; and (v) the requirements for the protection of client funds. The proposed amendments provide, among others, for a gradual transition to the new PSD2 and measures to avoid any potential for the new regime to have detrimental effects on the ability of institutions to comply with their capital requirements.

Authorization to provide payment and security services

Pursuant to Article 114-sexies of the Consolidated Banking Act, the provision of payment services is reserved, among others, for banks, electronic money institutions and payment institutions. Pursuant to Article 114-quinquies of the Consolidated Banking Act, electronic money institutions are defined as legal persons, other than banks that are authorized in Italy to issue electronic money ("**EMIs**"). Payment institutions, on the other hand, are legal persons other than banks and EMIs that are authorized to provide the payment services referred to in Article 1(2)(f)(4) of the Consolidated Banking Act ("**Payment Institutions**").

Payment Institutions and EMIs are subject to authorization and supervision by the Bank of Italy and are registered in a special register that is accessible to the public. An authorization to operate as a Payment Institution or EMI may be issued by the Bank of Italy only if the latter verifies, under specific conditions, that the conditions exist to ensure the sound and prudent management and regular functioning of the payment system.

Through a passporting regime, Payment Institutions and EMIs can also offer payment products and services within the EU, thus making it attractive for European payment service users to pay for and receive funds within and outside their home country.

PSD2 has introduced a number of changes relating to the requirements for obtaining authorization to operate as a Payment Institution or EMI and the cross-border operation of such institutions. The consultation published by the Bank of Italy on July 11, 2018 contains proposals for amendments and additions to the Supervisory Provisions including with respect to the content of the information that Italian institutions must provide to the Bank of Italy when they intend to operate abroad.

Capital adequacy of Payment Institutions and EMIs

Pursuant to the Supervisory Provisions, Payment Institutions and EMIs are required to calculate regulatory capital in accordance with the provisions of the "New Prudential Supervisory Provisions for Banks" (Bank of Italy Circular no. 263 of December 27, 2006).

The amount of the regulatory capital of these institutions must at all times be at least equal to the total capital requirement provided for by the Supervisory Provisions themselves and, in any case, the amount of regulatory capital must never be less than the level of the minimum initial capital required for the establishment of the institution.

The Supervisory Provisions provide that institutions may determine the capital requirement for the risks associated with payment services provided using one of the two methods described and regulated by the Supervisory Provisions.

Using the first method, the capital requirement must be at least 10% of such institution's fixed operating costs for the previous year. Under the second method, the capital requirement must be at least equal to the sum of the part of the payment volume ("**PV**") referred to in paragraphs (a) to (e) below, where PV is equal to one-twelfth (1/12) of the total amount of payment transactions made in the preceding year, multiplied by the graduation factor "K" below:

(a) 4% of the PV up to €5,000,000.00;

(b) 2.5% of the PV higher than €5,000,000.00 and up to €10,000,000.00;

(c) 1% of the PV higher than €10,000,000.00 and up to €100,000,000.00;

(d) 0.5% of PV above €100,000,000.00 and up to €250,000,000.00; and

(e) 0.25% of the PV higher than €250,000,000.00.

The "**K**" factor applicable to payment services depends on the service provided and may be 0.5, 0.8 or 1.0.

The Supervisory Provisions also provide that the capital requirement for the issuance of electronic money is equal to 2% of the average electronic money in circulation. The latter shall be equal to the average of the total amount of the financial liabilities in respect of electronic money issued at the end of each day during the preceding six months, calculated on the first day of the month following that half-year and applied to that month.

In addition, Payment Institutions and EMIs granting loans must also calculate an additional capital requirement of 6% of the loans disbursed from time to time, excluding loans related to the execution of payment transactions by credit cards with monthly balance (capital requirement against credit risk).

Overall, Payment Institutions must consistently hold a total minimum capital requirement at least equal to the sum of the capital requirement for payment services provided and, if applicable, the capital requirement for credit risk. EMIs must at all times have a minimum total capital requirement of at least the sum of: (i) the capital requirement for payment services, not related to the issuance of electronic money, provided; (ii) the capital requirement for the issuance of electronic money; and, where applicable, (iii) the capital requirement for credit risk.

The Bank of Italy, using its discretionary power following an assessment of risk management procedures, loss risks and internal audit processes, may require Payment Institutions and EMIs to present a capital requirement up to 20% higher than the amount that would be applicable on the basis of the above criteria. The Bank of Italy could also allow Payment Institutions and EMIs to present a capital requirement up to 20% lower than the base amount.

In order to ensure the harmonization at European level of the instruments included in the regulatory capital of prudentially supervised entities and to increase the quality and minimum level of the regulatory capital of Payment Institutions and EMIs, PSD2 provides that, subject to certain exceptions, the definition of "own funds" applicable to banks and investment firms under Regulation (EU) No. 575/2013 of the European Parliament and of the Council ("**CRR**") applies to Payment Institutions and EMIs.

PSD2 requires own funds to consist of Tier 1 capital and Tier 2 capital. Tier 1 capital consists of at least 75% of primary Tier 1 capital (Common Equity Tier 1 capital), as defined in Article 50 of the RCRC; Tier 2 capital may be included in the calculation of own funds up to one-third (1/3) of Tier 1 capital. Tier 1 and Tier 2 capital are composed of positive and negative elements whose computability is governed by the CRR and its implementing regulations.

As mentioned above, in order to implement PSD2, on July 11, 2018 the Bank of Italy published a consultation document proposing amendments and additions to the Supervisory Provisions concerning, among other things, own funds. The proposed amendments provide for transitional arrangements in order to ensure that institutions have an adequate period of time to carry out the necessary capital strengthening measures, review their funding strategies and, where appropriate, access the capital markets so that: (i) the amount of deferred tax assets that depend on future profitability and do not result from temporary differences can be deducted in progressively increasing percentages until 2022; and (ii) the impacts on the Tier 1 primary capital of the application of IFRS 9 can be distributed over a period of five years.

Acquisition of shareholdings in Payment Institutions and EMIs

Under articles 114-quinquies.3 and 114-undecies of the Consolidated Banking Act and article 19 of the same Consolidated Banking Act, any person who intends, alone or in concert, to acquire shareholdings in a Payment Institution or in an EMI, directly or indirectly, for any reason involving control or the possibility of exercising significant influence over such institutions or which carry a share of voting rights or capital of at least 10%, taking into account such person's holdings, must request prior authorization from the Bank of Italy. Changes in shareholdings are also subject to prior authorization when the proportion of voting rights or capital reaches or exceeds 20%, 30% or 50% and, in any case, when the changes involve control over the Payment Institution or EMI itself.

The Bank of Italy will assess the quality of the potential purchaser and the financial stability of the proposed acquisition in the light of the following: (i) the reputation of the potential acquirer; (ii) the suitability of those who, as a result of the acquisition, will perform administrative, management and control functions in the Paying Institution or EMI; and (iii) the ability of the Paying Institution or EMI to comply with the provisions governing its business following the acquisition.

Following the enactment of Legislative Decree no. 72 of May 12, 2015 ("**Decree no. 72**"), which transposed into Italian law Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 ("**CRD IV**"), Articles 25 and 26 of the Consolidated Banking Act were amended in order to strengthen the requirements relating to shareholders and administrative, management and control bodies with regard to, among others, fairness and competence. Pending the entry into force of the provisions implementing Articles 25 and 26 of the Consolidated Banking Law, the provisions in force before Decree no. 72 will continue to apply.

Finally, pursuant to Article 22 of the Consolidated Banking Act and the Supervisory Provisions, any agreement that governs or may, directly or indirectly, result in the concerted exercise of a vote at a shareholders' meeting of a Payment Institution or an EMI must be submitted the Bank of Italy. If the agreement results in a concerted vote that would jeopardize the sound and prudent management of a Payment Institution or EMI, the Bank of Italy may suspend the voting rights of the members participating in the agreement.

The above rules relating to the purchase of Payment Institutions and EMIs' shareholdings apply to us, as the controlling shareholder of Nexi Payments and Mercury Payment Services.

Corporate governance, administrative and accounting organization and internal controls

Overview

The Supervisory Provisions contain general rules concerning, among other things, the administrative and accounting organization and internal controls of Payment Institutions and EMIs, aimed at achieving a more efficient organization of the corporate governance structure of Payment Institutions and EMIs in order to ensure the sound and prudent management of these institutions.

Payment Institutions and EMIs are required to define and apply adequate corporate governance practices and to ensure (i) an adequate balance of powers between management and the board, (ii) a balanced composition of the board, (iii) the effectiveness of controls, (iv) the monitoring of all corporate risks, and (v) the adequacy of information flows.

In particular, the Supervisory Provisions provide for the establishment of the following functions:

- "strategic oversight" (*funzione di supervisione strategica*)

This function is responsible for defining the institution's policies and strategies, as well as its business model and strategic directives. In particular, this function ensures that the strategy, the budgets and the internal controls system are consistent, including in light of any changes in internal and external conditions under which the institution operates.

Furthermore, at least once a year this function approves the activity plan of the control functions, including the audit plan by the internal audit function and it examines the annual reports drafted by the control functions.

In addition, the strategic oversight function:

(i) approves the risk management policies (operational, credit, liquidity, etc.), as well as the related procedures and methods of detection and control;

(ii) approves the processes relating to the provision of payment services and, in the case of EMIs, the issuing of electronic money, and periodically checks their adequacy;

(iii) verifies that the structure of the corporate control functions is defined in accordance with the principle of proportionality and the strategic guidelines and that the functions are provided with adequate resources (both qualitative and quantitative);

(iv) approves and verifies, at least once a year, the organizational structure and the allocation of tasks and responsibilities; and

(v) verifies that the information flow system is adequate, complete and timely;

- "management" (*funzione di gestione*)

  This function is responsible for the management of the institution and the implementation of the policies and strategies defined by the body responsible for strategic oversight. Without prejudice to the specific governance structure adopted, this function shall be performed by the executive directors together with the managing director and any general manager; and

- "control" (*funzione di controllo*)

  This function is equivalent to the Board of Statutory Auditors under a traditional governance model. It receives adequate and timely information from the management and the strategic oversight function and, in turn, forwards all of the relevant information to which it may have access in the exercise of its role to such functions, in particular by reporting any actual or potential breach of the applicable rules or of the statutes.

  In addition, the Board of Statutory Auditors must inform the Bank of Italy in the event of a breach by the management or body responsible for strategic oversight, or if the latter does not take any action to remedy irregularities or violations.

As mentioned above, persons performing administrative, management and control functions at Payment Institutions and EMIs are required to meet specific eligibility requirements in terms of professionalism, integrity and independence, pursuant to Article 26 of the Consolidated Banking Act.

As of the date of this offering circular, the members of the administrative, control and management bodies of Nexi Payments and Mercury Payment Services meet the requirements of professionalism, integrity and independence, pursuant to Article 26 of the Consolidated Banking Act.

Requirements, roles and responsibilities for control systems

Payment Institutions and EMIs must establish an internal control system that ensures that the institution's activities are in line with its strategy and internal policies and that its activities comply with the rules of sound and prudent management.

Therefore, the Payment Institutions and EMIs establish permanent and independent functions for compliance, anti-money laundering, risk management and internal audit, which are responsible for the following:

- *Compliance*

  The compliance function oversees and manages the risk of non-compliance (i.e., the risk of legal or administrative sanctions, significant financial losses or damage to the institution's reputation as a result of violations of mandatory rules or internal policies) and ensures that policies and procedures are appropriate to prevent such risks. This function acts according to a risk-based approach and in accordance with the principle of proportionality. The compliance function should have access to all the significant activities of the institution and to any information relevant to its functions, including through direct interactions with staff. The compliance function's responsibilities also include: (i) involvement in the ex-ante compliance assessment with respect to the regulations applicable to all innovative projects; (ii) prevention and management of conflicts of interest; and (iii) providing advice and assistance to the institution's bodies on all matters where the risk of non-compliance is material;

- *Risk management*

  The risk management function: (i) collaborates in the development of risk management policies and related procedures and methods of detection and control; (ii) oversees the functioning of the risk control system and verifies compliance by the institution and; (iii) verifies the adequacy and effectiveness of the measures taken to remedy the shortcomings found in the risk control system (in particular, with respect to Payment Institutions and EMIs that are subject to operational, legal and reputational risks deriving from relations with customers);

- *Anti-money laundering*

  The anti-money laundering function is responsible for verifying, among others, that the procedures adopted by the institution are adequate to prevent and combat the violation of the rules on money laundering and terrorist financing; and

- *Internal audit*

  The internal audit function is responsible for monitoring, including through *on-the-spot* checks, the evolution of the performance and risks connected with the institution's activities, assessing the completeness, adequacy, functionality and reliability of the organizational structure and other parts of the internal control system and reporting on any areas for improvement. In addition, internal audit assesses the organization, powers and responsibilities of the risk management, anti-money laundering and compliance functions, including the quality and adequacy of staff and resources, and alignment with industry best practice. To this end, the internal structure of the institution must be consistent with its activities and complexity in accordance with the principle of proportionality.

In general, the decision-making process and the identification of the functions attributed to the personnel of a company must be formalized, the risk management process must be integrated and systematic and, in any case, the operating and control procedures must minimize the risks associated with fraud or misconduct on the part of employees, prevent and manage conflicts of interest, avoid any involvement in money laundering or terrorist financing, fraud or the misappropriation of funds or assets.

The control functions should have the authority, resources and expertise to fulfill their respective roles; their staff should be adequate in terms of number, technical expertise and professionalism, including through the establishment of continuous training programs. In any case, the control functions shall cooperate with each other and with the other functions in order to develop their control methods consistent with the institution's strategy and operations.

Individuals in charge of the control functions—which must be appointed by the management body, after having obtained the consent of the body for strategic oversight and prior consultation of the control body—shall hold an adequate hierarchical and functional position.

From an organizational point of view, the control functions are separate from each other and their respective roles, powers and responsibilities are formalized in writing. Each control function must submit an annual report on its activities to the corporate bodies and provide these bodies with advice on their functions.

Governance requirements applicable to administrative, management and supervisory bodies

Payment Institutions and EMIs are subject to rules which, in many respects, are comparable to those applicable to banks. For example, the organizational structure and corporate governance of a Payment Institution and an EMI must, among others, ensure the sound and prudent management of that institution. In addition, persons performing administrative, management and control functions must meet the requirements of professionalism, integrity and independence set out in Article 26 of the Consolidated Banking Act (as a result of the referral made by Articles 114-quinquies. 3 and 114-undecies of the Consolidated Banking Act).

Prior to implementation of the reformed Consolidated Banking Act, the legislative and regulatory provisions in force before Decree no. 72 will continue to apply.

The consultation published by the Bank of Italy on July 11, 2018 in order to incorporate the changes introduced by the PSD2 also proposes changes to the administrative and accounting organization and internal controls of EMIs and Payment Institutions. In particular, with a view to strengthening the organizational controls that Payment Institutions and EMIs must have in place to ensure more effective risk management, these institutions must have, among other things: (i) a specific policy for the management of security risks; (ii) procedures for the management and control of these risks; (iii) systems for the prevention and monitoring of security incidents and fraud; and (iv) procedures for filing, monitoring, tracking and limiting access to sensitive data relating to payments.

Outsourcing

Payment Institutions and EMIs may outsource operational functions relating to payment services or the issuance of electronic money as well as the system of internal controls. In accordance with the Supervisory Provisions, such institutions must notify the Bank of Italy at least 60 days before the outsourcing of such functions.

In addition, EMIs that intend to use contractual partners for the distribution and redemption of electronic money must send the Bank of Italy a general scheme of agreement at least 60 days before entering into the agreement. Any significant changes made to the contractual scheme must also be notified to the Bank of Italy at least 60 days before their adoption.

Payment Institutions and EMIs that outsource operational functions related to payment services, electronic money issuance or certain other important functions are required to ensure that:

- outsourcing does not lead to the delegation of responsibilities by corporate bodies;
- the relationship and obligations of the institution toward its customers in the provision of payment services or in the activity of issuing electronic money are not altered; and
- compliance with the conditions which the institution must fulfill in order to be authorized to provide payment services or to issue electronic money and to retain such authorization is not jeopardized.

The outsourcing relationship must be governed by written agreements that clearly describe all significant aspects of the relationship, including, among others: (i) the respective rights and obligations of the parties; (ii) the envisaged service standards and related verification procedures; (iii) the conditions under which the agreement may be amended; and (iv) the deadline and procedures for renewal and termination of the contract.

In addition, Payment Institutions and EMIs must retain control of the outsourced functions and activities and manage the related risks, including the risks associated with any potential conflicts of interest. They must be granted access to data relating to outsourced activities and to the premises where the service provider operates (at no additional cost). Institutions and suppliers must then adopt, implement and maintain an emergency plan for restoring the systems to working order in the event of a disaster and periodically checking back-up devices, when this is necessary in view of the outsourced function. Suppliers may be subject to inspections and audits by the Bank of Italy.

Companies to which activities are outsourced must, among other things: (i) have the expertise, capacity and any authorization required by law to perform the outsourced functions in a professional and reliable manner; (ii) provide the outsourced service effectively; (iii) inform the institution of any event that could materially affect its ability to perform the outsourced functions effectively and in accordance with applicable law and requirements; and (iv) ensure the protection of confidential information about the institution and its clients.

Nexi Payments outsources certain operational functions related to both payment services and the issuance of electronic money. These operational activities are outsourced by specific arrangements to:

- EquensWordLine, which provides various services including:
  - Card Issuing;
  - Card Acquiring;
  - Authorization & Routing;
  - ATM and POS management; and
  - Payment Management.
- SIA, which provides services of:
  - Card Issuing; and
  - Card Acquiring.
- CSS, to whom we outsource the maintenance and management of the single computer archive (*archivio unico informatico*).
- IDEMIA (formerly Oberthur Technologies Italia), which provides customization services, including:
  - processing of card production flows;
  - PIN printing;
  - procurement of products and raw materials and management of vaults; and
  - preparation of shipping and embedding documents and packages.
- Mercury Payment Services, which provides card manufacturing services, namely:
  - processing of card production flows;
  - PIN printing;
  - procurement of products and raw materials and management of vaults; and
  - preparation of shipping and embedding documents and packages.
- IBM, which provides PDL management services.
- Sales Force, which manages the cloud of the platform that supports the onboarding process of our merchant customers.
- Sisal and Bank 5, to whom we outsource the distribution of electronic money (i.e., recharging of prepaid cards).

Mercury Payment Services outsources certain operational functions relating to payment services and its internal control system. These operational activities are outsourced by specific arrangements to:

- Intesa Sanpaolo, which provides IT services; and
- Nexi Payments, which manages the internal audit function.

Payment account regulations

Nexi Payments and Mercury Payment Services are also subject to the payment account rules set out in Directive 2014/92/EU of the European Parliament and of the Council of July 23, 2014 on the comparability of charges, transfer and access to payment accounts ("**PAD**"). The PAD was adopted with the aim of fostering the development of a highly inclusive economy and the integration of the internal market for retail banking services through the definition of a common framework for the protection of consumer rights related to access to and use of payment accounts in the EU. Among other things, the PAD has given consumers legally residing in the EU the right to open and use a payment account with basic characteristics, regardless of their nationality or Member State of residence, and has improved the transparency of charges and the process of changing the account.

The implementation of the PAD in Italy took place through Legislative Decree no. 37 of March 15, 2017, which amended the Consolidated Banking Act by introducing in Title VI the new Chapter II-ter containing "*special provisions relating to payment accounts*." Specifically, this amendment concerned: (i) the transparency and comparability of charges relating to the payment account; (ii) the transfer of payment services relating to the payment account; and (iii) the basic account.

In implementing the Consolidated Banking Act, the Ministry of Economy and Finance ("**MEF**") and the Bank of Italy subsequently issued their own provisions (e.g., with regard to the basic account and the transfer of payment services related to the account). On December 27, 2018, the Bank of Italy published the "Transparency of financial banking transactions and services" order (Bank of Italy Order of July 29, 2009 and subsequent amendments) for consultation in order to complete the adaptation of secondary regulations to the changes introduced by the PAD.

Regulation on interchange fees for paper-based payment transactions

Nexi Payments and Mercury Payment Services are required to comply with the provisions of EU Regulation (EU) 2015/751 of the European Parliament and of the Council of April 29, 2015 on interchange fees for paper-based payment transactions (the "**Interchange Fees Regulation**") entered into force on June 8, 2015 and became fully applicable from June 9, 2016, subject to certain exceptions.

The Interchange Fees Regulation aims to increase the level of competition and integration of the European payment card market by eliminating differences between national and cross-border payments. Interchange fees are normally applied between payment service providers and payment service providers issuing cards belonging to a given payment card scheme, as they are a major component of the fees charged to merchants by payment service providers issuing cards for each card-based payment transaction. Competition between payment card schemes to persuade payment service providers to issue their cards has thus led to an increase rather than a reduction in interchange fees.

To this end, as from December 9, 2015, a limit of 0.3% of the transaction value was set on the application for credit cards and 0.2% for debit and prepaid cards. With respect to debit and prepaid cards, the Interchange Fees Regulation provides that Member States may: (i) set a ceiling for interchange fee transactions below 0.2% and may impose a fixed maximum amount of commission as a limit to the amount of commission resulting from the applicable percentage; or (ii) allow payment service providers to charge an interchange fee per transaction not exceeding €0.05, which may also be combined with a maximum percentage not exceeding 0.2%, provided that the sum of the interchange fees of the payment card scheme never exceeds 0.2% of the total annual value of domestic debit card transactions within each payment card scheme. Until December 9, 2020, Member States may also allow payment service providers to apply a weighted average interchange fee not exceeding the equivalent of 0.2% of the annual average value of all domestic debit card transactions within each payment card scheme and to set a lower weighted average interchange fee ceiling applicable to all domestic debit card transactions.

Furthermore, the Interchange Fees Regulation lays down uniform technical and commercial requirements for card-based payment transactions carried out in the EU, when both the payer's payment service provider and the payee's payment service provider are located in the EU with the aim of strengthening harmonization in the sector and ensuring greater security, efficiency and competitiveness of electronic payments, to the benefit of merchants and consumers. The regulation limits the ability of intermediaries to oblige merchants to accept cards of different types and has introduced constraints to ensure the organizational and accounting separation of the governance of card schemes from that relating to the provision of processing services, as well as increased transparency of the conditions applied to the merchant.

At the national level, the aforementioned Decree no. 218, in addition to implementing the provisions contained in the PSD2, has provided for some provisions to bring Italian legislation into line with the Interchange Fees Regulation.

Antitrust laws

We and our subsidiaries, which are considered to be a single entity for the purposes of competition laws, are subject to the provisions set out in Article(s) 2 and 3 of Law No 287 of October 10, 1990 and (ii) 101 and 102 of TFEU.

These provisions prohibit, at both the national and European level, (i) agreements between companies, decisions made by associations between companies and concerted practices that have as their object and/or affect the restriction of competition and (ii) the abuse of a dominant position by one or more companies within the national or European market.

With specific reference to the prohibition of unlawful agreements under antitrust law, we and our subsidiaries must refrain from engaging in conduct aimed at concerting our commercial decisions (e.g., relating to prices or contractual conditions) with those of other companies outside our Group. Forms of collusion also include the exchange of sensitive information which, under certain conditions, can appreciably reduce the independence of the commercial decisions of the companies concerned.

With respect to the prohibition of abuse of dominant position, the existence of a dominant position is not in itself incompatible with the antitrust laws. Rather, it is illegal to exploit a dominant position in an abusive way (for example, through behavior that is aimed at excluding competitors or at maximizing profits that ultimately causes damage to consumers).

If it was determined that we have a dominant position in relation to the markets in which we operate in Italy (issuing, acquiring and processing), we would be required to comply with certain obligations of conduct as a result of the "special responsibility" which applies to holders of dominant positions vis-à-vis other market operators in order to guarantee the fullness of the competitive dynamic. The main element to be taken into consideration in determining whether a company has a dominant position is market. It is unlikely, according to the market practice, that a company would be determined to enjoy a dominant position with a market share less than 40%. Likewise, while not determinative, the presence of market shares of more than 40% alone may constitute an important indication of the existence of a dominant position. Finally, shareholdings above 60% are sufficient, save in exceptional circumstances, to prove the existence of a dominant position in a given market.

We expressly undertook to the Italian Antitrust Authority when we acquired SI Holding (the parent company of CartaSì, now Nexi Payments) to comply with the following parameters of conduct given our significant market share in the relevant markets:

- As regards the provision of services:

  (a) *Non-direct issuing and/or acquiring*:

  "*prepare a clear and transparent offer for processing activities (operational and IT), in which the price, conditions and quality level of each individual service offered will be specifically indicated. The offer will not include any obligation to purchase the entire package of services: each customer will be guaranteed the possibility to turn, at the customer's request,* ***to third party operators for the provision of one or more of the services included in the ICBPI (Nexi) offer****.*

  (b) *Issuing and/or direct acquiring*:

  "*apply clear and transparent service and economic conditions to its customers. For this purpose, service contracts will be prepared and made available to potential customers in which the relevant conditions and the price applied will be clearly indicated, in such a way as to facilitate comparison with the offers of processing activities (operational and IT), referred to in point (a) above*."

  (c) *POS processing*:

  "*ensure that the offer for the management of the POS does not include any obligation to purchase the entire package of services: each customer will be guaranteed the possibility to turn, at the request of the customer, to third party operators for the provision of IT processing services*."

- As for equal treatment:

  "*apply to customers who are not shareholders of ICBPI (**Nexi**), its subsidiaries or its parent companies, the same contractual conditions as those applied to customers who are shareholders of ICBPI (**Nexi**), its subsidiaries or its parent companies*."

- As for the choice of a possible independent processor:

  "*In relation to the provision of IT processing services functional to the activity of issuing and/or acquiring, in the event that ICBPI (**Nexi**) decides not to use the services of companies in the ICBPI group (**Nexi**) or the current processor, ICBPI (**Nexi**) undertakes to select the IT processor through an open, transparent and non-discriminatory procedure, awarded on the basis of the tender considered most advantageous in terms of economic conditions and quality of service*."

Any finding of an infringement of antitrust law may result in the application of penalties of up to 10% of turnover in the financial year preceding the notification of the warning.

Finally, we must comply with the rules on unfair business practices set out in Legislative Decree 206/2005 (the "**Consumer Code**") implementing the Directive 2005/29/EC of the European Parliament and of the Council. In particular, these provisions prohibit us and our subsidiaries from engaging in unfair commercial practices, i.e., conduct, outside the scope of our professional diligence, that is false or likely to distort to an appreciable extent the economic decisions of consumers in relation to the products offered. The commission of unfair business practices may result in the imposition of sanctions of up to €5,000,000.00.

Anti-money laundering and anti-terrorism legislation

Nexi Payments and Mercury Payment Services, as EMI and Payment Institution, respectively, are subject to the provisions of law and regulations aimed at the prevention of money laundering and terrorism, which are mainly contained in: (i) Legislative Decree No 231 of November 21, 2007 (the "**AML Decree**"), implementing Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, Directive 2006/70/EC implementing that Directive, as last amended by Legislative Decree No 231/2007, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and Decree no. 90 of May 25, 2017 ("**Decree no. 90**"), implementing Directive 2015/849/EU ("**AMLD IV**"); (ii) the directive containing implementing provisions on organization, procedures and internal controls aimed at preventing the use of intermediaries and other persons carrying out financial activities for the purposes of money laundering and terrorist financing adopted by the Bank of Italy; (iii) the directive containing implementing provisions on adequate customer due diligence, adopted by the Bank of Italy, pursuant to Article 7(2) of the AML Decree, on April 3, 2013 and in force since January 1, 2014; and (iv) the indicators of anomaly and the schemes representing anomalous behavior periodically issued by the Bank of Italy, the Ministry of Economy and Finance and the Financial Reporting Unit ("**FIU**").

In particular, pursuant to the above-mentioned legislation, Payment Institutions and EMIs are required, among others, to:

- adequately identify and verify, using a risk-based approach, the client, the executor and the beneficial owner (using stricter procedures in circumstances with a high risk of money laundering or terrorist financing), as well as establish the sources of financing of the clients. These checks must be carried out before establishing a commercial relationship and on an ongoing basis, or in the case of occasional transactions involving the transfer of an amount exceeding €15,000.00;
- keep a copy of the documentation acquired as part of the activities of adequate verification of customers, as well as a copy of the original documentation relating to the relationships and transactions with customers. These records shall be kept for a period of 10 years from the termination of the business relationship or occasional operations. In order to comply with these obligations, Payment Institutions and EMIs are required to adopt appropriate systems for the storage of data, documents and information in accordance with applicable data protection regulations;
- send the aggregated data to the FIU;
- report suspicious transactions to the FIU; and
- establish internal control measures and ensure adequate training of employees and collaborators to prevent money laundering and terrorist financing operations.

In the event of serious and systematic failure to comply with the aforementioned duties, Payment Institutions and EMIs are subject to a pecuniary administrative sanction ranging from €30,000.00 to the greater of €5,000,000.00 or 10% of their total annual turnover when turnover is available and can be determined. The pecuniary administrative sanction from €10,000.00 to €5,000,000.00 is applied to the persons holding administrative, management and control functions of the intermediary who, by not carrying out all or part of the tasks, directly or indirectly, related to the function or assignment, have facilitated or in any case made possible the infringements of the intermediary or the failure to comply with the order to eliminate the infringements and to refrain from repeating them, or have had a significant impact on the exposure of the intermediary to the risk of money laundering or terrorist financing. If the advantage obtained by the author of the violation is greater than €5,000,000.00, the pecuniary administrative sanction is raised up to twice the amount of the advantage obtained, provided that this amount is determined or determinable.

In a notice dated February 9, 2018, the Bank of Italy provided—within the limits of the powers assigned to it—information on the procedures by which intermediaries, including payment institutions and EMIs, are required to comply with the anti-money laundering obligations set out in the AML Decree, as amended by Decree no. 90 transposing AMLD IV. The guidance concerns both the transitional period and the subsequent period, until the entry into force of the new implementing legislation of the Bank of Italy, currently in consultation.

On June 19, 2018, Directive (EU) 2018/843 of the European Parliament and of the Council of May 30, 2018 (the "**AMLD V**") on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing was also published in the Official Journal of the European Union, amending the previous legislation on the subject. In addition to the major changes to public access to information on European company owners and the new prepaid card regime, the changes that are worth mentioning include new developments affecting crypto-currency transactions and related services. Member States will have to adopt the laws, regulations and administrative provisions necessary to comply with AMLD V by January 10, 2020.

Credit reporting and debt collection

Independent Credit Information Systems ("SICs")

SICs, formerly known as "private credit registers," are independent databases accessible to banks and other intermediaries to ensure the reliability and timeliness of payments. They are used to assess the advisability of granting consumer credit, loans and financing in any technical form. Activity performed by a SIC is governed by the Data Protection Code (as defined below).

Intermediaries who utilize SICs are under a duty of confidentiality. Banks, intermediaries and the managers of the SIC are required to check the accuracy of the information reported and to update it as necessary. Customers have the right, following a request to the lender or to the SIC, to know what information is registered in their name and, in case of error, to request the deletion or modification of any incorrect data. The elimination, integration and modification of data can also be ordered by a decision by the Interbank Register of Bad Checks and Payment Cards (*Centrale di Allarme Interbancaria*), the authority responsible for the protection of personal data.

The Interbank Register of Bad Checks and Payment Cards is a computerized archive, managed by the Bank of Italy, which allows you, free of charge, to check the data recorded in your name, check the regular circulation of bank or postal checks and payment cards and request clarifications regarding the operations of the Register.

The purpose of the Interbank Register of Bad Checks and Payment Cards is to sanction and prevent the abnormal use of bank and postal checks and payment cards, improving the security of these instruments and increasing users' confidence in them.

Debt collection

Debt collection is governed by the Italian Civil Code. A creditor can decide to engage in an out-of-court procedure in order to obtain payment without causing any harm to his relationship with its debtor. The first step is to send a letter with notice of default to the debtor by certified registered mail. The letter, sent by the creditor or by a subject allowed to collect debts on the creditor's behalf, requests payment of the amount of the debt and indicates that, in case of failure to pay, legal action to commence court proceedings will follow. There is no prescribed form for drafting said demand letter. If an out-of-court solution cannot be reached, court proceedings may be started.

Data protection

Payment institutions and electronic money institutions are required to comply with Italian and EU data protection law, as set out in the code of conduct no. 6 dated November 16, 2004 published in the Official Gazette of the Italian Republic No. 300 of December 23, 2004 and issued in application of the Legislative Decree No. 196/2003 as amended by Legislative Decree No. 101/2018 ("**Data Protection Code**"), and the implementing regulations issued by the Italian Data Protection Authority (the "**Authority**"). On May 4, 2016, Regulation 2016/679/EU regarding the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("**European General Data Protection Regulation**" or "**GDPR**") and Directive 2016/680/EU on the protection of individuals with regard to the processing of personal data by competent authorities for the purposes of the prevention, investigation, detection or prosecution of criminal offenses or the execution of criminal penalties, and on the free movement of such data, were published in the EU official journal. GDPR became effective on May 25, 2018.

As a general rule, the Data Protection Code requires that personal data be processed in accordance with the rules of the GDPR and the Privacy Code, with respect for human dignity and the fundamental rights and freedoms of the individual.

Specifically, GDPR protects, among other things, "personal data" (any information relating to an identified or identifiable natural person), "sensitive data" (personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, as well as personal genetic data, biometric data intended to uniquely identify a natural person, data concerning the health or sex life or sexual orientation of the person) and personal data relating to criminal convictions and offenses (personal data relating to criminal convictions and offenses or to related security measures).

The GDPR introduced, among others, the following changes, which may impact on our activities:

- data controllers will be directly responsible for the personal data processing and must be able to demonstrate compliance with the GDPR principles;
- a data protection officer is required to be appointed, under certain circumstances;
- personal data must be adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed ("**data minimization**");
- an impact assessment of the proposed processing operations on the protection of personal data must be carried out by the data controller before processing is carried out, where a type of processing, in particular where it involves the use of new technologies, having regard to the nature, subject matter, context and purpose of the processing, is likely to present a high risk to the rights and freedoms of natural persons; and
- reporting and notification duties of personal data breaches to the relevant supervisory authorities. The GDPR also introduces significant administrative fines for breaches of the obligations set out in the GDPR. These penalties may be imposed up to an amount of €20,000,000.00 or, if higher, 4% of our total annual worldwide turnover in the previous year.

Further measures govern:

- personal data processing within mobile remote payment services (see the Authority's provision no. 258 of May 22, 2014);
- data processing by outsourcers and tracking of access to data carried out by bank/payment institutions' staff (see the Authority's provision no. 192 of May 12, 2011);
- intragroup communication of suspicious transaction reports sent to the UIF for anti-money laundering purposes (see the Authority's provision of September 10, 2009);
- data processing within the business relationships between banks and customers, including: (i) data protection duties toward the customer and third parties; (ii) data reporting duties to public, administrative and judicial authorities; and (iii) data access by specific categories of individuals (see the Authority's resolution no. 53 of October 25, 2007); and
- customer identification duties (see the Authority's provision of October 27, 2005).

The following paragraphs describe the measures taken out internally to ensure our compliance with the rules enacted by the GDPR.

In June 2017, we established a working group guided by the Organization & Processes Service with the support of a leading consulting firm, which included members of the Compliance & AML Service and CISO Area.

The project was designed as follows:

- a first assessment stage, which came to an end in October 2017, whose purpose was to analyze the level of compliance and thoroughness of the monitoring and technical units to ensure an adequate level of protection for personal data, as well as the effect of the new legislative requirements on existing processes and procedures;
- a second stage, following the assessment, devoted to the development of the adoption plan (the GDPR Masterplan), whose purpose was to identify any necessary intervention that needed to be carried out, so that such actions could be planned consistently with the entry into effect of the new regulations, after "taking into account the current practices regarding treatment and the costs for the implementation, as well as the nature, subject, context and purposes of the treatment, as well as the various degrees and likelihood of risk for the rights and freedoms of the physical persons." With regard to the main normative requirements, the project developed over two main vectors: one vector addressing the organizational actions and compliance, while the other addressed the necessary actions on the IT system and with regard to security;
- a third implementation stage, whose purpose was to design and implement the solutions identified during the first two phases. We considered it a priority to finalize and/or implement the necessary actions to achieve the objectives that were deemed mandatory by the GDPR, even if it meant resorting to temporary solutions. These interventions included:
  (a) reviewing the organizational model for the protection of personal data, also in consideration of the establishment of the new function of the Data Protection Officer ("**DPO**");
  (b) updating the privacy policies;
  (c) establishment of the Processing Registers;
  (d) implementation of the model for assessing the impact on the protection of data and the starting of the analysis on new and ongoing processes;
  (e) designing the processes concerning the management of the right of interested subjects;
  (f) designing the process for the management of the notifications in case of data breaches;
  (g) updating of contracts with suppliers/outsourcers with specific reference to the privacy provisions and, if necessary, of the appointments to the data supervisor office; and
  (h) designing the plan for training employees and its delivery as an e-learning training course.

Furthermore, in this context, pursuant to Art. 37 of EU Regulation No. 2016/679, our CEO appointed Ms. Daniela Bragante as Data Protection Officer.

In September 2018, we reactivated the compliance project in light of:

- our recent corporate reorganization; and
- recent changes to applicable regulations, including, in particular, (a) Legislative Decree No. 101/2018 of September 4, 2018, "Provisions for the alignment of current national regulations with the provisions of EU Regulation No. 2016/679," which was published in the Official Journal and became effective on September 19, 2018, which amended the Data Protection Code to make it consistent with the GDPR and to complete the reference normative framework for privacy in Italy, and (b) on October 8, 2018, the Authority issued a provision which included operative instructions on the filling out and storage of the Processing Register (*Registro delle attività di trattamento*).

More specifically, a new working group was established under the direction of the Compliance & AML Function, with the support of two leading consulting firms and the active participation of the CISO Area.

The project, which is currently ongoing, provided for the establishment of an organizational and compliance project stream, characterized by the following main activities:

- reviewing and updating, for each company in the Group, the Internal Privacy Organizational Model;

- updating, for each company in the Group, the Processing Registers, in light of both recent corporate and organizational developments and new requirements introduced by the provision of the Authority of October 8, 2018;
- reviewing and updating the internal regulations on privacy;
- updating the current data breach process; and
- delivery of a specialist training program for employees and of an IT project stream.

Relations with supervisory authorities

During the period from February 12 to May 4, 2018, the Bank of Italy conducted a review of Nexi Payments to assess our compliance with the regulations on the transparency of transactions and customer relationships. The assessment concluded that we are predominantly compliant. In particular, the review concluded that our organizational and management structures are, on the whole, suitable for monitoring compliance with the rules on transparency and fairness in customer relationships (we received an opinion of 2 on a scale of 1 to 4). However, the following areas for improvement have been identified:

- **Governance**: strengthen our governance by increasing the verification analyses for the various phases of the process: compliance checks; independent checks by the Board of Statutory Auditors;
- **Challenged Transactions and complaints**: improve the formalization of roles and responsibilities; create uniform guidelines; review/update the forms in use. Reallocate resources to prevent conflicts of interest; implement guidelines to ensure consistent and coherent conduct; review the amount of resources in view of the new PSD2 requirements.
- **Information to customers and contractual phase**: monitor the timely implementation of contracts used by partner banks to ensure updated and consistent format; strengthen controls to monitor use; with respect to customer assistance by telephone, explain the costs borne by the caller and align existing information; update website with respect to the products/conditions offered by direct issuing. Monitor the contracts with customers used by partner banks to ensure information is accurate and updated; identify discrepencies and, where there are errors, compensate the affected customers.
- **Unilateral variations**: define and formalize a process that details the areas of responsibility between the issuer and the placing bank (information charges, documents, traceability of evaluations and reasons for variations).
- **Early closure of relationships**: ensure partner banks use correct forms for card blocking and related communications with clients.
- **Control functions**: better define the areas of competence between Compliance and Internal audit. Compliance: strengthening of dedicated resources to extend the scope and scope of sample analyses. Risk Management: development of methods for analyzing operational risks to include the effects of the conduct of placement agents in relations with customers. Internal Audit: evolution of assessments towards aspects of functionality and overall reliability of the processes of transparency and correctness of customer relations.

As such, we have taken of the following corrective actions to address the issues raised by the Bank of Italy:

- Action 1—strengthening the supervision of our relations with banks related to the placement of their products with customers.
  - First level controls: introduction of specific operating instructions to the personnel concerned to assess, for each bank, compliance with the instructions given.
  - Second level controls (Compliance): hire manager dedicted to relations with partner banks (November 2018); adoption of a tool for planning and carrying out controls (October 2018); one-off verification of the forms used by the placing banks; adoption of a new operating process to restore, where there are differences, the conditions stipulated by the end customers to those actually applied, with possible initiatives to reset them (from September 2018).
- Action 2—A summary of the policies/rules related to disputes submitted by cardholders has been updated and distributed to the relevant internal resources. Responsibilities were divided between Dispute and Complaint by transferring the activity of handling complaints relating to the issuing sector from the Dispute structure to the Complaint structure. Beginning in January 2018, we initiated new training for Help Line personnel. We are currently updating our detailed operating instructions. In order to ensure uniformity, we decided to update and use existing company tools. We strengthened our Claims Management structure by

increasing dedicated personnel in May and October 2018 by a total of 13 resources. We reduced the backlog in the management of complaints (October 2018). We updated the procedure governing the management of complaints and disputes in general from customers, with compliance with specific SLAs in order to ensure compliance with the deadlines set by the regulations (March 2019).

- Action 3—We've implemented a plan to revise the numbering of the telephone assistance service and to update both the descriptions of the products and services offered (including pricing) on the web portal, communication materials and contract kits (October 2018). Since October 2018, we have eliminated telephone assistance that entails a charge to the customern. Moreover, the charging of the calling customer on all geographical numbers only begins when the operator responds. Establishment of two special committees: "4EYES" Committee, which reviews communications relating to issuing and acquiring activities scheduled to be released within a week; and the Interfunctional Editorial Committee, which reviews all communications scheduled for release within a month. We have analyzed in detail cases of non-compliance detected and have begun to prepare operating instructions for the partner banks. These operating instructions will serve as a guide for contracts that partner banks will be required to comply with. This activity is expected to be completed by the end of the year.
- Action 4—We have refined the process related to communications of changes in price to customers (August 2018). We have begun to identify and allocate roles and responsibilities between the Issuer and our partner banks, in a precise manner, within the entire process of defining the pricing of the products offered and the placement of cards with end customers has been started. Subsequently, roles and responsibilities will be formalized in an operational circular sent to all banks, and will be communicated to customers through a unilateral contractual amendment. We plan on making such communication in the first half of 2019.
- Action 5—We have begun to send information to partner banks to make them more aware of the more appropriate use of the withdrawal/withdrawal block codes (February 2018), with more specific information circulated in March 2019.
- Action 6—The scope of the control activities carried out by Compliance and Internal Audit is shared by the respective managers from the annual planning phase. With regard to compliance with regulations on transparency and customer relations, a joint audit of the perimeter subject to revision was introduced when the scope of the audit was defined in detail. For the size of the Compliance Function, a qualitative/ quantitative assessment was carried out. Defined the staff adjustment plan (October 2018) and, consequently, extended the business plan for 2019 with an extension of the relevant sample analyses. For Risk Management, integration of the methodology for analysing operational risks with a specific event type (from 2019) relating to the risk deriving from the application, by the partner banks, of contractual conditions to customers that are higher than the maximum levels defined by the Issuer. Additional indicators were also assessed to ensure risk management with respect to the most important aspects of customer relations. Internal Audit, development of a single, all-inclusive audit program covering the entire process that oversees compliance with regulations on the transparency and correctness of customer relations (December 2018).

The 2017-2021 business plan of the ICBPI Group, subsequently revised to include only the companies included in Nexi Payments, was sent to the Bank of Italy when we applied for authorization of the demerger of Depobank (at the time Nexi S.p.A.) in favor of Latino Italy S.r.l. The business plan contained, in particular, a sensitivity analysis on the economic performance of the Mercury Group (now Nexi Group) and of Nexi Payments. This analysis revealed, in a scenario of extreme stress, a possible failure by Nexi Payments to comply with the regulatory capital requirements for 2021. We identified certain corrective measure that would be necessary, including the sale of non-core assets, a reduction in investments of €200 million accrued between 2018 and 2021, capital strengthening measures (including the failure to distribute variable components of remuneration for management for approximately €15 million per year) and a change in dividend policy which led to a reduction of €180-190 million.

In view of the above, however, our new business plan for the period 2018-2023, approved by the Board of Directors on December 12, 2018, no longer highlights this critical situation, even in the event of stress, either with reference to the 2021 financial year or with reference to the further financial years covered under the business plan, thanks also to the positive performance of the business during 2018, the efficiency and integration initiatives and the M&A activity completed in the same year.

In addition, there were the following interactions between Nexi Payments and the Bank of Italy:

- On February 13, 2019, we sent to the Bank of Italy, following its request on December 12, 2018, (i) the results of the audit on our anti-money laundering controls, which revealed a level of substantial adequacy of the structural controls identified for the mitigation of the risk of money laundering and terrorism financing; and (ii) an extract from the minutes of the Nexi Payments' Board of Directors of December 10, 2018, certifying that the "non-contractual" cards complied with the new limits set by current legislation within October 2018.

- On February 20, 2019, we held a meeting with the Bank of Italy, after which we submitted a detailed notice to the Bank of Italy concerning the progress of the "IT Transformation" and "IT Security Management" projects currently being implemented by Nexi Payments. In this regard, during the reference period, there were no cyber attacks, data breaches or critical malfunctions of the Nexi Payments or Group systems and there was no critical unavailability of the services and/or which had an impact on the business, financial condition and results of operation of Nexi Payments, the Issuer and the Group.

- Italy's Financial Intelligence Unit (FIU), established at the Bank of Italy, starting from February 12, 2013 conducted an inspection of Istituto Centrale delle Banche Popolari Italiane (ICBPI) and CartaSi. The inspection involved prepaid cards issued in 2012 by ICBPI and credit cards issued by CartaSi. On October 29 2013, the Italy's Financial Intelligence Unit released the final report on the results of its inspection. In particular, no critical issues that would require the adoption of sanctioning measures were identified; instead, some areas of intervention, summarised below, were highlighted for ICBPI and CartaS and, limited to CartaSi, for which appropriate corrective actions were implemented:

  Objective customer profile: (ICBPI and CartaSi) Insertion of certain information elements into automatic systems for the detection of suspicious transactions.

  Subjective customer profile: Efficiency of the system for customer profiling (Gianos Monetica), guaranteeing a concrete association of the profile with the actual risk of the holder and the qualitative information drawn from external suppliers".

  All the indications of the FIU were implemented. As of the date of this offering circular, therefore, there are no specific initiatives underway. No further issues were subsequently raised by the Bank of Italy and/or the FIU with reference to what was highlighted by the FIU in its communication of October 16, 2013. No inspections were carried out by the FIU after February 2013 against Nexi Payments.

RISK MANAGEMENT

Internal Control System

Our internal control and risk management system comprises the set of rules, functions, organizational structures, resources, processes and procedures that we have put in place and which involves all corporate levels, to achieve our goals, in compliance with external and internal rules and within the established risk limits.

We have established a system of internal controls that, according to our management, is adequate for and proportional to the nature and intensity of the risks we are subject to (risk-based approach), the size and operational features of the Group.

The system is set up to accomplish the following goals:

- pursuing goals of efficacy and effectiveness for (administration, production and distribution) corporate processes;
- protection of the activities' value and against losses;
- reliability and integrity of the accounting and administrative information;
- compliance with law, supervisory rules as well as with internal policies, plans, regulations and procedures; and
- consistency of the monitoring units with the development of the company's strategies and the change of the reference context.

Our system of internal controls and risk management is articulated along three levels/defense lines:

- *first-level controls* (or line controls): they represent the operational management of the risk and their goal is to ensure the proper unfolding of the operations linked to the performance of payment services and the issue of electronic money. The same are carried out by our organizational units as the primary units in charge of the process of risk management, since these units are called upon, during the unfolding of the daily operations, to identify, measure or assess, monitor, mitigate and report risks originating from our ordinary business, in accordance with the risk management process. Furthermore, these units operate within their operational boundaries, in accordance with risk goals and with the procedures applicable to the risk management process;
- *second-level controls* (i.e., controls over risk management and consistency with regulations), implemented in our supervised companies (i.e., Mercury Payment Services and Nexi Payments – the "**Supervised Companies**"), the purpose of which is to contribute to the definition of the methods for measuring our risks, to verify compliance with the boundaries set for each operative function and to control the consistency of the single areas' operation with the assigned risk-return goals, as well as with the rules related to our operation. The same are assigned to units that are different from the operative units, and, more specifically, to:
  - Risk-control function, through the establishment of the Risk Management Function;
  - Norm compliance function, through the establishment of the Compliance & AML Function (hereinafter, "**Compliance Function**"), which includes the Anti-Money Laundering Function and the Office of the Data Protection Officer, which operates with specific reference to the regulatory areas respectively assigned; and
  - the Subject Matter Experts, or company units the responsibility of which is to ensure, on an ongoing basis, that activities and processes comply with the applicable regulations they oversee;
- *third level controls*, whose purpose is to assess the thoroughness, functionality and appropriateness of the internal control system, including controls over the IT system, in relation to the nature and intensity of the risks and our overall needs. These controls are implemented by the Internal Auditing Function, which is independent from the operative functions, and also through on-site checks.

The Control Functions are vested with the necessary powers, resources and competences to carry out their tasks. These Functions can intervene in our business, including those parts that have been outsourced, and have access to all the necessary documents to carry out their activities and, if necessary, they may request the involvement of other business organizational units that are affected by some of the issues that have emerged.

Our Audit Function reports directly to the Board of Directors, whereas the Compliance & AML Function and the Risk Management Function report directly to the Chief Executive Officer; thus guaranteeing that the heads of such functions are not hierarchically inferior to the heads of the functions under review. Furthermore, we require that subjects who perform Control Functions be excluded from the provision of those services that they are required to monitor.

Consistently with the concentration of risks connected to our operations, we established adequate monitoring units. More specifically, within the Supervised Companies, all three levels of control have been established.

At the Issuer level, an Internal Auditing structure has been established, which performs internal audit functions and acts as an interconnection point Group-wise for the information flows concerning the subsidiaries' control systems.

The monitoring of our internal control system is designed so as to monitor the set of risks that might possibly affect us, in accordance with the regulations applicable to the Supervised Companies.

In this context, our Board of Directors:

- establishes the guidelines applicable to the internal control system and to the system for the management of our risks, in accordance with the mandatory legal requirements applicable to the Supervised Companies;
- guarantees the monitoring of our overall exposure to corporate risks; and
- is informed, through our parent's Internal Auditing Function, together with our subsidiaries' Boards of Directors and Boards of Auditors, in case the monitoring activity conducted by our relevant organizational units highlights the existence of significant issues or anomalous situations or problems.

The Boards of Directors and the management of the single subsidiaries are vested with the primary competence (and responsibility) for the correct functioning of the Internal Control and Risk Management System of each company belonging to our Group, also in relation to the compliance profiles applicable to the Supervised Companies. These companies take care of the establishment and maintenance of an actual Internal Control and Risk Management System, by implementing the guidelines set out by the parent company Nexi.

In this regard, the subsidiaries:

- are responsible for the implementation of risk management strategies and policies;
- provide reports to the parent company's function, defined from time to time on the basis of our needs, on a periodic basis or upon request, to ensure the uniform management of the risk at a consolidated level; and
- are able to intervene to correct, remove/mitigate any anomaly and issue that may be detected, consistently with any guideline that they may receive from our parent company.

With regard to the responsibilities of each control function that we have established, the same are as follows:

The Compliance Function, which is also in charge of the anti-money laundering function, is responsible for:

- identifying the regulations that are applicable to our operations and to corporate disclosure;
- providing guidance and assistance to our business units;
- verifying and assessing the suitability of the internal procedures from a regulatory standpoint; and
- providing corporate bodies with reports on its verification activities and highlighting issues that may have been detected, as well as appropriate measures to remedy them.

The main goals of the Compliance Function are to verify the suitability of the internal procedures, ensure compliance with current applicable regulations and assess the suitability of the risk-control procedure as applicable to the various areas of activity, with regard to risk linked to the external context.

Within these contexts, the Compliance Function provides guidance to the various corporate functions on issues concerning the provision of services and conflicts of interests; supports the Risk Management Function in the development, implementation and update of the procedures for monitoring risk (compliance risk); verifies compliance of internal regulations with laws and regulations concerning the provision of payment services; suggests the adoption and implementation of new legal provisions and regulations issued by the Supervisory Authority and shares these provisions within the company; and with regard to our applications, verifies their effectiveness in ensuring compliance with current regulations related to services provided by periodically checking the process related to the production, processing and sharing of information.

The Compliance Function also includes our Anti-Money Laundering Function, as a function devoted to preventing and countering the implementation of money-laundering operations and the financing of terrorism. The Head of the Function is also the Head of the Anti-Money Laundering Function and the person in charge of reporting suspicious operations as mandated by applicable laws. The Head of the Function also acts as DPO.

The activities of the Compliance & AML Function focus primarily on checks, carried out in a preventive manner and on an ongoing basis, on the compliance of our operation with laws, regulations, supervisory regulation and self-regulatory provisions. The purpose of checks carried out after the fact is to verify the correct implementation of regulations in the processes established by us.

The Risk Management Function carries out checks on our risk management functions. More specifically, it contributes to the definition and implementation of policies concerned with risk management, through a suitable process aimed at managing risks. It ensures that the supervisory requirements related to the management of risks are met in compliance with applicable provisions. Furthermore, this Function supports our Governing Bodies in determining the operational limits linked to the various instances of risk-taking and in developing policies for the management and assessment of risk through the implementation of a Risk Policy. If necessary, this Function also assesses its level of compliance with current regulations and reports on it to the Governing Bodies.

The Risk Management Function focuses on the assessment, monitoring and reporting of risks linked to our business.

The Subject Matter Experts are corporate entities that are in charge of managing the risk of non-compliance with regard to specific regulatory areas that are identified on the basis of a competence and suitability assessment. The Subject Matter Experts are equipped with the necessary competences to perform their supervisory tasks and report directly to our corporate bodies on the outcomes of their checks. For purposes of carrying out their reviews, they are allowed to resort to external third parties, such as, for example, Certification Bodies.

Within its competences, the Internal Auditing Function:

- ensures the development of the internal controls function in relation to the dynamics of the (internal/ external) factors existing in this context;
- verifies compliance with internal procedures, the implementation of routine controls on processes and the proper functioning of the Compliance and Risk Management activities;
- adopts, applies and retains an annual and multi-annual risk-based audit plan and measures and reports to our corporate bodies on the checks that have been carried out; in this context, it highlights issues that have been detected and proposes solutions to address such issues;
- periodically assesses the thoroughness, functionality and suitability of the Internal Controls System, including internal controls on the IT system.

The Internal Auditing Function carries out higher-level checks compared to checks carried out by other control functions (Risk Management and Compliance). The activity of the Audit Function is based on a preventive assessment of the Internal Controls System at the planning stage of the verification activities, on the constant assessment of risks characterizing our activities and on the degree of coverage provided by our Internal Controls System. More specifically, this Function carries out checks on all the corporate structures and on the outsourcers; it also assesses procedures, systems and activities carried out by the second-level control functions.

The Internal Revision Function on all companies of our group is carried out by Nexi Payments' Internal Audit on the basis of specific outsourcing agreements.

Our Internal Control and Risk Management System is designed to verify, on an ongoing basis, the strategic choices concerning both the overall corporate perimeter of the companies and that of the subsidiaries.

In this regard, the Issuer, as parent company of the Group:

- sets out the tasks and responsibilities of the organizational units charged with controlling the risks within the corporate perimeter of the subsidiaries;
- involves and includes the subsidiaries' corporate bodies in the choices made regarding internal control matters;
- implements and applies formal procedures for the coordination and connection between subsidiaries and the parent company (IT and other);
- provides periodical information flows that allow us to verify the achievement of strategic objectives as well as compliance with regulations;

We periodically carry out assessments to verify the compliance by our subsidiaries with these guidelines.

Insurance

The presence of specific insurance coverages represents a tool to mitigate unexpected risks. The Group resorts to such forms of mitigation in specific risk areas that are naturally associated with the business and in cases (usually low frequency and high impact cases) that cannot be effectively mitigated through ordinary line operation checks.

To determine and assess the suitability of such coverages, the collection of loss data (Loss Data Collection ("**LDC**")) and the assessment of possible risks (Risk Control Self-Assessment ("**RCSA**")) are particularly important. Information analyzed by the Risk Management Function through such tools is reviewed periodically to determine the extent and suitability of current insurance coverages, with the support of an insurance broker.

To properly identify the events of operational risks falling under "insurable" cases, the schemes for the classifying of effects (Loss Type) used for surveying the operational risk events both in the LDC and in the RCSA are useful tools. More specifically, the insurance coverages address primarily events of IT nature, events linked to damages caused to third parties for which the company is liable, and events falling in the area of professional liability.

In case of occurrence of an operative event generating losses, the person in charge of the process verifies, with the support of the Risk Management Function and jointly with the unit liaising with the Broker, the correct identification of the insurable event, the presence of a suitable insurance coverage and the corresponding procedure for handling the matter. The procedure is registered in the Loss Data Collection from the date when the claim is opened with an estimate of the amount that it may be possible to recover through the insurance, until the date when the claim is closed, and the amount is paid.

Periodically, the Risk Management Function reviews the risk profile through an analysis based on the following elements:

- internal data related to the loss (LDC);
- external data related to the loss, which amount to the "systemic" component of the operational risk;
- the operational context, the control system and the scenario analysis, through the RCSA; and
- insurance recoveries.

This activity involves, therefore, a detailed analysis of the insurance contracts that includes a study of the existing guarantees and a mapping of the deductibles, limits of liability and premiums to verify, through a comparison with the risk map, the extent of the coverage guaranteed by the insurance program.

Due to the increasing relevance of the Cyber Risk (risk of computer-related offences), the analysis includes an assessment of the exposure to this type of risk and the corresponding methods for risk coverage and transfer.

MANAGEMENT

The Issuer

The Issuer is a joint stock company (*società per azioni*) organized under the laws of Italy. The Issuer's majority shareholder is Mercury UK, which is indirectly owned by the Financial Sponsors.

Board of Directors

Our board of directors ("**Board of Directors**") is responsible for managing the Group in accordance with applicable laws, constitutional documents and shareholder resolutions. The principal functions of the Board of Directors are to carry out our business and to legally represent us in our dealings with third parties. The Board of Directors is also entrusted with the ultimate direction of the Group, as well as the supervision and control of the executive management team. Under our Bylaws, the Board of Directors may consist of between seven and 15 directors, as established by the ordinary shareholders' meeting.

The Board of Directors is currently made up of 13 members. Our ordinary shareholders' meeting on February 13, 2019 appointed the directors for the 2019, 2020 and 2021 financial years, to serve until the ordinary shareholders' meeting called to approve the 2021 financial statements. The business address of each of the members of the Board of Directors is Corso Sempione 55, 20124, Milan. Set forth below are the members of the Board of Directors as of the date of this offering circular:

Name	Age	Title
Michaela Castelli(3)	48	Chair
Luca Bassi(3)	48	Director
Paolo Bertoluzzo(2)	53	CEO
Giuseppe Capponcelli(3)	61	Vice-Chair
Francesco Casiraghi(3)	40	Director
Simone Cucchetti(3)	42	Director
Federico Ghizzoni(3)	63	Director
Robin Marshall(3)	48	Director
Jeffrey David Paduch(3)	40	Director
Antonio Patuelli(1)(3)	67	Director
Maurizio Mussi(3)	40	Director
Marinella Soldi(1)(3)	52	Director
Luisa Torchia(1)(3)	61	Director

Notes:

(1) Independent director pursuant to Article 148 of the Consolidated Financial Act and Article 3 of the Corporate Governance Code.

(2) Executive director.

(3) Non-executive director.

Biographies for each member of our Board of Directors are set forth below.

Michaela Castelli serves as consultant and member of the boards of directors of listed companies (including Acea S.p.A., where she is chairman of the board of directors, Recordati S.p.A. and Stefanel S.p.A.). She also serves as a member of the board of statutory auditors of Autogrill Europe S.p.A. and Autogrill Italia S.p.A. and sits on several supervisory boards (including Teva S.r.l.). Ms. Castelli worked for the Italian Stock Exchange for nine years, where, in close collaboration with CONSOB, she assisted listed companies on matters relating to extraordinary transactions, price-sensitive information, compliance and corporate governance. Ms. Castelli was secretary of the scientific committee involved with updating the Corporate Governance Code of listed companies and was head of the legal listing department entrusted with procedures for the admission and listing of shares and other financial instruments. Prior to joining the Italian Stock Exchange, Ms. Castelli practised corporate and capital markets law with several Italian law firms. Ms. Castelli holds a degree in law and completed a specialization in financial law from Bocconi University in Milan.

Luca Bassi is co-head of the technology financial and business services vertical and is a managing director in the European Private Equity team at Bain Capital. Prior to joining Bain Capital in 2003, Mr. Bassi worked in the investment banking division of Goldman Sachs in London and as a strategy consultant at Bain & Company in

Milan. Mr. Bassi has also served as a member of the board of directors of Worldpay, Nets and TeamSystem. Mr. Bassi holds an MBA from Columbia Business School and a bachelor's degree in economics from Bocconi University in Milan.

Paolo Bertoluzzo was appointed Chief Executive Officer in 2016. Prior to that, from 2008 to 2013, Mr. Bertoluzzo was chief executive officer of Vodafone Italy. From 2013 to 2016, he was group chief commercial operations and strategy officer of the Vodafone Group and from 2012 to 2013, regional (southern Europe) chief executive officer of the Vodafone Group. Prior to joining Vodafone in 1999, Mr. Bertoluzzo worked as a manager at Bain & Company and as a management consultant in Monitor Consulting across Europe and the United States. Mr. Bertoluzzo graduated with a degree in management engineering from the Polytechnic of Milan in 1990 and completed an MBA from INSEAD in 1994.

Giuseppe Capponcelli Mr. Capponcelli was chief executive officer and general manager of the ICBPI Group (*Istituto Centrale delle Banche Popolari Italiane*) from July 2008 to July 2016 and general manager of Seceti S.p.A. (ICBPI Group) from 1999 to 2008. Mr. Capponcelli has also held the following roles: director and chief executive officer of CartaSì S.p.A.; director of Centrosim S.p.A., Key Client Cards & Solutions S.p.A. and CIM Italia S.p.A.; chief executive officer of Multitel S.p.A. and Equens Italia S.p.A.; member of the supervisory board and the auditing and accounting committee of Equens SE; and member of the board of directors of VISA Europe. He also holds the position of deputy chairman of BPER Banca S.p.A. and he is member of the board of Oasi S.p.A., Hi-mtf SIM S.p.A. and Unione Fiduciaria S.p.A. Mr. Capponcelli started his career at IBM and then moved to Olivetti, where he held roles of increasing responsibility. Mr. Capponcelli holds a degree in electrical engineering from the University of Bologna.

Francesco Casiraghi serves on the board of directors of Advent International. Prior to joining Advent, Mr. Casiraghi was an investment banker at Merrill Lynch in the London, Hong Kong, Rome and Milan offices. Prior to Merrill Lynch, he worked at Procter & Gamble as a process engineer. Mr. Casiraghi holds a bachelor's degree in industrial engineering from the University of Parma.

Simone Cucchetti is a managing director at Clessidra SGR. Prior to joining Clessidra SGR in 2003, Mr. Cucchetti worked as an investment banker at Citigroup in the European investment banking division in London. Mr. Cucchetti served on the board of directors of Sisal and Bitolea. Mr. Cucchetti holds a degree in economics from Bocconi University in Milan.

Federico Ghizzoni is vice-chairman of the board of directors of Clessidra SGR S.p.A. Mr. Ghizzoni worked at UniCredit Group from 1980 to 2016, serving as chief executive officer from 2010 to 2016. Mr. Ghizzoni holds a degree in law from the University of Parma.

Robin Marshall is managing director at Bain Capital. Prior to joining Bain Capital, Mr. Marshall worked at McKinsey & Company and Procter & Gamble. Mr. Marshall was also managing director of 3i's UK and, subsequently, was a founding partner of 3i's US Private Equity. Mr. Marshall holds a bachelor's degree from the University of Glasgow and was a "Thouron Fellow" at the University of Pennsylvania.

Jeffrey David Paduch is non-executive director of Concardis GmbH at Eschborn. From 2014 to 2016, he held the position of non-executive director at Nets Group in Copenhagen and, from 2010 to 2015, he held the position of non-executive director at WorldPay in London. Prior to that, from 2007 to 2010, he served as a non-executive director at Equiniti in London. In 2002 he joined Advent International at its London office and, prior to that, he worked as analyst in UBS Investment Bank in New York.

Antonio Patuelli is chairman of the board of directors of La Cassa di Ravenna S.p.A., parent company of the banking group bearing the same name. He has been editor at major newspapers in Italy (including il Resto del Carlino, la Nazione and il Giorno). In the early nineties he was Undersecretary of Defense in the Ciampi Cabinet; for two legislatures he was deputy to the Chamber of Deputies. Since 2001 he has been a member of the board of directors of Fondo Interbancario di Tutela dei Depositi. From January 2013 Mr. Patuelli is chairman of the Italian Bank Association (Associazione Bancaria Italia). Previously Mr. Patuelli served as member of the board of directors and of the executive committee (since 1998), vice chairman from 2002 to 2004 and from 2006 to 2008 and deputy vice chairman from 2010 to 2012. Mr. Patuelli holds a degree in law from the University of Florence.

Maurizio Mussi is a partner of Bain Capital Private Equity. Mr. Mussi has operated in a broad set of industries, including payments, software, semiconductors and aquaculture focusing on driving value in portfolio companies. Prior to joining Bain Capital, Mr. Mussi worked at La Perla and at McKinsey & Company in Milan mainly focusing on the retail sector. Mr. Mussi holds an MBA from Harvard Business School and a bachelor's degree in economics from Bocconi University in Milan.

Marinella Soldi is president and managing director Southern Europe of Discovery Network International. Prior to that, from 2000 to 2009, she was founding partner of Soldi Coaching / Glitz S.r.l. In 1995 she joined MTV Networks Europe serving in Milan and London as business development manager (from 1995 to 1996), general manager (from 1996 and 1997) and senior vice president (from 1998 to 2000) and, prior to that, from 1990 to 1994, she worked as a consultant at McKinsey & Company in London and Milan. Ms. Soldi graduated with a degree in economics from the London School of Economics in 1989 and completed an MBA from INSEAD in 1994.

Luisa Torchia is full professor with tenure in administrative law at the School of law of Roma Tre Università degli Studi and she has been full professor of administrative law since 1994. She is the author of a number of publications and a member of the editorial board of several journals. Ms. Torchia holds a degree in law from the University of Rome.

Pursuant to the Issuer's Bylaws, the directors are appointed by the ordinary shareholders' meeting based on a slate vote system. Since the members of the Board of Directors in office as of the date of this offering circular were appointed on February 13, 2019, the provisions on voting lists and gender balance will apply in connection with the first election of the Board of Directors following the Listing Date.

The Shareholders' Agreement entered into between our direct and indirect shareholders provides for the Financial Sponsors to submit a list of 13 candidates through Mercury UK, of which three are to be nominated by Advent, three are to be nominated by Bain, two are to be nominated by Clessidra, three are to be nominated jointly by Advent and Bain (all satisfying the independence requirements of the Corporate Governance Code) and two are to be nominated by Advent and Bain, after consultation with Clessidra. For further information on the Shareholders' Agreement, see "Principal and Selling Shareholders—The Shareholders' Agreement—Shareholders' Agreement."

All members of the Board of Directors must meet the integrity, experience and independence requirements under applicable Italian law. Our Board of Directors, on February 13, 2019, verified that (i) the directors Mr. Antonio Patuelli, Ms. Marinella Soldi and Ms. Luisa Torchia meet the independence requirement (the "**Independent Directors**") and (ii) all the members of the Board of Directors in office as of the date of this offering circular meet the integrity requirements prescribed by Article 147-*quinquies* of the Consolidated Financial Act and Article 2 of the Ministerial Decree No. 162/2000. In particular: (a) they have not been subject to preventive measures by judicial authorities; and (b) they have not been convicted by a final judgment, save for those which have been subsequently amended on the basis of the subject's compliance with the conditions provided for by law, and sentenced to: (i) imprisonment for one of the crimes set forth in the provisions that regulate banking, financial and insurance activities and by the provisions regarding markets and financial instruments, tax and payment instruments; (ii) imprisonment for one of the crimes set forth in Title XI, Book V of the Italian Civil Code and the Royal Decree No. 267 of March 16, 1942; (iii) imprisonment for a period of not less than six months for a crime against public administration, public confidence, property, public order and public economy; or (iv) imprisonment for a period of not less than one year for an offence committed with criminal intent. Moreover, no member of the Board of Directors in office as of the date of this offering circular has been subject to one of the punishments provided under point (ii) above, except for crimes for which the subject was subsequently absolved.

The system providing for the appointment of the members of the board of directors on the basis of a criterion ensuring a gender balance, in the sense indicated in Article 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the Consolidated Financial Act, has been implemented in the Issuer's Bylaws. The composition of the Board of Directors at the date of this offering circular complies with the said rules on gender balance.

None of the Independent Directors have had an investment or professional relationship, directly or indirectly through other companies or professional firms, with the Issuer, the Group, or companies that control or are under common control with the Group during the past three years.

The following table indicates the corporations and partnerships, outside of the Group, in which members of our Board of Directors have been members of management, governing, and audit and control bodies, shareholders or owners of a "qualified equity" investment (i.e., an equity investment of more than 3% in listed companies and 10% in non-listed companies), within the last five years, with an indication of the status of the office and/or the equity interest held as of the date of this offering circular.

Name	Company	Office	Status
Michaela Castelli	Acea S.p.A.	Chairman of the Board of Directors	Current
	Autogrill Europe S.p.A.	Auditor	Current
	Autogrill Italia S.p.A.	Auditor	Current
	Eurtel S.r.l. (Eur S.p.A. Group)	Auditor	Current
	La Doria S.p.A.	Director	Current
	Nuova Sidap S.r.l. (Autogrill S.p.A. Group)	Auditor	Current
	Recordati S.p.A.	Director	Current
	Sea Aeroporti Milano S.p.A.	Chairman of the Board of Directors	Current
	Stefanel S.p.A.	Director	Current
	Teva S.r.l.	Chairman of the Board of Statutory Auditors	Current
	A2A S.p.A.	Director	Ceased
	Bellco S.r.l.	Chairman of the Board of Statutory Auditors	Ceased
	Interbrand S.r.l.	Chairman of the Board of Statutory Auditors	Ceased
	Lima S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	My Best Group	Director	Ceased
	River Holding S.p.A. (Delta Banking Group)	Auditor	Ceased
	Sace S.p.A.	Secretary of the Board of Directors	Ceased
	Seat Pagine Gialle S.p.A.	Director	Ceased
Luca Bassi	Ensure	Director	Current
	Cerved Group S.p.A.	Director	Ceased
	Depobank S.p.A.	Director	Ceased
	Gemma S.r.l. in liquidation	Liquidator	Ceased
	Nets A/S	Director	Ceased
	TeamSystem Holding S.p.A.	Director	Ceased
	WorldPay	Director	Ceased
Paolo Bertoluzzo	ICBPI S.p.A.	CEO	Ceased
	Vodafone Italia S.p.A.	CEO	Ceased
Giuseppe Capponcelli	GeCO S.r.l.	Shareholder	Current
	BPER Banca S.p.A.	Vice-Chairman of the Board of Directors	Current
	GeCO S.r.l.	Sole Director	Current
	Unione Fiduciaria S.p.A.	Director	Current
	CartaSì S.p.A.	CEO	Ceased
	Equens SE	Member of the Supervisory Board	Ceased

Name	Company	Office	Status
	Hi—Mtf Società di Intermediazione Mobiliare S.p.A.	Vice-Chairman of the Board of Directors	Ceased
	ICBPI S.p.A.	Vice-Chairman of the Board of Directors	Ceased
	ICBPI S.p.A.	CEO	Ceased
	VISA EUROPE	Director	Ceased
Francesco Casiraghi	Advent International S.r.l.	Director	Current
	Laid ltd	Director	Current
	ICBPI	Director	Ceased
Simone Cucchetti	Maui S.r.l.	Shareholder	Current
	Lauro Dodici S.p.A.	CEO	Current
	Lauro Quarantasei S.p.A.	CEO	Current
	Bitolea Holding	Director	Ceased
	Bitolea S.p.A.	Chairman of the Board of Directors	Ceased
	Lauro Venti	Chairman of the Board of Directors	Ceased
	Sisal Holding	Director	Ceased
	Sisal S.p.A.	Director	Ceased
Federico Ghizzoni	Filedo S.r.l.	Shareholder	Current
	Castello SGR S.p.A.	Director	Current
	Clessidra SGR S.p.A.	Vice-Chairman of the Board of Directors	Current
	Pellegrini S.p.A.	Director	Current
	Rothschild & Co. S.p.A.	Chairman	Current
	UniCredit Bank AG Germany	Chairman of the Board of Directors	Ceased
	UniCredit Group S.p.A.	CEO	Ceased
	Università Commerciale Luigi Bocconi	Director	Ceased
Robin Marshall	Bugaboo	Director	Current
	Esure	Director	Current
	MKM Building Supplies	Director	Current
	Nets	Director	Current
	Bio Products Laboratory	Director	Ceased
	Concardis	Director	Ceased
	Verisure (fka Securitas Direct)	Director	Ceased
	WorldPay	Director	Ceased
Maurizio Mussi	Albain HoldCo S.a.r.l.	Director	Current
	Fedrigoni S.p.A.	Director	Ceased
	TSS S.p.A.	Director	Ceased
Jeffrey David Paduch	Advent International	Director	Current
	Nets	Director	Current
	Depobank S.p.A.	Director	Ceased
	Equiniti Group	Director	Ceased
	WorldPay	Director	Ceased

Name	Company	Office	Status
Antonio Patuelli	Banca di Imola S.p.A.	Vice-Chairman of the Board of Directors	Current
	Banco di Lucca e del Tirreno S.p.A.	Vice-Chairman of the Board of Directors	Current
	La Cassa di Ravenna S.p.A.	Chairman of the Board of Directors	Current
	Sorit S.p.A.	Chairman of the Board of Directors	Current
Marinella Soldi	Alkemy S.p.A.	Director	Current
	Ariston Thermo S.p.A.	Director	Current
	All Music S.r.l.	Chairman of the Board of Directors	Ceased
	Eurosport S.r.l.	Director	Ceased
	Rizzoli Education S.p.A.	Director	Ceased
Luisa Torchia	Costruzioni S.r.l.	Shareholder	Current

To our knowledge, none of the members of the Board of Directors have, during the last five years, been convicted in connection with the offenses of fraud or fraudulent bankruptcy, nor in performing their respective positions and functions been involved in bankruptcy, receivership or involuntary liquidation proceedings. Further, no members of the Board of Directors have been subject (during the last five years) to official charges and/or penalties by government or regulatory authorities (including designated professional associations) in the performance of their positions and functions, or been barred from administrative, management or audit and control positions within the Group or from management or operational positions with other companies.

Powers of the Board of Directors

Pursuant to our Bylaws as approved by the shareholders' meeting held on March 12, 2019, and subject to the provisions of articles 2420-*ter* and 2443 of the Italian Civil Code, the Board of Directors is vested with the powers to adopt any resolutions, in compliance with article 2436 of the Italian Civil Code, in respect of:

- mergers referred to under articles 2505 and 2505-*bis* of the Italian Civil Code, including by reference to Article 2506-*ter* of the Italian Civil Code if a demerger is envisaged;
- the establishment or closing of branches;
- the indication of which directors shall have powers of legal representation;
- any share capital reduction in the event of withdrawal;
- any amendments to be made to the Bylaws to ensure compliance with applicable laws or regulations;
- the transfer of the registered office within Italy; and
- resolutions concerning the issuance of bonds in compliance with the prescribed limits.

Powers granted to the Chief Executive Officer

The CEO was granted the following powers, among others:

General powers

(i) to direct and coordinate our activities, at any level of the Group, for the purpose of ensuring the pursuit of a consistent strategy across the Group and the execution by all the Group companies of the instructions given by the Bank of Italy, in compliance with the guidelines provided by our Board of Directors;

(ii) to supervise the management of Nexi and the Group and to ensure strategic coordination and management's control system; and

(iii) to deal with and coordinate relationships with all our stakeholders (including institutional and regulatory bodies, shareholders and media);

Operational and organizational powers

(i) to affect any resolution adopted by our Board of Directors;

(ii) to supervise the drafting and review of documents, strategic plans and budgets;

(iii) to present proposals to our Board of Directors with respect to transactions or equity investments and manage, in accordance with our bylaws, our investments;

(iv) to define and amend the organizational structure of the Issuer and the relevant internal policies and regulations;

(v) to chair our Group direction committee and supervise the adoption of the measures necessary to ensure an efficient internal audit system;

(vi) to incur expenses and make investments necessary for the management of the Issuer in compliance with the strategy of our Board of Directors and within the limitations set out in the budget;

(vii) to authorize expenditures not foreseen by the budget for an amount not exceeding €500,000.00 (each) and in any case for an overall amount not higher than €2,500,000.00;

(viii) to support and manage legal and administrative actions in lawsuits involving Nexi as defendant and having a value not exceeding €2,500,000.00

(ix) to reach agreements and settlements having an amount (either in terms of costs or loss of profits) not higher than €500,000.00; to settle by compromise in arbitration proceedings, which may include friendly settlement arrangements;

(x) to execute the administrative documents required to take part in public tenders (relating to, among others, the establishment of joint ventures);

(xi) to recruit staff and take measures relating to promotions, transfers, economic improvements and changes in assignments as part of the guidelines set out by our Board of Directors and in line with the remuneration policies in force, except for the managers reporting directly to our CEO and the managers in charge of the internal audit;

(xii) to make decisions on redundancies and take disciplinary actions, including dismissal measures, except for the managers reporting directly to our CEO and the managers in charge of the internal audit;

(xiii) to operate on behalf of Nexi as data controller of the data contained in the databases of the Issuer, take precautions and adopt and implement any measure required in connection with the laws and regulations relating to the protection of privacy (including the GDPR);

(xiv) to enter into agreements: (i) concerning the purchase, sale or lease of movable assets (including assets enrolled with public registers); (ii) relating to the supply of products or services (including the assignment and/or leasing to third parties of licensed products manufactured or marketed by the Issuer); and (iii) with insurance companies;

(xv) to perform any transaction relating to securities, values and currencies;

(xvi) to open, close and operate bank and postal accounts; and

(xvii) to make and receive payments, including in foreign currencies, deliver securities and values by issuing release receipts; to open and withdraw securities, cash, and freight deposits as a guarantee in favor of private and public administrations.

The general powers and the operational and organizational powers set out from paragraphs (iv) to (xvi) above were granted to Mr. Bertoluzzo as CEO of the Issuer, while the operational and organizational powers set out at paragraphs (xvii) to (xx) above were granted to Mr. Bertoluzzo as General Manager of the Issuer.

Our CEO has also the power to represent the Issuer and to delegate, including by issuing and revoking powers of attorney or appointing proxies, the execution actions relating to the above-mentioned powers.

The CEO/General Manager also reports to our Board of Directors from time-to-time on the most significant decisions adopted pursuant to the powers he has been granted.

Board committees

On February 25, 2019, in accordance with the recommendations regarding corporate governance contained in the Corporate Governance Code as well as the provisions of the Shareholders' Agreement, our Board of Directors resolved to establish the following committees:

- a control, risk and sustainability committee, pursuant to Article 7 of the Corporate Governance Code (the "**Control, Risk & Sustainability Committee**");
- a committee for related-party transactions, pursuant to Article 4 of the Corporate Governance Code and the Related Party Procedure (the "**Committee for Related-Party Transactions**"); and
- a nomination and compensation committee, pursuant to Articles 5 and 6 of the Corporate Governance Code (the "**Nomination and Compensation Committee**").

During the meetings held on February 13 and March 8, 2019, our Board of Directors also:

- confirmed the establishment, following the adoption of a resolution on July 3, 2018, of a strategic committee with advisory functions relating to, among others, (i) strategic plans of the Group; (ii) guidelines concerning the Group's business plan; (iii) the performance of the business lines; (iv) extraordinary transactions; (v) strategies and policies on financial matters; and (vi) organizational structures of the subsidiaries; and
- approved the organizational regulations of the above-mentioned committees.

Set forth below is a summary of the composition, duties and functioning of the committees.

Control, Risk & Sustainability Committee

On February 25, 2019, our Board of Directors appointed Mr. Francesco Casiraghi, Ms. Marinella Soldi and Ms. Luisa Torchia as members of the Control, Risk & Sustainability Committee and Ms. Luisa Torchia as its Chairman. We believe that such appointment is in line with the provisions of the Corporate Governance Code considering the specific expertise on the relevant matters owned by the appointed members. Ms. Marinella Soldi and Ms. Luisa Torchia satisfy the independence requirements set forth in the Consolidated Financial Act and the Corporate Governance Code.

In accordance with the application criteria 7.C.2 of the Corporate Governance Code, the Control, Risk & Sustainability Committee, when assisting the Board of Directors, shall:

- assess, together with the manager responsible for preparing financial reports and following receipt of a report by the external auditor and the Board of Statutory Auditors, the correct use and consistent application within the Group of the accounting principles used in connection with the preparation of the consolidated financial statements;
- express opinions on specific aspects concerning the identification of the Issuer's main business risks;
- examine the periodic reports concerning the internal control and risk management system and those particularly significant prepared by the internal audit department;
- monitor the independence, adequacy, efficiency and effectiveness of the internal audit department;
- request, whenever appropriate, the internal audit department to carry out reviews of specific operational areas providing simultaneous communication to the President of the Board of Statutory Auditors;
- report to our Board of Directors on the activities performed and the adequacy of the internal control and risk management system at least every six months and at the time the financial statements and the interim reports are to be approved;
- support, with adequate due diligence, the assessments of the decisions made by our Board of Directors in relation to the management of the risks that may arise from prejudicial events of which our Board of Directors becomes aware;
- submit proposals and assist the Board of Directors by providing an opinion in connection with sustainability matters, including:
    - supervising and evaluating sustainability issues arising in the course of our business and interactions with all the stakeholders concerned with respect to such issues;

- supervising and evaluating the data collection and consolidation system process relating to the preparation of our sustainability report, containing the "non-financial statement" pursuant to Legislative Decree 254/2016;
- examining beforehand our sustainability report, containing the "non-financial statement" pursuant to Legislative Decree 254/2016, providing a recommendation in relation to its approval by our Board of Directors;
- monitoring the Issuer's positioning on sustainability issues, with particular reference to the Issuer's positioning in ethical sustainability indices; and
- expressing, at the request of the Board of Directors, opinions on any further issues concerning sustainability.

In accordance with the application criteria 7.C.1 of the Corporate Governance Code, the Control, Risk & Sustainability Committee also assists our Board of Directors by providing a prior opinion in connection with:

- the definition of the policy guidelines of the internal control and risk management system, aimed at adequately identifying, measuring, managing and monitoring the main risks that may affect us and/or our Group companies, determining the level of compatibility of these risks with a sound and prudent business management that is consistent with our identified strategic objectives;
- the assessment of the adequacy and efficiency of the internal control and risk management system with respect to our characteristics and the risk profile taken, as well as its effectiveness;
- the approval of the work plan prepared by the manager in charge of the internal audit function;
- the description, in the context of the corporate governance report, of the main features of the internal control and risk management system (including an assessment of its overall accuracy) and the cooperation between the persons involved;
- the findings contained in any letter of recommendations from the external auditor to the management and any report on the fundamental matters found the external auditor may provide; and
- the proposal relating to the appointment, revocation, task assignment and remuneration of the internal audit officer, as well as the adequacy of the resources assigned to him for the execution of its functions.

The Control, Risk & Sustainability Committee has the right to access the information and functions necessary to perform its duties and may avail itself of external experts within the limitations determined by our Board of Directors.

In support of our internal control and risk management system, in addition to the Control, Risk & Sustainability Committee, on February 25, 2019, our Board of Directors appointed Mr. Paolo Bertoluzzo as director in charge of overseeing the functionality of the internal control and risk management system, to which functions have been assigned in line with the criteria 7.C.4 of the Corporate Governance Code.

As of the date of this offering circular, the officer in charge of the internal audit function is Emanuele Boati, as finally confirmed in such role by means of a resolution of our Board of Directors dated February 25, 2019.

Committee for Related-Party Transactions

On February 25, 2019, our Board of Directors appointed Mr. Antonio Patuelli, Ms. Marinella Soldi and Ms. Luisa Torchia, each of whom satisfies the independence requirements set forth in the Consolidated Financial Act and the Corporate Governance Code, as members of the Committee for Related-Party Transactions and Ms. Luisa Torchia as its Chairman.

In particular, the Committee for Related-Party Transactions:

- formulates prior opinions on procedures governing the identification and management of related-party transactions undertaken by us and/or our Group companies, as well as relevant amendments to such procedures;
- formulates the opinions envisioned by such procedures, including in connection with related-party transactions, including with respect to the convenience and substantive propriety of the conditions associated with such transactions; and
- with respect to the related-party transactions of greater importance, the Committee for Related-Party Transactions is involved during the negotiations and due diligence stages, receiving a full and timely flow of

information, and has the power to request information and provide comments to the parties assigned to perform the negotiations and due diligence.

Nomination and Compensation Committee

On February 25, 2019, our Board of Directors appointed Mr. Luca Bassi, Ms. Marinella Soldi and Ms. Luisa Torchia, as members of the Nomination and Compensation Committee and Ms. Luisa Torchia as its Chairman. In this regard, we believe that such appointment is in line with the provisions of the Corporate Governance Code considering the specific expertise on the relevant matters owned by the appointed members. All of the directors appointed as members of the Nomination and Compensation Committee are non-executive directors and Ms. Marinella Soldi and Ms. Luisa Torchia also satisfy the independence requirements set forth in the Consolidated Financial Act and the Corporate Governance Code.

In consideration of the organizational requirements of the Issuer, the functioning and size of our Board of Directors, the duties of the nomination committee and compensation committee have been combined in a single committee in accordance with the recommendations of Articles 4, 5 and 6 of the Corporate Governance Code. The Nomination and Compensation Committee could be composed of a minimum of three and a maximum of five non-executive directors, the majority of whom possess the independence requirements envisaged by the Corporate Governance Code.

The Nomination and Compensation Committee plays a consulting, advisory and oversight role and is responsible for assisting our Board of Directors in connection with determining and applying our policies regarding the composition of our Board of Directors and the compensation of our directors and executive management team.

In particular, the Nomination and Compensation Committee:

- provides opinions with respect to: (i) the size and composition of the Board of Directors and makes recommendations for appropriate appointments to the board; (ii) the maximum number of directorships and audit positions in other listed, regulated or major companies considered compatible with an efficient performance of the director's role in the Issuer, taking into account the attendance by the directors of the committees set up within our Board of Directors and the general criteria differentiating them according to the commitment entailed by each role (executive, non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, as set out by Article 1.C.3 of the Corporate Governance Code; and (iii) any issues related to the application of the non-competition prohibition provided by Article 2390 of the Italian Civil Code, as set out by Article 1.C.4 of the Corporate Governance Code; and
- proposes to our Board of Directors the candidates to be considered when an independent director is to be replaced.

In addition, the Nomination and Compensation Committee provides opinions and recommendations to our Board of Directors with regard to the compensation of our directors and executive management team. In particular, the Nomination and Compensation Committee has the following advisory and consulting roles:

- provides opinions to our Board of Directors with respect to the adoption of a remuneration policy of our directors and executive management team;
- periodically assesses the suitability, overall consistency and specific application of the remuneration policy of our directors and executive management team based on information provided by the designated directors and formulates proposals to the Board of Directors in this respect;
- regarding the executive directors and the directors vested with special roles, formulates proposals or provides opinions to the Board of Directors with respect to their remuneration and the performance objectives for the variable component of such remunerations;
- monitors the implementation of decisions taken by the Board of Directors and, in particular, the actual achievement of the performance targets set forth under the previous point;
- provides opinions to our Board of Directors with respect to the adoption of a remuneration policy and/or incentive plans addressed also to directors, managers and employees within the Group.

The Nomination and Compensation Committee is also responsible for (i) providing opinions and submitting proposals to our Board of Directors with regard to stock option, stock granting or other share-based compensation plans recommending targets linked with the granting of such benefits and evaluation criteria to determine the achievement of such targets; as well as (ii) monitoring the evolution and application from time to time of the plan approved by the shareholders' meeting on the proposal of our Board of Directors.

The Nomination and Compensation Committee shall have the right to access the necessary Issuer's information and functions, ensuring proper functional and operational links with such functions for the performance of its duties. The Nomination and Compensation Committee may avail of external experts and such expenses shall be covered by us within the thresholds determined by our Board of Directors.

No director shall participate in the meetings of the Nomination and Compensation Committee when proposals are made to our Board of Directors regarding that given director's remuneration, in compliance with the recommendation set out in application criterion 6.C.6 of the Corporate Governance Code.

The Chairman or, if absent or otherwise indisposed, the oldest member of the Nomination and Compensation Committee shall preside at the meetings of the Nomination and Compensation Committee. In order for the Nomination and Compensation Committee's meetings to be validly constituted, a majority of committee members currently in office must be present. Any resolutions must be passed by an absolute majority of the members in attendance.

Statement confirming our compliance with current corporate governance regulations

At the ordinary shareholders' meeting held on March 12, 2019, among other things, the Issuer's Bylaws entering into effect on the Listing Date and aimed at aligning our corporate governance system with the legal and regulatory provisions applicable to listed companies in Italy were adopted.

The provisions of the Issuers' Bylaws are aligned with:

- Legislative Decree No. 27/2010, as amended by Legislative Decree No. 91/2012, relating to the exercise of certain rights of shareholders in companies listed, pursuant to Directive CE/2007/36;
- Article 147-*ter* of the Consolidated Financial Act, including the "slate vote" mechanism for appointing members of the Board of Directors, reserving appointment of one-fifth of the members to be elected to the members of most voted minority slate submitted and that is not connected in any way, even indirectly, with those that presented or voted for the slate that came first in numbers of votes;
- Article 148 of the Consolidated Financial Act, including the "slate vote" mechanism for the appointment of members of the Board of Statutory Auditors, reserving chairmanship of the Board to the standing auditor included in the most voted minority slate submitted and that is not connected in any way, even indirectly, with those that presented or voted for the slate that came first in numbers of votes;
- the breakdown of members of the Board of Directors and of the Board of Statutory Auditors to be elected on the basis of a criterion ensuring a gender balance, in the sense indicated in Article 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the Consolidated Financial Act; and
- Article 154-*bis* of the Consolidated Financial Act, including the appointment of the executive in charge of our accounting documents and the fulfilment of the duties indicated in Article 154-*bis*.

For further information on the contents of our Bylaws, see "Description of Shares and Share Capital."

For the purpose of aligning our corporate governance system with applicable legal and regulatory standards for companies with shares listed on a regulated market and with the principles of the Corporate Governance Code we identified, in compliance with Article 3 of the Corporate Governance Code, an adequate number of independent directors, being Marinella Soldi, Antonio Patuelli and Luisa Torchia, that also meet the independence requirements indicated in Article 147-*ter*, paragraph 4, and 148, paragraph 3, of the Consolidated Financial Act.

Additionally, the Board of Directors resolved to:

- establish the Control, Risk & Sustainability Committee described above, thereby complying with the recommendations set forth in Articles 4 and 7 of the Corporate Governance Code;
- establish the Nomination and Compensation Committee described above, thereby complying with the recommendations set forth in Articles 4, 5 and 6 of the Corporate Governance Code;

- establish the Committee for Related-Party Transactions described above, thereby complying with the recommendations set forth in Article 4 of the Corporate Governance Code;
- appoint Mr. Paolo Bertoluzzo as director in charge of overseeing the functionality of the internal control and risk management system, thereby complying with the recommendations set forth in Article 7.P.3a) (i) and 7.C.4 of the Corporate Governance Code;
- appoint Mr. Enrico Marchini as executive in charge of preparing the Issuer's accounting documents pursuant to Article 154-*bis* of the Consolidated Financial Act, effective as of the Listing Date;
- identify Francesco Gaini as liaison and information officer with Borsa Italiana, as provided by Article 2.6.1, paragraph 4, of the Borsa Italiana Regulation; and
- entrust, according to Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors with the duties and roles of the internal audit and auditing committee.

Moreover, under the resolution adopted by the shareholders' meeting on March 12, 2019, pursuant to the application criterion 9.C.3 of the Corporate Governance Code and to the provisions of our Bylaws, we adopted a regulation for the ordered and effective conduct of the shareholders' meetings.

Furthermore, on March 8, 2019, our Board of Directors resolved to adopt:

- a new procedure (i) for internal management and disclosure to outside parties of documents and information regarding us and/or our subsidiaries, in particular insider information that listed companies are required to disclose to the public pursuant to Article 114, paragraph 1 of the Consolidated Financial Act and Article 17 of the Market Abuse Regulations, and more generally in compliance with laws and regulations currently in force on disclosure to the market and the prevention and elimination of market abuse and (ii) to establish and manage the register of persons who, due to their work or professional activity or the functions they perform, have access to the insider information indicated in Article 114, paragraph 1 of the Consolidated Financial Act, in accordance with the current laws and regulations on access to insider information set out in Article 18 of the Market Abuse Regulations and the relevant implementing provisions; and
- a procedure for the management of the reporting requirements arising from the internal dealing regime pursuant to Article 19 of the Market Abuse Regulations, Article 114, paragraph 7 of the Consolidated Financial Act and Article 152-*quinquies.1*, 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulation ("**Internal Dealing**"), with the aim to govern the information obligations *vis-à-vis* the public and CONSOB with regard to transactions on financial instruments issued by the Issuer and/or its subsidiaries carried out by "significant persons" and "persons closely connected" as defined in Article 114, paragraph 7 of the Consolidated Financial Act and Article 152-*sexies* of the Issuers' Regulation.

Finally, on March 8, 2019, our Board of Directors resolved, with the favorable opinion of the Committee for Related-Party Transactions, to adopt the "Related-Party Transactions Procedure," pursuant to Article 2391-*bis* of the Italian Civil Code and the Related-Party Regulation ("**Related-Party Transactions Procedure**"). For further information on the Related-Party Transactions Procedure, see "Related party transactions—Transactions with related parties between the Issuer and the Group—Related-Party Transactions Procedure".

Procedure for internal management and disclosure to outside parties of inside information and procedure for establishing and managing the register of persons with access to inside information

The applicable principles and rules in managing and disclosing inside information to outside parties are set forth in Article 17 of the Market Abuse Regulations. Among other things, the procedure defines: (i) the criteria for identifying the inside information; (ii) the criteria for identifying the significant parties; (iii) the steps to activate the procedure for delaying the disclosure of inside information to the public and verification that conditions are met for an ongoing delay; (iv) the procedures for divulging and disclosing inside information to the market; and (v) the standards of conduct that persons and organizational structures in the Issuer must follow if they are for any reason involved in handling inside or confidential information.

The procedure for establishing and managing the register of persons with access to inside information ("**Insider Register**") governs: (i) the identification of the parties responsible for keeping said Insider Register; (ii) the criteria for identifying persons to be listed with the Insider Register (in both the "Occasional Register" and the "Permanent Register"); (iii) procedures and functioning of the Insider Register; (iv) content and notice of listing and (v) updating the Insider Register.

Internal Dealing procedure

Among other things, the Internal Dealing procedure governs public disclosure obligations and restrictions on transactions by Significant Parties (as defined below) and persons closely related thereto involving stock, debt instruments, derivatives and financial instruments linked to the shares and debt instruments issued by us if such transactions reach a total of €20,000.00 within a single calendar year ("**Significant Transactions**"); after reaching this threshold, all transactions are considered Significant Transactions.

For purposes of the Internal Dealing procedure, the following are considered "**Significant Parties**": (a) members of the Issuer's management or control body; (b) managers who, although not members of the Issuer's management or control bodies, have regular access to inside information, directly or indirectly, relating to the Issuer and have the power to make decisions that may affect our development and future prospects for growth; (c) parties who perform the duties set out in points (a) and (b) in a company, directly or indirectly, controlled by us; (d) anyone who holds an equity stake, calculated pursuant to Article 118 of the Issuers' Regulations, of at least 10% of the Issuer's share capital, represented by shares with voting rights, as well as any other party who controls the Issuer.

In accordance with the provisions of the Internal Dealing procedure, the following are "persons closely related to Significant Parties": (a) a spouse or equivalent partner pursuant to current regulations; (b) dependent children, including those of the spouse; (c) relatives who have shared the same dwelling for at least one year prior to the date of the Significant Transaction; (d) legal entities, trusts or partnerships whose management responsibilities are held by a significant party or by a person described in point (a) above, which are, directly or indirectly, controlled by said person, or which have been established for their benefit, or whose economic interests are substantially equivalent to the interests of said person.

Model for organization, management and control, as indicated in Legislative Decree No. 231/2001

As of the date of this offering circular, we have adopted the organizational and management model indicated in Legislative Decree 231/2001 ("**Model 231**") for the purpose of creating a rules system aimed at preventing illicit acts that may be considered potentially significant in application of this Decree and have consequently constituted a supervisory body as indicated in Article 6, paragraph 1, letter b), of Legislative Decree 231/2001 (the "**Supervisory Committee**").

Model 231 is made up of: (a) a general section including topics concerning, among other things, the validity period and application of Legislative Decree 231/2001, the composition and functioning of the Supervisory Committee, and the penalty code that will be applied in the case of a breach of the standards of conduct indicated in Model 231; and (b) the special sections, containing the general principles of conduct and the control protocols for each instance of breach considered to be significant.

As of the date of this offering circular, the functions of the Supervisory Committee have been entrusted to our Board of Statutory Auditors, in compliance with the applicable regulation and the resolution of our Board of Directors dated July 3, 2018. The Supervisory Committee thus appointed possesses the requisites of autonomy, independence, professionalism and continued action required of this body by law.

Code of Ethics

As of the date of this offering circular, we have adopted a code of ethics (the "**Code of Ethics**") setting out our values and the principles of conduct (including rights, duties and responsibilities) that the directors, auditors, executives and employees of our Group, and in general all those operating in Italy and abroad on behalf of our Group or that have business relations with our Group, each in its own sphere of influence and scope of responsibility, are bound to observe.

Founders

Our founder is Mercury UK Holding Limited, a company incorporated under English law whose share capital is indirectly owned by the Financial Sponsors. For further information on the founder, see the heading "—Principal and Selling Shareholders".

Executive Management

We are managed by an executive management team led by our Chief Executive Officer and Chief Financial Officer. The current executive management team consists of five key members, each of whom oversees a specific aspect of our business.

Set forth below are the current members of our executive management team.

Name	Age	Title
Paolo Bertoluzzo	53	Chief Executive Officer and General Manager
Bernardo Mingrone	44	Chief Financial Officer
Enrico Trovati	54	BU Merchant Services & Solution Director
Andrea Mencarini	47	BU Card & Digital Payments Manager
Renato Martini	50	BU Payments & ATM Director

Biographies of each member of our executive management team are set forth below to the extent such information is not disclosed above under "—Board of Directors."

Bernardo Mingrone was appointed Chief Financial Officer in 2016. Prior to that, from 2015 to 2016, Mr. Mingrone was Group Chief Financial Officer of UniCredit; from 2012 to 2015, Deputy General Manager in charge of finance and operations at BMPS and, from 2010 to 2012, global chief financial officer and head of strategy at Pioneer. Prior to that he had a career in investment banking at Lehman Brothers and J.P. Morgan. Mr. Mingrone holds a degree in economics from the London School of Economics and Political Science.

Enrico Trovati. From 2004 to 2016, he held the position of Marketing and Sales Manager for small business, corporate and P.A. markets in several of the companies belonging to the Telecom Italia group (including Matrix, TIM and Telecom Italia). From 1997 to 2004, he worked as a consultant at McKinsey & Company. Mr. Trovati holds a degree in electronical engineering from Politecnico of Milan.

Andrea Mencarini. From 2008 to 2016, he worked for the Banco Popolare Group, holding the position of head of marketing for the retail clients, and developing and launching financial services and products in the transactional, insurance, financial and social security fields to support the physical channel and digital channels. From 2002 to 2008, he joined the UniCredit Group where he held various positions, such as head of sales mass market in the commercial sector and then as head of family and senior marketing in the marketing sector. From 1998 to 2002, he served Rolo Banca 1473 in various commercial roles. Mr. Mencarini holds a degree in economics and business management from the Sapienza University in Rome.

Renato Martini. From 2004 to 2017, he worked for the UniCredit Group where he held many roles, e.g., among others, from 2013 to 2017 Chief Executive Officer of UniCredit Factoring S.p.A. From 1995 to 2003, he worked at McKinsey & Company. Mr. Martini holds a degree in electronic engineering and an MBA from the *Institut Européen d'administration Des Affaires* (INSEAD) in France.

The following table indicates the corporations and partnerships, outside the Group, in which members of our executive management team—with the exception of our CEO/General Manager Paolo Bertoluzzo—have been members of management, governing, and audit and control bodies, shareholders or owners of a "qualified equity" investment (*i.e.*, an equity investment of more than 3% in listed companies and 10% in non-listed companies), within the last five years, with an indication of the status of the office held and/or the equity interest held as of the date of this offering circular.

Name	Company	Office	Status
Bernardo Mingrone	441 Trust Company	Director	Current
	ANIMA Holding S.p.A.	Vice-Chairman of the Board of Directors	Ceased
	Anima SGR S.p.A.	Vice-Chairman of the Board of Directors	Ceased
	AXA MPS Danni S.p.A.	Director	Ceased
	AXA MPS Vita S.p.A.	Director	Ceased
	Fabbrica Immobiliare SGR S.p.A.	Vice-Chairman of the Board of Directors	Ceased
Enrico Trovati	—	—	—

Name	Company	Office	Status
Andrea Mencarini	Agos Ducato S.p.A.	Director	Ceased
	Consorzio Bancomat	Director	Ceased
	Key Client Cards & Solution S.p.A.	Director	Ceased
	Tecmarket Servizi S.p.A.	Director	Ceased
Renato Martini	Consorzio Customer to Business Interaction	Director	Current
	Stil Novo Management S.r.l.—in liquidation	Director	Ceased
	UniCredit Factoring S.p.A.	Chief Executive Director	Ceased

To our knowledge, none of the members of our executive management have (during the last five years) been sentenced in connection with the offenses of fraud or fraudulent bankruptcy, or been associated with bankruptcy, receivership or involuntary liquidation proceedings (while performing their respective positions and functions). Further, they have not (in the last five years) been subject to official charges and/or penalties by government or regulatory authorities (including designated professional associations) in the performance of positions and functions, or have been barred from administrative, management or audit and control positions within the Group or from management or operational positions with other companies.

Insurance for Directors and Officers

For the benefit of Nexi's directors and officers, we have entered into a global D&O insurance policy with Generali Italia S.p.A., AIG and Zurich Insurance plc. The policy covers our present, former and future directors and officers, general managers, authorized officers and senior staff. It applies globally and provides for an insured limit of €100 million per claim and per year. The D&O insurance covers financial losses resulting from liability of our directors and officers and we believe the limitations of our coverage are in line with industry practice.

Board of Statutory Auditors

Pursuant to applicable Italian law, we have appointed a board of statutory auditors (*collegio sindacale*) ("**Board of Statutory Auditors**") whose purpose is to oversee our compliance with the law and its own bylaws, verify our compliance with best practices in the administration of its business, and assess the adequacy of our internal controls and accounting reporting systems, including the adequacy of the procedures in place for the exchange of information between ourselves and our subsidiaries. As of the date of this offering circular, there are three standing auditors on our Board of Statutory Auditors. Members of the board of statutory auditors are appointed by our shareholders at ordinary shareholders' meetings. Its members are elected through a closed list system, according to rules and definitions analogous to the appointment process for the Board of Directors. The terms of office of the current members of the board of statutory auditors are scheduled to expire on December 31, 2021. Audits are performed by an auditing company listed in the Italian register of auditors, and the auditing company liaises continuously with the board of statutory auditors.

The following table identifies the current members of our statutory board of auditors, together with their age and title.

Name	Age	Title
Piero Alonzo(1)	53	Standing Auditor, President
Marco Giuseppe Zanobio(2)	54	Standing Auditor
Mariella Tagliabue(3)	48	Standing Auditor
Tommaso Ghelfi(4)	45	Alternate Auditor
Andrea Carlo Zonca(5)	52	Alternate Auditor

Notes:

(1) Enrolled with the Register of Chartered Accountants of the Order of Rome (registration no. 5131) and statutory auditor under no. 68536 pursuant to Ministerial Decree dated March 26, 1996 published on the Official Journal no. 28-*bis* of April 5, 1996.

(2) Enrolled with the Register of Chartered Accountants of the Order of Milan (registration no. 3446) and statutory auditor under no. 61890 pursuant to Ministerial Decree dated April 12, 1995 published on the Official Journal no. 31-*bis* of April 21, 1995.
(3) Enrolled with the Register of Chartered Accountants of the Order of Milan (registration no. 7830) and statutory auditor under no. 114786 pursuant to Ministerial Decree dated December 31, 1999 published on the Official Journal with supplement no. 14 of February 18, 2000.
(4) Statutory auditor under no. 126247 pursuant to Ministerial Decree dated July 23, 2002 published on the Official Journal no. 60 of July 30, 2002.
(5) Statutory auditor under no. 62367 pursuant to Ministerial Decree dated April 12, 1995 published on the Official Journal no. 31-*bis* of April 21, 1995.

Biographies for each Statutory Auditor are set forth below.

Piero Alonzo was appointed President of the Board of Statutory Auditors in 2019. Mr. Alonzo is also an Equity Partner at Alonzo Commiteri & Partners. Prior to founding Alonzo Commiteri & Partners he was partner at Tonucci & Partners (from 2006 to 2008) and Grimaldi & Associati (from 1993 to 2004) and advisor for the Pallavicini Group (from 1989 to 1993). Mr. Alonzo is also technical advisor to the Court of Rome and teaches tax matters at the school of Economics and Finance, as well as in specialization courses and master degrees organized by the Euroconference, Il Sole 24 Ore, University LUISS Guido Carli of Rome and University Ca Foscari of Venice. Mr. Alonzo has been chief executive officer of Clessidra SGR and has served on the board of directors of Clessidra SGR and Pirelli & C. S.p.A. Mr. Alonzo has also been president of the board of statutory auditors of Sisal Group S.p.A. Mr. Alonzo holds a degree in economics and business management from the University La Sapienza in Rome.

Marco Giuseppe Zanobio was appointed statutory auditor of the Board of Statutory Auditors in 2019. Mr. Zanobio is also an equity partner at Cornaglia & Associati. Mr. Zanobio serves on the board of directors of several companies, including Exilles S.p.A., Assietta Private Equity SGR S.p.A, Corporate Asset & Liability Performing Solutions S.p.A., Exilles Trust S.r.l., Bastrenga S.r.l., Maattia S.r.l., Opportuno S.r.l., Piazza Duomo 1 S.r.l., Finanziaria Alberto Pirelli S.r.l., Teci S.p.A. and SPC Green S.p.A. Since 1991, Mr. Zanobio has been a lecturer at the Law and Economy faculty of the University Cattolica in Milan. Mr. Zanobio holds a degree in economics and a Ph.D in institution and organization from the University Cattolica in Milan. Mr. Zanobio is also a chartered accountant.

Mariella Tagliabue was appointed statutory auditor of the Board of Statutory Auditors in 2019. She serves as statutory auditor in several companies and has also held teaching positions in the Master in Credit Risk Management at the Università Cattolica del Sacro Cuore. Prior to that, from 1994 to 2005 she worked as auditor at KPMG S.p.A. within the financial services group auditing accounts of listed and unlisted banks, SIM, SGR and leasing companies. Ms. Tagliabue holds a degree in economics from the University Cattolica in Milan. Ms. Tagliabue is also a chartered accountant and is enrolled with the register of technical consultants.

Tommaso Ghelfi was appointed alternate statutory auditor of the Board of Statutory Auditors in 2019. He is a partner at Cornaglia & Associati—Dottori Commercialisti. Mr. Ghelfi graduated in economics at the Bocconi University of Milan in 1997 and is a chartered accountant.

Andrea Carlo Zonca was appointed alternate statutory auditor of the Board of Statutory Auditors in 2019. He is a founding partner of Studio Dell'Apa Zonca e Associati, a corporate, business and tax consulting firm established in 2006. Prior to that, from 1996 to 2006, he was a partner of Studio Ortolani e Associati, a corporate, business and tax consultancy firm. Mr. Zonca holds a degree in economics from the University Cattolica in Milan and is a chartered accountant.

Pursuant to the Issuer's Bylaws, the statutory auditors are appointed by the ordinary shareholders' meeting based on a slate voting system. Since the members of the Board of Statutory Auditors in office at the date of this offering circular were appointed on February 13, 2019, the provisions on voting lists and gender balance will apply in connection with the first election of the Board of Directors following the Listing Date.

All the members of the Board of Statutory Auditors satisfy the independence requirements set forth in Article 148, paragraph 3, of the Consolidated Financial Act, as verified by the Board of Statutory Auditors on February 13, 2019. On the same date, the Board of Statutory Auditors has also verified—on the basis of the information provided in their *curricula vitae* and the additional information reported herein—that all the members of the Board of Statutory Auditors in office as of the date of this offering circular meet the experience and integrity requirements pursuant to Article 148 of the Consolidated Financial Act and implementing regulation enacted by Ministry of Justice Decree No 162/2000. Set out below are the experience requirements provided for by Ministry of Justice Decree No 162/2000 owned by each of the statutory auditors: (i) Piero Alonzo is enrolled with the register of Chartered Accountants of Rome, as well as in the register of auditors and has carried out statutory audit activities for three years; (ii) Marco Giuseppe Zanobio is enrolled with the register of Chartered Accountants of Milan, as well as in the register of auditors and has carried out statutory audit activities for three years; (iii) Mariella Tagliabue is enrolled with the register of Chartered Accountants of Milan, as well as in the register of auditors and has carried out statutory audit activities for three years; (iv) Tommaso Ghelfi is registered as an auditor and has carried out statutory audit activities for a period of three years; and (v) Andrea Carlo Zonca is registered as an auditor and has carried out statutory audit activities for a period of three years. All the statutory auditors have declared that they meet the integrity requirements.

The rules providing for the appointment of the members of the board of statutory auditors on the basis of a criterion ensuring a gender balance, in the sense indicated in 148, paragraph 1-*bis*, of the Consolidated Financial Act, has been implemented in the Issuer's Bylaws. The composition of the Board of Statutory Auditors at the date of this offering circular complies with said rules on gender balance.

Pursuant to the Shareholders' Agreement entered into between our direct and indirect shareholders, the Financial Sponsors have undertaken to ensure that, with respect to the appointment of our Board of Statutory Auditors, Mercury will submit a list of three candidates (the first nominated by Advent, the second nominated by Bain and the third nominated by Clessidra) for the office of effective statutory auditor, and two candidates (the first nominated by Advent and the second nominated by Bain) for the office of alternative statutory auditor. For further information on the Shareholders' Agreement, see "Principal and Selling Shareholders—The Shareholders' Agreement—Shareholders' Agreement."

None of the members of the Board of Statutory Auditors have had an investment or professional relationship, directly or indirectly, through other companies or professional firms, with the Issuer, the Group, or companies that control or are under common control with the Group during the past three years.

To the best of our knowledge, as of the date of this offering circular, none of the members of the Board of Statutory Auditors serve on more boards than is permitted under Article 148-*bis* of the Consolidated Financial Act and its implementing measures provided for by the Issuer's Regulation.

The following table indicates the corporations and partnerships, outside the Group, in which members of the Board of Statutory Auditors have been members of management, governing, and audit and control bodies, shareholders or owners of a "qualified equity" investment (i.e., an equity investment of more than 3% in listed companies and 10% in non-listed companies), within the last five years, along with an indication of status of the office held and/or the equity interest held as of the date of this offering circular.

Name	Company	Office	Status
Piero Alonzo	GP Properties S.r.l.	Shareholder	Current
	Atlantica Properties S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Aurora Quattro S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Aurora Sette S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Aurora Tre S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Aurora Undici S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Estendo S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Giocheria S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Giochi Preziosi S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Giochi Preziosi Italia S.r.l.	Chairman of the Board of Statutory Auditors	Current
	GP Properties S.r.l.	Director	Current
	Gruppo Servizi Associati S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Harmont & Blaine S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Jakala Holding S.p.A.	Auditor	Current
	Kao Italy S.p.A.	Chairman of the Board of Statutory Auditors	Current
	L'Aromatika S.r.l.	Auditor	Current
	Lauro Cinquantadue S.r.l.	Auditor	Current
	Scrigno S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Varenne S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Aurora Cinque S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Aurora Nove S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Aurora Otto S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Aurora Recovery Capital S.p.A.	Director	Ceased
	Bimbo Store S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Biscottificio Baroni S.p.A.	Chairman of the Board of Statutory Auditors	Ceased

Name	Company	Office	Status
	Bitolea Holding S.p.A.	Auditor	Ceased
	Caffè Borbone S.p.A.	Auditor	Ceased
	Clessidra SGR S.p.A.	CEO	Ceased
	Compagnia Italiana Navigazione S.p.A.	Auditor	Ceased
	Ermete S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Ermete 2 S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Holding Immobiliare Pallavicini S.p.A.	Auditor	Ceased
	Lauro Cinquantasette S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	Lauro Cinquantotto S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Lauro Diciotto S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Lauro Quarantasei S.p.A.	Auditor	Ceased
	Lauro Quattordici S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	Lauro Ventidue S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	L 15 S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	L 19 S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	Metalcam S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Pirelli & C. S.p.A.	Director	Ceased
	Prenatal S.p.A.	Auditor	Ceased
	Prenatal Retail Group S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Prima Holding 2 S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	Prime European Therapeuticals S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Roberto Cavalli S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Scrigno Holding S.p.A.	Chairman of the Board of Directors	Ceased
	Sisal S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Sisal Group S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	SGI Holding S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Società Gasdotti Italia S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Varenne 4 S.p.A.	Chairman of the Board of Statutory Auditors	Ceased

Name	Company	Office	Status
Marco Giuseppe Zanobio	Exilles S.p.A.	Shareholder	Current
	Zama Società Semplice di Marco Zanobio (now Società Semplice di Exilles Trust S.r.l.)	Shareholder	Ceased
	Assietta Private Equity SGR S.p.A.	Director	Current
	A2A CALORE E SERVIZI S.r.l.	Alternate Auditor	Current
	A2A ENERGY SOLUTIONS S.r.l.	Alternate Auditor	Current
	A2A SECURITY Società Consortile per Azioni	Auditor	Current
	Bastrenga S.r.l.	Sole Director	Current
	BRIBRI S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Corporate Asset & Liability Performing Solutions S.p.A.—Calipso S.p.A.	Chairman of the Board of Directors	Current
	DIGITAL360 S.p.A.	Auditor	Current
	E2I Energie Speciali S.r.l.	Auditor	Current
	Exilles S.p.A.	Director	Current
	Exilles Trust S.r.l.	Chairman of the Board of Directors	Current
	Finanziaria Alberto Pirelli S.r.l. FIN.AP. S.R.L.	Director	Current
	H.I.I.T.—Holding Italiana Investimenti Tecnologici S.r.l. in liquidazione	Liquidator	Current
	IMMOBILIARE LOIMAR S.r.l.	Chairman of the Board of Directors	Current
	Maattia S.r.l.	Sole Director	Current
	Mezzanove Capital S.r.l. in liquidazione	Liquidator	Current
	MIVER S.r.l. in liquidazione	Liquidator	Current
	Piazza Duomo 1 S.r.l.	Sole Director	Current
	Preziosi Investments S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Progetto 11 S.r.l.	Sole Auditor	Current
	REYS S.p.A.	Director	Current
	SPC GREEN S.p.A.	Chairman of the Board of Directors	Current
	TECI S.p.A.	Chairman of the Board of Directors	Current
	Advam Partners Società di Gestione del Risparmio Spa—Advam SGR S.p.A.	Auditor	Ceased
	Albea Tubes Italy S.r.l.	Alternate Auditor	Ceased
	A2A Ambiente S.p.A.	Auditor	Ceased
	Bazza S.r.l.	Sole Director	Ceased
	Cantagioco S.r.l. in liquidazione	Liquidator	Ceased
	DP Bidco S.p.A.	Sole Director	Ceased
	DP Bidco S.p.A.	Chairman of the Board of Directors	Ceased
	DP Midco S.p.A.	Director	Ceased
	ElettrOmnes 3 S.p.A.	Sole Director	Ceased

Name	Company	Office	Status
	Finanziaria Alberto Pirelli Sapa —now Finanziaria Alberto Pirelli S.r.l.—Fin.Ap. S.r.l.	Chairman of the Board of Statutory Auditors	Ceased
	Firmenich Holding (Italy) S.p.A.	Sole Director	Ceased
	Goldfinch S.r.l.	Sole Director	Ceased
	I.M.S.—Industria Materiali Stampati S.p.A.	Alternate Auditor	Ceased
	Largenta Italia S.p.A.	Sole Director	Ceased
	Leonardo Hotels (Italy) S.r.l.	Sole Director	Ceased
	Mentre Lui S.r.l.	Sole Director	Ceased
	MG Minigears S.p.A. (former MG Padova S.r.l.) (former Distonia S.r.l.)	Member of the Supervisory Board Sole Director Sole Director	Ceased
	Nuove Partecipazioni S.p.A.	Auditor	Ceased
	Odexa S.p.A.	Auditor	Ceased
	Oleasense S.r.l. in liquidazione	Liquidator	Ceased
	Panda Security Italia S.r.l.	Sole Director	Ceased
	Pirelli & C. Ambiente S.p.A.	Auditor	Ceased
	Pirelli & C. Ambiente S.r.l.	Auditor	Ceased
	Pirelli & C. Eco Technology S.p.A.	Auditor	Ceased
	Prisma SGR S.p.A.	Auditor	Ceased
	Ralicò S.r.l.	Sole Director	Ceased
	Saratoga Int. Sforza S.p.A.	Auditor	Ceased
	Sirti S.p.A.	Director	Ceased
	Spaccatura S.r.l.	Sole Director	Ceased
	TB Tauris Italia S.r.l.	Director	Ceased
	Trainee S.r.l.	Sole Director	Ceased
	Unopiù S.p.A.	Chairman of the Board of Directors	Ceased
	Vicenza Manufacturing S.r.l. in liquidazione	Sole Director	Ceased
	Zanella Holdings (Italy) S.r.l. in liquidazione	Sole Director Liquidator	Ceased
	Zanella International S.r.l.	Sole Director	Ceased
Mariella Tagliabue	Anima Holding S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Banca Prossima S.p.A.	Alternate Auditor	Current
	Fiera Milano S.p.A.	Auditor	Current
	Intesa Sanpaolo Provis S.p.A.	Alternate Auditor	Current
	Poliform S.p.A.	Alternate Auditor	Current
	Banca di Trento e Bolzano S.p.A.	Auditor	Ceased
	Earchimede S.p.A.	Auditor	Ceased
	Ghea S.r.l.	Auditor	Ceased
	Ligestra S.r.l.	Auditor	Ceased
	Mediofactoring S.p.A.	Auditor	Ceased
	Mittel Advisory S.r.l.	Auditor	Ceased
	Mittel Advisory Debt and Grant S.r.l.	Auditor	Ceased

Name	Company	Office	Status
	Mittel Investimenti Immobiliari S.r.l.	Auditor	Ceased
	Sorin S.p.A.	Auditor	Ceased
Tommaso Ghelfi	Sacro Monte Trust S.r.l. in liquidazione	Director	Current
Andrea Carlo Zonca	Recoa S.r.l.	Director	Current
	AF Costruzioni e Progetti S.r.l.	Official Receiver	Current
	Algol S.p.A.	Official Receiver	Current
	Area lite in S.r.l. in liquidazione	Official Receiver	Current
	Arsonsisi S.p.A.	Auditor	Current
	Axxam S.p.A.	Auditor	Current
	Babylion Di Bernucci Barbara	Official Receiver	Current
	Bags S.r.l.	Official Receiver	Current
	Barna Pierangelo e Figlio S.r.l.	Official Receiver	Current
	Clovis Oncology Italy S.r.l.	Auditor	Current
	Corrieri Espressi Riuniti S.n.c. di Bernucci Aristide & C.	Official Receiver	Current
	Clovis Oncology IT S.r.l.	Auditor	Current
	Culti Milano S.p.A.	Auditor	Current
	Dalmar S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Dalmar Impianti S.p.A.	Auditor	Current
	DD Immobiliare S.a.s. di Nadia Necchi	Official Receiver	Current
	Duecon Project S.r.l.	Official Receiver	Current
	Education Time S.p.A. in liquidazione	Official Receiver	Current
	Europressvit S.r.l.	Auditor	Current
	Everton S.r.l.	Official Receiver	Current
	Evolution Moto S.a.s. di d'Amato Cristian & C.	Official Receiver	Current
	Fidiger S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Fratelli Consolandi S.r.l.	Auditor	Current
	Gladstone S.p.A. in liquidazione	Official Receiver	Current
	Giglio Immobiliare S.r.l.	Official Receiver	Current
	Gippini Andrea S.r.l.	Official Receiver	Current
	Immobiliare A. Cerreto S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Immobiliare Breva S.r.l.	Official Receiver	Current
	Impresa Luigi Notari S.p.A.	Auditor	Current
	Intek Group S.p.A.	Auditor	Current
	Logitec S.r.l.	Official Receiver	Current
	Marelli Autofficina car-truck service S.n.c.	Official Receiver	Current

Name	Company	Office	Status
	N&D S.r.l.	Official Receiver	Current
	Over Light S.p.A.	Auditor	Current
	Provomas Engineering S.r.l.	Official Receiver	Current
	Società consortile per il trattamento acque e trattamento smaltimento dei fanghi STS S.r.l.	Auditor	Current
	Soffientini S.r.l.	Official Receiver	Current
	SO.SE.CO. S.r.l.	Official Receiver	Current
	Sud Logistic Società Cooperativa	Official Receiver	Current
	Reusch Internation S.p.A.	Director	Current
	Romeo Maestri e Figli S.p.A.	Auditor	Current
	Rosa Holding S.r.l. in liquidazione	Official Receiver	Current
	Tanko Yachts S.p.A.	Auditor	Current
	Trustfid S.p.A.	Chairman of the Board of Statutory Auditors	Current
	Victoria S.r.l.	Official Receiver	Current
	Alfa Gamma 2000 S.r.l.	Auditor	Ceased
	Alicanto Capital SGR S.p.A.	Auditor	Ceased
	Area S.r.l.	Auditor	Ceased
	Arti Grafiche Colombo S.r.l.	Comm giudiz	Ceased
	Breve Faster S.r.l.	Auditor	Ceased
	Brief International S.r.l.	Official Receiver	Ceased
	Cielle Costruzioni S.r.l.	Official Receiver	Ceased
	C.I.G S.r.l. in liquidazione	Auditor	Ceased
	Dometrans STI S.p.A. in liquidazione	Official Receiver	Ceased
	Domus Lonati S.a.s.	Official Receiver	Ceased
	Elettroteam Group S.r.l. in liquidazione	Official Receiver	Ceased
	Emmebi S.r.l. in liquidazione	Official Receiver	Ceased
	Eurodom Società Cooperativa a responsabilità limitata	Official Receiver	Ceased
	Fratelli Mignano S.r.l.	Official Receiver	Ceased
	Evergreen Advertiing and Promotion S.r.l.	Auditor	Ceased
	Immobiliare Aquileja S.r.l.	Auditor	Ceased
	ISNO 3 S.r.l.	Auditor	Ceased
	Kiepe Eletric S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	L.B.L. Laboratori Biocosmetici Lombardi S.r.l. in liquidazione	Official Receiver	Ceased
	Magnetor S.r.l.	Auditor	Ceased
	Mend Edil Immobiliare S.r.l.	Official Receiver	Ceased
	Menani S.r.l.	Official Receiver	Ceased
	Multiservice di Ragusa Andrea	Official Receiver	Ceased
	Nuova GS S.p.A.	Auditor	Ceased
	Querciabella S.p.A.	Auditor	Ceased
	Photo Profit S.r.l. in liquidazione	Official Receiver	Ceased

Name	Company	Office	Status
	Riconda Luca	Official Receiver	Ceased
	Roche S.p.A.	Auditor	Ceased
	Safim Leasing S.p.A. in liquidazione	Chairman of the Board of Statutory Auditors	Ceased
	Selecta S.p.A.	Auditor	Ceased
	Selecta TAAS S.p.A.	Auditor	Ceased
	SDS S.p.A.	Auditor	Ceased
	S.I.P.I.M. S.r.l.	Official Receiver	Ceased
	Sireg Polyvinyl S.r.l.	Chairman of the Board of Statutory Auditors	Ceased
	Time S.r.l.	Official Receiver	Ceased
	Zephyro S.p.A.	Auditor	Ceased
	Zurich Life and Pensions S.p.A.	Auditor	Ceased
	Zurich Life Insurance Italia S.p.A.	Auditor	Ceased
	Venturini DMC S.p.A.	Auditor	Ceased
	Vertice S.r.l.	Official Receiver	Ceased
	X Leasing S.r.l. in liquidazione	Official Receiver	Ceased
	Weitzmann GmbH	Auditor	Ceased

To our knowledge, none of the members of our Board of Statutory Auditors has (during the last five years) been sentenced in connection with the offenses of fraud or fraudulent bankruptcy, or been associated with bankruptcy, receivership or involuntary liquidation proceedings (while performing their respective positions and functions). Further, no member of the Board of Statutory Auditors has (in the last five years) been subject to official charges and/or penalties by government or regulatory authorities (including designated professional associations) in the performance of positions and functions, or has been barred from administrative, management or audit and control positions within the Group or from management or operational positions with other companies.

The standing auditor Mr. Marco Giuseppe Zanobio has been subject to an administrative pecuniary sanction pursuant to article 190 of the Consolidated Financial Act in relation to his office as auditor of Prisma SGR S.p.A., equal to €18,500.00 (CONSOB's bulletin No. 8/2013).

Conflicts of Interest

We are not aware of the existence of conflicts of interest of the members of our Board of Directors, Board of Statutory Auditors or our executive management team.

Set forth below is a description of the self-interests held by the members of our Board of Directors, Board of Statutory Auditors and our executive management team.

As of the date of this offering circular, Mr. Paolo Bertoluzzo, member of the Board of Directors, CEO and General Manager and other members of our executive management team (i.e. Mr. Bernardo Mingrone, Mr. Enrico Trovati, Renato Martini and Mr. Andrea Mencarini) have interests in the Issuer, as they hold financial instruments which entitle them to buy our shares (the "**Warrants**"). The Warrants were issued by the Board of Directors of Mercury UK on December 2, 2016.

The rules governing the Warrants, including the terms and conditions of exercise, are identical for each holder.

The purchase price of the Warrants was determined by Mercury UK's Board of Directors in an amount corresponding to the fair market value of the Warrants (in accordance with Article 9 of Presidential Decree no. 917/1986 and subsequent amendments thereto) pursuant to a sworn appraisal made by an independent expert who was and, as of the date hereof, is neither in conflict of interest with us nor with Mercury UK. The independent expert determined the fair market value of the Warrants by applying the Black Scholes model.

The CEO and the members of our executive management team invested in the Warrants for consideration based on the expectation of an increase in the value of such investment. As with any financial investment, the subscribers invested their own financial resources and undertook in full the relevant investment risk. Set out below is, for each holder of the Warrants, the relevant purchase date, the average unit price, the total price, as well as the total counter value of the Warrants.

Name	Purchase Date	Average Unit Price	Total price
Paolo Bertoluzzo	February 1, 2017	0.184	1,842,000
Bernardo Mingrone	January 30, 2017 and June 28, 2017	0.188	846,535
Enrico Trovati	January 27, 2017	0.184	368,400
Andrea Mencarini	January 30, 2017	0.184	368,400
Renato Martini	February 8, 2017	0.184	300,000
Total			**3,725,335**

Warrants are freely transferable, in whole or in part, to third parties for cash consideration in an amount freely determined by their holders, without prejudice to Mercury UK's pre-emptive right and the prohibition on admission to trading on a regulated market, MTF or OTF. Each Warrant entitles the holder to purchase from Mercury UK, in accordance with the terms and conditions of the Warrants, against payment of the relevant exercise price (stake price) our Shares held by Mercury UK in the ratio of one *pro-tempore* share in circulation for each exercised Warrant. The number of Warrants that can be exercised upon the occurrence of a Liquidity Event (as defined below) is to be determined on the basis of the formula provided for in the terms and conditions of the Warrants. Such formula has been drawn up as a function of the return on the investment made by the Financial Sponsors in the Issuer.

Pursuant to the terms and conditions of the Warrants, Mercury UK and the holders are entitled to proceed with settlement in cash, instead of delivering the Shares deriving from the exercise of the Warrants. Pursuant to the terms and conditions of the Warrants, the holders may exercise their Warrants upon the occurrence of one of the following trigger events (the "**Liquidity Events**") including: (i) the listing of our Shares on a regulated market (i.e., the Listing Date); (ii) the transfer, even indirectly, by the Financial Sponsors of all the Shares held, directly or indirectly, by them; (iii) any other transaction by virtue of which the Financial Sponsors cease to hold, directly or indirectly, individually or jointly, control of us; (iv) the transfer, directly or indirectly, by us, or by certain of our subsidiaries, of assets with a fair market value greater than 50% of our fair market value; and (v) any other transaction by virtue of which we cease to directly or indirectly control a subsidiary with a fair market value of greater than 50% of our fair market value. In addition to the above, the holders have the right to exercise a portion of the Warrants upon the occurrence of any one of the following events: (a) the transfer, directly or indirectly, by the Financial Sponsors, of at least 20% of the Shares held by them, directly or indirectly; and (b) the transfer, directly or indirectly, by us, or by certain of our subsidiaries, of assets having a fair market value of greater than 20% of our fair market value. As of the date of this offering circular, no Liquidity Event has occurred.

Without prejudice to the above, the terms and conditions of the Warrants also grant the holders the right to exercise the Warrants in two tranches. In particular, (i) after the first term of December 19, 2022, holders may exercise half of the Warrants not yet exercised; and (ii) after the second term of December 22, 2025, holders may exercise all Warrants not yet exercised, it being understood that, after this term, the Warrants not yet exercised will irrevocably lose all effectiveness and irrevocably forfeit all rights.

The strike price of the Warrants has been set, for each tranche, on the basis of a gradually increasing equity value.

As of the date of this offering circular, if, as is expected, the Chief Executive Officer and the executive managers exercise all of the Warrants that they can exercise following the occurrence of a Liquidity Event, assuming an Offer Price at the mid-point of the Offer Price Range, they will pay Mercury UK a total amount equal to approximately €84 million to exercise the Warrants, corresponding to an average strike price per Warrant of €4.672, or €0.4672 prior to the reverse stock split.

It is expected that the difference between (i) the Offer Price (assuming such value at the mid-point of the Offer Price Range, equal to €9.4250) and (ii) the relevant strike price (the average unit price paid for the exercise of each Warrant of €4.672), together with the average unit purchase price of the Warrants originally paid by each of the owners (equal to €0.184), assuming a ratio of one Warrant per Share, will be equal to €4.568.

Mercury UK has also reserved an irrevocable call option on the Warrants, which may be exercised by Mercury UK against all or only some of the holders at any time prior to the occurrence of one of the above-mentioned trigger events, for a strike price equal to the fair market value of the Warrants.

Mercury UK has already irrevocably exercised its option to purchase all the Warrants, subject to the start of trading of our shares on a regulated market, thus simplifying and facilitating activities related to the listing of our shares on a regulated market. This circumstance prevents the holders of the Warrants from benefiting from the exercise of the Warrants upon the occurrence of the Liquidity Event resulting from the listing of our Shares. As a result, immediately before the start of trading of our shares (provided that at that date and until the expiration of the period to exercise the option to purchase the Warrants, no Liquidity Event, other than the Listing, has occurred), the Warrants will be acquired and cancelled by Mercury UK (thus preventing the exercise and possible transfer of our Shares to the holder) and the holders will receive a cash amount equal to the fair market value at that date of the relevant Warrants, which is positively correlated to the return on investment achieved by the Financial Sponsors in the Issuer and therefore also to the Offer Price.

As of the date of this offering circular, Mr. Paolo Bertoluzzo, member of the Board of Directors, CEO and executive manager, Mr. Bernardo Mingrone, Mr. Enrico Trovati, Mr. Renato Martini and Mr. Andrea Mencarini, executive managers (collectively, the "**Individual Investors**") have undertaken to purchase, at the Offer Price, from Mercury, which has undertaken to sell, within 10 days from the Listing Date, a number of Shares to be determined on the basis of the criteria set out in the relevant agreements and the Offer Price. In this regard, although the above-mentioned investment commitment provides that the Shares shall be purchased at the Offer Price, net of the payment of the fair market value of the Warrants as a result of the call option exercised by Mercury UK (equal to €4.568), the actual disbursement for each Share purchased by the Individual Investors will be equal to €4.857, calculated on the basis of the assumptions above. The following chart shows the projected number of Shares to be sold by Mercury to the Individual Investors and the Issuer's share capital assuming (i) all of the Offer Shares offered in the Offering are sold and the Over-allotment Option is exercised in full and (ii) the Offer Shares in the Offering and the Over-allotment Option are sold at an Offer Price at the mid-point of the Offer Price Range.

Name	Number of Shares	% share capital
Paolo Bertoluzzo	2,795,091	0.448
Bernardo Mingrone	1,167,949	0.187
Enrico Trovati	519,088	0.083
Andrea Mencarini	519,088	0.083
Renato Martini	422,710	0.068
Total	**5,423,926**	**0.869**

Mr. Paolo Bertoluzzo, member of the Board of Directors, CEO and General Manager has also undertaken *vis-à-vis* Mercury not to transfer any Shares purchased by him in accordance with the provisions above (i) for a period of 12 months from the date of their purchase (with respect to 50% of the purchased Shares), and (ii) for a period of 24 months from the date of their purchase (with respect to the remaining 50% of the purchased Shares). Each of the additional Individual Investors has undertaken *vis-à-vis* Mercury not to transfer the Shares purchased by them in accordance with the provisions above for a period of 12 months from the date of purchase. The lock-up arrangements will cease to apply if a third party, other than the Financial Sponsors, acquires control over the Issuer pursuant to Article 93 of the Consolidated Financial Act or in the event of a good leaver termination of the employment relationship between the relevant Individual Investor and us (e.g., a termination of the employment as a result of circumstances such as resignation for just cause, dismissal without just cause, etc.).

Mr. Maurizio Mussi, Mr. Robin Marshall and Mr. Luca Bassi are employees of Bain Capital; Mr. Francesco Casiraghi and Mr. Jeffrey David Paduch are employees of Advent; Mr. Simone Cucchetti and Mr. Federico Ghizzoni are respectively employees and Vice-chairman of Clessidra SGR S.p.A. In this regard, it should also be noted that Mr. Simone Cucchetti holds stakes in the Clessidra Capital Partners 3 fund, which indirectly holds a stake in our share capital; Mr. Maurizio Mussi, Mr. Robin Marshall and Mr. Luca Bassi hold a stake in a fund managed by Bain Capital, which indirectly holds a stake in our share capital.

Moreover, a company controlled by Giuseppe Capponcelli, member of our Board of Directors and, at the time of the acquisition of ICBPI by the Financial Sponsors, CEO of ICBPI, entered into two agreements with Mercury ABC on October 2, 2017, as subsequently amended on January 21, 2019. The first agreement relates to the provision of strategic and commercial advisory services aimed at developing new business opportunities in the financial services sector to be rendered for the benefit of Mercury ABC and its direct or indirect subsidiaries.

The contract, originally set to expire on August 31, 2019, was renewed for three years. The remuneration consists of an annual fixed fee of €900,000 for the first year, €700,000 for the second year and €600,000 for the third year. The second agreement relates to the provision of advisory activities for the enhancement of the investment made by the Financial Sponsors in Nexi. The agreement provides for variable remuneration linked to the Financial Sponsors' return on the investment in Nexi in the context of the sale or listing of Nexi. In particular, there will be total compensation equal to €4.0 million in the event the Financial Sponsors' return on investment is greater than 4.0x, compensation ranging from €2.8 and €4.0 million in the event the Financial Sponsors' return on investment is between 2.8x and 4.0x and no compensation if the return on investment is less than 2.8x.

Agreements with the main shareholders, clients, suppliers of the Issuer or agreement as a result of which the members of the Board of Directors, the Board of Statutory Auditors and our executive management team have been appointed

Except for the Shareholders' Agreement described in "Principal and Selling Shareholders" and "—Relationships among members of our Board of Directors and Financial Sponsors," we are not aware of agreements with our main shareholders, clients or supplier or agreement as a result of which the members of the Board of Directors, the Board of Statutory Auditors and our executive management team have been appointed.

Restrictions agreed between the members of the management and controlling bodies and executive management team in relation to the transfer of shares of the Issuer held by them

As of the date of this offering circular, we are not aware of any restrictions pursuant to which the members of the Board of Directors, the Board of Statutory Auditors and our executive management team have agreed to limit their right to sell or transfer, for a specific period, the Shares they hold, directly or indirectly, in the Issuer.

Share Ownership

Warrants

As of the date of this offering circular, Mr. Paolo Bertoluzzo, member of the Board of Directors, CEO and General Manager and other members of our executive management team (i.e. including Mr. Bernardo Mingrone, Mr. Enrico Trovati, Mr. Renato Martini and Mr. Andrea Mencarini) hold the Warrants which entitle them to buy our Shares.

Long-term incentive plan

Pursuant to the Remuneration Policy approved by the Board of Directors on February 13, 2019, the shareholders' meeting held on March 12, 2019 (i) approved the LTI Plan and (ii) resolved (x) to grant our Board of Directors, with effect from the Listing Date, the powers to increase the share capital within 60 months of the date of the resolution, in one or more tranches, pursuant to Article 2349, paragraph 1, of the Italian Civil Code, through profits or available reserves, by a maximum amount of €1,000,000 (to be entirely allocated to share capital), through the issuance of an overall number of Shares not exceeding 1.5% of the outstanding share capital following the listing, with regular entitlement to be assigned without consideration, pursuant to and for the purposes of Article 2349 of the Italian Civil Code, to the beneficiaries of the LTI Plan as well as to grant our Board of Directors the broadest power to identify, for each tranche, the amount of the capital increase, the number and rights of the newly issued shares, the profits or available reserves to be used, subject to the applicable regulatory provisions, and (y) to authorize our Board of Directors to buy back and dispose of treasury shares allocated to serve, among others, the LTI Plan. See "—Compensation—Incentive Plans—Long-term incentive plan."

Compensation

Board of Directors

The table below shows the compensation paid to the members of the Board of Directors in office during the year ended December 31, 2018.

Name	Title	Fixed compensation	Non-monetary benefits	Other compensation	Compensation paid by subsidiaries
Franco Bernabè	Chairman of the Board of Directors	€527,500	—	€ 30,000	€ 28,750
Giuseppe Capponcelli	Vice Chairman	€127,500	—	€ 10,000	—
Paolo Bertoluzzo(3)	CEO	€900,000	€58,142	€1,205,996	—
Luca Bassi	Director	—	—	—	—
Francesco Casiraghi	Director	—	—	—	—
Michaela Castelli	Director	€ 27,500	—	€ 90,000	—
Simone Cucchetti	Director	€ 29,000(2)	—	—	€ 29,000(2)
Maurizio Mussi	Director	—	—	—	—
Federico Ghizzoni	Director	€ 27,000	—	—	—
Robin Marshall	Director	—	—	—	—
Jeffrey David Paduch	Director	—	—	—	—
Antonio Patuelli(1)	Director	€ 27,000	—	€ 10,000	€104,000

Notes:

(1) Independent Director pursuant to Article 148 of the Consolidated Financial Act and Article 3 of the Corporate Governance Code.

(2) This compensation is received by Clessidra, in accordance with its internal regulation.

(3) The compensation granted to Mr. Paolo Bertoluzzo as CEO and General Manager of Nexi Payments is paid by our subsidiary Nexi Payment. The office of CEO and General Manager of the Issuer granted to Mr. Paolo Bertoluzzo are governed by an ad-hoc secondment agreement entered into between Nexi and Nexi Payments, which does not entail any remuneration to be paid to the General Manager by the Issuer.

On the occasion of the appointment of the current Board of Directors, the ordinary shareholders' meeting resolved (i) gross compensation of €50,000 per year for each Director, (ii) gross compensation of €300,000 per year for the chair of the Board (including base gross compensation equal to €50,000 per year); and (iii) gross compensation of €150,000 per year for the deputy chair (including base gross compensation equal to €50,000 per year), in each case in addition to the reimbursement of expenses incurred in relation to the office.

Except for the Mercury UK Stock Grant Plan, no compensation is envisaged in favor of the members of our Board of Directors linked to the listing of our Shares on a regulated market.

Executive management

The members of our executive management in office as of the date of this offering circular received aggregate compensation of €4,828,777 for the financial year ended December 31, 2018.

Board of Statutory Auditors

The table below shows the compensation paid to the members of the Board of Statutory Auditors in office during the year ended December 31, 2018.

Name	Title	Fixed compensation	Non-monetary benefits	Other compensation	Compensation paid by subsidiaries
Piero Alonzo	Chairman of the Board of Statutory Auditors	€83,500	—	€40,000	€150,000
Alberto Balestreri	Statutory Auditor	€53,500	—	€20,000	€115,000
Marco Giuseppe Zanobio	Statutory Auditor	€53,500		€20,000	€107,500
Fabio Oneglia	Alternative Statutory Auditor	—	—	—	—
Andrea Vagliè	Alternative Statutory Auditor	—	—	—	—

On the occasion of the appointment of the current Board of Statutory Auditors, the ordinary shareholders' meeting approved gross compensation of €80,000 per year for the Chairman of the Board of Statutory Auditors and €50,000 per year for each statutory auditor.

Incentive Plans

On February 13, 2019 and February 25, 2019, upon proposal of the Nomination and Compensation Committee, we approved the new group remuneration policies of the executive management team and the other employees in effect from the year 2019 (the "**Remuneration Policy**"). The Remuneration Policy was submitted to the shareholders' meeting on March 12, 2019, which delivered a favorable opinion on the policy. The Remuneration Policy concerns, among others, the executive management and is aimed at attracting, motivating and retaining key personnel within the Group. The Remuneration Policy is defined in such a way as to ensure the pursuit of: (i) our values and objectives; (ii) long-term sustainability; and (iii) the creation of value for stakeholders (shareholders, employees and customers).

Set out below are the four pillars on which the Remuneration Policy is built:

- strategies and values alignment;
- performance and merit;
- competitiveness and consistency; and
- transparency and communication.

Pursuant to the Remuneration Policy, the remuneration of the executive management consists of:

- a fixed component;
- an annual variable component (the MBO, as defined below);
- a medium/long-term variable component (the LTIP, as defined below); and
- certain benefits, including, by way of example, insurance coverage plan, retirement benefit and ticket restaurant.

Set forth below is a brief description of the management by objectives plan and the long-term incentive plan.

MBO Plan

As part of the Remuneration Policy, we will establish an annual incentive plan based on the achievement over a year of certain target objectives, or "management by objectives," aligned with the strategy and the economic and financial plans of the Group as well as with business priorities in compliance with our policy of mitigating the main risks ("**MBO**").

The beneficiaries of the MBO will be those permanent employees who fall within the first five bands (out of seven) into which our employees are divided.

The MBO will be structured on target objectives (i.e., the amount awarded for the achievement of 100% of the objectives set for the beneficiary and calculated in function of his/her gross annual salary). Such percentage varies depending on the band of the beneficiary (with specific thresholds applying to audit functions). Specifically, with reference to executive managers, the amount of the target objectives will be 50% of the gross annual salary of each of them, except for the general manager whose target objective will be 130% of the gross annual salary.

The above is without prejudice to any other existing agreements or derogations which may be specifically approved by our Board of Directors. As of the date of this offering circular, we have agreements in place with Mr. Bernardo Mingrone providing for the recognition of a target objective equal to 100% of his gross annual salary.

The amount payable in application of the MBO will vary from zero up to 200% of the target objectives, depending on whether the objectives set for the relevant beneficiary have been achieved. Specific caps will be provided for audit functions to ensure compliance with the principles of sound and prudent management.

The types of objectives envisaged by the MBO will be divided into:

(i) corporate objectives (Group EBITDA);

(ii) specific objectives (by business unit and area); and

(iii) individual objectives (quantitative and qualitative).

The definition and weighting of each objective is determined according to the role of each beneficiary.

As of the date of this offering circular, the beneficiary and the objectives of the MBO have not been finally and specifically identified. Nevertheless, our Chief Executive Officer and General Manager Mr. Paolo Bertoluzzo will be among the beneficiaries of the MBO. For further information as to the benefits that will be granted to Mr. Paolo Bertoluzzo under the MBO see "—Agreement with the CEO".

In line with market practice, the accrual of the variable remuneration under the MBO will be subject to an entry gate consisting in the achievement of at least 85% of the EBITDA set out as target. If the individual objectives were "not achieved," no payment will be due under the MBO.

The variable amount accrued under the MBO will be paid in full in cash within the first half of the fiscal year following the year of accrual.

There will be no mechanisms for deferral or so-called malus and claw-back (i.e., the right not to pay to a beneficiary the amount accrued by such beneficiary and/or the obligation to return the amount received, upon the occurrence of certain circumstances).

Long-term incentive plan

Our Remuneration Policy provides for a three-year variable incentive system (long-term incentive plan ("**LTI**")) that, once established, will pursue the following objectives:

(a) driving the company performance in the medium/long term by aligning management behavior with our strategy and risk management policies; and

(b) retaining key people, who hold high-impact roles within the organization and who have relevant skills, capable of representing a competitive advantage for us.

Specifically, the stock grant LTI approved by the shareholders' meeting on March 12, 2019 pursuant to the Remuneration Policy (the "**LTIP**") will provide for a grant of our ordinary shares without consideration in case of: (i) achievement of company performance objectives; and/or (ii) maintenance of the employment relationship to selected employees identified on a yearly basis according to the following criteria:

(i) banding, i.e., the international system of responsibility and accountability that through four criteria codified and defined by an independent external company weighs the impact that roles have within a company's organization; and

(ii) individual performance measured on the basis of the performance management system.

The band to which the executive management belongs is one of the four bands to which the LTIP will be addressed and all the executive managers are among the possible beneficiaries.

As of the date of this offering circular, the beneficiaries and objectives of the LTIP have not been identified. As of the date of this offering circular, we expect that the objectives of the LTIP, together with the names of the eligible beneficiaries, will be submitted to the Nomination and Compensation Committee before April 30, 2019. Nevertheless, our Chief Executive Officer and General Manager Mr. Paolo Bertoluzzo will be among the beneficiaries of the LTIP. For further information as to the benefits that will be granted to Mr. Paolo Bertoluzzio under the LTIP see "—Agreement with the CEO".

The LTIP will be structured on the basis of an annual target, defined as the number of our ordinary shares to be assigned yearly during the three-year period in exchange for the achievement during the vesting period (i.e., the period between the assignment date of the right and the final vesting date) of 100% of the objectives set for the beneficiary, except for the general manager whose target objective will be 130% of the gross annual salary.

This target incentive is calculated on the basis of a percentage of the gross annual salary, which varies according to the band to which the beneficiary of the LTIP belongs and the overall assessment of the individual performance. In particular, with reference to executive management, the percentage of gross annual salary will be used as reference for determining the target incentive is 100%.

The LTIP will have duration of three years and will provide for the assignment of rights to receive our ordinary shares on an annual basis over the three-year period (2019-2021) potentially in favor of around 230 beneficiaries. A vesting period of three years (from 2022 to 2024 inclusive) will also be provided for.

In particular, the LTIP will provide for the allocation of:

(i) performance shares, i.e., ordinary shares of the Issuer whose grant is subject to the achievement during the vesting period of predetermined corporate performance targets; and

(ii) restricted shares, i.e., ordinary shares of the Issuer whose grant is subject only to the beneficiary remaining at the Issuer until the end of the vesting period.

The grant of performance shares and/or restricted shares to each beneficiary will be determined in function of the banding: the higher the impact of the beneficiary's role within the organization, the higher the percentage of shares to be granted in relation to the achievement of the target objectives. In relation to executive management, the LTIP will grant of performance shares only while in relation to employees belonging to audit functions and the LTIP will grant of restricted shares only in line with the principles of sound and prudent management that we adopt.

The achievement of the objectives (KPIs) during the relevant vesting period will determine the maturity of the performance shares. The KPIs will be follows:

(i) Relative Total Shareholder Return; and

(ii) Cumulative Operating Cash Flow.

The Relative Total Shareholder Return ("**Relative TSR**") is the difference between the Issuer's TSR (as defined below) and the Reference Index (as defined below).

The "**TSR**", i.e., the total shareholder return, is an index that measures the creation of value for the shareholder and is calculated by adding to the change in the price of the relevant shares during the vesting period the amount of dividends and/or distributions per share paid in the same period, according to the following formula:

$$\text{TSR} = \frac{\textit{(Final Price} - \textit{Initial Price} + \textit{Dividends)}}{\textit{Initial price}}$$

The "**Reference Index**" is calculated on the basis of the following indices, having the same percentage weight (33%), identified by sector of origin:

(i) Global Digital Payments Infrastructure Index (digital payments);

(ii) EURO STOXX ® Technology (technology sector); and

(iii) FTSE Italia Mid Cap (companies listed on the Milan Stock Exchange with the highest capitalization).

The amount of the performance shares to be granted is calculated according to the following table, with a cap of 200% of the target incentive.

Relative TSR			***Performance Shares***	
From	**To**		**From**	**To**
-10%	0%	⇨	0%	100%
0%	+20%	⇨	100%	200% (Cap)

The Cumulative Operating Cash Flow ("**Cumulative OCF**"), on the other hand, measures the difference between the total amount of cash actually generated by our operating cash flow ("**OCF**") during the vesting period (with the exception of the first year, which starts on January 1 of the year of the grant) and the amount assumed as a target in the relevant approved annual budgets (OCF Target).

The amount of the performance shares to be assigned is calculated according to the following table, with a cap of 200% of the target incentive.

Δ% Cumulative OCR v. Target			*Performance Shares*	
From	**To**		**From**	**To**
-10%	0%	⇨	0%	100%
0%	+7%	⇨	100%	200% (Cap)

The amount of performance shares accrued at the end of the vesting period will be determined using the methods described above, applied independently, as follows:

(i) 50% of the amount awarded will be defined by the Relative TSR KPI; and

(ii) 50% of the amount awarded will be defined by Cumulative OCF KPI.

However, in the event that the Cumulative OCF KPI during the vesting period is less than 80% (Entry Gate) of the sum of the OCFs provided for in the annual budgets of the vesting period, no right to the grant of performance shares will be given to the beneficiaries of the LTIP.

Restricted shares, on the other hand, are not subject to any entry gates, but their accrual is subject to the permanence of the beneficiary’s employment with the Group until the end of the vesting period. The existence of the employment relationship must be verified, in particular, in April 2022, April 2023 and April 2024.

The LTIP will also provide, with respect to the beneficiaries belonging to the highest band (including the executive management), for the restriction, for a period lasting one year, on the sale of 50% of the shares received in execution of the LTIP (the holding period), in accordance with the recommendations of the Corporate Governance Code.

The LTIP will also include malus and claw-back mechanisms, by virtue of which we will be entitled not to assign the shares accrued by the beneficiary or to obtain their full or partial restitution, upon the occurrence of events prejudicial to our interests.

In addition, in line with market practice, the LTIP will set out the circumstances under which, in case of termination of the employment relationship, the beneficiary will be entitled to the grant of our shares, distinguishing between good leaver events (death, disability exceeding 66%, suitability for retirement, dismissal or termination of employment for reasons other than disciplinary dismissal, resignation for just cause) and bad leavers (voluntary resignation or dismissal for disciplinary reasons).

As of the date of this offering circular, we expect that the LTIP will be associated with a non-monetary cost component recorded in the income statement in an amount equal to approximately €12 million.

Incentive plans glossary

For a better understanding of the MBO and LTIP, set forth below are certain definitions relating to the incentive plans.

During 2017, we introduced the “banding” system (i.e., the international system of responsibility and accountability that through four criteria codified and defined by an independent external company weighs the impact that roles have within a company’s organization, according to the IPE—International Position Evaluation System—methodology),

The four criteria by which the roles are weighed are as follows:

- *impact*: size of the organization in which the role operates, impact of the role on the organization and contribution to the results of the organization;
- *communication*: most frequent/sophisticated type of communication, context in which communication is acted upon and with which audiences (customer, media, stakeholders, etc.);
- *innovation*: level of innovation and complexity in which the role is called upon to bring about improvements/changes/innovations in products, services, processes and procedures; and
- *knowledge*: level of knowledge required as a combination of experience and education, geographical responsibility, i.e., if requested, the knowledge of different cultures, values and market practices.

We have identified 7 bands: A—Leading Director, B—Change Leader, C—Change Agent, D—Professional Leader, E—Senior Professional, F—Professionals, G—Support.

"**Performance management**", the corporate tool that assesses individual performance according to expressed and defined criteria, pertaining to:

- the "what" that consists of individual and team objectives, qualitative and quantitative, clear, measurable and defined at the beginning of the year; and
- the "how" which is identified by individual behaviors based on our five business values (shape the future; live for customers; be reliable, always; make it simple, build together).

The assessment is carried out on the basis of the following five-level evaluation scale: insufficient, to be improved, in line with expectations, above expectations, excellent.

Mercury UK Stock Grant Plan

As of the date of this offering circular, an incentive plan has been approved by the board of directors of Mercury UK on November 7, 2018 and on March 11, 2019 (and, insofar as relevant, was also approved the relevant bodies of the concerned Group companies). Under the incentive plan: (i) 59 employees of Nexi Payments and MePS, all belonging to Cluster B, none of them being a director of a Group company (except Valentina Mascioli and Laura Visconti, both directors of HelpLine and Francesco Gaini, director of Moneynet) or general manager or other executive with strategic responsibilities of Nexi; and (ii) approximately 120-140 additional employees of Nexi Payments, MePS and HelpLine, which will be identified by Mercury with the support of the relevant departments within the Group (the "**Recipient**s"), will be granted the right to free allocation from Mercury of shares of the Issuer, partly deferred in the medium term (up to 24 months), if the conditions referred to in the regulation are met (the "**Mercury UK Stock Grant Plan**").

The purpose of the Mercury UK Stock Grant Plan, the full cost of which is borne by Mercury UK and, therefore, without charge to us, is (i) to further align the interests of the Beneficiaries, whose contribution is deemed to be of significant strategic importance, with the objectives of our shareholders and (ii) induce the Recipients to focus on growth of the Group's profitability and market value in order to prepare for a potential Liquidity Event (as defined below) and (iii) retain and motivate the Recipients to ensure an effective implementation of the Group's strategy.

The Mercury UK Stock Grant Plan provides for the free assignment to the Beneficiaries of our shares owned by Mercury UK, subject to the fulfilment of certain conditions: (i) within December 31, 2026, either the Financial Sponsors have ceased to control us or our shares have been listed on a regulated market following the transfer by Mercury UK of at least 20% of its stake in our shares capital, including, for the sake of clarity, the transfer by means of placement of our Shares in the context of the IPO (the so-called "**Liquidity Event**"); (ii) the return of the Financial Sponsors' indirect investment has achieved a minimum threshold to be determined on the basis of a formula provided for in the regulation; and (iii) the Beneficiary is employed by us until the assignment of our Shares. In addition to the above, the assignment of our shares to Beneficiaries exercising control functions in the Group (i.e., internal audit, risk management, compliance) or sales force functions is also subject to the fulfilment of certain specific operational KPIs identified at the time of assignment of the Mercury UK Stock Grant Plan in compliance with their responsibilities, as well as the achievement of the minimum annual target set out in the applicable MBO.

Should a Liquidity Event occur, subject to the fulfilment of the above-mentioned conditions, each Beneficiary will be entitled to the free assignment of a number of our Shares owned by Mercury to be determined on the basis of a formula provided in the Mercury UK Stock Grant Plan regulations in function of the return of the indirect investment made by the Financial Sponsors and the strategic contribution of the Beneficiary to the achievement of the objectives of our shareholders (without prejudice to the limits provided for the audit functions). Under the Mercury UK Stock Grant Plan, the Recipients may receive a total up to 165,528,665 shares (equal to 3.20% of the shares held by Mercury on the date of this offering circular, the "**Maximum Pool of Shares**"). The Mercury UK Stock Grant Plan has no dilutive effect on the capital of the Issuer, as it involves Shares owned by Mercury. Furthermore, in the event of extraordinary operations on the capital of Nexi and other operations that entail a variation in the number Nexi shares (including capital increases, grouping and fractioning of the underlying shares, merger and demerger), Mercury will have the right to make discretionary and unilateral changes or additions to the Mercury UK Stock Grant Plan rules, where deemed necessary or appropriate to keep the main terms, costs and objectives of the Mercury UK Stock Grant Plan unaffected to the maximum extent possible.

Upon the occurrence of a Liquidity Event, Mercury UK will have the right to assign only 50% of our shares accrued by the Beneficiary under the Mercury UK Stock Grant Plan and defer the assignment of the remaining 50% in the following 24 months, also subject to the Beneficiary's maintenance of the employment relationship with our Group (in particular, in the event of bad leavers, the Beneficiary will lose the right to the assignment of all our shares not yet assigned).

Upon the occurrence of a Liquidity Event, or, if necessary, to facilitate its completion, Mercury will also be entitled to "buy back" from the Beneficiaries all our shares granted to them under the Mercury UK Stock Grant Plan under the same conditions as those applied to the sale by Mercury UK. Also, in this case, Mercury UK may defer the payment of the relevant price over the next 24 months**.**

Mercury will be responsible for implementing and managing the Mercury UK Stock Grant Plan. However, it may avail itself of the support of the relevant departments of the Group companies.

The Mercury UK Stock Grant Plan rules were drafted consistently with rules and regulations applicable at the date of approval of the scheme. If, due to changes to these rules and regulations or in the interpretation and implementation thereof, the implementation of the Mercury UK Stock Grant Plan eventually results in Mercury (or any company in the Group) incurring higher costs, expenses, responsibilities, liabilities, taxes, social security expenses or expenses of other nature, then Mercury will have the option to modify, on a discretionary basis and unilaterally, the Mercury UK Stock Grant Plan rules, including the right to cancel the Mercury UK Stock Grant Plan or withdraw it.

In addition to the Mercury UK Stock Grant Plan, on March 11, 2019, Mercury's Board of Directors also approved the free allocation by Mercury, subject to the listing of the Issuer's shares on a regulated market, of a certain number of Issuer's shares or the equivalent value in cash, to certain Group employees to be identified, as of the date of this offering circular, also with the support of the relevant departments in the Group (the "**IPO Bonus**"). Insofar as relevant, the above has been also approved by the Group companies concerned. As of the date of the offering circular, we expect that the eligible beneficiaries of the IPO Bonus will be approximately 240 individuals (none of whom is a member of our Board of Directors, Board of Statutory Auditors or executive management team). Therefore, as of the date of the offering circular, no IPO Bonus has yet been allocated.

The IPO Bonus, the cost of which will be fully borne by Mercury and therefore will imply no costs for the Issuer and/or Group, aims to grant to its recipients a one-off bonus to reward them for their contribution to achieving the objective of the listing of the Issuer's shares on a regulated market, based on the return on indirect investment of the Financial Sponsors as a result of the listing.

More specifically, the IPO Bonus has the following features and characteristics, which differentiate it from the Mercury UK Stock Grant Plan: (i) it provides for the full allocation of shares of the Issuer (and/or, in whole or in part of the equivalent value in cash) substantially at the same time as the Issuer's shares are listed on a regulated market; (ii) is prospectively addressed to a broad audience of Group employees; (iii) has the same dimensions, in terms of number of shares of the Issuer to be allocated (and/or amount of money to be paid) for all recipients, or for each of those that belong to each relevant cluster.

The number of shares of the Issuer (and/or, in whole or in part, the equivalent value in cash) that Mercury will allocate for free to each of the recipients subject to, and substantially at the same time as, the listing of the Issuer's shares on a regulated market shall be determined by Mercury based on the return on the indirect investment that the Financial Sponsors have made in the Issuer, as indicated in the allocation letter. The recipients of the IPO Bonus, together with the recipients of the Mercury UK Stock Grant Plan, will not be able to receive more than 165,528,665 shares of the Issuer (equal to 3.20% of the shares held by Mercury as of the date of the offering circular) and/or the equivalent value in cash. The IPO Bonus has no dilutive effect on the Issuer's capital, as it involves Issuer's Shares owned by Mercury.

Mercury will be responsible for implementing and managing the IPO Bonus. However, it may avail itself of the support of the relevant departments of the Group companies concerned.

Description of employment agreements with members of the Board of Directors, the Board of Statutory Auditors and executive management team with the Issuer containing severance pay-out

Except as provided below, as of the date of this offering circular, there are no agreements in place between us and the members of the Board of Directors, the Board of Statutory Auditors or the executive management team.

Agreement with the CEO

On July 11, 2016, Paolo Bertoluzzo (the "**General Manager**") and ICBPI (now Depobank) entered into an agreement, which was subsequently assigned to Nexi Payment in the context of the Reorganization and amended following to the delivery of a favorable opinion by our Board of Directors and our Nomination and Compensation Committee on March 22, 2019 (the "**Agreement**") governing:

(i) his appointment as sole chief executive officer of the Issuer and Nexi Payments (jointly the "**Director Role**");

(ii) the terms and conditions of his appointment as General Manager of the Issuer and Nexi Payments (jointly the "**Management Role**"), with subordination obligation pursuant to Article 2094 of the Italian Civil Code vis-à-vis the Board of Directors and the task of preparing and formulating to the same board analyses and proposals for any extraordinary transactions, implementing the specific directives issued by the same.

The role of General Manager has been granted to Mr. Paolo Bertoluzzo on the basis of an *ad-hoc* secondment agreement entered into between Nexi and Nexi Payments, which does not entail any remuneration to be paid to the General Manager by the Issuer.

In light of the above, Nexi Payments agreed to pay to the General Manager:

(a) starting from March 22, 2019, a fixed gross annual compensation of €1,200,000.00 payable at the due dates provided for by the commercial practice in force;

(b) starting from 2019, an annual variable compensation (MBO) equal to 130% of his gross annual compensation when the objectives assigned to the General Manager are achieved (and up to 200% of the target incentive when the objectives assigned are exceeded), to be paid according to the terms and conditions set out in the remuneration policies in force from time to time; For the financial years ended December 31, 2018 and 2017, the annual variable bonus accrued under the MBO was equal to €1,800,000 which have not been entirely paid as of the date of this offering circular; and

(c) starting from 2019, a three-year share-based incentive plan (LTI) for an amount equal to 130% of his gross annual compensation when the objectives assigned to the General Manager are achieved (and up to 200% of the target incentive when the objectives assigned are exceeded) to be paid according to the terms and conditions set out in the remuneration policies in force from time to time.

In addition, Nexi Payments agreed to provide the General Manager with fringe benefits granted to the executive management team in line with our policies (including automobile and driver service, life insurance and accident policy, mobile phone, personal laptop and business credit card) and to pay a monthly housing allowance for the first three years of the Management Role (for an amount equal to approximately €250,000 for the three year period under review).

Should we decide to terminate the Agreement (with respect to one or both the Management Roles and/or Director Roles) for any reason other than the just cause, the General Manager shall be entitled to receive from Nexi Payments, in addition to the ordinary course severance pay-out (such as the end of service allowance (TFR), the indemnity in lieu of untaken holidays and the thirteenth instalment), an all-inclusive lump-sum pay-out equal to two years of the reference remuneration (which will be calculated by adding the gross annual compensation to the annual average of the bonuses relating to the three years prior to the termination of employment (even if still subject to deferment and/or vesting and/or retention, including the MBO Bonuses)).

The termination (or non-renewal) of one or both the Management Roles and/or Director Roles at our initiative for just cause or at the initiative of the General Manager (without cause) will constitute just cause for us to terminate the other relationship with Mr. Bertoluzzo. Correspondingly, the termination (or non-renewal) of one or both the Management Roles and/or Director Roles at our initiative in the absence of just cause or at the initiative of the General Manager for just cause will constitute for Mr. Bertoluzzo just cause for him to terminate the other role (without prejudice in this case to the rights of the General Manager described herein).

The General Manager will also be entitled to the severance pay-out in the event of resignation for just cause from one or both the Management Roles and/or Director Roles, when such resignation is determined by one of the following:

(a) our decision, without just cause, to revoke or not to renew the offices or tasks he holds in the Issuer and/or Nexi Payments;

(b) our decision resulting in the revocation or reduction, in form and/or in fact, of the tasks and/or powers he holds in the Issuer and/or Nexi Payments, also by means of transfer to our Board of Directors of his tasks or powers as CEO and General Manager of the Issuer and/or Nexi Payments or, without the consent of the General Manager (which will not be unreasonably withheld), the granting to other persons of tasks, powers or proxies related to his roles of CEO and General Manager;

(c) unjustified breach by Nexi Payments of the remuneration obligations set out in the Agreement which we have not remedied following formal written notification by the General Manager; or

(d) an amendment to the remuneration policies applicable from time to time which is detrimental to the General Manager.

In the event of a good leaver termination of the employment relationship as a result of the foregoing circumstances, the General Manager will be entitled to receive pro rata the MBO Bonus and any LTI accrued up to the termination as well as any deferred instalments relating to previous financial years; all the above in accordance with the timeframes, terms and conditions set out in the remuneration policies applicable from time to time.

Agreements with Mr. Bernardo Mingrone, Mr. Enrico Trovati, Mr. Andrea Mencarini and Mr. Renato Martini

The agreements with our executive managers Mr. Bernardo Mingrone, Mr. Enrico Trovati, Mr. Andrea Mencarini and Mr. Renato Martini include provisions pursuant to which, in the event of dismissal (except for just cause), as well as in the event of resignation for just cause, the managers will be granted an amount inclusive of the indemnity in lieu of notice and any other legal and contractual rights (with the exception of the severance pay-out only), equal to 24 gross months' pay calculated in accordance with the provisions of Article 2121 of the Italian Civil Code, to be paid subject to the signing of a severance agreement containing the waivers of claims against us.

Accruals of termination benefits

The financial statements for the year ended December 31, 2018 do not show any provisions for the payment of pensions, severance payments or similar benefits to the members of our Board of Directors, Board of Statutory Auditors and executive management team. There are provisions for the payment of amounts relating to deferred variable remuneration of approximately €1,645,025.

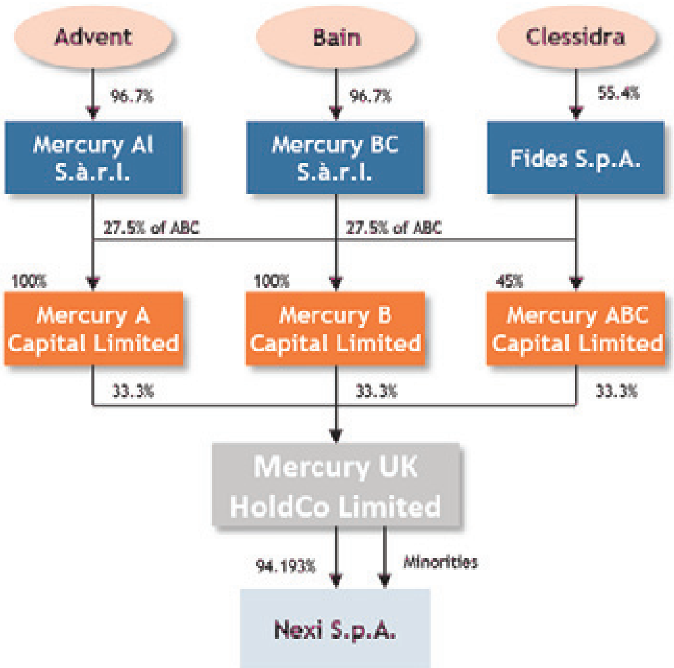
As of the date of this offering circular, there are agreements with the executive management team for the recognition of severance indemnities equal to 24 monthly payments each.

PRINCIPAL AND SELLING SHAREHOLDERS

The table below shows our current share capital as of the date hereof and immediately following the Offering and the share capital increase of 77,777,777 Shares by the Issuer in connection with the Primary Tranche.

Shareholders	Number of Shares prior to the Offering	% Share capital	Number of Shares post-Offering (assuming no exercise of the Over-allotment Option)	% Share capital	No. of Shares post-Offering if Over-allotment Option is exercised in full	% Share capital
Mercury UK Holdco Limited	518,062,389	94.193	393,062,389	62.612	359,551,631	57.274
Banco BPM S.p.A.	8,972,519	1.631	2,691,756	0.429	2,691,756	0.429
Credito Valtellinese S.p.A.	7,174,144	1.304	2,152,243	0.343	2,152,243	0.343
Banca Popolare di Sondrio S.C.p.A.	7,168,275	1.303	2,150,482	0.343	2,150,482	0.343
Banca di Cividale S.C.p.A.	2,512,316	0.457	–	0.000	–	0.000
ICCREA Banca S.p.A.	1,794,504	0.326	–	0.000	–	0.000
Other Shareholders	4,315,853	0.786	4,315,853	0.687	4,315,853	0.687
Public Shareholders	–	–	223,405,054	35.587	256,915,812	40.925
Total	**550,000,000**	**100**	**627,777,777**	**100**	**627,777,777**	**100**

The share capital of Mercury UK HoldCo Limited is indirectly held as shown below:



Specifically:

- Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited each hold 33.33% of Mercury's capital;
- the share capital of Mercury A Capital Limited is wholly-owned by Mercury AI S.à r.l., 96.7% of whose capital is owned by Advent;
- the share capital of Mercury B Capital Limited is wholly-owned by Mercury BC S.à r.l., 96.7% of whose capital is owned by Bain Capital;
- the share capital of Mercury ABC Capital Limited is held as follows: Fides S.p.A. holds 45% of the relevant share capital, Mercury BC S.à r.l. holds 27.5% of the relevant share capital and Mercury AI S.à r.l. holds 27.5% of the relevant share capital; and
- the share capital of Fides S.p.A. is 55.4% owned by Clessidra.

The Issuer is, as of the date of this offering circular, and will be, as of the Listing Date, controlled, directly, pursuant to Article 93 of the Consolidated Financial Act, by Mercury UK HoldCo Limited.

As of the date of this offering circular, no entity individually exercises control over Mercury UK HoldCo Limited pursuant to Article 93 of the Consolidated Financial Act.

The Shareholders' Agreement

Shareholders' Agreement

Relations between our direct and indirect shareholders are governed by an investment and shareholders' agreement (governed by English law) entered into when the majority of our share capital was acquired by the Investors (as defined below) in 2015, subsequently amended and on March 11, 2019 restated, reamended and renewed for a period of three years starting from the Listing Date (the "**Shareholders' Agreement**"). The Shareholders' Agreement was signed by Advent, in the name and on behalf of the funds managed by Advent International Corporation ("**Advent**"), Bain Capital, in the name and on behalf of the funds managed by Bain Capital Private Equity Europe LLP ("**Bain Capital**" and together with Advent the "**Main Shareholders**"), Clessidra SGR S.p.A., in the name and on behalf of the fund Clessidra Capital Partners 3 ("**Clessidra**" and, together with Advent and Bain, the "**Investors**"), Mercury AI S.à r.l., Mercury BC S.à r.l., Fides S.p.A., Mercury A Capital Limited, Mercury B Capital Limited, Mercury ABC Capital Limited (each Mercury ABC Capital Limited, Mercury A Capital Limited and Mercury B Capital Limited "**Holdco**") and Mercury UK Holdco Limited (collectively the "**Parties**"), and governs the following, among others:

(i) Mercury UK's governance;

(ii) specific limitations on the possible transfer of Mercury UK shares;

(iii) our governance;

(iv) specific limitations on the possible transfer of our shares; and

(v) the possibility of communicating certain information.

Governance of Mercury

Composition of Mercury UK's Board of Directors. The Investors undertook to ensure that Mercury UK's Board of Directors would be composed of:

(i) one or two directors appointed by Advent, one or two directors appointed by Bain Capital and one director appointed by Clessidra; and

(ii) any other members unanimously appointed by the directors pursuant to paragraph (i) above.

Functioning of Mercury UK's Board of Directors. The Investors agreed that:

(i) Board of Directors' meetings shall be held at least four times per year, provided that any director may convene a Board of Directors' meeting;

(ii) starting from the Listing Date, except as provided in paragraph (iii) below, resolutions shall be passed with the presence and vote of the majority of the directors in office, provided that at least one director appointed by Advent and one director appointed by Bain shall be among the directors voting in favor;

(iii) resolutions concerning the following matters must be adopted with the favorable vote of a director appointed by Advent, Bain and Clessidra, respectively:

  (a) Reserved Matters (as defined below);

  (b) commencement of activities other than holding and management of direct or indirect shareholdings in the Issuer and its subsidiaries or passing of resolutions relating to such activities;

  (c) sale or other disposal of direct or indirect holdings in the Issuer at values which do not enable Investors to achieve a return on their initial investment in the Issuer (calculated assuming the disposal of 100% of the Issuer's corporate capital at a price per share equal to the last price paid in connection with a disposal) of at least a minimum threshold conventionally agreed between the Parties on the basis of certain parameters (the "**Minimum Threshold**");

(d) signing of financing or refinancing agreements, issuance of bonds or other financial instruments not related to holding or management of direct or indirect holdings in the Issuer and provided that the charges incurred as a result of such agreements or issuances do not result in a consolidated debt/EBITDA ratio of more than 4:1;

(e) signing of swaps or repo agreements or any other agreements having similar nature involving the transfer of (other than the sales and disposals of shares described below), or the granting of an option of any other right on, or the introduction of restrictions on transfer or limitations of voting rights with respect to, our Shares, with the exclusion of the Over-Allotment Option to be entered into and/or granted in the context of the Offering;

(f) appointment of directors and/or statutory auditors of Mercury and/or its subsidiaries in a manner that does not comply with the provisions of the Shareholders' Agreement;

(g) the voting instructions relating to the stake held in Nexi in the context of our shareholders' meetings on one of the following matters (the "**Reserved Matters**"):

(1) related-party transactions;

(2) decisions that involve a substantial change in our business;

(3) our liquidation and/or winding-up as well as resolutions having similar effects;

(4) amendments to our articles of association such as to substantially change the relationship between the Investors or the rights of each of them;

(5) issue of our Shares or other financial instruments convertible into our Shares;

(6) reduction in our share capital;

(7) mergers, divisions or conversions;

(8) purchase of our own Shares by us and/or our subsidiaries;

(9) remuneration of our senior management in excess of €10 million per year;

(10) amendments to the terms and conditions of the Warrants;

(11) granting by us or our subsidiaries of guarantees for total amount more than €50 million per year and not provided for in our business plan;

(12) adoption of a business plan based on premises and guidelines that differ substantially from those underlying the then-current business plan;

(13) purchase or sale, in any form whatsoever, of shareholdings, companies or assets not provided for in our business plan, for more than €175 million;

(14) signing of financing or refinancing agreements, issue of bonds or other financial instruments (including participating financial instruments) that result in a debt/EBITDA ratio calculated on a consolidated basis of more than 4:1;

(15) capital expenditure or entering into joint venture agreements, partnerships, distribution agreements or similar agreements with banks or insurance companies not provided for in our business plan and which involve a cost exceeding €10 million per year for each initiative;

(16) transfer, in whole or in part, in any form whatsoever, of the shareholding in Nexi Payments; and

(17) any decision or voting instruction with respect to the selection and/or designation and/or revocation of our and/or our subsidiaries directors and/or statutory auditors.

Notwithstanding the fiduciary duties of each director, Advent and Bain Capital have undertaken to do everything in their power to ensure that directors appointed by them will vote in accordance with resolutions of Mercury UK Board of Directors, and therefore to do everything in their power to ensure that none of them will vote in favor if no such agreement is reached. It is understood that this provision does not apply if the resolution concerns a matter: (a) that the Shareholders' Agreement specifically governs; (b) for which the law does not allow for qualified majorities; or (c) inherent in the ordinary course management of Mercury UK.

Mercury UK shareholders' meeting. The Shareholders' Agreement provides for the right of each Mercury UK shareholder to call a shareholders' meeting. For the purposes of such meeting to be considered validly convened, the participation of all shareholders is required. If this is not the case, a subsequent call will be made:

at this time the meeting will be deemed validly convened with the presence of Advent and Bain Capital, provided that the shareholdings individually held, directly or indirectly, in Mercury do not differ by more than 5%. If this occurs, the shareholders' meeting shall be deemed validly convened with the sole presence of the relative majority shareholder.

Once convened, the Mercury UK shareholders' meeting shall act by majority, except for the matters listed below, which require the favorable vote of holders of 100% of the share capital:

(i) commencement of activities other than holding and management of direct or indirect holdings in our Company;

(ii) changes in the structure of the share capital of Mercury (including share capital increases or reductions) with the exception of the operations necessary to remedy or prevent the occurrence of events of default leading to the acceleration of the loans entered into by Mercury or its subsidiaries or necessary to restore the minimum share capital requirements for such types of companies by the applicable regulations or in any case required by the competent supervisory authorities;

(iii) Reserved Matters;

(iv) appointment of directors and/or statutory auditors of Mercury and/or its subsidiaries in a manner that does not comply with the provisions of the Shareholders' Agreement;

(v) sale or otherwise disposal of direct or indirect holdings in our Company at values which do not enable Investors to achieve a return on their initial investment in our Company (calculated assuming the disposal of 100% of the Issuer's corporate capital at a price per share equal to the last price paid in connection with a disposal) of at least the Minimum Threshold;

(vi) except in cases where such amendments are required to comply with the provisions of the Shareholders' Agreement, amendments to the articles of association, or in any case to the bylaws, of Mercury or our Company concerning:

  (a) designations of directors or statutory auditors;

  (b) provisions of qualified majorities for shareholders' and/or board of directors' meetings;

  (c) transfer's rights and obligations and restrictions on the circulation of shares;

  (d) pre-emptive rights; and

  (e) property rights or other rights regarding shares.

Restrictions on the transfer of securities issued by Mercury UK

The Shareholders' Agreement provides for restrictions on the transfer of Mercury UK shares or other equity or debt securities issued by Mercury UK (the "**Securities**").

In particular, the transfer of Securities may be effected under the following circumstances:

(i) transfers to subsidiaries, parent companies or companies under the joint control of the transferor where the transferor is a legal person and provided that the transferee undertakes to retransfer the Securities, in the event that control ceases to exist, to the transferor or to subsidiaries, parent companies or companies under the joint control of the transferor;

(ii) transfers from a fund, or its trustees, nominees or custodians or from one of its investment companies (meaning a company wholly or substantially owned by a fund, the "**Investment Company**") to:

  (a) any trustee, nominee or custodian of such fund and vice versa;

  (b) any other fund or its trustees, nominees or custodians managed by the same manager or advisor of such fund; and

  (c) any investment company or its trustee, nominee or custodian,

  in each case provided that the successor in title undertakes to retransfer the Securities to the transferor or to subsidiaries, parent companies or companies under the joint control of the transferor if the condition which permitted the transfer no longer applies;

(iii) transfers resulting from the failure of the Investors to maintain total control of, respectively, Mercury A Capital Limited in relation to Advent, Mercury B Capital Limited in relation to Bain and Fides S.p.A. in relation to Clessidra and other subjects which, together with Clessidra, directly or indirectly, own, as of the date of this offering circular, 100% of Fides S.p.A. (see "Indirect transfers" below);

(iv) transfers that result from the exercise of the right of co-sale or the right of dragging or the right of first offer, within the limits governed by the Shareholders' Agreement; and

(v) transfers connected with or arising from the granting of guarantees under loan agreements or other obligations entered into by Mercury or its subsidiaries.

The transfers listed from paragraphs (i) to (v) above (inclusive) are "**Permitted Transfers**". The Permitted Transfers may be carried out without limitations of time.

Other than through Permitted Transfers, prior to December 17, 2020 (the "**Lock-Up Period**"), transfers of the Securities may only be made in the following circumstances:

(i) transfers made by Advent or Bain with the consent of other Investors, provided that in such case the provisions of the co-sale right and the first offer right shall apply; and

(ii) in the event of a transfer by Clessidra, provided that in such event the provisions relating to the right of first offer shall apply.

Indirect transfers

If:

(i) Advent ceases to hold, directly or indirectly, 100% of Mercury A Capital Limited; or

(ii) Bain ceases to hold, directly or indirectly, 100% of Mercury B Capital Limited; or

(iii) Clessidra ceases to hold, directly or indirectly, and together with the entities which, as of the date of this offering circular, hold shares of Fides S.p.A., 100% of Fides S.p.A.,

the relevant Investor (the "**Defaulting Investor**") will notify the other (the "**Remaining Investors**") of this circumstance and the latter will be entitled to purchase in proportion to their direct or indirect shareholding in Mercury UK:

(i) if the Defaulting Investor is Advent, Mercury shares held by Mercury A Capital Limited and Mercury ABC Capital Limited shares held by Mercury (AI) S.à r.l.;

(ii) where Bain is the Defaulting Investor, Mercury shares held by Mercury B Capital Limited and Mercury ABC Capital Limited shares held by Mercury B Capital Limited; and

(iii) if the Defaulting Investor is Clessidra, Mercury ABC Capital Limited shares held by Fides S.p.A.

Such purchase will be made at nominal value of the shares, provided that if one of the Remaining Investors does not exercise its right to purchase under the provisions of the Shareholders' Agreement, the other may purchase the relevant portion of the shares.

Pre-emptive Right

Subject to the exceptions set out below, in the case of issue of Securities, those who already hold such Securities shall be granted a proportional pre-emptive right (the "**Pre-emptive Right**").

However, the Pre-emptive Right does not apply to the issue of Securities:

(i) caused by liquidity requirements, such as transactions necessary to remedy or prevent the occurrence of events of default leading to the acceleration of the loans entered into by Mercury or its subsidiaries or necessary to restore the minimum share capital requirements for such types of companies provided by the applicable regulations or otherwise required by the competent supervisory authorities. In such cases, however, Mercury must ensure that the person who subscribed the Securities then offers them to the persons who would have been entitled to the Pre-emptive Right;

(ii) in favor of a third party as consideration, in whole or in part, for purchase of shares or assets by Mercury or its subsidiaries; and

(iii) to the management and/or directors of Mercury or its subsidiaries in execution of approved incentive plans in accordance with the provisions of the Shareholders' Agreement.

Right of co-sale

Subject to the exceptions set out below, in the event of a transfer of Securities by a company belonging to the Advent group or the Bain group (or the relevant transferees) to a third-party purchaser, holders of such Securities who do not transfer the Securities shall have a right of co-sale of such Securities to the third-party purchaser.

The right of co-sale does not apply in the following cases:

(i) when the drag-along right is exercised;

(ii) when it is a Permitted Transfer;

(iii) when the right of first offer is exercised; and

(iv) subject to the consent of all the Parties, when the Transfer is made to a specially constituted company in the context of a reorganization, reflecting in any material respect the ownership structure and the composition of Mercury's share capital and the Party's rights in relation to Mercury.

Drag-along rights

Subject to the completion of the procedure relating to the right of first offer described below, if:

(i) as from December 18, 2022, Advent or Bain; or

(ii) at any time, Advent together with Bain,

intend to Transfer all their Securities to a third party, they shall be obliged to transfer their Securities on the same terms and conditions, provided that: (a) if the consideration offered by the third party includes goods other than money, an alternative offer (failing which the dragging right shall cease to have any effect) in cash only—having an economic value matching that of the third party's offer—shall be offered to the dragged persons; and (b) the drag-along rights may be exercised only if the offer made by the third party allows the dragged persons to achieve a return on the initial investment made in our Company (calculated assuming the disposal of 100% of the Mercury's corporate capital at a price per Mercury share reflecting the last price paid in connection with a disposal of our Shares) of at least the Minimum Threshold.

Right of first offer

If an Investor intends to Transfer Securities, directly or indirectly, he must notify the other Investors before making the Transfer, giving them the option to purchase such Securities in proportion to the number of Securities which they hold, directly or indirectly, at the price indicated in the notice.

If the addressees of the notice do not exercise their right to purchase all the Securities so offered within 45 days of receipt of the notice, the Investor who sent it may transfer such Securities to third parties at a price not lower than that indicated in the notice of the offer and provided that the transfer is completed within the next nine months.

Governance of the Issuer

The following paragraphs describe the agreements relating to our governance as provided for by the Shareholders' Agreement, with effect from the day before the Listing Date.

Composition of the Board of Directors. The Investors have undertaken to ensure that when nominating candidates for our Board of Directors:

(i) Mercury UK presents a list of 13 candidates, of which three are nominated by Advent, three are nominated by Bain, two are nominated by Clessidra, three are appointed jointly by Advent and Bain (all meet the independence requirements of the Corporate Governance Code) and two are nominated by Advent and Bain, after consultation with Clessidra; and

(ii) at our shareholders' meeting called to elect the Board of Directors, Mercury UK:

(a) proposes that the number of members of the Board of Directors are set at 13 and votes in favor of such proposal;

(b) votes for the list submitted by Mercury UK; and

(c) proposes to appoint as chairman of the Board of Directors one of the two directors nominated by Advent and Bain, after consultation with Clessidra, and votes in favor of such proposal.

Functioning of the Board of Directors. With respect to the functioning of our Board of Directors, the Investors and Mercury UK have undertaken to do everything in their power to ensure that:

(i) all key strategical and operational matters relating to us and our subsidiaries are reserved for Board discussion and approval, including the following:

 (a) approval or amendment of multiannual business plans and annual budgets;

 (b) appointment, revocation and remuneration of the chairman of the Board of Directors (if the relevant resolutions have not been taken by the shareholders' meeting), the Chief Executive Officer, the Chief Financial Officer and other senior managers;

 (c) acquisition or disposal of equity investments, companies or assets for a consideration of €25 million or more;

 (d) signing of financing or refinancing agreements, issuing of bonds or other debt securities;

 (e) approval of capital expenditures not provided for in the annual budget where the total amount exceeds €5 million per year;

 (f) any changes in the application of accounting principles (when they are our responsibility) or in the external auditors; and

 (g) creation or modification of incentive and loyalty plans; and

(ii) in the event of termination of office, for whatever reason, of a director, such director be replaced by a person designated by the same Investor who had nominated the outgoing director.

The Shareholders' Agreement does not provide for qualified majorities at the Board of Directors' meeting and therefore the Board of Directors will be considered validly constituted with the presence of the majority of its members in office and will deliberate by a majority of the directors who are present. In the event of a tie, the vote of the person chairing the meeting shall prevail.

Composition of the Board of Statutory Auditors. The Investors have undertaken to ensure that, with respect to the appointment of our board of statutory auditors, Mercury will:

(i) present a list of three candidates (the first nominated by Advent, the second nominated by Bain and the third nominated by Clessidra) for the office of effective statutory auditor, and two candidates (the first nominated by Advent and the second nominated by Bain) for the office of alternative statutory auditor; and

(ii) in the shareholders' meeting, vote in favor of such list.

Operation of the Shareholders' meeting. The Shareholders' Agreement does not provide for qualified majorities at the shareholders' meeting and therefore the constituent and deliberative quorums are those set forth the Italian Civil Code.

Communication of Certain Information

The Parties have expressly acknowledged that the rules and regulations applicable to joint stock companies (*società per azioni*) regarding the confidentiality of information and the fiduciary duties of directors and statutory auditors, as well as the specific provisions on privileged information and market manipulation set out in Articles 180 et seq. of the Italian Consolidated Financial Act, apply to us. Subject to strict compliance with the above provisions, our directors designated by each Investor may share with their respective nominee, subject to the signing of appropriate confidentiality agreements, the information in their possession where necessary to enable the Investors to fulfill the commitments made to investors in the investment funds they manage, as well as the related reporting and disclosure obligations.

Restrictions on the Transfer of our Shares

As long as Mercury will hold our Shares, Mercury will be entitled to transfer our Shares to third parties (i.e., to entities other than its subsidiaries, parent companies or companies under the joint control) only: (i) with the consent of Advent and Bain if the transfer enables the Investor to achieve a return on their initial investment in the Issuer (to be calculated assuming a sale of 100% of our share capital at the last price paid per Share) of at least the Minimum Threshold; and (ii) with the consent of all the Investors (including Advent, Bain and Clessidra) if the return on the initial investment in the Issuer arising out of the above-mentioned transfer is lower than the Minimum Threshold.

If, at the expiration of the third anniversary of the Listing Date, Mercury still holds our Shares or, in the event that, prior to the above-mentioned expiration date, the average market price of our Shares for seven (7) consecutive trading days results in an evaluation of the our share capital that is lower of the Minimum Threshold, each Investor shall have the right to apply for the allocation to each Investor (or to any of his wholly-owned subsidiaries) of a number of our Shares in proportion to that portion of the share capital in Mercury which each of them, directly or indirectly, owns (or, as an alternative, the proceeds of the sale of our Shares by Mercury).

In the event that, following the allotment, an Investor owns, directly or indirectly, more than 5% of the corporate capital of the Company, such Investor shall enter into an agreement providing: (i) an orderly market clause aimed at ensuring that the disposal of the Shares so allotted is effected in such a way as to allow the orderly functioning of the market; and (ii) a right of co-sale in favor of each of the other Investors in case that as of such date such Investors hold at least 5% of the corporate capital of the Company. The aforementioned undertakings will not apply to the Investors who, as of the same date, own, directly or indirectly, less than 5% of the capital of the Company.

Mercury UK Senior Floating Rate PIK Toggle Notes due 2024

Mercury UK has issued €789,110,000 Senior Floating Rate PIK Toggle Notes due 2024 ("**PIK Notes**"). The first tranche of €750 million was issued on September 24, 2018. The second tranche of €39.11 million was issued on January 29, 2019. The PIK Notes were issued in a private placement to certain regulated institutional investors.

Mercury UK issued the PIK Notes to meet its own funding needs, given that the covenants included in our existing financing instruments (in particular the Notes, as well as the IPO Facilities Agreement described under "Business—Material Contracts—Debt Instruments"), restrict our ability to provide cash (through dividend distributions or upstream loans) to Mercury UK. Consequently, Mercury UK has issued the PIK Notes, which it believes to be an efficient form of funding, since the relevant contractual documentation permits Mercury UK to make in-kind payments of interest (i.e., by issuing additional PIK Notes instead of cash).

Upon an IPO of our Shares, Mercury UK shall repay the PIK Notes, in its sole discretion, through:

(i) conversion of the PIK Notes into a margin loan secured by our Shares held by Mercury post-IPO (described below under "—The margin loan"). Such conversion would be mandatory if the PIK notes were not otherwise redeemed;

(ii) refinancing of the PIK Notes through the issuance of a new margin loan (described below under "—The New Margin Loan"); or

(iii) use of the IPO proceeds.

The margin loan

The conversion of the PIK Notes into a margin loan, secured by our Shares held by Mercury UK, is subject to the loan-to-value ratio, calculated as outstanding debt divided by market value of the Shares used as collateral (calculated by reference to the Offer Price), being below a mutually agreed percentage, such that the Shares used as collateral for the margin loan have a market value higher than the value of the financing granted to Mercury UK.

Moreover, in accordance with the typical structure of margin loan financing, if the loan-to-value ratio exceeds a second mutually agreed percentage (such percentage, "**ß%**"), because of, for instance, a loss in the market value of Nexi shares, Mercury UK would be required to provide additional collateral to the margin loan lenders (such as additional Shares, cash, cash equivalents or bank guarantees) or repay the margin loan up to the amount necessary to restore the loan-to-value ratio above the threshold ß.

The New Margin Loan

On April 10, 2019, Mercury UK, as borrower, along with certain financial institutions, as lenders, entered into a margin loan (the "**New Margin Loan**") for an aggregate amount of €840 million. Certain of the lenders are also, directly or indirectly, through subsidiaries and/or companies belonging to the same banking group, Underwriters of the Offering. In particular, certain companies which belong to the banking groups of Credit Suisse Securities (Europe) Limited, Goldman Sachs International, Barclays, Citigroup Global Markets Limited, Mediobanca - Banca di Credito Finanziario S.p.A., Banca IMI S.p.A. and HSBC France act as lenders. See "Sale and Distribution—Other relationships."

On the Listing Date, and once disbursed, the New Margin Loan will be used by Mercury UK to repay the PIK Notes as well as to pay interest accrued, the early repayment premium and commissions, costs and expenses relating to the PIK Notes. In addition, the remaining amount available under New Margin Loan may be used to support Mercury UK's general liquidity requirements. More specifically, Mercury intends to use the New Margin Loan so as not to convert the PIK Notes into the margin loan described above. The New Margin Loan will have a duration of three years from the date of first disbursement of the loan (i.e., the Listing Date).

The terms and conditions of the New Margin Loan are substantially in line with those of the PIK Notes, with the exception of the economic terms, which are better than those of the PIK Notes. In particular, the conditions for disbursement of the New Margin Loan are substantially in line with those identified with reference to the conversion of the PIK Notes, in particular: (i) compliance with the loan-to-value ratio; and (ii) admission of our Shares to trading on a regulated market.

The New Margin Loan is secured by a pledge on the majority of our Shares owned by Mercury UK on the Listing Date. If Mercury UK breaches the New Margin Loan, the security agent shall be entitled to enforce the pledge on the Shares pledged as collateral. This could lead to a change of control of the Issuer, which in turn may trigger a change of control under our outstanding debt instruments.

A change of control would occur in the event of an acquisition of a stake in our share capital of (a) more than 50% of our Shares with voting rights, either directly or indirectly, by a single person or a group of related persons acting in concert (who are not permitted holders or equity investors as defined in the relevant instrument) under the IPO Facilities Agreement, the Notes and the Revolving Credit Facility (provided certain other conditions have also been met) or (b) more than 25% of our Shares with voting rights, either directly or indirectly, post-IPO, under the bilateral loan agreements between Nexi Payments and Intesa Sanpaolo and Crédit Agricole in order to support working capital. Under the bilateral loan agreement between Mercury Payment Services and Intesa Sanpaolo for an aggregate amount of €365 million, a change of control would occur in the event that the Financial Sponsors cease to hold, indirectly, more than 50% of the share capital of Mercury Payment Services or in the event that the majority of Mercury Payment Services' directors cease to be appointed by the Financial Sponsors.

If the purchases of our Shares or Mercury UK's shares made in connection with the enforcement of the pledge on the Shares fulfil the conditions set out in Articles 106 and, where applicable, 109 of the Consolidated Financial Act, the relevant purchaser(s) will be required, unless legal exemptions are applicable, to launch a mandatory public tender offer on the remaining Shares.

Finally, if the New Margin Loan is not disbursed for whatever reason, Mercury UK will be obliged to repay the PIK Notes by converting them into a margin loan (see—"The margin loan") or by using other funds at its disposal (including the proceeds of the Offering) to refinance the PIK Notes.

RELATED PARTY TRANSACTIONS

Overview

The aim of IAS 24 (Related Party Disclosures) is to ensure an entity's financial statements contain the additional disclosures necessary to show the possibility that its financial position and results of operations may have been influenced by related parties and by transactions and balances with such parties. Pursuant to this standard, we identified the following related parties:

(a) the ultimate parent, Mercury UK;

(b) the parties that, directly or indirectly, including through subsidiaries, trustees or nominees, control, including jointly, Mercury or hold an investment in Mercury UK that gives them significant influence;

(c) companies controlled or jointly controlled by the parties set out in paragraph (b) above;

(d) the subsidiaries, associates or jointly controlled entities of Mercury;

(e) key management personnel of Nexi, its direct and indirect parents and their subsidiaries, associates and joint ventures;

(f) close relatives of the natural persons included in paragraphs (b) and (e) above;

(g) the pension fund set up for group employees or related entities.

The effects of transactions carried out with the related parties identified above are summarized on a carve-out basis in the following table:

	December 31, 2018				December 31, 2017			December 31, 2016		
	Managers and members of supervisory body	Depobank	Mercury UK	Total	Managers and members of supervisory body	ICBPI	Total	Managers and members of supervisory body	ICBPI	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*	*€'000*
Cash and cash equivalents	—	40,654	—	40,654	—	128,693	128,693	—	—	—
Financial assets at amortised cost—loans and receivables with banks	—	244,054	—	244,054	—	58,853	58,853	—	3,224	3,224
Non-current assets held for sale and disposal groups	—	—	—	—	—	1,888	1,888	—	1,368	1,368
Other assets	—	15,712	—	15,712	—	20,434	20,434	—	2,816	2,816
Financial liabilities at amortised cost—due to banks	—	31	—	31	—	1,722,936	1,722,936	—	1,120,752	1,120,752
Liabilities associated with disposal groups	—	—	—	—	—	2,663	2,663	—	2,523	2,523
Other liabilities	—	2,283	—	2,283	66	24,000	24,066	45	33,240	33,285
Net fee and commission income (expense)	—	7,137	—	7,137	—	(421)	(421)	—	(1,318)	(1,318)
Net interest income (expense)	—	(11,687)	35,994	24,307	—	(18,756)	(18,756)	—	(14,328)	(14,328)
Personnel expense	—	139	—	139	—	955	955	—	386	386
Other administrative expenses	(6,974)	(446)	—	(7,420)	(864)	(22,348)	(21,484)	(977)	(21,591)	(22,568)
Other operating income and expense	—	299	—	299	—	—	—	—	—	—
Profit (loss) from continuing operations	(944)	—	—	(944)	(111)	(190)	(79)	129	1,326	1,197

The Nexi Group did not have any related party transactions with Mercury during the years ended December 31, 2017 and 2016, as any transactions were performed directly between Mercury and Depobank.

In 2016 and 2017, the main relationships are represented by operational funding provided by ICBPI (now Nexi) to Nexi Payments, reflected as "due to banks." The increase in 2017 is due to the acquisition of Banca Monte dei Paschi's and Deutsche Bank's acquiring businesses, which were entirely self-financed.

The ICBPI Facility (as defined below) was extinguished in the middle of 2018 following the Reorganization and the spin-off of Depobank from the Group.

Cash and cash equivalents in 2017 and in 2018 represents Nexi's deposits in current accounts held with ICBPI-Depobank and decreased in 2018 due to the dynamics related to the costs incurred during the Reorganization and the distribution of ordinary dividends. In the three years under review, assets at amortized cost-loans to banks comprises the liquidity of the operating companies, primarily Nexi Payments. Cash and cash equivalents increased in 2018 as a result of the Reorganization and the spin-off of Depobank. The item "Financial assets valued at amortized cost—loans and receivables with banks" as of December 31, 2018 with Depobank, equal to €244 million, refers to €200 million of the balance on a current account used for the purposes of the financial settlement of transactions and €44 million to the amounts exclusively available to third parties in connection with prepaid cards.

Other assets include fees for services rendered and, in particular, the balance for 2018 concerns mainly existing invoices for services related to the new business model implemented with Depobank by the Reorganization.

Other liabilities relate, in particular, to centralized services that in 2016 and 2017 were provided by ICBPI-Depobank to Group companies. Provision of these services ceased in 2018, when, as a result of the Reorganization, a portion of these centralized services were transferred to Nexi Payments. Administrative expenses are related to this line item, including in terms of the year-on-year trend.

Net fee and commission income in 2016 and 2017 was limited to certain payment services performed by Depobank for Nexi Payments. It increased in 2018 following the new sales arrangement in place between Nexi and Depobank following the Reorganization. The 2018 amount also reflects interest receivable from Mercury UK in relation to the €2,018 million bridge loan provided by Nexi to Mercury UK following the issuance of the Notes in 2018, pending the completion of the distribution of dividends on December 20, 2018.

For further information on this financing, see the Carve-out Financial Statements elsewhere herein. Net interest income for 2016 and 2017 consists mainly of interest expense accrued on funding lines described in relation to the line item due to banks, above. The positive margin of 2018 attributable to Mercury UK is due to the interest income accrued on the bridge loan provided by Nexi to Mercury UK.

These relationships are governed by specific contractual agreements which, while seeking to optimize synergies, economies of scale and scope and the use of centers of excellence, are based on objective criteria that are constant over time and based on transparency and substantial fairness. Fees for services provided are defined and formalized according to criteria that take into account the actual use by each end user.

Transactions with Related Parties between the Issuer and the Group

Transactions with the Financial Sponsors

Consulting services agreement between Nexi and the Financial Sponsors

Under this agreement, entered into on May 2, 2016 between ICBPI and Advent, Bain Capital Partners LLC (then Bain Capital Private Equity LP) and Clessidra (the "**Financial Sponsors**") and amended on April 27, 2018 (the "**Agreement**"), the Financial Sponsors agreed to provide to ICBPI and Group companies certain consultancy services (other than services relating to specific acquisitions, divestments or financing), the exact scope of which was to be agreed between the parties before its commencement. In particular, in relation to priority business initiatives for 2018 as part of the Transformation Process undertaken by the Group in 2016, the services provided by the Financial Sponsors included the preparation of projections, budgets and investment plans, support in the areas of human resources and marketing, assistance in the structuring of the transformation plan and the regular monitoring of priorities.

These services were provided on a non-exclusive basis by the Financial Sponsors, who had the right to provide similar services to third parties. We also had the right to engage third parties.

The fees for the financial year ended on December 31, 2018 were €425,000 for Advent and €1,425,000 for Bain Capital Private Equity LP. No fees were due to Clessidra.

The agreement expired on December 31, 2018 and has not been renewed.

The Agreement provided for a number of termination events, including listing on a stock exchange and the occurrence of a change of control (as defined in the Agreement).

We have undertaken to indemnify and hold harmless each Financial Sponsor and its related parties against all claims, actions, liabilities, losses, damages, costs and expenses in relation to (i) the Agreement and/or the breach by Group companies of any obligation arising from the Agreement or (ii) the services provided under the Agreement subject to the following conditions: (a) there is no liability for liabilities which are the result of willful misconduct or gross negligence, as judicially determined, on the part of the Financial Sponsors and (b) the amounts already paid by us pursuant to the compensation clause and which fall under the foregoing provision (a) must be reimbursed in full. We have the right to be informed and consulted on the state of progress of proceedings.

Under the Agreement, the Financial Sponsors assumed no liability to the companies of the Group in relation to: (i) the Agreement and/or the services rendered except in cases of willful misconduct and gross negligence, as judicially determined; (ii) indirect, exemplary or other damages which do not reflect the requirements of Article 1223 of the Italian Civil Code regarding compensation for damage or are not refundable under the law; and (iii) the claims of third parties, except in cases of willful misconduct or gross negligence, as judicially determined. The responsibility of the Financial Sponsors is several and not joint and several.

Consultancy services agreement between Mercury Payment Services and the Financial Sponsors

Under this agreement, entered into on May 18, 2017 and amended on May 8, 2018 (the "**Agreement**"), the Financial Sponsors agreed to provide to Mercury Payment Services certain consulting services (other than services related to acquisitions, disposals or financing), the exact content of which was to be agreed between the parties from time to time.

In particular, the services provided by the Financial Sponsors include support and advice with respect to business and strategic development, financial performance (including the preparation of projections, budgets and investment plans and their monitoring), the marketing and human resources and other services that may be agreed upon by Mercury Payment Services and the Financial Sponsors. Advent and Clessidra are under no obligation to provide services. In 2018, the consulting services related to the ongoing integration process, renegotiation of commercial terms and conditions, capturing growth opportunities and ensuring momentum in performance.

These services were provided on a non-exclusive basis by the Financial Sponsors, who were entitled to provide similar services to third parties. Mercury Payment Services may be also assisted by third parties.

Fees for 2018 were €300,000 for Bain Capital Private Equity LP, while no fees were due to Advent or Clessidra.

The agreement expired on December 31, 2018 and has not been renewed.

The Agreement provided for certain early termination rights, including, among others, in case of listing on the stock exchange of Mercury Payment Services or its parent company and the occurrence of a change of control (as defined in the Agreement).

Mercury Payment Services has agreed to indemnify and hold harmless each Financial Sponsor and its affiliates from and against any and all claims, actions, liabilities, losses, damages, costs and expenses in connection with (i) the Agreement and/or Mercury Payment Services' breach of any obligation under the Agreement or (ii) the services provided in performance of the Agreement under the following conditions: (a) there is no liability for liabilities which are the result of willful misconduct or gross negligence, judicially determined, of the Financial Sponsors; and (b) the amounts already paid by Mercury Payment Services pursuant to the compensation clause and which fall under the foregoing provision (a) must be reimbursed in full. Mercury Payment Services has the right to be informed and consulted on the state of progress of proceedings.

Under the Agreement, the Financial Sponsors assume no liability to Mercury Payment Services in relation to: (i) the Agreement and/or the services rendered except in cases of willful misconduct and gross negligence, as judicially determined; (ii) indirect, exemplary or other damages which do not reflect the requirements of Article 1223 of the Italian Civil Code regarding compensation for damage or are not refundable under the law; and (iii) the claims of third parties, except in cases of willful misconduct or gross negligence, as judicially determined. The responsibility of the Financial Sponsors is several and not joint and several.

Consultancy services agreement between Nexi and Bain Capital

Under this agreement, entered into on February 25, 2019 the Bain Capital Private Equity LP ("**Bain Capital**") agreed to provide us consulting services, in connection with our initial public offer or any initial public offer of our subsidiaries (the "**IPO**") and in particular: (i) preparation of road shows for investors and analyst presentations; (ii) appointment and coordination of advisors; (iii) price and investor book estimation; (iv) assistance in publication and definition of the equity story; (v) strategic and managerial support in relation to the positioning of the issuer as a listed company, including issues relating to, among others, labor law and marketing strategy; and (vi) any other service that we or one of our subsidiaries agreed with Bain Capital from time to time. Legal advice services remain expressly excluded.

These services are provided on a non-exclusive basis by Bain Capital, who have the right to provide similar services to third parties. We also have the right to engage third parties.

We undertake to pay Bain Capital a total fee of €850,000 in the event of closing of an offering book in the context of the IPO; or, otherwise, €425,000.

The agreement is valid from January 1, 2019 and will remain in force until the occurrence of: (i) written notice of termination by Bain Capital; (ii) closing of an IPO; (iii) a change of control, where "change of control" means any transaction following which the funds managed by Bain Capital which have a direct or indirect interest in Nexi (or any other investment funds, directly or indirectly, controlled by them) ("**Bain Funds**"), Bain Capital and their affiliates are divesting more than 50% of their voting rights or of its own economic interests in Nexi to third parties, to the extent indicated by the Shareholders' Agreement.

Under this agreement, we undertake to indemnify and hold harmless Bain Capital, the Bain Funds and any related parties (as defined in the agreement) from any claim, damage, cost, suffered resulting from, among others, the agreement.

ICBPI (now Depobank) Transactions

Specifically, with respect to transactions carried out during 2018 with Depobank (holding company of the Nexi Group until July 1, 2018):

ICBPI credit line

There was a loan facility in place during the first half of 2018 between Nexi Payments and ICBPI to support the acquiring and issuing businesses (excluding revolving credit cards) (the "**ICBPI Facility**"). The ICBPI Facility bore interest at market rates and was available until July 1, 2018 (equal to €2.3 billion as of such date) when, as part of the Reorganization, it was extinguished and replaced by new lines of credit granted by third parties, namely the Factoring Agreement and the Bilateral Lines.

Depobank Service Contracts

Service contracts were agreed after the Reorganization and with effect from July 1, 2018. Specifically:

Custodian Bank Agreement

We issue prepaid cards through our subsidiary Nexi Payments.

Pursuant to Chapter IV, Section II of the "Supervisory Provisions for Payment Institutions and Electronic Currency Institutes," the money received by an electronic currency institute such as Nexi Payments must be deposited with a bank, in an account in such institute's name, with the express indication that the amounts deposited are assets of third parties.

To meet this requirement, Nexi Payments and Depobank have entered into a current account contract, to establish a custodian account on behalf of third parties (the "**Custodian Bank Agreement**"), pursuant to which: (i) the amounts equal to the total amount of the funds charged by the holders of the prepaid cards issued by Nexi Payments and not yet spent by them are deposited in the custodian account from time to time; (ii) the custodian account may be moved (subject to certain exceptions resulting from malfunction and/or operational errors) exclusively through automated procedures; and (iii) the balance of the custodian account may never be less than zero. Either party may terminate the Custodian Bank Agreement by giving 90 days' notice.

The total amount paid in the financial year ended on December 31, 2018, under the Custodian Bank Agreement was €50,000.

IT Outsourcing Agreement

On June 29, 2018, Nexi Payments and Depobank entered into an outsourcing agreement for the provision of IT services by Nexi Payments to Depobank (the "**IT Outsourcing Agreement**").

Pursuant to the IT Outsourcing Agreement, Nexi Payments provides the following services on a non-exclusive basis to Depobank, which are subject to minimum service levels (with penalties for noncompliance): (i) corporate systems (in particular, administration services for managing accounting balances and reconciliations, personnel services, including relating to the applications used by Depobank for human resources and for publishing on its Internet and Intranet sites, services related to applications used by Depobank for the qualification of suppliers, synthesis services and management, including applications used by Depobank for the management, among others, of planning processes and control and for measuring, monitoring and reporting operational risks, managing related parties and contract management; (ii) payment services (in particular, services related to the provision of payments to support the collection functions, for check processing and check image truncation services); and (iii) IT workspace and infrastructure (in particular, managing LAN/WAN/telephony, email/collaboration tool and central infrastructure service for securities services).

In addition, Nexi Payments manages the projects to develop the information system and to maintain the platforms.

The IT Outsourcing Agreement is for an indefinite period; however, each party has the right, after an initial period of three years, to terminate the contract with at least 12 months' notice. During the six months following the first anniversary of the contract, i.e., six months following June 29, 2019, if Depobank determines that the IT Outsourcing Agreement is not financially sustainable, it will have the right to renegotiate its terms and conditions in good faith.

The consideration for the IT Outsourcing Agreement amounts to approximately €10 million per year.

The IT Outsourcing Agreement is a transaction with a related party pursuant to Article 53, paragraph 4, TUB and Circular of the Bank of Italy of December 27, 2006 no. 263, Title V, Chapter 5. Therefore, in compliance with the "Regulation on transactions with related parties" adopted by Depobank, the terms of the IT Outsourcing Agreement have been submitted to the Committee for Transactions with Related Parties of Depobank. On January 15, 2018, such committee expressed a favorable opinion on the IT Outsourcing Agreement, subject to the inclusion of the right of Depobank to negotiate the contracts terms, as described above.

Commercial Services Agreement

On June 29, 2018, Nexi Payments and Depobank entered into an agreement for the provision of commercial services (the "**Commercial Services Agreement**"), which defines the terms and conditions under which Nexi Payments undertakes to promote and sell through its commercial network and with its customers the products and payment services previously offered by Depobank (including ACH settlement services, issuing banker's drafts, settling foreign checks, treasury), and managing the commercial relationship with customers on behalf Depobank.

In addition, Nexi Payments acquires the relevant documentation for KYC and AML verifications and undertakes to provide Depobank with a support service consisting mainly in (i) receiving (by telephone and e-mail) requests for clarification/assistance regarding specific payment services from Depobank's customers, and (ii) identifying and routing such requests to the competent Depobank office of operation.

Pursuant to the Commercial Services Agreement, Nexi Payments, also at the express request of Depobank, may assess opportunities for the development of new banking products and services offered by Depobank (the "**New Products**"). In particular, Nexi Payments is responsible for the promotion and marketing of the New Products, on an exclusive basis, through its commercial network undertaking not to develop or offer to customers products identical to the New Products using banking services of banks competing with Depobank.

The Commercial Services Agreement is for an indefinite period of time. However, each party has the right, after an initial period of five years, to withdraw from the agreement with at least 12 months' notice. After one year from the date of entry into force and within the following six months, Depobank, if the Commercial Services Agreement is deemed not sustainable, shall have the right to convene Nexi Payments in order to renegotiate in good faith the terms and conditions thereof.

The execution of the Commercial Services Agreement has been qualified as a transaction between related parties pursuant to Article 53, paragraph four, of the TUB and the Bank of Italy Circular of December 27, 2006 no. 263, Title V, Chapter 5. Therefore, the terms of the Commercial Services Agreement, in compliance with the "Regulation on transactions with related parties" adopted by Depobank, have been submitted to the Committee for Transactions with related parties of Depobank. On January 15, 2018, such Committee expressed a favorable opinion on Commercial Services Agreement, subject to the insertion of the following provisions: (i) the right of the Board of Directors of Depobank to reconsider the sustainability of the contract one year after its entry into force, with the possibility, in the event of an unfavorable assessment, based on clearly identified elements, of reviewing the terms until the decision to withdraw is taken; and (ii) a process aimed to the control and participation by Depobank in the commercial activities carried out by Nexi Payments, through a Governance Committee composed of the Chief Executive Officer and the Payments Manager of Depobank and the Commercial and Payments Managers of Nexi Payments. As of the date of this offering circular, to the best of our knowledge, no resolution has been taken by the Board of Directors of Depobank in this regard.

The consideration paid in the financial year ended December 31, 2018 under the Commercial Services Agreement was €8.5 million.

Lending Mandate

Nexi Payments provides its partner banks with the liquidity support needed in order to meet their issuing and acquiring exposures, respectively, to international circuits (mainly Visa and Mastercard) and affiliated merchants. These activities are carried out by Nexi Payments on behalf of and/or in the interest of the partner banks in accordance with the servicing and/or processing agreements agreed. In particular, the management of the above issuing and acquiring activities causes a mismatch between (i) the cash flow settlement operations carried out by Nexi Payments, on behalf and/or in the interest of the partner banks, with the international circuits and with the affiliated merchants (settlement activities) and (ii) the reimbursement, by the partner banks, of the amounts advanced by Nexi Payments in the context of the cash flow settlement.

In order to allow for continuation of the above servicing activities following the redefinition of the existing relationships with Depobank resulting from the Reorganization, on June 29, 2018, Nexi Payments has therefore granted Depobank a lending mandate (the "**Lending Mandate**"), pursuant to Article 1958 et seq. of the Italian Civil Code, pursuant to which Depobank undertakes to make daily advances on behalf of or in the interest of its partner banks, as requested from time to time by Nexi Payments, up to a maximum amount of €500,000,000.

As a result of the granting of the Lending Mandate, pursuant to Article 1958, first paragraph, of the Italian Civil Code, Nexi Payments guarantees Depobank full and timely fulfilment of all and each of the payment obligations of the partner banks, which will arise for the latter from the advances made in their favor by Depobank and for an amount equal to the amounts from time to time advanced and in any case up to a maximum amount of €500,000,000 (the "**Bank Guarantee**").

Following the failure of any of the partner banks to reimburse in full: (i) amounts overdue by at least 10 working days; or (ii) amounts overdue in excess of €25,000,000, Depobank has the right to enforce the Bank Guarantee, up to the amounts outstanding, by written notice to Nexi Payments, following receipt of which Nexi Payments must pay Depobank the amount requested within five working days, without prejudice to Nexi Payments' right to contest the validity of the request. Following Nexi Payments' fulfilment of the Bank Guarantee, it assumes Depobank's rights as creditor of the partner banks whose fulfilment triggered the Bank Guarantee.

The Lending Mandate has a duration of three years, with tacit renewal for a period of the same duration, unless Depobank communicates in writing its intention to withdraw within 12 months of the expiry of this period.

Nexi Payments may revoke the Lending Mandate by written notice to Depobank, received with at least 30 working days' notice, holding Depobank harmless and indemnified against all costs, expenses, damages or liabilities arising from such revocation.

Each party may terminate the Lending Mandate, following six months' written notice, where: (i) the execution of the Lending Mandate becomes impossible and/or excessively burdensome as a result of recommendations issued by the relevant regulator; (ii) the parties do not reach an agreement on the new fee (as indicated below) to be applied to the portfolio of new client banks; and (iii) the parties do not reach an agreement on the portfolio of new partner banks, on the maximum amount, or on the subject of the Lending Mandate.

The amount paid in the financial year ended December 31, 2018 under the Lending Mandate was €1.4 million on a pro-forma basis.

Related-Party Transactions Procedure

On March 8, 2019, we adopted, a Related-Party Transactions Procedure, which establishes, among others, the rules that prescribe the approval and the execution of the related-party transactions that are of greater importance as well as those of lesser importance (i.e., related-party transactions other than those of greater importance or operations of limited value in which the expected maximum amount of the consideration does not exceed €100,000 if the related party is a natural person, or does not exceed €500,000 if the related party is a legal person).

The Related-Party Transactions Procedure identifies as related-party transactions of greater importance those transactions in which at least one of the relevance indices set out under Annex 3 to CONSOB Regulation No. 17221 of March 12, 2010, as amended and supplemented ("**Related-Party Regulation**") is greater than the 5% threshold and entrusts the Manager in charge of preparation of our financial reports, specifically supported by the competent company functions, with the duty to verify whether the Related-Party Transactions Procedure would apply and whether such transaction would constitute a related-party transaction of greater or lesser importance for the purposes of the Related-Party Transactions Procedure.

Related-party transaction of lesser importance

Pursuant to the Related-Party Regulation, prior to entering into a related-party transaction of lesser importance, the Committee for Related-Party Transactions, consisting exclusively of independent and unrelated directors pursuant to the Consolidated Financial Act and the Corporate Governance Code, shall deliver a non-binding opinion with regard to the interest for us or our subsidiary in performing the transaction and on the convenience and substantial correctness of the relevant conditions. In this respect, our Board of Directors designated the Committee for Related-Party Transactions as the competent body in relation to the related-party transactions. As of the date of this offering circular, the Committee for Related-Party Transactions is composed of three independent directors (Antonio Patuelli, Marinella Soldi and Luisa Torchia, as chairperson).

Related-party transaction of greater importance

The procedure provides that, without prejudice to the information requirements pursuant to Article 5 of the Related-Party Regulation, we made use of the exemption granted by article 10 of the Related-Party Regulation, as a recently listed company and, therefore, the approval of transactions of greater importance with related parties will take place in accordance with the procedure for the approval of related-party transactions of lesser importance. This simplified regime will be applied from the Listing Date until the date of approval of the financial statements for the year ending on December 31, 2021.

After this transitional period, the procedure provides that, in relation to transactions of greater importance, the Committee for Related-Party Transactions (which may be assisted by one or more independent experts of its choosing) or one or more delegated components or experts are involved during the negotiation and due diligence stages. Following this examination, the Committee for Related-Party Transactions delivers its binding, reasoned opinion on our interest in carrying out the transaction and the appropriateness and substantive correctness of the transactions' terms and conditions. If the Committee for Related-Party Transactions delivers an unfavorable opinion or subject to the acceptance of certain remarks:

(a) in the case of transactions of greater importance that do not fall within the competence of our shareholders' meeting or which does not need to be authorized by it, the Board of Directors can: (i) approve the transaction, provided that the resolution of the approval fully implements the findings of the Committee for Related-Party Transactions; or (ii) approving the transaction despite the unfavorable opinion or otherwise without taking into account the Committee for Related-Party Transactions' remarks, provided that the transaction is carried out with the authorization of the shareholders' meeting, pursuant to article 2364, paragraph 1, no. 5) of the Italian Civil Code and in accordance with point (b) below; or (iii) not to execute the transaction;

(b) in the case of transactions of greater importance that fall within the competence of the shareholders' meeting or must be authorised by it, without prejudice to the provisions of articles 2368, 2369 and 2373 of the Italian Civil Code, the transaction cannot be carried out if the majority of the unrelated shareholders (i.e., the parties with voting rights other than the counterparty and the parties related to both the counterparty and the Company) vote against the transaction, provided that the unrelated shareholders present at the meeting represent at least 10% of the share capital.

Exemptions

The Related-Party Transactions Procedure does not apply:

(a) to the resolutions of the shareholders' meetings provided by Article 2389, paragraph 1, of the Italian Civil Code or to resolutions concerning the remuneration of directors vested with special roles forming part of the overall amount determined beforehand by the shareholders' meeting in accordance with Article 2389, paragraph 3, of the Italian Civil Code;

(b) to decisions other than those indicated in paragraph (a) above, concerning the remuneration of directors vested with special roles as well as other managers with strategic responsibilities, provided that:

   (i) we have adopted a remuneration policy to the definition of which the Nomination and Compensation Committee has participated;

   (ii) a report describing the remuneration policy has been submitted to the shareholders' meeting for consultation and vote; and

   (iii) the allocated remuneration is consistent with such policy;

(c) to transactions of limited value;

(d) to share-based incentive plans approved by shareholders pursuant to Article 114-bis of the Consolidated Financial Act and the related transactions executing the plan;

(e) to transactions performed in the ordinary course of business or financial transactions connected thereto (performed by us or any of our subsidiaries that carries out transactions included in our consolidated financial statements) entered into at market or standard conditions carried out under similar conditions to those usually applied to unrelated parties for transactions of a corresponding nature, extent and risk, or based on regulated tariffs or prices imposed or applied to parties with whom we are required by law to agree to a specific consideration;

(f) to certain intragroup transactions entered into by us with our subsidiaries of affiliates, or among our subsidiaries, provided that other related parties do not have significant interests in the subsidiaries or affiliates that are the counterparties in the transaction;

(g) to the shareholder resolutions referred to in Article 2402 of the Italian Civil Code, regarding the remuneration of members of the Board of Statutory Auditors; or

(h) to transactions to be carried out on the basis of instructions for stability purposes imparted by Regulatory Authorities or on the basis of provisions issued by the parent company for the execution of instructions imparted by the Regulatory Authorities in the interests of Group stability.

The policy allows for the adoption of framework resolutions relating to a series of similar transactions to be carried out by us, either directly or through subsidiaries, with specific categories of related parties.

Any decision on renewal, regardless of its tacit or automatic nature, of agreements and relationships entered into by us with related parties before the adoption of the Related-Party Transactions Procedure described above will be taken in accordance with such procedure.

DESCRIPTION OF SHARES AND SHARE CAPITAL

The following is a summary of certain information concerning our Shares and certain provisions of our Bylaws (*Statuto*) which will come into force on the Listing Date and of Italian law. The information included herein may not contain all of the information which may be relevant to you in deciding whether to invest in the Offer Shares.

General

The Issuer is a joint stock company (*società per azioni*) under Italian law. The Issuer was incorporated under Italian law on April 21, 2016 under the name Latino Italy S.r.l. and with a corporate capital equal to €10,000.

On December 12, 2016, the shareholders' meeting of Latino Italy S.r.l. resolved to increase the Issuer's share capital from €10,000 to €50,000,000 by means of a rights issue amounting to €1,039,663,471, €49,990,000 of which to be allocated to share capital and €989,672,471 of which to be allocated to share premium reserve, to be subscribed by the sole shareholder Mercury UK Holdco Limited by December 31, 2016. The capital increase was fully subscribed and paid in by Mercury on December 15, 2016.

On April 16, 2018, Latino Italy S.r.l. was transformed from a limited liability company (*società a responsabilità limitata*) into a joint stock company (*società per azioni*), thus becoming Latino Italy S.p.A. On July 1, 2018, the Issuer's name was changed to Nexi S.p.A.

On July 1, 2018, the proportional demerger of Depobank (at the time Nexi S.p.A.) (the "**Demerger**") in favor of the Issuer (at the time Latino Italy S.p.A.) took effect through the transfer to the Issuer of the stake held by Depobank in Nexi Payments, Bassilichi, Consorzio Triveneto, Oasi and Helpline as well as the indebtedness relating to the €380,000,000 facility granted by Mercury UK. In this context and in order to satisfy the assignment ratio of 253 ordinary shares of Nexi for each ordinary share of Depobank, the 5,500,000,000 ordinary shares of Latino Italy S.p.A. which were outstanding prior to the Demerger (the share capital of Latino Italy S.p.A. was equal to Euro 50,000,00 represented by 5,500,000,000 ordinary shares with no par value) were cancelled, re-issued in the same amount and redistributed to Mercury and the Depobank's relevant shareholders (i.e., the Selling Shareholders and the other minorities shareholders).

On March 12, 2019 the extraordinary shareholders' meeting approved a reverse stock split of the existing 5,500,000,000 ordinary shares, with no par value, according to the ratio of 1 new Share with no par value for every 10 Shares with no par value.

Share capital

As of the date hereof, the Issuer's share capital is €50,000,000, represented by 550,000,000 Shares with no par value, taking into account the effects of the reverse stock split.

Each ordinary share grants its holder with the right to one vote at the Issuer's ordinary and extraordinary shareholders' meetings, as well as other proprietary and administrative rights in accordance with the Issuer's Bylaws and applicable Italian laws. The Issuer's ordinary shares are freely transferable, pursuant to applicable Italian laws. The Offer Shares offered in this Offering have been admitted to listing on the MTA.

Pursuant to art. 3 of the Bylaws, the Issuer's corporate purpose is the acquisition of shareholdings, excluding vis-à-vis the public, in companies and entities, including financial ones, as well as companies issuing electronic money and/or providing payment services. The Issuer may also carry out any commercial, industrial and financial transactions (save for collection of savings from the public and financial activities vis-à-vis the public) as may be necessary or useful in the pursuit of its corporate object, including the issuance of guarantees, also in favor of the companies belonging to its group.

Any other activity reserved pursuant to Legislative Decree no. 58 of February 24, 1998 and Legislative Decree no. 385 of September 1, 1993 is expressly excluded from the company's activities.

According to the Issuer's Bylaws, its duration is until December 31, 2100, unless extended in accordance with applicable Italian laws.

Authorization to issue new shares

On March 12, 2019, we resolved

(a) to authorize the issuance of new ordinary shares for an amount of up to €750,000,000, with no par value, in connection with the Offering; and

(b) to grant our Board of Directors, pursuant to Article 2443 of the Italian Civil Code, with effect from the Listing Date the powers to increase the share capital within 60 months from the date of the resolution, in one or more tranches, pursuant to Article 2349, paragraph 1, of the Italian Civil Code, through profits or available reserves, by a maximum amount of €1,000,000 to be entirely allocated to share capital, through the issuance of an overall number of Shares not exceeding 1.5% of the outstanding share capital following the Listing, with regular entitlement, to be assigned without consideration, pursuant to and for the purposes of Article 2349 of the Italian Civil Code, to the beneficiaries of the LTIP.

The Issuer may authorize the issue of additional shares in connection with capital increases to be approved by shareholders in an extraordinary general meeting. Such an authorization would generally be given after a recommendation by the Board of Directors.

Limitations on shareholdings

The transfer of the shares is not subject to any restrictions other than those contemplated by the terms of the Offering. See "Transfer Restrictions". If a shareholder exercises voting rights attributed by ordinary shares in violation of the Issuer's Bylaws, the relevant resolutions of the shareholders' meeting may be contested if the required majority would not have been reached had it not been for the votes attributed to such ordinary shares. However, the ordinary shares may be taken into account for the purposes of determining whether the shareholders' meeting achieved a quorum.

Form and transfer of shares

Pursuant to Article 83-bis of the Consolidated Financial Act, shareholders are unable to take physical delivery of share certificates for Italian-listed companies. Shares of companies listed in Italy are no longer represented by paper certificates and the transfer and exchange of shares takes place exclusively through an electronic book-entry system managed by a centralized securities settlement and custody system authorized by CONSOB jointly with the Bank of Italy, such as Monte Titoli. Accordingly, all shares must be deposited by their owners with an intermediary entitled to hold accounts on behalf of clients with such centralized securities settlement and custody system. The intermediary will in turn deposit the shares with the centralized securities settlement and custody system.

Intermediaries who meet the requirements set out in the central securities depositories' regulation in accordance with Article 33 of the Regulation (EU) No. 909/2014 of the European Parliament and of the Council of July 23, 2014 may be admitted to the book-entry system.

To transfer an interest in shares, the transferor and the transferee are required to give instructions to their respective intermediaries. If the transferee is a client of the transferor's intermediary, the intermediary will simply transfer the shares from the transferor's account to the account of the transferee. If, however, the transferee is a client of another intermediary, the transferor's intermediary will instruct the centralized clearing system to transfer the shares to the account of the transferee's intermediary, which will then register the shares on the transferee's account.

Each intermediary maintains a custody account for each of its clients. This account sets out the financial instruments of each client and the records of all transfers, dividend payments, exercise of rights attributable to the financial instruments, charges or other encumbrances on such instruments. The account holder or any other eligible party may submit a request to the intermediary for the issue of a certified account statement. The request must indicate, among other things, the name of the applicant, the quantity of financial instruments in respect of which the statement is requested, the rights which the applicant intends to exercise (in the case of shareholders' rights, the date and agenda of the meetings) and the duration for which the certificate's validity is requested. Within two business days of the receipt of such request, the intermediary must issue a certified statement of account which constitutes evidence of the account holder's ownership of the financial instruments indicated. Once a certified statement of account is issued, the intermediary may not effect any transfer of the corresponding shares until the statement is no longer valid or it is returned. In the case of rights exercisable at shareholders' meetings, the above certification is replaced by a notice issued by the intermediary to the relevant company.

Under Italian law, the ownership of shares requires the adherence to the Issuer's Bylaws. In the case of co-ownership of shares, the rights of co-owners must be exercised by a common representative appointed by them. In order to exercise their rights as shareholders, shareholders must rely on the Monte Titoli procedures, and on the intermediaries or participants that have accounts with Monte Titoli.

Italian law does not require joint stock companies to set forth the par value of their shares in the Bylaws nor does it require a specific indication of the par value on the stock certificate itself. Shares with no par value may allow greater flexibility in structuring a company's share capital and in setting the purchase price for the issuance of new shares. Pursuant to Article 2346, paragraph 3, of the Italian Civil Code, the nominal value of no par value shares is calculated by dividing the aggregate amount of the issued share capital by the number of shares outstanding at the time.

Shareholders' meetings

Italian legislation regarding shareholders' meetings and minority shareholders' rights has been amended by Legislative Decree No. 27/2010, which implements EU Directive 2007/36/EC on shareholders' rights. New rules—which relate to, among others, the record date, the call and functioning of shareholders' meetings, proxy voting and information rights—are aimed at enhancing shareholders' rights and the participation in shareholders' meetings.

Pursuant to Article 83 *sexies*, paragraph 2, of the Consolidated Financial Act, all persons for which the Issuer has received a notice from an intermediary, on the basis of the latter's records at close of business on the seventh trading day prior to the date of the meeting, shall be entitled to attend the shareholders' meetings (the so called record date). Changes made after the above-mentioned deadline are not considered for the purpose of legitimizing the exercise of voting rights at the shareholders' meeting.

Shareholders must attend shareholders' meetings in person or, subject to the provisions of Articles 135-*novies* and 135-*decies* of the Consolidated Financial Act, by proxy. A proxy may be given in writing or electronically to any person or entity, with certain limitations, including that none of the directors, members of the board of statutory auditors, independent auditors or employees of the Issuer or its subsidiaries may act as proxies for shareholders.

Pursuant to the Consolidated Financial Act and Article 10 of its Bylaws, the Issuer may appoint a representative for each meeting (*rappresentante designato dalla società*) to whom shareholders may grant a proxy no later than the end of the second trading day prior to the date of the meeting on a first or single call. Proxies, which shall contain voting instructions on all or a number of items on the agenda in order to be effective, shall be granted according to a CONSOB form. The proxy shall be valid only for proposals on which voting instructions are provided. Certain disclosure rules apply to conflicts of interest of the representative appointed by us.

Furthermore, Italian law provides for certain limitations on the number of shareholders that each proxy may represent. Such limitations vary depending on, among other factors, the amount of the Issuer's share capital that is held by the relevant shareholder. Conferring a proxy upon a representative that may have a conflict of interest is permitted, provided that the representative informs the shareholder in writing of the circumstances giving rise to such conflict of interest and to the extent specific voting instructions are provided for each resolution in which the representative is expected to vote on behalf of the shareholder.

Further, pursuant to the Consolidated Financial Act, one or more promoters may solicit proxies of more than 200 shareholders provided a prospectus and a proxy form are published. Rules on proxy solicitation shall not apply to solicitations addressed to no more than 200 shareholders, provided that no indications are given that may influence the voting process. General rules on proxy solicitation (including the obligation to publish a prospectus) shall not apply to the solicitation carried out by shareholders' associations meeting the requirements set forth under Article 141 of the Consolidated Financial Act.

Under Italian law, shareholders' meetings may be either ordinary or extraordinary. Pursuant to Article 9 of the Issuer's Bylaws, meetings are called by the Issuer's Board of Directors when required or deemed appropriate. The Issuer's shareholders' meetings must be called: (i) without delay following a request by holders of at least 5% of the Issuer's share capital (provided that shareholders may not request a meeting in connection with matters that must be proposed for deliberation by the shareholders meeting by the Board of Directors pursuant to law, or in connection with which the Board of Directors is required to submit reports or plans); (ii) by the Issuer's Board of Directors to approve its annual financial statements or in the event that the share capital is decreased by more than one-third as a consequence of losses or falls below the statutory minimum requirement; (iii) by the Board of Statutory Auditors in the event of an unjustified delay or failure by the Board of Directors to call a meeting or when it considers that an urgent resolution must be adopted; or (iv) by a court having jurisdiction if either the Board of Directors or the Board of Statutory Auditors is in breach of its fiduciary duties to the Issuer's shareholders or has not called the meeting in accordance with the relevant provisions of Italian law. Shareholders' meetings may also be called by at least two members of the Board of Statutory Auditors.

Shareholders are informed of all shareholders' meetings to be held by publication of a notice on the Issuer's website and in at least one newspaper having nationwide coverage or a wide distribution in accordance with CONSOB's requirements, at least 30 days before the date fixed for the meeting. The required notice period is reduced to 21 days for meetings relating to a reduction in the share capital due to losses or any reductions below the minimum statutory requirement and 15 days for meetings convened pending a public tender offer. The notice period is increased to 40 days for meetings called for the election of the Board of Directors or the Board of Statutory Auditors. The notice may specify a date for a second or third meeting in the event that a quorum is not met at the first or second meeting. Such meeting dates are generally referred to as "calls."

The second or third call shall take place not later than 30 days after the previous call if the date for the second or third call is not set forth in the notice and, in any case, not on the same date as that of the previous call. Notice of any meeting on the second or third call must be published at least 10 days prior to the date of the meeting. Moreover, even in the absence of notice, a meeting will be deemed duly held if 100% of the share capital is represented and the majority directors and statutory auditors are present at the meeting. Persons attending may object to a discussion of matters of which they have not been adequately informed.

The Issuer's directors are required to make available to the public, at the Issuer's registered office and on the Issuer's website and in accordance with CONSOB's requirements, a report on the proposals relating to the matters on the agenda no later than the term for the publication of the notice of the meeting, except where different terms are provided by law for special resolutions.

Shareholders are entitled to ask questions regarding the items on the agenda before the date of the meeting, which the Issuer is required to answer in the meeting at the latest, unless the information requested by the shareholders is made available in a Q&A section posted on the Issuer's website.

Pursuant to the Consolidated Financial Act, shareholders who, separately or jointly, represent at least 2.5% of the share capital may request in writing, within 10 or five days (the latter in case the shareholders' meeting is called up pursuant to Articles 2446, 2447 and 2487 of the Italian Civil Code or Article 104, paragraph 2 of the Consolidated Financial Act) from the publication of the notice convening the meeting (except when different terms are provided by law for special resolutions), additions to the agenda, specifying in the request the additional items they propose. Such additions to the agenda may not be made on matters on which the shareholders' meeting is required by law to resolve on proposals put forward by the directors or on the basis of a plan or report they have prepared. The requesting shareholders must prepare a report on the items they have proposed to include in the agenda.

Resolutions adopted at a shareholders' meeting are binding on all shareholders, including dissenting or absent shareholders. However, pursuant to Italian law, absent, abstaining or dissenting shareholders who hold, separately or jointly, shares with voting rights in relation to the resolution adopted that represent 1/1000 of the Issuer's share capital, have the right to ask the court where the Issuer has its registered office to annul the resolutions taken in violation of applicable laws or the Issuer's Bylaws. All directors and statutory auditors are also entitled to challenge resolutions on the same grounds. Such challenges must be made within 90 days from the date of the resolution or, if the resolution is subject to required registration in the companies' register, within 90 days of registration.

In addition, pursuant to Article 2379 of the Italian Civil Code, if shareholders' resolutions are passed without any notice, without recording the minutes thereof or in respect of any matter which is illegal or in respect of which no resolution may be passed, such resolutions may be challenged by any interested party within three years from the date of the registration or filing of the resolution in the companies' register or, if the resolution is not subject to registration or filing, within three years from the registration of the minutes in the relevant corporate book. In addition, shareholders' resolutions which modify the corporate purpose to include impossible or illegal activities may be challenged without any time limit. However, a court cannot declare resolutions concerning capital increase or reduction or the issue of bonds to be void after 180 days from the registration of the resolution in the companies' register or, in the absence of notice of the meeting, after 90 days from approval of the balance sheet for the year in which the resolution has been executed in full or in part.

Furthermore, following a limited number of resolutions adopted by the shareholders' meeting (including but not limited to a resolution to delist the Issuer's Shares, but excluding any withdrawal right in the event of prorogation of the term of the Issuer or the introduction, amendment or removal of limits to the circulation of the Issuer's Shares), applicable laws grant the shareholders who did not concur with the approval of the relevant resolution the right to withdraw from the Issuer, unless this resolution is revoked by the Issuer or the Issuer is put into liquidation within 90 days.

Such a withdrawal could require us to redeem the shares of the withholding shareholder at the average of the closing market price of the Shares over the previous six-month period. Redemption may be accomplished by utilizing the Issuer's available reserves or, alternatively, by a reduction of its share capital.

There are no restrictions arising under Italian law or the Issuer's Bylaws on the rights of non-resident or foreign persons to hold or vote on the Shares other than those limitations that apply generally to all shareholders. Shareholders are entitled to attend and vote at ordinary and extraordinary shareholders' meetings. Each holder is entitled to cast one vote for each share held. Votes may be cast personally or by proxy (as described above). However, the voting rights of Shares held in breach of applicable laws may in some cases not be exercised (as described above).

Ordinary shareholders' meetings

Ordinary shareholders' meetings must be convened at least once a year. Pursuant to Article 2364 of the Italian Civil Code, an ordinary shareholders' meeting must be called within 120 days or, if the Issuer prepares consolidated financial statements or where special circumstances related to the Issuer's structure or corporate purpose require it, within 180 days of the end of the Issuer's financial year. At this meeting, the Issuer's annual unconsolidated financial statements are submitted for shareholder approval. The ordinary shareholders' meetings also approve the distribution of dividends (if any), appoint directors, statutory auditors and external auditors and decide their compensation, vote on directors' and statutory auditors' liability, approve the regulation for shareholders' meetings and decide on any other business matter submitted to the vote of the shareholders under applicable law and the Bylaws.

Pursuant to Article 9 of the Issuer's Bylaws, ordinary shareholders' meetings are held in a single call. There is no quorum requirement for a valid shareholders' decision at an ordinary meeting on a single call and the affirmative vote of the majority of the shares represented at the meeting is sufficient to pass a resolution.

Pursuant to Article 9 of the Issuer's Bylaws, the Board of Directors may establish that the ordinary shareholders' meetings be held in more than one call by specifying in the notice of call the date of the second and any subsequent (if any) call. In this event, the meeting is validly held if at least 50% of the voting share capital is represented (in person or by proxy). Resolutions at the ordinary meeting on first call are passed with the affirmative vote of holders of the majority of the shares represented at such meeting. There is no quorum requirement on the second or any other subsequent call for a valid shareholders' meeting and resolutions can be passed with the affirmative vote of the majority of the shares represented at the meeting.

Extraordinary shareholders' meetings

Extraordinary shareholders' meetings may be called to vote upon resolutions relating to, among other matters, proposed amendments to the Bylaws, mergers and demergers, spin offs, capital increases and reductions and transfer of the Issuer's corporate headquarters within Italy.

Pursuant to Article 9 of the Issuer's Bylaws, shareholders' meetings are held in a single call. Pursuant to Italian law, an extraordinary shareholders' meeting is validly held on a single call if more than one-fifth of the voting share capital is represented (in person or by proxy). Resolutions at the extraordinary shareholders' meeting on single call require the affirmative vote of holders of at least two-thirds of the shares represented at such meeting.

Pursuant to Article 9 of the Issuer's Bylaws, the Board of Directors can establish that the extraordinary shareholders' meetings be held in more than one call by specifying in the notice of call the date of the second and any subsequent (if any) call. In this event, the meeting is validly held if at least 50% of the voting share capital is represented (in person or by proxy). Resolutions at the extraordinary shareholders' meeting on the first call require the affirmative vote of holders of at least two-thirds of the shares represented at such meeting.

The quorum required for a valid extraordinary shareholders' meeting on the second call is more than one-third of the voting share capital, while on the third call and any other subsequent call, the quorum must be at least one-fifth. Resolutions at the extraordinary shareholders' meeting on second or subsequent calls require the affirmative vote of at least two-thirds of the shares represented at such meeting.

Extraordinary shareholders' meetings may also issue special categories of shares or financial instruments under Article 2349 of the Italian Civil Code to be awarded to employees.

Pre-emptive rights

New issuances of shares or other classes of capital stock may be authorized by a shareholders' resolution passed at an extraordinary shareholders' meeting. The extraordinary shareholders' meeting may also authorize the Issuer's board of directors to increase the share capital within a five-year period, pursuant to Article 2443 of the Italian Civil Code. Pursuant to Italian law, shareholders (and holders of convertible bonds) are entitled to subscribe for new issues of: (i) shares; (ii) debt instruments convertible into ordinary shares; and (iii) any other instruments such as warrants, rights or options entitling the holder to acquire shares, in each case in proportion to their respective shareholdings or bondholdings, as the case may be. Subject to certain conditions and special voting majorities principally designed to prevent dilution of the rights of shareholders, these pre-emptive rights may be waived or limited in whole or in part for all such shareholders for any particular issue of such securities, but only by resolution adopted at an extraordinary meeting and provided that the Issuer's interest so requires. In any event, such pre-emptive rights will not apply where the increase in share capital is to be subscribed through a contribution in kind.

Furthermore, with respect to listed companies, pre-emptive rights may be excluded up to a maximum of 10% of the outstanding share capital of the company, provided that the price for newly issued shares corresponds to the market price of the issued and outstanding shares and this circumstance is certified by a report of the company's external auditors.

Pre-emptive rights can also be limited when the newly issued shares are offered for subscription to the Issuer's employees or employees of its subsidiaries or of its parent company. Pursuant to Italian law, resolutions that exclude pre-emptive rights must be adopted at an extraordinary meeting with the required majorities.

Election of the board of directors and the board of statutory auditors

Board of Directors

Pursuant to Article 12 of its Bylaws, the Issuer is managed by a Board of Directors consisting of a minimum of seven to a maximum of fifteen members. The ordinary shareholders' meeting determines the exact number of directors from time to time to be appointed. Each director's term cannot be longer than three years, expiring on the date of the shareholders' meeting called to resolve upon the financial statements for the last of the three years. Directors may be re-appointed and serve multiple terms. The members of the Board of Directors must meet the requirements of integrity and professionalism, and any other requirements provided by the statutory and regulatory provisions in force from time to time. In addition, a number of directors at least equal to the minimum number envisaged by the Bylaws and the legal provisions in force from time to time must meet the requirements of independence set forth by the legal and regulatory provisions applicable from time to time.

The members of the Board of Directors are appointed through a list voting system, which ensures that minority shareholders are represented on the Board of Directors. Pursuant to Article 13 of the Issuer's Bylaws, directors are elected by the ordinary shareholders' meeting based on lists submitted by the shareholders who, at the time of the submission of the list, aggregately hold—whether individually or jointly—a total number of shares representing at least 2.5% of the share capital or the lower percentage envisaged by mandatory provisions of law or regulations. Evidence of possession of such number of shares is required. Lists may be submitted also by the Issuer's Board of Directors.

Shareholders (as well as (i) shareholders belonging to the same group, meaning the parent company, including non-corporate entity, pursuant to Article 2359 of the Italian Civil Code and any subsidiary controlled by, or under the joint control of, the same party, or (ii) shareholders who are parties to the same shareholders' agreement pursuant to Article 122 of the Consolidated Financial Act, or (iii) shareholders who are otherwise connected with each other by virtue of significant relationships pursuant to applicable laws and/or regulations) may not present or vote for more than one list, whether or not they act or vote directly or through a proxy or a fiduciary company. A candidate may be present on only one list, under penalty of ineligibility.

Each list must report the names of the candidates in a progressively increasing order and must be made up of a number of candidates not exceeding the number of directors to be appointed. Each list must contain and expressly indicate to the top of each list at least one proposed director who must meet the requirements of independence set forth by the legal and regulatory provisions applicable from time to time. During the period of application of the statutory and regulatory provisions from time to time in force on gender balance, each list containing a number of candidates greater than or equal to three must be made up of candidates from both genders, such as to ensure gender balance, at least to the minimum extent required in each case by applicable statutory and regulatory provisions in force from time to time.

Each list must be deposited at the Issuer's registered office in accordance with applicable Italian law or regulation and as indicated in the notice of call of the ordinary shareholders' meeting and must be made available to the public pursuant to applicable statutory and regulatory provisions in force from time to time. The list must include, among other things, information on the submitting shareholder, professional and personal information on the candidates (including that they possess the integrity and professionalism and/or independence required by Italian law).

The lists failing to comply with the provisions set forth in the above paragraphs shall be deemed not to have been submitted. The vote cast by each shareholder shall be deemed cast for the entire list and, therefore, automatically, for all of the candidates listed thereon, without any changes, additions or exclusions being permitted. In addition, each person with the right to vote may vote for one list only.

Pursuant to Article 14 of the Bylaws, the Board of Directors shall be elected as specified below:

(a) a number equal to the numbers of the directors to be elected, less two, shall be taken from the list that obtains the majority of shareholder votes (the "**Majority List**") in the sequential order in which they appear on that list; and

(b) the remaining two candidates shall be taken from the other lists. For this purpose, the votes obtained by the lists shall be divided successively by one, two, three, four, etc. according to the progressive order in which the candidates are listed. The number of votes thus obtained shall be arranged in a single sequential order. The two candidates who have obtained the highest number of votes shall be elected. At least one director shall be taken from the minority list that has obtained the highest number of votes and that is not connected in any way, even indirectly, with the shareholders that presented or voted for the majority list.

    If more than one candidate has obtained the same number of votes, the candidate on the list that has not yet elected any director or that has elected the least number of directors shall be elected. If none of these lists has yet elected a director or if all of them have elected the same number of directors, the candidate from the list that obtained the highest number of votes will be elected. In the event of a tie, a new vote will be taken by the entire shareholders' meeting, which will deliberate according to the majorities required by law.

    In the event that the minimum required number of independent directors and/or directors belonging to the less represented gender are not elected, in accordance with the rules and regulations in force from time to time, the candidates from the various lists shall be placed in a single ranking in a descending order based on the number of votes received: (i) if the minimum required number of independent directors is not elected, the candidate who does not meet the independence requirements having the lowest number of votes in the ranking shall be replaced by the first of the candidates who meets the independence requirements and who is not elected and belongs to the same list as the replaced candidate. If suitable candidates cannot be identified by applying these replacement, the shareholders' meeting will resolve by majority required by law as to the replacements; (ii) if the minimum required number of directors belonging to the less represented gender are not elected, the candidate of the most represented gender with the lowest number of votes in the ranking shall be replaced, subject to compliance with the minimum number of independent directors, by the first of the candidates of the less represented gender who would not be elected and belongs to the same list as the replaced candidate. If suitable candidates cannot be identified by applying these replacement criteria, the shareholders' meeting will resolve by majority required by law as to the replacements.

Account is not taken of lists that do not obtain a percentage of votes at least equal to half of the percentage required for submission of the lists.

If only one list has been submitted, the shareholders' meeting votes on the list and if the relative majority is obtained, candidates listed in sequential order, up to the number established by the shareholders' meeting, are elected, in accordance with the applicable regulation requiring the election of the number of independent directors pursuant to Article 147-*ter* of the Consolidated Financial Act set out in the Bylaws and on gender balance requirement established by the *pro tempore* laws in force. If the minimum necessary number of independent directors and/or directors belonging to the less-represented gender established by the Bylaws and the *pro tempore* laws in force is not elected, the directors having the highest sequential number and lacking the requisites in question are replaced by the shareholders' meeting by the next sequential candidates having the required requisite. If suitable candidates cannot be identified also by applying these criteria, the shareholders' meeting will resolve on a relative majority. In this case, replacements will be drawn starting from the candidates with the lowest sequential number.

If the total number of candidates on the lists presented, on both the majority list and minority list, is lower than the number of the directors to be elected, the shareholders' meeting shall decide the election of the remaining directors, with the majority required by law, ensuring in any event that the necessary number of directors meet the independence and gender balance requirements established by law. The same procedures and majorities shall be used to appoint all the directors, even if no list is submitted.

Pursuant to Article 15 of the Issuer's Bylaws, the loss of the requirements by a director will entail revocation, it being understood that the loss of the independence requirements mentioned above in relation to a director, notwithstanding the obligation to immediately notify the Board of Directors, shall not lead to revocation if the requirements are met by the remaining minimum number of directors pursuant to these Bylaws. Without prejudice to the above, the loss of the independence requirements by a director will result in his/her revocation when such requirement is established by applicable laws or regulations.

If one or more directors cease to be in office, new members are appointed under the terms of Article 2386 of the Italian Civil Code, ensuring in any event that the necessary number of directors meet the independence requirements pursuant to Article 147-*ter* of the Consolidated Financial Act set out in the Bylaws and balance requirements provided for by law and regulation *pro tempore* in force.

The Issuer's ordinary shareholders' meeting resolves on the annual remuneration payable to the Board of Directors as well as determines a total amount of remuneration for all directors. The directors shall be entitled to be reimbursed of expenses incurred during the carrying out of their functions. The remuneration due to directors holding specific offices is established by the Board of Directors after having consulted the Board of Statutory Auditors.

Pursuant to Article 16 of the Issuer's Bylaws, the Board of Directors shall be vested with full powers for the ordinary and extraordinary management of the Issuer, except for those powers reserved to the shareholders' meeting by the law and by the Issuer's Bylaws. The Board of Directors, in compliance with the conditions and limits set forth by the statutory and/or regulatory provisions in force from time to time, shall be responsible for the adoption of the following resolutions: (i) mergers referred to under Articles 2505 and 2505-bis of the Italian Civil Code, including by reference to Article 2506-ter of the Italian Civil Code if a demerger is envisaged; (ii) setting-up or closing down of branches; (iii) indication of which directors shall have powers of legal representation; (iv) any share capital reduction in the event of withdrawal; (v) any amendments to be made to the Articles of Association to ensure compliance with applicable laws or regulations; (vi) transfer of the registered office within the national territory; and (vi) issuance of bonds within the limits provided by the laws and regulations *pro tempore* in force.

Pursuant to Article 17 of the Issuer's Bylaws, unless appointed by the shareholders' meeting, the Issuer's Board of Directors shall elect a chairman among its members and it may elect one or more Vice-Chairman and a secretary, who may also come from outside the Issuer.

The Board of Directors is convened by the Chairman at least five calendar days (or, in case of urgency, 12 hours) prior to the meeting, by means of a notice to each member of the Board of Directors and Board of Statutory Auditors. Meetings are valid even if not called by the above means provided that all of the directors and the majority of the standing members of the Board of Statutory Auditors are present and all the participants have been previously informed of the meeting and did not object to discussing the point on the agenda.

Pursuant to Article 19 of the Issuer's Bylaws, the Board of Directors may grant, according to Article 2381 of the Italian Civil Code, one or more of its members part of its powers, in accordance with the provisions of law and the Issuer's Bylaws and establishing the limits and the manner of exercising such powers and, having consulted with the Board of Statutory Auditors, the applicable remuneration. The Board of Directors may also establish internal committees to ensure that the Issuer's corporate governance system complies with the code to which the Issuer have adhered. The Board of Directors shall also appoint and revoke the executive in charge of the Issuer's accounting documents and the fulfilment of the duties indicated in Article 154-bis after having consulted the Board of Statutory Auditors.

Board of statutory auditors

Pursuant to Article 21 of the Issuer's Bylaws, the board of statutory auditors consists of three members and two alternate members. Each auditor's term cannot be longer than three years, expiring on the date of the shareholders' meeting called to resolve upon the financial statements for the last of the three years. Auditors may be reappointed and serve multiple terms

The Board of Statutory Auditors shall fulfill the requirements set forth in current legislation. For the purposes of Article 1(3) of the regulation referred to in Justice Minister Decree 162 of March 30, 2000 and Article 21 of the Issuer's Bylaws, the activity and matters closely linked to those carried out by the Issuer shall be deemed comprised within the activity and matters carried out by us.

The members of the board of statutory auditors are appointed through a list voting system. Lists may be submitted only by the persons with voting rights who, at the time of the submission of the list, aggregately hold—whether individually or jointly—a total number of shares representing at least the portion of the share capital required for the election of the Board of Directors. Each person with voting rights may submit (as well as (i) shareholders belonging to the same group, meaning the parent company, including non-corporate entity, pursuant to Article 2359 of the Italian Civil Code and any subsidiary controlled by, or under the joint control of, the same party, or (ii) shareholders who are parties to the same shareholders' agreement pursuant to Article 122 of the Consolidated Financial Act, or (iii) shareholders who are otherwise connected with each other by virtue of significant relationships pursuant to applicable laws and/or regulations), either individually or jointly with others, a single list of candidates. Each shareholder may only submit, and vote for a single list. The list (arranged in order of preference) must include, among other things, information on the submitting shareholder, professional and personal information on the candidates (including that they possess the integrity and professionalism required for statutory auditors by Italian law), and a list of other managerial and supervisory roles held by the candidates. The list comprises two sections: one listing the member candidates; and one listing the alternate member candidates. The lists failing to comply with the provisions set forth in the above paragraphs shall be deemed not to have been submitted.

Pursuant to Article 22 of the Bylaws, the ordinary shareholders' meeting elects statutory auditors as follows:

- two statutory auditors and one alternate statutory auditor (based on the order in which they are listed) shall be appointed from the list that obtained the highest number of votes; and
- one statutory auditor (who will serve as chairman of the board of statutory auditors) and one alternate statutory auditor shall be appointed from the list which received the second-highest number of votes, based on the order which the candidates are listed; in the event that multiple lists have obtained the same number of votes, a new runoff vote is held between those lists, held by all those who are entitled to vote in the shareholders' meeting, by electing the candidates from the list who obtain the relative majority of votes.

If, considering the standing statutory auditor and the alternate statutory auditors separately, the application of the list voting procedure fails to secure the minimum number of statutory auditors of the less represented gender as required by law and/or regulation in force at the time, the appointed candidate of the more represented gender indicated with the higher progressive number in each section of the list that attracts most votes shall be replaced by the non-appointed candidate of the less represented gender taken from the same section of the same list on the basis of their progressive order of presentation. If the number of candidates elected on the basis of the lists submitted is lower than the number of auditors to be elected, the remaining part will be elected by the shareholders' meeting that resolves by relative majority and in such a way as to ensure the balance between the genders required by the laws and regulations in force at the time. In the event that only one list is presented, all members shall be appointed from such list in compliance with applicable regulations. If no list is submitted, the ordinary shareholders' meeting shall vote by majority of voters. In this case, the Chairman of the Board of Statutory Auditors is appointed by the ordinary shareholders' meetings by relative majority.

In the event of death, renunciation, or forfeiture of a statutory auditor, the first alternate member of the same list shall assume until the next shareholders' meeting the functions of the member who has ceased said functions in compliance with the legislation in force in relation to gender balance. If filling the position in this way fails to produce a composition of the Board of Statutory Auditors that complies with the rules in force even on gender balance, the position will be filled by the second alternate auditor drawn from the same list. In the event of replacement of the Chairman of the Board of Statutory Auditors, the chairmanship shall be taken, until the next shareholders' meeting, by the eldest standing auditor taken from the minority list, subject in all cases to compliance with gender balance as provided by law and/or regulation in force at the time. If only one list has been submitted or in the event that multiple lists have obtained the same number of votes, the first standing auditor on the list of the ceased Chairman shall take over the chairmanship until the next shareholders' meeting.

If the Board of Statutory Auditors is not completed with the alternate auditors, the remaining part will be elected by the shareholders' meeting, with the majorities required by law and in accordance with the laws and regulations in force from time to time.

If no names are propsoed pursuant to the previous paragraph and if it is necessary to replace the statutory auditor(s) and/or alternate statutory auditor(s) taken from the majority list, the provisions of the Italian Civil Code shall apply and the shareholders' meeting will resolve by a relative majority.

In any case of replacement as described above, the composition of the Board of Statutory Auditors must comply with the laws and regulations in force at the time concerning the gender balance requirements.

Pursuant to Article 24 of the Bylaws, the Board of Statutory Auditors is convened by the Chairman at least five calendar days (or, in case of urgency, 12 hours) prior to the meeting, by means of a notice to each standing auditor indicating the date, time, the list of items on the agenda and the place of the meeting.

Dividends

Pursuant to Italian law, before paying dividends, 5% of the net profit (on an unconsolidated basis) for each year must be set aside in a statutory reserve fund (*riserva legale*). This requirement ceases when the reserve fund, including amounts set aside during prior years, reaches 20% of the aggregate par value of a company's share capital. The shareholders may also decide to allocate earnings to reserve funds (distributable earnings). The distributable reserves may be distributed as long as the legal reserve does not fall below the legal minimum as a result of such distribution. Furthermore, the Board of Directors may approve the declaration and payment of interim dividends during the course of the fiscal year (subject to certain limitations), while only shareholders may approve the declaration and payment of dividends at the end of the fiscal year. Furthermore, shareholders who received interim dividends in good faith are not obliged to repay such dividends to the Issuer in the event that, at the end of the fiscal year, the financial accounts of the Issuer did not warrant the payment of such interim dividends. Dividends are payable on the date specified by the shareholders at the annual meeting. Dividends not claimed within five years from the date upon which they become payable will be forfeited to the Issuer. For additional information on dividends on the Issuer's Shares, see "Dividends and Dividend Policy."

Dividends are payable to shareholders that hold shares through an intermediary on the dividend payment date declared at the ordinary shareholders' meeting. Dividend payments are distributed through Monte Titoli on behalf of each shareholder by the intermediary with which the shareholder has deposited its shares.

Generally, save for certain exclusions and exceptions provided by law, all dividends payable to non-residents of Italy who do not have a permanent establishment in Italy to which the shareholding is connected are subject to Italian substitute tax at the rate of 26%, which may be reduced by applicable tax treaties or conventions.

The above information is not intended to be an exhaustive analysis of all the tax consequences of the distribution of dividends by the Issuer for all possible categories of investors. For further details, please see "Tax Considerations—Italian taxation—Tax Regime for Dividends."

Liquidation rights

Under Italian law, and subject to satisfaction of the claims of all other creditors, shareholders are entitled to a distribution of the Issuer's remaining liquidated assets in proportion to the nominal value of the shares they hold in the Issuer's capital stock upon its winding-up. Shareholders of savings or preferred shares if any such shares were to be issued by the Issuer, would take priority in such distribution up to the nominal value of such shares. Thereafter, if there are surplus assets, shareholders of ordinary shares are entitled to receive distribution of such surplus assets.

Purchase by the Issuer of its own shares

The Issuer may purchase its own Shares, subject to certain conditions and limitations imposed by Italian law and provided that the shares are fully paid. Such purchases must be authorized by the Issuer's shareholders at any ordinary meeting and only paid out of retained earnings or distributable reserves remaining from the last approved unconsolidated financial statements. The nominal value of shares to be repurchased, together with any Shares previously owned by the Issuer or any of its subsidiaries, may not exceed in aggregate 20% of the Issuer's share capital then issued and outstanding. Repurchased Shares in excess of this 20% limit must be resold within one year of the date of purchase or must otherwise be cancelled, and the share capital reduced accordingly. Similar requirements and limitations apply with respect to purchases of the Issuer's Shares by fiduciary companies or through an intermediary.

Shares purchased and held by the Issuer may only be resold pursuant to a shareholders' resolution. The Issuer is not entitled to vote or to receive dividends on the Shares it owns. Neither the Issuer (except in limited circumstances) nor any of its subsidiaries can subscribe for new Shares in the case of capital increases. Shares owned by its subsidiaries are not entitled to voting rights but are entitled to receive dividends. Shares owned by the Issuer and its subsidiaries count at shareholders' meetings for quorum purposes. Moreover, the Consolidated Financial Act and Regulation No. 11971 provide that the purchase by a listed company of its own shares and the purchase of shares of a listed company by its subsidiaries must take place in a manner that ensures the equality of treatment among shareholders. In particular, the purchases may be carried out (i) by way of a tender offer, (ii) on regulated markets provided that market rules do not permit the direct matching of buy orders with predetermined sell orders, (iii) by means of the purchase and sale of derivative instruments traded on regulated markets provided that the market rules set forth certain conditions, (iv) by granting shareholders, in relation to the shares they hold, a put option to be exercised within a period established by the shareholders' meeting that authorized the share purchase program, (v) in carrying out systematic internalization activities in a non-discriminatory manner and involving the automatic and non-discretionary execution of operations on the basis of pre-set parameters, or (v) in accordance with the procedures established by market practices accepted by CONSOB pursuant to Article 13 of Regulation (EU) No. 596/2014. Purchases of treasury shares governed by Article 132 of the Consolidated Law must also be carried out in accordance with the conditions laid down in Article 5 of Regulation (EU) No 596/2014. In addition, repurchases must be made through non-discriminatory transactions in compliance with the antimanipulation rules of the EU and CONSOB regulations. Subject to certain limitations, the foregoing does not apply to shares purchased by a company from its employees or employees of its subsidiaries or of its parent companies.

As of the date hereof, the Issuer does not own any of its own Shares. The ordinary shareholders' meeting held on March 12, 2019 resolved to authorize our Board of Directors to proceed with the purchase (for a period of 18 months starting from the date of the resolution) and the disposition (without time limitations) of our shares and, in particular, a number of our shares up to a maximum of 1.5% of the outstanding share capital of the Issuer. The purchase of treasury shares may be made within the limits of distributable profits and available reserves, resulting from the latest approved financial statements.

Issuer and shareholders' actions against the board of directors

Pursuant to Article 2393 of the Italian Civil Code, actions against members of the Board of Directors may be brought by a company pursuant to a resolution adopted by the ordinary shareholders' meeting or pursuant to a resolution adopted by the Board of Statutory Auditors approved by two-thirds of its members. In addition, in the case of listed companies, a shareholders' action may be brought against the Board of Directors by shareholders representing at least 2.5% of the share capital. The Issuer may waive its right to bring legal action and may settle, provided that the waiver and the settlement are expressly approved at the shareholders' meeting and provided that shareholders representing at least one-twentieth of the share capital have not dissented.

Notification of acquisition of shares

Pursuant to the Consolidated Financial Act and Regulation No. 11971, any person whose aggregate shareholding in a listed company rises above or falls below 3% (5% in case the listed company is a "small-medium enterprise" ("**SME**"), as defined under Article 1, paragraph 1, letter w-quater.1 of the Consolidated Financial Act), or reaches, rises above or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66.6% or 90% of the voting share capital of a company listed in an Italian regulated market, is obliged to notify CONSOB and the listed company within four trading days of the acquisition.

Those communication requirements also apply to any person who reaches, rises above or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66.6% or 90% as a result of events which lead to changes in the share capital and on the basis of the information published by the issuer of shares pursuant to Article 85-bis of the Issuers' Regulation.

In addition, any person who purchases an aggregate shareholding equal to or higher than 10%, 20% and 25% of the voting share capital of a company listed in Italy is subject to additional disclosure requirements. Any such shareholder, in particular, shall disclose: (i) the way the acquisition was financed; (ii) whether such shareholder is acting in concert; (iii) whether such shareholder intends to acquire additional shares, gain control of the issuer or exert an influence over the management of the company, and the strategy and transactions expected to be implemented to these effects; (iv) the shareholders' intentions as regards any arrangements or agreements with other shareholders to which it is a party; and (v) if such shareholder intends to change the composition of the management or supervisory bodies of the company.

Pursuant to Regulation No. 11971, in case of shares with increased voting rights or multiple voting shares, "shareholding" means the number of the voting rights referred to the shares subject to the above-mentioned notification.

The Consolidated Financial Act provides that CONSOB is allowed to establish, for a restricted period of time, thresholds lower than 3% for companies that have a current high market value and a broad base of shareholders.

Notification requirements also arise if the foregoing thresholds are breached as a result of a reduction of, or increase in, the company's share capital or in the number of the voting rights. For the purpose of calculating the ownership thresholds, ordinary shares owned by any person—irrespective of whether the voting rights are suspended, or exercisable by that person or by a third party—are taken into consideration. Ordinary shares in respect of which the relevant person is entitled to exercise voting rights are also included. Except in certain circumstances, ordinary shares held through, or for which voting rights are exercisable by, subsidiaries, fiduciaries or intermediaries are included.

Shareholders failing to give notice cannot exercise the voting rights attributable to the ordinary shares. Any shareholders' resolution approved in violation of the foregoing may be annulled if it would not have been adopted in the absence of such votes (provided that also CONSOB is entitled to challenge such resolution on the same grounds).

Regulation No. 11971 also provides that any person holding less than 3% (5% in case the listed company is a SME, as defined according to Article 1, paragraph 1, letter w-quater.1 of the Consolidated Financial Act) of the voting share capital of a listed company is subject to a notification obligation when such person is party to a shareholders' agreement and, taking into account the holdings of the other parties to the agreement, reaches, exceeds or falls below the 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6% thresholds. Such person must disclose to CONSOB and the listed company in question: (i) the voting rights, referred to the shares, overall conferred in the agreement; (ii) his/her/its voting rights, referred to the shares, conferred in the agreement; and (iii) his/her/its further voting rights, referred to the shares, not conferred in the agreement. However, no notice is required if this information has already been given in compliance with other provisions of the Consolidated Financial Act or of Regulation No. 11971.

Notification obligations are also triggered with respect to the holding of voting shares underlying derivative financial instruments or any other financial instrument or contract that, pursuant to a binding agreement, attributes the right to acquire, at the holder's initiative, ordinary shares of a listed company (the "**Potential Interests**"). In particular, any person, directly or indirectly, holding Potential Interests must disclose such Potential Interest to the company and CONSOB when the shareholding that may be potentially acquired reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6%.

Disclosure obligations arise also if a person holds an "aggregate interest" in: (i) effective interest; (ii) Potential Interests; and (iii) other long positions (i.e., voting shares underlying derivative financial instruments or any other financial instrument or contract that is: (a) different from those that are Potential Interests; and (b) capable of causing the acquisition of an economic interest that is positively linked to the performance of the underlying instrument, including the case of the counterparty of the owner of a financial position in which the contracting party's financial interest is negatively correlated to the performance of the underlying) that, in aggregate, exceed or fall below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6% of the voting share capital of the listed company.

For the purpose of calculating Potential Interests and the aggregate interest, no netting is permitted with any short positions concerning the same shares as the underlying instrument.

Furthermore, disclosure obligations in relation to aggregate interest do not apply should the exceeding or falling below the relevant threshold be subject to disclosure obligations in relation to effective interest and Potential Interests and the person does not hold other shareholdings.

When a notification obligation concerning the same material shareholding applies to both a controlling company and its subsidiary, the latter is exempted from the obligation. Nonetheless, the disclosure obligation can be satisfied by the subsidiary if it provides complete information on the chain of control, including with reference to other shareholdings, directly or indirectly, held by the controlling entity.

Notification obligations are not triggered when:

- under certain circumstances, shares are purchased exclusively for clearing and settlement purposes, within a settlement cycle;
- under certain circumstances, shares are held by depositaries, if voting rights can be exercised only on the basis of written or electronic instructions;
- shares are purchased below the threshold of 5% by Qualified Investors who are in charge of the purchase pursuant to firm commitment or stand-by underwriting, under certain conditions;
- shares, or Potential Interest, below the 10% threshold, are purchased or sold by a market maker and certain further conditions are met;
- the voting rights are referred to the shares purchased for stabilization purposes pursuant to Article 5 of the Regulation (EU) no. 596/2014, provided that the relevant voting rights are not exercised or otherwise used to influence the management of the listed company;
- voting rights pertain to shares held by credit institutions and investment companies in their trading portfolio, as long as: (i) such voting rights do not exceed 5%; and (ii) the credit institution or the investment company ensures that voting rights are not exercised or otherwise used to influence the management of the listed company;
- shares are purchased or sold by the European Central Bank or by national central banks of the member states when exercising their monetary authority functions and on a short-term basis, provided that the relevant voting rights are not exercised; and
- under certain circumstances, holdings above 3% and not exceeding 5% are acquired by Italian and harmonized asset management companies and qualified entities (and, in certain circumstances, non-EU management companies and qualified entities) within the course of managing collective investment undertakings.

Specific rules apply to the notification of holdings of management companies and financial intermediaries authorized for asset management. In particular, an entity controlling a management company is not required to cumulate its direct or indirect holdings (effective or potential) to the holdings of the management company, provided that the management company votes on the shares held in its portfolio independently from the controlling entity and other controlled entities. The same rules apply to any entity controlling one or more financial intermediaries authorized for asset management, with regard to the holdings of the financial intermediary, if the latter votes on the shares independently and on the basis of clients' written or electronic instructions.

Cross ownership restrictions

Cross ownership restrictions limit the ownership by two companies of each other's shares. Cross ownership between listed companies in Italy may not exceed 3% (5% in case the listed company is a SME, as defined according to Article 1, paragraph 1, letter w-quarter.1 of the Consolidated Financial Act) of their respective voting shares and cross ownership between a listed company and an unlisted company may not exceed 3% of the voting shares of the listed company. If the relative threshold is exceeded, the second company to exceed the threshold may not exercise the voting rights attributable to the shares in excess of the threshold and must sell the excess shares within 12 months. If the company does not sell the excess shares within 12 months, it will not be permitted to exercise voting rights in respect of its entire shareholding. If it is not possible to ascertain which company exceeded the threshold last, the limitation on voting rights will apply to both companies, unless otherwise agreed. The 3% limit (5% for the SME) for cross ownership may be increased to 5% (10% for the SME) on the condition that such limit is only exceeded by the two companies following an agreement authorized in advance by each of the companies' shareholders' ordinary meeting. Furthermore, if a party holds an interest in excess of 3% (5% for the SME) of a listed company's share capital, such listed company, or the party that controls the listed company, may not purchase an interest above 3% (5% for the SME) in a listed company controlled by such party. In case of non-compliance with the above, voting rights attributable to the shares held in excess of the applicable limit may not be exercised. If it is not possible to ascertain which company exceeded the limit later, the limitation on voting rights will, subject to contrary agreement between the two parties, apply to both companies. Any shareholders' resolution approved in violation of the limitation on voting rights may be annulled by the relevant court, also at CONSOB's request, if the resolution would not have been adopted in the absence of such votes. The restrictions on cross ownership are not applicable when the thresholds are exceeded following a public tender offer to buy or exchange shares aimed at acquiring at least 60% of a company's ordinary shares.

Agreements for the participation of employees in our share capital

Except for the LTIP and the Mercury UK Stock Grant Plan, which are described in "Management," as of the date of this offering circular there are no incentive plans providing for the participation of employees in our share capital.

Shareholders' agreements

In accordance with Italian law, agreements among shareholders of a listed company or of its parent company must be, within five days from the date of execution:

- notified to CONSOB;
- published in summary form in the press;
- filed with the register of enterprises of the place where the company has its registered office; and
- notified to the listed company concerned.

Failure to comply with the above rules will render the agreements null and void and the voting rights of the relative shares unexercisable. Any shareholders' resolution taken in violation of this limitation on voting rights may be annulled by the relevant court if the resolution would not have been adopted in the absence of such votes. The action may also be brought by CONSOB.

These rules apply to shareholders' agreements, in whatsoever form concluded, which:

- regulate the exercise of the voting rights in listed companies and in their controlling entities;
- require prior consultation for the exercise of voting rights in a listed company or in its controlling companies;
- contain limitations on the transfer of shares or securities which grant the right to purchase or subscribe for shares;
- provide for the purchase of shares or securities which grant the right to purchase or subscribe for shares;
- have as their object or effect the exercise, including joint exercise, of a dominant influence over the company; or
- are aimed at favoring or frustrating a tender offer, including the undertaking not to adhere to the offer.

Disclosure rules on shareholders' agreements apply only to those agreements regarding shares totaling more than 3% (5% for SMEs) of the share capital.

Moreover, the Consolidated Financial Act provides that the maximum duration of any such shareholders' agreements may be three years or, if no duration is specified in the agreement, that any party may terminate the agreement upon six months' notice. In the case of a public tender offer, any party to the shareholders' agreement that intends to participate in the tender offer may withdraw from the agreement without notice, but the withdrawal notice is ineffective if that shareholder's interest is not subsequently transferred.

Reports to shareholders

The Issuer is required to publish, in Italian, its audited annual unconsolidated financial statements and audited annual consolidated financial statements, all prepared in accordance with IFRS and IAS and in line with CONSOB requirements, accompanied by a directors' report on operations.

The Issuer is also required to produce half yearly financial statements (with limited review by the auditors), containing a directors' report on operations.

Pursuant to Article 154 bis of the Consolidated Financial Act, both the annual financial statements (on a consolidated and stand-alone basis), and the half-yearly financial statements shall be accompanied by a declaration of the managing director and of the manager charged with preparing the Issuer's financial reports regarding, among other things, whether the documents truthfully and correctly represent the financial position of the Issuer and the group of companies included in the scope of consolidation.

Moreover, the Issuer is also required to draw up a declaration on non-financial themes, such as environmental and social themes, aspects concerning employees, respect for human rights, and the fight against active and passive corruption, at the same time as their financial statements, pursuant to European Directive 2014/95/EU, implemented under national law with Italian Legislative Decree no. 254/2016 (resolution no. 20267 of January 18, 2018).

Different classes of shares

The Issuer's shares are composed of 550,000,000 ordinary shares. As of the date of this offering circular, the Issuer has not issued other classes of shares. Pursuant to Article 6 of the Issuer's Bylaws, the shares are registered, indivisible, freely transferrable and each bear the right to one vote in all the Issuer's shareholder's meeting.

In accordance with Italian law, the Issuer is permitted to issue different classes of shares, defining the rights to which such shares will be entitled within the limits of the applicable law. The Issuer may issue shares having the right to vote in any shareholders' meeting or only in certain shareholders' meetings or regarding certain matters or under certain conditions. The Issuer may issue shares having preferential rights with respect to the payment of dividends and to the repayment of capital in the event of liquidation.

In accordance with Italian law, the Issuer may also issue special categories of shares under Article 2349 of the Italian Civil Code to be awarded to its or its subsidiaries' employees.

Increased voting shares and loyalty voting program

Under the Consolidated Financial Act, the Bylaws of listed companies may provide that shareholders holding shares on an ongoing basis for a period of not less than 24 months are entitled to cast up to two votes for each voting share held. These loyalty shares do not represent a special class of shares under Italian law.

The increased voting right will cease in case of transfer of the relevant loyalty shares, including if the transfer is not for a consideration, or if a controlling interest in a company or entity which holds, in turn, loyalty shares in excess of 3% is transferred, either directly or indirectly.

The Issuer's Bylaws do not provide for such loyalty shares and increase in voting rights. Conversely, under the Consolidated Financial Act, listed companies are not entitled to issue multiple voting shares as a special class of shares.

Savings shares

Italian companies having their shares listed on a regulated market may issue savings shares (*azioni di risparmio*) which carry preferential rights in the payment of dividends, but which have no voting rights except for voting rights at a separate meeting of holders of such savings shares when, among other things, the rights of such shareholders are affected by a decision taken at a shareholders' meeting. As of the date of this offering circular, the Issuer does not have any issued and outstanding savings shares.

Minority shareholders' rights

Any shareholder may challenge any resolution of the Board of Directors within 90 days of such resolution being passed, if the resolution is prejudicial to the shareholder's rights.

Any shareholder representing 1/1000 of the voting share capital may challenge any shareholders' meeting resolution that contravenes provisions of the bylaws or applicable laws within 90 days of its adoption, if (i) the resolution was adopted at a shareholders' meeting not attended by such shareholder, (ii) the shareholder dissented, (iii) the shareholder abstained from voting, or (iv) the shareholder purchased the shares between the record date and the beginning of the meeting (being considered absent to the shareholders' meeting).

Directors and statutory auditors may also challenge shareholders' resolutions on the basis of their violation of the Bylaws or applicable laws. Pursuant to Italian law, in the case of resolutions approving the delisting of the Issuer's shares (as well as in certain other cases set out in the Italian Civil Code), non-consenting shareholders in the categories mentioned in the previous paragraph are given a withdrawal right enabling them to require the Issuer to redeem their shares at the average closing market price of the previous six months.

Any shareholder of the Issuer may bring to the attention of the Board of Statutory Auditors facts or acts which are deemed wrongful, and the Board of Statutory Auditors shall take into account the complaint in its report to the general shareholders' meeting. If shareholders representing at least 2% of the Issuer's share capital bring a matter to the attention of the Board of Statutory Auditors, such board must investigate without delay and report its findings and recommendations at a shareholders' meeting. If there is a basis for suspicion of serious irregularities in the discharge of directors' duties, shareholders representing at least 5% of the Issuer's share capital have the right to report such irregularities to the relevant court (and afterwards waive or settle such suits). In addition, shareholders representing at least 2.5% of the Issuer's share capital may bring derivative suits against directors, statutory auditors and general managers in a competent court. The Issuer will reimburse the legal costs of the shareholders' action in the event that the shareholders' claim is successful and the court does not impose the costs upon the directors, statutory auditors or general managers involved, or in the event that such directors, statutory auditors or general managers could not cover such costs. In addition, the Issuer's minority shareholders may, pursuant to the cumulative voting system contained in the Bylaws in accordance with the provisions of the Consolidated Financial Act and Regulation No. 11971, appoint an effective member and an alternate member of the Board of Statutory Auditors and a member of the Board of Directors. Moreover, the chairman of the Board of Statutory Auditors shall be appointed from among the auditors appointed by the minority shareholders.

Withdrawal rights

According to Article 2437 of the Italian Civil Code and the Issuer's Bylaws, shareholders have the right to withdraw from the Issuer, thereby requiring the Issuer to redeem all or part of their shares, if resolutions in favor of the following are passed by the shareholders and the withdrawing shareholders have not voted in favor of them:

- any amendment to the corporate purpose clause of the Bylaws, when it allows a material change in the Issuer's business;
- any change to the corporate form of the Issuer;
- any transfer of the registered office of the Issuer abroad;
- any cancellation of a state of liquidation;
- any amendment to the Bylaws relating to voting or participation rights;
- the elimination of one or more withdrawal rights from the Bylaws; or
- any amendment to the criteria to determine the value of the shares in case of withdrawal by a shareholder.

Moreover, in case of a resolution causing the delisting of a listed company, absent, abstaining or dissenting shareholders can withdraw and have their shares repurchased at the average market price of the shares over the previous six-month period. Furthermore, unless the bylaws of a company provide otherwise, the right of withdrawal is granted also to shareholders who have not voted in favor of the approval of resolutions concerning:

- the extension of the term of the Company; or
- the introduction or removal of restrictions regarding the transfer of the shares of the Company.

Any agreement aimed at excluding or making it difficult for a shareholder to exercise withdrawal rights is void.

Italian mandatory tender offer rules

Under the Consolidated Financial Act, a public tender offer must be made by any person who, as a result of purchases of shares for consideration, or increased voting rights, directly or indirectly or acting in concert with other persons, holds or comes to hold more than 30% of the voting share capital and/or derivative instruments as provided for under Article 44-ter of the Regulation No. 11971 (hereinafter referred to as "**securities**") of a company listed on an Italian regulated market.

In companies other than SMEs, any person who, by way of share acquisition, holds more than 25% of the voting share capital, must also make a public tender offer if no other shareholder holds a greater interest in the company.

The tender offer must cover all remaining outstanding shares of the company.

Under CONSOB rules, a tender offer must also be launched by any person who owns more than 30% (25% for an SME) of the voting share capital without at the same time exercising majority voting rights at an ordinary shareholders' meeting and purchases more than 5% of the voting share capital or increases its voting rights by more than 5% of the voting share capital of the company during a 12-month period. Furthermore, for the purpose of calculating the thresholds, derivatives held, directly or indirectly, through trustees or nominees that offer a long position on the shares are calculated in the amount of the total number of underlying securities. If the number of underlying securities is variable, reference is made to the maximum quantity envisaged by the derivative. For the purposes of calculating the threshold, derivatives which grant a long position shall not be included where: (i) these instruments are traded on a regulated market; (ii) the securities underlying such derivatives have not been issued yet; (iii) such derivatives are included in a shareholders' agreement (typically as call or put options) for the purpose of either resolving decision-making problems or remedying a breach of the agreement; or (iv) the derivatives are held by an authorized intermediary for the purpose of hedging a customer's position.

Under certain circumstances, notwithstanding the purchase of a company's shares in excess of the threshold amount, the Consolidated Financial Act and Regulation No. 11971, as amended, contains various exemptions from the duty to launch a tender offer, including but not limited to the following:

- another shareholder or other shareholders, collectively, exercise(s) the majority voting rights at an ordinary shareholders' meeting;
- the purchase is made:
  - (i) in the context of the recapitalization of a listed company or another measure having the purpose of increasing the company's assets and the company is in a certified situation of financial crisis;
  - (ii) without other purchases having been carried out or agreed upon during the previous 12 months, exclusively through the subscription of an increase of the share capital of the listed company, with the exclusion of pre-emption rights made in the context of a recovery plan which (a) was previously communicated to the market, (b) certifies the said situation of crisis and (c) whose reasonableness was certified according to the provisions of the Italian bankruptcy law; or
  - (iii) the presence of a situation or crisis which differs from the cases under (i) and (ii) above, subject to certain conditions;
- the threshold is exceeded as a result of a transfer between companies in which the same person or persons hold, also separately or jointly and directly or indirectly through a subsidiary company within the meaning of Article 2359, first paragraph, point 1, of the Italian Civil Code, the majority of voting rights exercisable in the ordinary shareholders' meeting, or the threshold is exceeded as a result of a transfer between a company and such persons;

- the threshold is exceeded as a consequence of the reduction of the total number of voting rights, unless the shareholder has acquired, alone or jointly with other parties, an interest exceeding the above-mentioned thresholds;
- the threshold is exceeded as a result of mergers and demerger transactions, approved by the shareholders of the company whose shares would otherwise be subject to the tender offer obligation, without the non-related shareholders voting against such transactions;
- the threshold is exceeded as a result of the exercise of the pre-emptive, subscription or conversion rights as originally granted;
- the threshold is exceeded and the purchaser undertakes to sell to unrelated parties such excessive shareholding or to reduce its exceeding voting rights within 12 months without exercising the relevant voting rights; or
- the threshold is exceeded by virtue of the purchase of derivative financial instruments and the buyer undertakes to transfer the excess derivatives or securities to unrelated parties within six months and, during this same period, not to exercise voting rights in excess of the threshold exceeded.

Italian law further provides that the acquisition of an interest in excess of the above-mentioned thresholds does not trigger the obligation to launch a 100% tender offer, if the person concerned has exceeded the threshold as a result of either:

- a public tender offer launched for 100% of the ordinary share capital of the company; or
- a public tender offer launched for at least 60% of the ordinary share capital of the company, if:
  - (i) the validity of the bid is subject to approval of a number of shareholders which together possess the majority of the securities concerned, excluding securities held by the bidder, the major shareholder, also in relative terms, if that shareholding exceeds 10%, and by persons acting in concert with the bidder;
  - (ii) the offeror and the persons acting in concert with it have not acquired more than 1% of the ordinary shares of the company in the 12 months before notifying CONSOB or during the offer; and
  - (iii) CONSOB, after having received satisfactory evidence that the terms under (i) and (ii) have been complied with, has ruled that a mandatory bid need not be made.

After such offer has been completed, the offeror nevertheless becomes obliged to launch an offer for 100% of the share capital if, during the subsequent 12 months, either:

- it and the persons acting in concert with it purchase more than 1% of the share capital of the company, also by means of forward contracts maturing at a later date; or
- the shareholders of the company approve a merger or demerger.

Further, (a) any person holding at least 95% of a class of voting shares of an Italian-listed company as a result of a tender offer for 100% of the voting securities must purchase all of the remaining shares of that class upon each holder's request, and (b) without prejudice to the provision referred to under point (i) above, anyone holding more than 90% of a class of voting shares of an Italian-listed company must purchase all the remaining shares of such class upon each holder's request, unless it restores an adequate free float within 90 days so as to ensure proper trading.

In the case of (a) above—and also in the case of (b) above where the interest is purchased exclusively through a tender offer relating to 100% of the voting shares—the purchase price shall be the same as in the prior offer provided in each case that, in a voluntary offer, at least 90% of the voting shares targeted have been tendered in the offer. Otherwise, the price is determined by CONSOB, taking into account the price offered in a prior tender offer, if any, or the market price of the shares during the previous six months.

Any shareholder holding more than 95% of the ordinary share capital of a listed company pursuant to a tender offer involving all the voting shares issued by the company has the right to obtain title to the remaining voting shares within three months after the end of the tender offer, if it has stated its intention to make such an acquisition in the offer document, at a price determined as indicated in the above paragraph.

The voting rights relating to all the shares held by a person who has not complied with these rules cannot be exercised, and the number of shares exceeding the relevant threshold must be sold within 12 months. In the event of non-compliance with such provisions, a shareholders' resolution passed with the votes relating to such shares may be challenged by the shareholders or CONSOB if it would not have been passed without such votes.

Liability for mismanagement of subsidiaries

Under Article 2497 of the Italian Civil Code, companies and other entities that, acting in their own interest or the interest of third parties, mismanage a company subject to their direction and coordination powers are liable to such company's shareholders and creditors for damages. No liability exists if (i) the resulting damage is fully eliminated, including through subsequent transactions, or (ii) the resulting damage is effectively offset by the overall benefits derived by the company from the continued exercise of such direction and coordination powers. Direction and coordination powers are presumed to exist with respect to consolidated subsidiaries.

DIVIDENDS AND DIVIDEND POLICY

*This summary contains all the information which we consider to be material regarding dividends, if any, payable by us, but does not purport to be complete and is qualified in its entirety by reference to our bylaws which will come into force on the Listing Date (the "**Bylaws**") or Italian law and regulations, as the case may be.*

General

In accordance with Italian law, payment of any annual dividends may be made out of our distributable profits and reserves on an unconsolidated basis for each relevant year pursuant to a resolution of the Board of Directors. Any such resolution is subject to approval by our shareholders at an annual general meeting, which must be convened to approve our annual financial statements within 120 or within 180 days after the end of the financial year to which such financial statements relate. See "Description of Shares and Share Capital—Shareholders' meetings—Ordinary shareholders' meetings."

Legal limitations

Mandatory reserves

The payment by us of any annual dividend is proposed by the Board of Directors and is subject to the approval by the shareholders at the annual general meeting. Before dividends may be paid out of our unconsolidated net income in any year, an amount equal to 5% of such net income must be allocated to our legal reserve until such reserve is at least equal to one-fifth of the par value of the Issuer's issued share capital. If our capital is reduced as a result of accumulated losses, dividends may not be paid until the capital is reconstituted or reduced by the amount equivalent to the corresponding losses. Pursuant to Articles 2433 et seq. of the Italian Civil Code and article 27 of the Bylaws, the Board of Directors may authorize the distribution of interim dividends, subject to certain limitations. See "Description of Shares and Share Capital—Dividends."

Repayment and prescription

Any annual dividends declared by us are paid in compliance with applicable laws. Shareholders will not be required to repay any annual dividends paid on the basis of duly approved financial statements, if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in our favor and will be added to our reserves.

Manner and time of payment

Any dividends we declare will be paid to shareholders through Monte Titoli or such other authorized centralized securities custody and administration systems with which the intermediaries instructed by the shareholders have deposited their shares, in accordance with Legislative Decree 213/1998 and the Regulation of the Bank of Italy and CONSOB of February 22, 2008.

Capital adequacy requirements applicable to our subsidiaries

Mercury Payment Services and Nexi Payments, respectively, a Payment Institution and Electronic Currency Institute, are supervised by the Bank of Italy. Consequently, their ability to distribute dividends depends on, among other factors, compliance with applicable capital requirements pursuant to applicable law or that may be imposed by the Bank of Italy. For further information on the capital requirements applicable to Mercury Payment Services and Nexi Payments, see "Regulation—Regulations applicable to payment institutions—Capital adequacy of Payment Institutions and EMIs."

Contractual limitations

The Notes

The Senior Secured Notes contain restrictions on dividend payments by us. See "Business—Material Contracts—Debt Instruments—The Notes" for a description of these restrictions.

Taxation

Generally, save for certain exclusions and exceptions provided by law, dividends payable on our ordinary shares to individuals or entities not resident in the Republic of Italy and not having a permanent establishment in

Italy which the shareholding is connected to will be subject to Italian substitute tax, which may be reduced pursuant to tax treaties or conventions, subject to certain conditions and fulfillments.

Pursuant to applicable Italian law, in connection with the payment of dividends, Italian companies, including the Issuer, are required to supply to the Italian tax authorities certain information.

The above information is not intended to be an exhaustive analysis of all the tax consequences of the distribution of dividends by us for all the possible categories of investors. For a discussion on taxation of dividends, see "Tax Considerations—Italian taxation—Tax Regime for Dividends."

For a discussion of US taxation, see "Tax Considerations—United States Taxation."

Dividend policy and history

On February 13, 2019, the Board of Directors resolved to adopt a dividend policy that provides for a progressive, moderate increase in the percentage of available profit to be distributed, with a medium- to long-term target of between 20% and 30% of distributable profit, subject to compliance with any limitations under applicable law or in contracts to which we are a party, as well as our financial and investment needs. We do not expect to distribute a dividend for the financial year ending December 31, 2019.

As of the date of this offering, the shareholders' meetings of our subsidiaries Nexi Payments and Mercury Payment Services resolved to distribute dividends for the year ended December 31, 2018, equal to €66,018,004 and €64,466,000 respectively.

On December 20, 2018, following our ordinary shareholders' meeting of December 19, 2018, we distributed an extraordinary dividend to our shareholders from available reserves totalling €2,202,750,000 (€0.4005 per Share), in order to complete the Reorganisation and to refinance intercompany debt pursuant to the documentation relating to the Notes (the "**Extraordinary Dividend**"). In particular, the distribution of the Extraordinary Dividend was the last element of the overall transaction, which involved the issue of the Notes by Nexi Capital (now the Issuer) and the simultaneous extinction of, among others, the 900,000,000 8¼%/9% Senior Secured Fixed Rate PIK Toggle Notes due 2021 and the €200,000.000 Senior Secured Floating Rate PIK Toggle Notes due 2021, issued by Mercury BondCo Plc (a special purpose vehicle indirectly owned by the Financial Sponsors), in connection with the acquisition of the ICBPI Group by the Financial Sponsors. The distribution of the Extraordinary Dividend took place through the setting off of our claim against Mercury UK, one of the Selling Shareholders, to which we had granted, as part of the aforementioned refinancing operation, an intra-group loan for a total amount of €2,049.6 million, including interest accrued at the repayment date. The distribution to minority shareholders other than Mercury UK, on the other hand, took place in cash and involved approximately €150 million;

On May 4, 2018, we distributed to our shareholders a dividend from profits for the year ended December 31, 2017, equal to €56,000,000.00 (€0.0011 per share).

No dividends were distributed during the years ended December 31, 2016 and 2017.

THE ITALIAN SECURITIES MARKET

Securities trading in Italy

Equity and convertible securities in the Italian market are traded on the MTA, the Italian automated screen based trading market.

The MTA is organized and administered by Borsa Italiana and is subject to the supervision and control of CONSOB, which is responsible, among other things, for regulating investment companies, securities markets and public offerings of securities in Italy to ensure the transparency and regularity of dealings and to protect investors.

Borsa Italiana is a joint stock corporation that is responsible for the organization and management of the Italian regulated financial markets (including the MTA). Since January 2, 1998, Borsa Italiana, which was founded in 1997, has been responsible for, among others:

- defining and organizing the functioning of the markets it operates;
- defining the rules and procedures for admission and listing on the market for issuing companies; and
- managing and overseeing the markets.

Borsa Italiana is controlled by the London Stock Exchange Group.

The Consolidated Financial Act provides (with minor exceptions) that only registered securities dealers and banks may trade equity securities, as well as engage in any other investment services with the public. Non-Italian banks and investment services firms incorporated in an EU Member State are permitted to operate in Italy provided that the intent of the bank or investment services firm to operate in Italy is communicated to, respectively, CONSOB and the Bank of Italy by the competent authority of the member state in which they are established. Non-EU banks and non-EU investment services firms may operate in Italy either on a branch or on a cross-border basis after receiving the approval of CONSOB and the Bank of Italy, respectively.

The legal framework of securities trading in Italy has been first reformed by Legislative Decree No. 164 of September 17, 2007, as amended (the "**MiFID Decree**"), which implemented Directive 2004/39/EC, Directive 2006/73/EC and Regulation (EC) No. 1287/2006 (together, the "**MiFID Directive**") and, recently, by Legislative Decree no. 129 of August 3, 2017 (the "**MiFID II Decree**") which implemented the Directive 2014/65/EU (the "**MiFID II Directive**"). This major reform of Italian securities trading especially focused on the pre trade and post trade transparency requirements for equity securities, which now apply both to trading on the mainstream regulated exchanges, but also to trading in alternative venues or through other systems that are functionally similar to exchanges.

Clearance and settlement in Italy

The settlement of stock exchange transactions is made through Monte Titoli, a centralized securities settlement and custody system owned by the London Stock Exchange Group. Most Italian banks and certain Italian securities dealers have securities accounts with Monte Titoli and act as depositories for investors. Beneficial owners of shares may hold their interests through specific deposit accounts with such institutions.

Under Italian law, shareholders are unable to obtain physical delivery of share certificates representing their shares in Italian listed companies. However, the beneficial owners of shares held with Monte Titoli may transfer their shares, collect dividends, create liens and exercise other rights with respect to those shares through these accounts.

Market regulation

The Italian financial markets are primarily regulated by the Consolidated Financial Act that implements EU Directives relating to financial markets, banking and investment business, namely, the MiFID Directive (which replaced the Investment Services Directive), Directive 2014/36/EU and EU Regulation 2013/575/EU (together, the "**CRD IV Package**") and MiFID II Directive.

A two-day rolling cash settlement period applies to all trades of equity securities in the Republic of Italy. Any person, through an authorized intermediary, may purchase or sell listed securities following: (i) in the case of sales, deposit of the securities; and (ii) in the case of purchases, deposit of 100% of their value in cash or deposit of listed securities. No "closing price" is reported on the electronic trading system, but: (i) an "official price" is calculated for each security as a weighted average of all trades effected during the trading day; and (ii) a "reference price" is also calculated for each security equal to the closing auction price.

If the opening price of a security (established each trading day prior to the trading day based on bids received) differs by more than a certain amount established by Borsa Italiana from the previous day's reference price, then trading in that security will be suspended by Borsa Italiana. If, in the course of a trading day, the price of a security fluctuates by more than a certain amount established by Borsa Italiana from the last reported price or from the prior trading day's reference price, an automatic 10-minute suspension will be declared. In the event of such a suspension, orders already placed may not be modified or cancelled, and new orders may not be processed. Borsa Italiana has the authority to suspend trading of any security in response to extreme price fluctuations or for other reasons.

The Consolidated Financial Act provides that CONSOB may prohibit the implementation of admission and exclusion decisions or order the revocation of a decision to suspend financial instruments or intermediaries from trading within five days of receiving the relevant notification if, on the basis of the information in its possession, it considers the decision to be contrary to the transparency of the market, the orderly conduct of trading and the protection of investors. CONSOB may request Borsa Italiana to: (i) provide it with all the information it considers necessary for such purposes and (ii) exclude or suspend financial instruments or intermediaries from trading.

SECURITIES REGULATION AND EXCHANGE CONTROLS IN ITALY

The following discussion of exchange controls in Italy summarizes relevant Italian laws in force at the date hereof, but does not purport to be a comprehensive description of all exchange control considerations that may be relevant to a decision to purchase the Offer Shares offered hereby.

In Italy, there are no exchange controls restricting the rights relating to the ownership of shares. Residents of Italy may hold foreign currencies and foreign securities of any kind, both within and outside Italy. Non-residents may invest in Italian securities without restriction and may transfer to and from Italy cash, in both foreign currencies and Euro, credit instruments and securities, representing interest payments, dividends, other asset distributions and disposition proceeds.

Reporting, disclosure and record-keeping requirements are contained in Italian legislation implementing EU Directive 1988/361/EC on the free movement of capital, EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing and EU Regulation 2005/1889/EC on controls on cash entering or leaving the European Union.

Such legislation requires, among other things, that any person entering or leaving Italy and carrying cash or negotiable instruments in bearer form (or any other form that enables their transfer by way of delivery) in an amount equal to or in excess of €10,000 make a declaration to this effect to the Italian customs authorities. Similar provisions apply in connection with transfers of cash or negotiable bearer instruments made via mail or courier.

Moreover, pursuant to Law Decree No. 1990/167 concerning reporting requirements for tax purposes of cross-border transfers of means of payment, credit institutions and other financial intermediaries in Italy intervening in transfers to or from foreign countries of means of payment provided for by Article 1, paragraph 2, letter i), of Legislative Decree No. 231/2007 (including cash, bank and postal checks, banker’s drafts and the like, postal money orders, credit transfers and payment orders, credit cards and other payment cards, transferable insurance policies, pawn tickets and every other instrument available making it possible to transfer, move or acquire, including by electronic means, funds, valuables or financial balances), in an amount equal to or higher than €15,000 on behalf of or in favor of individuals, non-commercial entities, *società semplici* and similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of December 22, 1986 are required to report such transactions to the Italian Revenue Agency.

Individuals, non-commercial entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of December 22, 1986) resident in Italy for tax purposes are required to report in their yearly income tax return, for tax monitoring purposes, among others, the amount of securities (including shares) held abroad during a tax year, from which income taxable in Italy may be derived. In relation to the Shares of the Issuer, such reporting obligation shall not apply if such shares are not held abroad and, in any case, if such shares are deposited with an Italian intermediary that intervenes in the collection of the relevant income and the intermediary applied withholding or substitute tax on income derived from such shares.

Certain procedural requirements are imposed by Italian laws, however. Such laws require that transfers into or out of the Republic of Italy of cash or securities equal to or in excess of €3,000 be effected by residents or non-residents via credit institutions and other authorized intermediaries. Suspect transactions must be reported in writing to the Financial Intelligence Unit of the Bank of Italy by the credit institutions and other authorized intermediaries that are requested to effect such transactions in the Republic of Italy. In addition, credit institutions and other intermediaries effecting such transactions in the Republic of Italy on behalf of residents of the Republic of Italy or non-residents are required to maintain records of such transactions for 10 years, which may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and in certain cases of incomplete reporting, criminal penalties. Upon the verification of certain conditions, the Financial Intelligence Unit of the Bank of Italy may make use of the data received and transfer the data to other government offices, to police money laundering departments or operational tax evasion departments (“*nuclei operativi della guardia di finanza*”).

TAX CONSIDERATIONS

Italian Taxation

The following is a general summary of certain tax consequences in Italy of the purchase, holding and transfer of the Offer Shares pursuant to the Italian tax laws currently in force and in relation to specific classes of investors.

The following is not intended to be an exhaustive analysis of all the tax consequences of the purchase, holding and transfer of the Offer Shares for all the possible categories of investors.

The tax regime applicable to the purchase, holding and transfer of the Offer Shares, as described below, is based on the applicable Italian laws currently in force, as well as on the practices existing as of the date of this offering circular, which are subject to any changes occurring after such date, which may be made on a retroactive basis. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective investors should consult with their advisors on the tax regime applicable to the purchase, holding and transfer of the Offer Shares and should verify the nature and origin of the amounts received as distributions in connection with the Offer Shares (dividends or reserves).

Definitions

For purposes of this section of this offering circular:

- References to "**Transfer of Qualified Shareholdings**" are to transfers of shares (other than savings shares), rights or securities through which shares can be acquired, which exceed, over a period of twelve months, the threshold for their qualification as Qualified Shareholdings. The 12 month period starts from the date on which the securities and the rights owned represent a percentage of voting rights or interest in the capital exceeding the aforesaid threshold. For rights or securities through which holdings can be acquired, it is considered the percentage of voting rights or interest in the capital potentially attributable to the holdings;
- References to "**Qualified Shareholdings**" are to shareholdings in companies listed on regulated markets represented by the ownership of shares (other than savings shares), rights or securities through which shares may be acquired which represent overall voting rights exercisable at ordinary shareholders' meetings of over 2% or an interest in the share capital of over 5%; and
- References to "**Non-Qualified Shareholdings**" are to shareholdings in companies listed on regulated markets other than Qualified Shareholdings;

Tax Regime for Dividends

Dividends allocated to the Offer Shares will be subject to the tax treatment ordinarily applicable to dividends paid by joint-stock companies resident in Italy for tax purposes.

The following different methods of taxation are provided for the different classes of recipients.

(i) Italian resident individuals

Dividends received by individual shareholders who are resident in Italy for income tax purposes in connection with a Non-Qualified Shareholding, held otherwise than in connection with a business activity, are subject to a final substitute tax at the rate of 26% pursuant to the combined provision of Article 27-ter of Presidential Decree No. 600 of September 29, 1973 (hereinafter "**Decree 600/73**") and Article 3 (1) of Law Decree No. 66 of April 24, 2014, and do not have to be reported in the shareholders' annual income tax return.

The 26% substitute tax may be withheld by any authorized resident or non-resident depository of the Offer Shares that is a member of the centralized deposit system managed by Monte Titoli, as well as by members of foreign centralized deposit systems that participate in the Monte Titoli system. For these purposes, non-resident intermediaries must appoint a fiscal representative in Italy, such as banks, Italian resident broker-dealers, permanent establishments in Italy of non-resident banks and broker-dealers, or an investment management company authorized pursuant to Article 80 of Legislative Decree of February 24, 1998, No. 58.

Dividends paid to such individual shareholders, who have entrusted the management of their financial assets, including the Offer Shares, to an authorized intermediary and have expressly elected for the discretionary investment portfolio regime (*Regime del Risparmio Gestito*, regulated by Article 7 of Legislative Decree No. 461 of November 21, 1997, as illustrated below) in connection with Non-Qualified Shareholdings and Qualified Shareholdings are not subject to the tax regime described above, and are included in the computation of the accrued annual increase in value of the managed assets, subject to a 26% substitute tax withheld by the authorized intermediary pursuant to the combined provision of Article 7 (4) of Legislative Decree No. 461 of November 21, 1997 and Article 3 (1) of Law Decree No. 66 of April 24, 2014 (see the paragraph relating to taxation of capital gains realized by resident individual shareholders from the Sale of a Non-Qualified Shareholding, below). However, dividends paid in connection with Qualified Shareholdings out of profits realized in the tax years up to the tax year in progress on December 31, 2017 the distribution of which is declared from 1 January 2018 to 31 December 2022 are not included in the accrued annual increase in value of the managed assets, subject to a 26% substitute tax, and are subject to the tax regime below.

Dividends received by resident individual shareholders, holding the Offer Shares in connection with a business activity, are not subject to any withholding or substitute tax, if the individual shareholders declare to the payor before the payment of the dividends that the profits collected are from holdings related to the business activity. Such dividends are partially included in the individual shareholders' taxable income, subject to personal income tax ("**IRPEF**") pursuant to the combined provision of Article 1 (1) of the Ministerial Decree of April 2, 2008 and Article 1 (1) of the Ministerial Decree of May 26, 2017 for (i) 58.14% of their amount as to dividends paid out of profits realized in the tax years following the one in progress on December 31, 2016, (ii) 49.72% of their amount as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2016, and (iii) 40% of their amounts as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2007. For these purposes (taxation of the recipient), profits realized in the tax years up to the tax year in progress on December 31, 2007, and then profits realized in the tax years up to the tax year in progress on December 31, 2016 are deemed to be distributed first. IRPEF is generally levied at progressive rates ranging from 23% to 43%, plus local surcharges.

Pursuant to Article 1 (999-1006) of Law No. 205 of December 27, 2017 (the "**Italian Budget Law for 2018**"), dividends received as of January 1, 2018 by resident individual shareholders not engaged in a business activity, in connection with a Qualified Shareholding (which were previously subject to same regime applicable to dividends received by individual shareholders holding the Offer Shares in connection with a business activity) not held in the context of the discretionary investment portfolio regime, are subject to the same 26% substitute tax applicable in connection with dividends received on Non-Qualified Shareholding and do not have to be reported in the shareholders' annual income tax return. However, with respect to dividends paid on a Qualified Shareholding out of profits realized in the tax years up to that in progress on December 31, 2017, the previously applicable regime would continue to apply, provided that the distribution of such profits is approved between January 1, 2018 and December 31, 2022. Hence, such dividends would not be subject to any withholding or substitute tax and would be included in the individual shareholder's taxable income according to the rules illustrated above for individual shareholders holding the Offer Shares in connection with a business activity.

(ii) Partnerships (excluding non-commercial partnerships), companies and other commercial entities, which are resident in Italy for tax purposes

Dividends received by partnerships and similar entities (other than *società semplici*) as referred to in Article 5 of the Presidential DecreeNo. 917 of December 22, 1986 (hereinafter "**TUIR**"), as well as to companies or entities as referred to in Article 73 (1) sections a) and b) of the TUIR, subject to the corporate income tax ("**IRES**," currently levied at a rate of 24%), such as joint stock companies, partnerships limited by shares, limited liability companies, public and private entities (other than companies) and trusts whose sole or principal purpose is to carry on a business activity, which are resident in Italy for income tax purposes, are not subject to any withholding or substitute tax and are included in the recipient's overall taxable income.

In particular, dividends received by:

1) partnerships and similar entities as referred to in Article 5 of the TUIR (e.g., *società in nome collettivo* or *società in accomandita semplice*) are partially included in the ultimate recipient's overall taxable income and subject to ordinary taxation in its hands according to the taxable percentage as determined by law. In particular, such dividends, pursuant to the combined provision of Article 1 (1) of the Ministerial Decree of April 2, 2008 and Article 1 (1) of the Ministerial Decree of May 26, 2017, are included for (i) 58.14% of their amount as to dividends paid out of profits realized in the tax years following the one in progress on December 31, 2016, (ii) 49.72% of their amount as to dividends paid

out of profits realized in the tax years up to that in progress on December 31, 2016, and (iii) 40% of their amounts as to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2007. For these purposes (taxation of the recipient), profits realized in the tax years up to the tax year in progress on December 31, 2007, and then profits realized in the tax years up to the tax year in progress on December 31, 2016 are deemed to be distributed first;

2) entities subject to IRES as referred to in Article 73 (1) sections a) and b) of the TUIR (e.g., commercial and non-commercial entities such as *società per azioni* or *società in accomandita per azioni*), are included in the entities' total taxable income (subject to ordinary rate of 24% starting from the year following the year as at 31 December 2016) for an amount equal to 5% of the received dividend amount. However, if the recipient is a company applying the international accounting standards (IAS/ IFRS), dividends arising from securities accounted for in the financial statements as held for trading purposes only, would be fully included in the recipient's total taxable income.

For some kinds of companies (by way of example banks or insurance companies resident of Italy for tax purposes) and under certain conditions, the dividends received will also be included for 50% of their amounts in the taxable income subject to the Regional Tax on Business Activities ("**IRAP**").

(i) Italian non-commercial entities

Dividends received by non-commercial entities *as referred to in Article 73(1) section c) of the TUIR*, such as public and private entities (other than companies) and trusts whose sole or principal purpose is not to carry on a business activity which are resident in Italy for income tax purposes are not subject to any withholding or substitute tax and are included in the recipient's overall taxable income for (i) 77.74% of their amount, with respect to dividends paid out of profits realized in the tax years up to that in progress on December 31, 2016, and (ii) 100% of their amount, with respect to dividends paid out of profits realized in the tax years following that in progress on December 31, 2016.

(ii) Exempt and "excluded" entities resident in Italy for tax purposes

Dividends received by Italian residents exempt from IRES are subject to substitute tax at a rate of 26% applied by the Italian intermediary (which has joined the centralized deposit system managed by Monte Titoli) which the company's shares are deposited with or, through a representative appointed in Italy, by the non-resident intermediary which adheres to the Monte Titoli system or to foreign centralized deposit systems in turn adhering to the Monte Titoli system.

IRES is not levied on Italian entities that are excluded from income taxation pursuant to Article 74(1) of the Presidential Decree No. 917/1986 (i.e. State entities and bodies, including independent entities, although having legal personality, municipalities, consortiums between local authorities, associations and entities managing state land, mountain authorities, provinces and regions).

(iii) Italian pension funds and OICR (other than real estate investment funds or real estate SICAF)

Dividends received by Italian pension funds subject established pursuant to Legislative Decree No. 252 of December 5, 2005 are not subject to any withholding tax or substitute tax and are included in the annual net accrued results of such pension funds, which are subject to a substitute tax of 20%. Subject to certain limitations and requirements (including a minimum holding period), dividends received by certain pension funds, not in connection with a Qualified Shareholding, may be exempt from any taxation if the shares meet the requirements set by Article 1 (88-96) of Law No. 232 of December 2016.

Dividends received by Italian undertakings for collective investment of saving income (**OICR**) and Luxembourg- based OICR which have already been authorized for sale in Italy ("*fondi lussemburghesi storici*"), subject to regulatory supervision, other than real estate investment funds and by Italian investment companies with variable or fixed capital (SICAV and SICAF), are not subject to any withholding tax or substitute tax. Dividends received by the aforementioned investment funds are not subject to tax at the level of such entities pursuant to Article 73 (5-*quinquies*) of TUIR.

(iv) Italian real estate investment funds and real estate SICAF

Dividends received by Italian-resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 1998, and Article 14-bis of Law No. 86 of January 25, 1994, and by Italian real estate SICAFs are not subject to any withholding or substitute tax pursuant to Law Decree No. 351 of September 25, 2001.

(v) Non-Italian resident shareholders

Dividends received by non-resident shareholders that have a permanent establishment in Italy through which the shareholding is held, are not subject to any withholding or substitute tax in Italy and are included in the permanent establishment's taxable income for an amount equal to 5% of the dividend amount, or for its entire amount if the recipient applies the international accounting standards (IAS/IFRS) and the dividends arise from securities accounted for in the financial statements as held for trading purposes only. For some kinds of non-Italian resident companies, such as banks and insurance companies which hold the shares through a permanent establishment in Italy to which the shares are effectively connected and under certain conditions related to the classification of the dividends in the balance sheet, the dividends received will be also included in the taxable income subject to the IRAP for 50% of their amounts.

Dividends received by shareholders that are not resident in Italy for tax purposes and do not have a permanent establishment in Italy through which the shareholding is held, are subject to a final substitute tax at a 26% rate pursuant to the combined provision of Article 27-*ter* of Decree 600/73 and Article 3 of Law Decree No. 66 of April 24, 2014.

The substitute tax is reduced to:

a) 1.20% on dividends paid to companies and entities (i) residing in an EU Member State, or a State that is part of the European Economic Area and is included in the list of States and territories allowing an adequate exchange of information with the Italian tax authorities according to the Ministerial Decree of September 4, 1996; and (ii) subject to corporate income tax in their country of residence. The reduced tax rate only applies to dividends paid out of profits realized in the tax periods subsequent to that in progress on December 31, 2007. For these purposes, the relevant depository must timely receive a request for the application of the reduced substitute tax, which should include a certificate from the tax authorities of the beneficial owner's country of residence stating that the beneficial owner is a resident of that country for tax purposes and, as such, is subject to tax in that country;

b) 11% on dividends paid out to pension funds residing in an EU Member State, or in a state that is part of the European Economic Area and is included in the list of states and territories allowing an adequate exchange of information with the Italian tax authorities according to the Ministerial Decree of September 4, 1996. For the purposes of the application of the 11% substitute tax, foreign pension funds will be required to promptly file a specific application to the depositary of the shares due to apply the substitute tax, accompanied by appropriate documentation.

This substitute tax may be withheld by any authorized resident or non-resident depository of the Offer Shares that is a member of the centralized deposit system managed by Monte Titoli, or of foreign centralized deposit systems that participate in the Monte Titoli system.

Under domestic Italian tax law, a non-Italian resident shareholder, other than investors in savings shares and the companies and entities that satisfy the conditions under a) and b), above, may recover up to 11/26th of the substitute tax levied in Italy on dividends by presenting evidence to the Italian tax authorities that an income tax has been fully paid on the dividends in the shareholder's country of residence, in an amount at least equal to the total refund claimed. Shareholders who may be eligible to receive a refund should consult with their own independent tax advisors to determine whether they are eligible for, and how to obtain, such refunds.

Alternatively, in the case of non-Italian resident shareholders residing in a country that is party to a convention against double taxation with Italy, the substitute tax can be applied by the depository, or by its fiscal representative in Italy, if the depository is not a resident entity, at the lower rate provided by such convention.

For this purpose, the relevant depository of the Offer Shares that is a member of the deposit system managed by Monte Titoli system must timely receive:

a) a declaration, drawn up in compliance with the form approved by the Italian tax authorities (Provvedimento No. 2013/84404), from the non-Italian resident beneficial owner of the dividends identifying himself as being the beneficial owner of the dividends and confirming that all the conditions provided for by the applicable convention for the application of the lower rate are satisfied, and containing all further elements necessary to determine the rate to be applied in accordance with the convention; and

b) a certificate issued by the tax authorities of the beneficial owner's country of residence stating that the beneficial owner is a resident of that country for purposes of the applicable convention. Such certificate will be effective until March 31 of the year following submission.

The Italian tax authorities have agreed specific forms with the tax authorities of certain foreign states to ensure an easier and more efficient refund of, or full/partial exemption from, the Italian substitute tax. If the relevant documentation has not been forwarded to the depository of the Offer Shares in advance of the dividend payment, dividends are subject to the final substitute tax levied at the rate of 26%. In such a case, the beneficiary is entitled to claim a refund of the difference between the applied Italian rate and the applicable conventional tax rate.

In principle, refunds may be claimed by filing the documentation mentioned above with the Italian tax authorities no later than 48 months from the date the substitute tax is withheld. For the purposes of this refund, separate documentation must be filed with the Italian tax authorities for each dividend payment.

According to Article 27-bis of Presidential Decree No. 600 of September 29, 1973, approved in accordance with EU Council Directive 90/435/EEC of July 23, 1990 (the "**Parent-Subsidiary Directive**"), as amended by the EU Council Directive 2011/96/EU of November 30, 2011, dividends paid to a non-resident company that (a) takes one of the legal forms listed in the Annex to the Parent-Subsidiary Directive, (b) is resident for income tax purposes in a Member State of the European Union and, under the terms of a convention against double taxation concluded with a third State is not considered to be resident for tax purposes outside the European Union, (c) is subject in its country of residence to one of the taxes listed in the Parent-Subsidiary Directive, without benefiting from an optional or exemption regime, and (d) holds for an uninterrupted period of at least one year a shareholding representing at least 10% of the company's share capital, is entitled to receive, upon request, a reimbursement of the 26% substitute tax. For such purpose, the non-Italian resident company should submit (i) a certificate issued by the tax authorities of its country of residence stating that the conditions under letters (a), (b) and (c) above are met, and (ii) a declaration confirming that the condition under letter (d) above has been satisfied. Furthermore, as clarified by the Italian tax authorities, if all the above conditions are met, and as an alternative to the reimbursement request after the payment of the dividends, the non-Italian resident company—provided that the one year minimum holding period has already expired when the dividend is paid—can directly request to the depository of the shares not to apply the 26% substitutive tax by submitting in due course the same documents indicated above. The reimbursement or the exemption applies to the extent it can be demonstrated that no abuse of law as defined by Article 10-bis of Law No. 212 of July 27, 2000.

Dividends distributed to international entities or bodies that benefit from exemptions from taxation in Italy pursuant to international rules or treaties entered into force in Italy will not be subject to substitute tax.

Distributions of Certain Capital Reserves

Special rules apply to the distribution of certain capital reserves, including reserves or funds created with share offerings' premiums, adjusted interest paid by subscribers of shares, capital contributions, capital account payments made by shareholders or tax-exempt monetary revaluation funds. Under certain circumstances, such distribution may trigger taxable income in the hands of the recipients depending on the existence of current profits or outstanding profit reserves of the distributing company at the time of the distribution, and on the actual nature of the reserves so distributed. The application of such rules may also have an impact on the tax basis in the shares and the characterization of the taxable income received by the recipients and the tax regime applicable to it. Non-Italian resident shareholders may be subject to tax in Italy as a result of the distribution of such reserves. Prospective investors should consult their advisers in case any distributions of such capital reserves occur.

Tax Regime for Capital Gains Realized Upon Transfer of Shares

(i) Italian resident individuals not carrying out business activities

Capital gains, other than those realized in connection with the carrying out of a business activity, realized by individuals resident in Italy for tax purposes upon transfer for consideration of shareholdings in companies, as well as of securities or rights whereby the aforesaid shareholdings can be acquired, are in principle subject to a different tax regime depending on whether they are realized upon Transfer of Qualified Shareholdings or not. However, capital gains realized starting from January 1, 2019 by resident individual shareholders not engaged in a business activity, through the Transfer of a Qualified Shareholding are subject to the same regime for the Transfer of a Non-Qualified Shareholding.

Capital gains realized through the Transfer of a Qualified Shareholding starting from January 1, 2019 are subject to the same regime described below for the Transfer of a Non-Qualified Shareholding.

Capital gains realized by individuals resident in Italy for tax purposes, not in the exercise of a business activity, upon transfer for consideration of shareholdings not qualifying as Transfer of Qualified Shareholdings are subject to substitute tax at a rate of 26%. The taxpayer may opt for one of the following three regimes:

(a) *Taxation under tax return regime ("regime della dichiarazione").* Under the tax return regime, which is the standard regime for taxation of capital gains realized by Italian resident individuals not carrying out a business activity, a 26% substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss of the same nature. The mentioned substitute tax must be paid within the deadline for the payment of the balance income tax due on the basis of the tax return. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in the following four years, provided that such capital losses are reported in the tax return of the year when they were realized. Nevertheless, capital losses accrued from 1° January 2012 to 30 June 2014 can be deducted from capital gains for a reduced rate equal to 76,92%. The tax return method is mandatory in the event that the taxpayer does not choose one of the two alternative regimes mentioned in (b) and (c) below.

(b) *Non-discretionary investment portfolio ("risparmio amministrato") regime* (optional). Pursuant to Article 6 of Decree No. 461/1997, Italian resident individuals holding Offer Shares otherwise than in connection with business activity may elect to pay 26% substitute tax, separately on capital gains realized on each transfer of the Offer Shares. Such separate taxation of capital gains is allowed provided (i) the Offer Shares being deposited with Italian banks, SIMs or certain authorized financial intermediaries; and (ii) an express election by the relevant shareholder for the *risparmio amministrato* regime being made in writing in due time. Under the *risparmio amministrato* regime, the financial intermediary is responsible for accounting for the due substitute tax in respect of capital gains realized on each transfer of the Offer Shares (as well as in respect of capital gains realized at revocation of its mandate), net of any relevant incurred capital loss of the same nature. Then the intermediary is required to pay the due amount of tax to the Italian tax authorities on behalf of the taxpayer, by deducting a corresponding amount from proceeds to be credited to the shareholder or using funds provided by the shareholder for this purpose. Under the *risparmio amministrato* regime, where a transfer of the Offer Shares results in capital loss, such loss may be deducted (at a reduced rate of 76,92%, for capital gains realized from 1° January 2012 to 30 June 2014) from capital gains of the same nature subsequently realized within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the shareholder is not required to declare capital gains in its annual tax return.

(c) *Discretionary investment portfolio ("risparmio gestito") regime* (optional). Pursuant to Article 7 of Decree No. 461/1997, any capital gains accrued on Offer Shares held otherwise than in connection with business activity by Italian resident individuals who have entrusted the management of their financial assets, including the Offer Shares, to an authorized intermediary and have elected for the *risparmio gestito* regime will be included in the computation of the annual increase in value of the accrued managed assets result, even if not actually received, at year end, which is subject to a 26% substitute tax to be applied on behalf of the taxpayer by the managing authorized intermediary. Under the risparmio gestito regime, any depreciation of the managed assets accrued at year end may be carried forward (at a reduced rate of 76,92%, for losses accrued from 1° January 2012 to 30 June 2014) against increase in value of the managed assets accrued in any of the four following tax years. Under the risparmio gestito regime, the shareholder is not required to report capital gains realized in its annual tax return.

(ii) Individuals shareholders holding the Offer Shares in connection with a business activity and partnerships and similar entities (excluding non-commercial partnerships)

Capital gains realized by partnerships and similar entities or Italian residents on the sale or disposal of the Offer Shares held in connection with a business activity, are included in the recipients' overall taxable income for the entire amount in the tax year in which they are realized, subject to income tax at ordinary rates. However, if the conditions indicated in the following paragraph for the partial exemption provided for capital gains realized by Italian resident companies and commercial entities were satisfied, these capital gains would be subject to tax only partially, in an amount equal to 58.14% of the capital gains, realized starting from 1 January 2018, by Italian resident individuals in connection with their business activity and to 49.72% of the capital gains realized in the tax years up to that in progress as at December 31, 2017 by partnerships and similar entities, according to the Ministerial Decree of May 26, 2017. In this event, the relating capital losses would be deductible for a corresponding amount.

(iii) Companies and commercial entities

Capital gains realized by Italian resident companies subject to IRES, private and public entities and trusts whose sole or principal purpose is to carry out a business activity, are included in their taxable income and are subject to IRES according to the ordinary rules. If the Offer Shares were held and accounted for as fixed financial assets in the three-year period preceding the disposal, the shareholder may elect to spread any realized gain on a straightline basis across the five-year period commencing in the tax year in which the gain is realized and the following four pursuant to Article 86 (4) of the TUIR.

However, capital gains arising from the disposal of the Offer Shares are tax-exempt for 95% of such capital gains, whereas the remaining 5% is included in the shareholders' taxable income and is subject to IRES, if the following conditions are met:

a) the shareholding must be held, without interruption, from the first day of the twelfth month preceding the month in which the sale occurs (the most recently purchased shares being deemed to have been sold first);

b) the shareholding must be accounted for in the financial statements of the shareholder as a fixed financial asset in the first year of the holding period. To parties who prepare their financial statements in accordance with IAS/IFRS international accounting standards the shares not accounted as "held for trading" are deemed as fixed financial assets;

c) residence for tax purposes of the participated entity in a country or territory with a nominal tax rate not less than 50% of the nominal tax rate applicable in Italy, or, alternatively, proof having been given through a tax ruling according to the terms set forth in paragraph 5, of Article 167 of TUIR, that from the start of the period of ownership, the effect was not that of locating the income in countries or territories other than those identified before;

d) the participated entity carries out a commercial business activity according to the definition set forth in Article 55 of the TUIR; however, this requirement is not relevant for shareholdings in companies whose securities are traded on regulated markets (as for the Offer Shares).

The requirements mentioned under (c) and (d) must be met at the time when the capital gain is realized, without interruption from at least the start of the third tax period before the gain is realized. The transfer of the Offer Shares belonging to the category of fixed financial assets and those belonging to the category of working capital are to be considered separately with reference to each category. If the aforementioned requirements are met, the capital losses made on holdings are not deductible from business income.

Capital losses and negative differences between revenue and costs for shares that do not meet the requirements for participation exemption are not relevant up to the non-taxable amount of dividends, or of accounts thereof, received in the thirty-six months prior to their transfer. This provision applies with reference to shares acquired during the 36-month period prior to the realization of capital losses or negative differences, provided that the conditions under (c) and (d) above are met; such a provision does not apply to parties who prepare their financial statements in accordance with IAS/IFRS international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002.

Capital losses in excess of Euro 50,000 must be reported to the Italian tax administration in the tax return.

Moreover, the data and the information relating to capital losses in excess of Euro 5,000,000, deriving from the sales of shares accounted for as fixed financial assets, must be included in the recipient's tax return. Such an obligation does not apply to parties who prepare their financial statements in accordance with IAS/IFRS international accounting standards.

Under certain conditions, capital gains on the Offer Shares realized by certain companies and commercial entities are also subject to IRAP, at ordinary rates.

(iv) Non-commercial entities, which are resident in Italy for tax purposes

Capital gains realized on the sale or disposal of the Offer Shares by Italian-resident public or private non-commercial entities and trusts are subject to the tax regime described in connection with capital gains realized by Italian resident individual shareholders otherwise than in connection with a business activity.

(v) Italian pension funds and investment funds

Capital gains realized by Italian resident pension funds established pursuant to Legislative Decree No. 252 of December 5, 2005 are subject to the same tax regime described under the paragraph relating to the taxation regime of dividends received by such funds, above. Subject to certain limitations and requirements (including a minimum holding period), capital gains realized by certain pension funds, not in connection with a Qualified Shareholding, may be exempt from any taxation if the shares meet the requirements set by Article 1 (88-96) of the Financial Act 2017.

Capital gains realized by Italian resident Investment Funds, SICAVs and SICAFs are subject to the same tax regime described under the paragraph relating to the taxation regime of dividends received by such entities, above.

(vi) Italian real estate investment funds

Capital gains realized by real estate investment funds and real estate SICAFs are subject to the same tax regime described under the paragraph relating to the taxation regime of dividends received by such entities, above.

(vii) Non-Italian residents

Capital gains realized by non-Italian resident shareholders without a permanent establishment in Italy, through which the relevant Offer Shares are held, from the:

a) Sale of a Non-Qualified Shareholding in Italian companies listed on a regulated market, such as in this case, are not subject to taxation in Italy pursuant to Article 23 of TUIR. In order to benefit from this exemption, such non-Italian resident persons may need to file a certificate evidencing their residence outside of Italy for tax purposes; or

b) Sale of a Qualified Shareholding, are subject to the same tax regime applicable to resident individual shareholders on the Sale of a Qualified Shareholding, as described above.

The tax regime described above will not prevent the application, if more favorable to the taxpayer, of any different provisions of any applicable convention against double taxation with Italy. Most conventions against double taxation entered into by Italy provide that capital gains realized on the disposal of shares are subject to tax only in the country of residence of the seller. In a such case, the capital gains realized by non-resident shareholders on the disposal of the Offer Shares will not be subject to tax in Italy.

Capital gains realized by non-resident shareholders holding the shareholding through a permanent establishment in Italy are included in the permanent establishment's overall taxable income and are subject to tax in accordance with the tax regime indicated for capital gains realized by Italian resident companies or commercial entities, above.

Transfer Tax

Pursuant to Article 37 of Law Decree No. 248 of December 31, 2007, the Italian transfer tax as referred in the Royal Decree No. 3278 of December 30, 1923 has been repealed.

Under the current regime, deeds regulating the transfer of securities (including the Offer Shares) may be subject to Italian registration tax as follows: (i) notarial deeds and private agreements authenticated by a public official are subject to registration tax at the fixed rate of Euro 200; (ii) private agreements, not authenticated, are subject to registration tax at the fixed rate of Euro 200 only "in the case of use" (*i.e.* when a document is filed with an Italian administrative authority or with a judicial authority acting in the course of its administrative activities with the purpose of obtaining by the receiving authority the issue of an administrative act) or on a voluntary basis.

Financial Transaction Tax ("Tobin Tax")

According to Article 1(491-500) of Law of December 24, 2012, No. 228 ("**Law 228**"), as implemented by Ministerial Decree of February 21, 2013 (as amended and supplemented by Ministerial Decree of September 16, 2013), a financial transaction tax (the "**Financial Transaction Tax**") shall apply, among other things, on the transfer of (i) property rights in shares and participating financial instruments issued pursuant to Article 2346(6) of the Italian Civil Code by companies having their registered office in Italy, and (ii) securities representing the shares and instruments indicated under (i) above (e.g., ADRs, GDRs and EDRs), irrespective of the residence of the issuer. The Financial Transaction Tax also applies for the transfer of the bare ownership of the aforementioned assets.

The Financial Transaction Tax applies on the transfer of the above-mentioned shares and financial instruments, irrespective of the residence of the parties involved and/or the place of execution of the relevant transaction, at a rate of 0.20%, reduced to 0.10% for transactions executed on regulated markets and on multilateral trading facilities, as defined under Law 228.

The Financial Transaction Tax is applied on the transaction value, equal to (i) the net balance of transactions regulated on a daily basis, calculated for each liable person with reference to the number of securities traded on the same day and relating to the same financial instrument, or (ii) the transfer price agreed by the parties. The Financial Transaction Tax is due by the transferee of the relevant financial instruments and is generally levied by any financial intermediary intervening in the transaction and has to be paid on or before the 16th day of the month following the one in which the ownership was transferred.

The Financial Transaction Tax does not apply to transfers of ownership of shares executed by way of inheritance or gift, and also, among others, to: (i) issuance of new shares; (ii) temporary transfers relating to "securities financing transactions" pursuant to Article 2(10) of Commission Regulation (EC) No 1287/2006; (iii) transfers of shares between controlling/controlled companies or companies under a common control; and (iv) transfers of ownership of shares arising from restructuring operations or from mergers and divisions of collective investment

undertakings. Other exclusions or exemptions from the Financial Transaction Tax may apply (please refer to Article 1 (491-500) of Law 228 and to the Ministerial Decree of February 21, 2013 as amended and supplemented by Ministerial Decree of September 16, 2013).

The Financial Transaction Tax does not apply also to the transfers of shares listed on regulated markets or in multilateral trading facilities issued by companies with an average market capitalization lower than Euro 500 million, as recorded in November of the year preceding the year in which the shares are transferred.

The Financial Transaction Tax is not deductible for income tax purposes, including their substitute taxes, as well as for IRAP purposes.

Please note that the Financial Transaction Tax also applies to transfer of certain derivative financial instruments, and so-called "high frequency trading" transactions occurred on the Italian financial market: specific rules are provided under Law 228 in this regard.

Stamp Duty

Pursuant to Article 13(2bis-2ter) of the Tariff attached to Presidential Decree No. 642 of October 26, 1972, as amended, regulating the Italian stamp duty (*imposta di bollo*), subject to certain conditions, a stamp duty may be due, at the rate of 0.2% on the market value of the Offer Shares, in connection with the periodic reporting communications sent by financial intermediaries to their clients with respect to any financial instruments (such as the Offer Shares), if deposited with an Italian resident financial intermediary or with an Italian permanent establishment of a foreign financial intermediary. The stamp duty cannot exceed Euro 14,000 for taxpayers different from individuals.

Tax on the Value of Financial Activities Held Abroad

Italian resident individuals holding financial activities abroad (not held through Italian financial intermediaries) shall be generally subject to tax on the value thereof. Such tax (the so-called "**Ivafe**") shall apply also on shares of Italian companies held abroad by Italian resident individuals.

Ivafe applies at a rate of 2/1000 on the value of the financial activity and is due in proportion to the percentage of ownership and the holding period. The value of financial activity corresponds to the market value at the end of each calendar year (or at the end of the holding period); if it is not available, the relevant value is the nominal or the redemption value.

A tax credit is generally granted for any net worth tax paid abroad by the Italian resident individual in relation to the same financial activities, in an amount not exceeding the Ivafe due.

Details of the financial activities held abroad, have to be inserted in the income tax return to be filed in Italy by the Italian resident individuals.

Tax Monitoring Obligations

Individuals, non-commercial entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917/1986) resident in Italy for tax purposes are required to report in their yearly income tax return, for tax monitoring purposes, the amount of securities and financial instruments (including the Offer Shares) held abroad during a tax year, from which income taxable in Italy may be derived.

In relation to the Offer Shares, such reporting obligation shall not apply if the Offer Shares are not held abroad and, in any case, if the Offer Shares are deposited with an Italian financial intermediary that intervenes in the collection of the relevant income and the intermediary applied the due withholding or substitute tax on any income derived from such Offer Shares.

Inheritance and Gift Tax

Subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of assets and rights (including shares) (i) by reason of death or donations by Italian residents, even if the transferred assets are held outside Italy, and (ii) by reason of death or donations by non-Italian residents, but limited to transferred assets held in Italy (which are presumed by law to include shares of Italian resident companies).

Subject to certain exceptions, transfers of assets and rights (including the Offer Shares) on death or by gift are generally subject to inheritance and gift tax:

- at a rate of 4% in case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, Euro 1,000,000;
- at a rate of 6% in case of transfers made to certain other relatives (in the case of transfers to brothers or sisters, the 6% rate is applicable only on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, Euro 100,000); and
- at a rate of 8% in any other case

If the beneficiary of any such transfer is an individual with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance or gift tax is applied only on the value of the asset transferred in excess of Euro 1,500,000 at the rates illustrated above, depending on the relationship existing between the deceased or donor and the beneficiary.

Subject to certain conditions, no inheritance or gift tax applies on certain transfers of Offer Shares that qualify as a controlling shareholding pursuant to Article 2359(1) of the Italian Civil Code.

Other specific exemptions may be applicable depending on the specific case.

United States Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of our Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of our Shares that are U.S. Holders that will hold our Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of our Shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address U.S. federal estate and gift tax laws or any state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 10% or more of the stock of the Issuer by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold our Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding our Shares in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad, or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of our Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds our Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of our Shares by the partnership.

Except as otherwise noted, this summary assumes that we are not and will not become a "passive foreign investment company" for U.S. federal income tax purposes (a "**PFIC**"). However, our status as a PFIC must be determined annually and therefore may be subject to change. If we were a PFIC in any year, materially adverse consequences could result for U.S. Holders, as described below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Italy (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF OUR SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Distributions

Subject to the PFIC rules discussed below, distributions paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Italian withholding tax paid with respect thereto, generally will be taxable to a U.S. Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in our Shares and thereafter as capital gain. However, we do not maintain calculations of our earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by us with respect to our Shares will be reported as ordinary dividend income.

Dividends paid by us generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided that we qualify for the benefits of the Treaty, and certain other requirements are met. A U.S. Holder will not be able to claim the reduced rate on dividends received from us if we are treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year. See "—Passive Foreign Investment Company Considerations" below.

Dividends paid in euros will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars at that time. If dividends received in euros are converted into U.S. dollars on the day they are received by the U.S. Holder, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Italian income taxes withheld. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Italian taxes withheld in excess of the applicable Treaty rate. Dividends paid by us generally will constitute "passive category income" for foreign tax credit purposes. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their tax advisors regarding the availability of foreign tax credits with respect to any Italian income taxes withheld from a dividend on our Shares.

U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from us.

Sale or other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of our Shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in our Shares (each as determined in U.S. dollars). This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in our Shares exceeds one year. Any gain or loss generally will be U.S. source for U.S. foreign tax credit limitation purposes. Non-corporate U.S. Holders are subject to tax on long-term capital gain at reduced rates. The deductibility of capital loss is subject to limitations. U.S. Holders should consult their own tax advisors about how to account for proceeds received on the sale or other disposition of Shares that are not paid in U.S. dollars, involving potential recognition of foreign currency gain or loss.

Passive Foreign Investment Company Considerations

If we are a PFIC for any taxable year during which a U.S. Holder holds Shares, certain adverse U.S. federal income tax consequences may apply to the U.S. Holder. In general, a non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either: (i) 75% or more of its gross income is "passive income" or (ii) 50% or more of the average quarterly value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For purposes of the PFIC rules, "passive income" generally includes, among other things, dividends, interest, rents and royalties.

Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a PFIC for our current taxable year. However, our possible PFIC status must be determined annually and depends on the composition of our income and assets, and the fair market value of our assets from time to time, as well as on the application of complex statutory and regulatory rules that are subject to potentially varying or changing interpretations. Based on our current operations, our goodwill (which we have valued based on the projected market value of our equity) may be attributable to our activities that will generate active income and may be treated as an active asset. However, without taking into account the value of our goodwill, there is significant risk that more than 50% of our assets by value would be passive assets so that we would be a PFIC under the asset test. Additionally, because our goodwill is valued based on the market value of our equity, a decrease in the price of our Shares may also result in our becoming a PFIC. The composition of our income and our assets will also be affected by our cash balances and our spending schedule for the proceeds from this Offering. Accordingly, there can be no assurance that we will not be considered a PFIC for any taxable year. If we are a PFIC for any taxable year during which a U.S. Holder holds our Shares, such U.S. Holder will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which a U.S. Holder holds Shares, gain recognized by a U.S. Holder on a sale or other disposition of Shares would generally be allocated rateably over the U.S. Holder's holding period for the Shares, as applicable. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to U.S. federal income tax at the highest rate in effect in that year for individuals or corporations, as appropriate, and an interest charge would be imposed on the resulting U.S. federal income tax liability. The same treatment would generally apply to any distribution in respect of Shares to the extent the distribution exceeds 125% of the average of the annual distributions on Shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter. Additionally, if we are a PFIC for a taxable year in which we pay a dividend or in the prior taxable year, the favorable rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

Alternatively, if we are a PFIC and our Shares are "marketable", a U.S. Holder could make a mark-to-market election as to such Shares that would result in tax treatment different from the general tax treatment for PFICs described above. Our Shares will be marketable if they are regularly traded on a non-U.S. stock exchange that meets certain specified requirements. U.S. Holders should consult their tax advisors regarding the availability of the mark-to-market election for Shares.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a "qualified electing fund" election (a "**QEF election**") to be taxed currently on its share of the PFIC's undistributed income. We do not, however, expect to provide to U.S. Holders the information regarding this income that would be necessary in order for a U.S. Holder to make a QEF election with respect to our Shares.

A U.S. Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which we are classified as a PFIC may be required to file IRS Form 8621.

Prospective investors should consult their tax advisors regarding the potential application of the PFIC regime to the ownership and disposition of Shares.

Backup Withholding and Information Reporting

Payments of dividends on our Shares and the proceeds or sale or other disposition with respect to our Shares, by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of our Shares, including reporting obligations related to the holding of certain foreign financial assets.

SALE AND DISTRIBUTION

We, the Selling Shareholders and the Underwriters have entered into an underwriting agreement dated April 12, 2019 (the "**Underwriting Agreement**") with respect to the Offer Shares. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Underwriter has agreed, severally but not jointly, to procure purchasers for, or failing which, to purchase such number of Offer Shares set out opposite its name in the table below at the Offer Price in connection with the Offering.

Underwriters	Number of Offer Shares	Percentage
Banca IMI S.p.A.	28,604,784	12.804%
Credit Suisse Securities (Europe) Limited	28,604,785	12.804%
Goldman Sachs International	28,604,785	12.804%
Mediobanca—Banca di Credito Finanziario S.p.A.	28,604,784	12.804%
Merrill Lynch International	28,604,785	12.804%
Banca Akros S.p.A.	9,628,757	4.310%
Barclays Bank PLC	9,628,757	4.310%
Citigroup Global Markets Limited	9,628,757	4.310%
HSBC France	9,628,757	4.310%
MPS Capital Services Banca per le Imprese S.p.A.	9,628,757	4.310%
UBI Banca S.p.A.	9,628,757	4.310%
UBS Europe SE	9,628,757	4.310%
UniCredit Bank AG, Milan Branch	9,628,757	4.310%
BPER Banca S.p.A.	3,351,075	1.500%
Total	223,405,054	**100%**

The Joint Global Coordinators and the Joint Bookrunners may transfer their rights and obligations arising from their role in relation to the Offering to any of their respective affiliates.

Banca IMI S.p.A., Credit Suisse Securities (Europe) Limited, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A. and Merrill Lynch International are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Offering. Banca Akros S.p.A., Barclays, Citigroup Global Markets Limited, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Europe SE and UniCredit Bank AG, Milan Branch are acting as Joint Bookrunners in connection with the Offering. BPER Banca S.p.A. is acting as Lead Manager in connection with the Offering. In addition, Banca IMI S.p.A. and Banca Akros S.p.A. are acting as Sponsors in connection with the Offering. The offer period may be shortened, extended or suspended and the Offering may be revoked at any time, without cause. The Underwriters' combined underwriting, management and selling commission will not exceed 2.65% of the gross proceeds of the Offering, which will be borne by the Issuer and each Selling Shareholder in the same proportion as the Offer Shares to be sold by each of them bears to the total number of Offer Shares in the Offering.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and they may terminate the Underwriting Agreement in certain circumstances prior to payment for the Offer Shares being made to the Selling Shareholders. We and the Selling Shareholders have made certain representations and warranties and agreed to indemnify the Underwriters against certain liabilities, including liability under the Securities Act. If these indemnities are unenforceable, we and the Selling Shareholders have agreed to contribute to any payments that the Underwriters are required to make in respect of the liabilities against which we and the Selling Shareholders have agreed to indemnify them.

The Offer Shares are initially being offered to (i) QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act and (ii) to institutional investors outside the United States in offshore transactions in reliance upon Regulation S under the Securities Act.

The Offering consists of an offering to institutional investors only and no public offering to retail investors in any jurisdiction is contemplated.

The Selling Shareholders will offer 145,627,277 Offer Shares, and we will offer 77,777,777 Offer Shares in the Offering.

We and the Selling Shareholders expect to deliver the Offer Shares against payment on or about the Listing Date.

Offer Price

The Offer Price is €9.00 per Offer Share.

Over-allotment Option

The Selling Shareholders have granted the Underwriters an option exercisable in whole or in part from time to time for 30 calendar days from the Listing Date to purchase up to additional Shares in an aggregate amount equal to up to 15% of the number of Offer Shares sold in the Offering, to cover over-allotments and short positions resulting from stabilization transactions, if any, made in the Offering.

Stabilization

In connection with the Offering, the Stabilization Manager, or any person acting on its behalf, may over-allot shares or effect transactions for a limited time with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Stabilization actions, if any, may commence on or after the date on which trading in the Shares begin on the MTA, may be discontinued at any time, and will end no later than 30 days after that date. The Stabilization Manager is under no obligation to, and there is no assurance that the Stabilization Manager or any person acting on its behalf will, undertake stabilization actions. Save as required by law or regulation, neither the Stabilization Manager nor any person acting on its behalf will disclose the extent of any over-allotments or stabilization transactions. No representation is made as to the magnitude or effect of any stabilization activities. Stabilization would not constitute a guarantee of any share price.

Lock-up arrangements

We and Mercury UK have agreed to abide by lock-up commitments which prevent us from, directly or indirectly, offering, selling, contracting to sell, pledging, loaning, granting any option, right, warrant or contract to purchase, making any short sale or otherwise disposing of our Shares, exercising any option to sell, purchasing any option or contract to sell, or lending or otherwise transfering or disposing of our Shares, requesting or demanding that we file a registration statement under the Securities Act or a similar document with any other securities regulator, stock exchange or listing authority, or entering into a swap or any other agreement or any transaction that transfers the economic consequence of ownership of any Shares or other financial instruments, including equity instruments, that grant the right to purchase, subscribe, convert into or exchange for Shares of the Issuer or other financial instruments, including equity instruments, or that grant rights inherent and/or similar to such Shares and/or financial instruments), or announce the above transactions, for a period of 180 days from the Listing Date without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed). Banco BPM S.p.A., Banca Popolare di Sondrio S.C.p.A. and Credito Valtellinese S.p.A. have agred to abide by similar lock-up restrictions for a period of 90 days from the Listing Date.

The restrictions described in the preceding paragraph shall not apply to us in the following circumstances:

(i) the issuance and sale of the Offer Shares in the Offering;

(ii) any Share issued or options to purchase Shares granted pursuant to existing stock options, stock grants or incentive plans referred to herein or other grants, issuances, or distributions of Shares as variable compensation or bonuses to management or employees of the Group;

(iii) strategic acquisitions, disposals of assets or takeover offers, or mergers or other integration or aggregation in the context of any extraordinary transaction, and/or other forms of corporate reorganization or financial restructuring or analogous procedures;

(iv) the granting of a security interest on ordinary shares; or

(v) transfers required by applicable laws, regulations, or court orders, provided that, in the case of (iii) and (iv) above, the transferees shall have agreed in writing to equivalent lock-up restrictions.

The restrictions described in the preceding paragraph shall not apply to Mercury UK in the following circumstances:

(i) the sale of the Offer Shares in the Offering;

(ii) any inter-company transfers of Shares by Mercury UK in favour of its Affiliates or controlled companies and their Affiliates (the "**Transferees**");

(iii) such Shares held by Mercury UK as may be lent by it to the Joint Global Coordinators pursuant to the Underwriting Agreement;

(iv) the Warrants, their liquidation or sales of Shares in connection therewith as described herein; or

(v) any Shares assigned, granted, delivered, sold or options to purchase Shares granted pursuant to, or in connection with, existing stock grants, stock option or incentive plans referred to herein, including for the avoidance of doubt, the Mercury UK Stock Grant and the IPO Bonus (and relevant sell-to-cover mechanisms), and the LTIP, or other grants, issuances, or distributions of Shares as variable compensation or bonuses to management or employees of the Group or Mercury UK; or

(vi) any Shares sold and delivered to current holders of Warrants or their designated fiduciaries.

The exceptions set forth in (ii) above is subject to the following conditions: (x) that any of such Transferees shall agree to be bound by the lock-up obligations of Mercury UK and (y) that any of such inter-company transfers of Shares shall be performed on terms and conditions that do not conflict with the Offering.

In addition, the lock-up commitments of Mercury UK will include an additional carve-out with respect to the New Margin Loan to permit Mercury to grant share pledges to one or more finance providers (the "**Share Pledge Exception**") provided, in circumstances where there is a transfer of Shares pursuant to the grant of such Share Pledge Exception, such providers enter in to equivalent lock-up arrangements in relation to such Shares transferred under the Share Pledge Exception for the remainder of the relevant lock-up period. Transfers of Ordinary Shares pursuant to the enforcement of any pledge entered into pursuant to the Share Pledge Exception shall also be permitted, provided that the relevant transferee is also subject to the lock-up arrangements in relation to such Shares transferred pursuant to an enforcement of such Share Pledge Exception for the remainder of the relevant lock-up period.

Other relationships

In the ordinary course of the Underwriters' business, the Underwriters and their affiliates have engaged and may from time to time engage in lending, advisory, commercial and investment banking, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services with us and/or the Selling Shareholders (including the entry into credit agreements and the provision of credit lines and investment banking services) for which they have been or may be paid customary fees.

In particular, the Joint Bookrunners, the Lead Manager and the Sponsors (or their parent companies and/or affiliates) (i) provide, may have provided or may provide in the future in the ordinary course of their business, in respect of which they have or may receive customary fees and commissions, (a) lending services (such as, e.g., granting of bilateral lines or revolving credit facilities), as well as advisory, investment banking and corporate finance services to us, our Group companies, the Selling Shareholders and/or their respective groups, also in relation to the Offering and (b) investment, trading and ancillary investment services also otherwise than in connection with the Offering, on their own account or on behalf of their clients, which may concern the Offer Shares or other financial instruments issued by the Company and/or may be related thereto; (ii) may have entered or may enter in the future, in the ordinary course of their business, into commercial relationships with us, our Group companies, the Selling Shareholders and/or their respective groups in respect of which they have or may receive customary fees and commissions; (iii) may enter into financing arrangements with investors, in connection with which they may from time to time acquire, hold or dispose of the Offer Shares; and (iv) may acquire, hold or dispose, also for trading purposes, financial instruments which we have issued or which will issue in future (such as, for example, those mentioned below). None of the Joint Bookrunners nor the Lead Manager intends to disclose the extent of any such investment or transactions otherwise than pursuant to any legal or regulatory obligation to do so.

In addition, our relationship with Merrill Lynch International, Banca IMI S.p.A., Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A. and with Banca Akros S.p.A., Citigroup Global Markets Limited, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Europe SE and UniCredit Bank AG, Milan Branch may present a conflict of interest because (i) with the exception of UniCredit Bank AG, Milan Branch and HSBC France, they have acted together with UniCredit Bank AG and HSBC Bank plc (which belong to the banking groups, respectively, of UniCredit Bank AG, Milan Branch and HSBC France) as initial purchasers in relation to the issuance of the Listed Senior Secured Notes; (ii) Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to, holds a stake of 1.631% in our share capital, is one of the Selling Shareholders and will be subject to the lock-up commitments in the underwriting agreement; (iii) Goldman Sachs International and UniCredit Bank AG, which belongs to the banking group of UniCredit Bank AG, Milan Branch, have acted as initial purchasers in relation to the issuance of the Mercury Notes; (iv) UniCredit Factoring S.p.A., which belongs to the UniCredit banking group, acts as factor with respect to the Factoring Agreement entered into with Nexi Payments on June 26, 2018, which governs the transfer by Nexi Payments to UniCredit Factoring S.p.A., on an ongoing basis, of certain present and future accounts receivable for a maximum amount equal to €3.2 billion and pursuant the terms and conditions specified in the Factoring Agreement (for further information see "*Business—Material Contracts—Factoring Agreement*"); (v) Bank of America Merrill Lynch International Designated Activity Company, which is an affiliate of Merrill Lynch International, Intesa Sanpaolo S.p.A., which is the holding company of the banking group Banca IMI S.p.A. belongs to, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A., Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to, Citigroup Global Markets Limited, together with its subsidiary Citibank N.A., Milan Branch, HSBC France, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A., UBS Limited, which belongs to the same banking group as UBS Europe SE, and UniCredit Bank AG, Milan Branch, together with the holding company UniCredit S.p.A., have acted as facility agent and arrangers and/or original lenders respectively in relation to the Revolving Credit Facility Agreement, which provides for a revolving credit facility in our favor for a maximum amount equal to € 325 million (in particular, UniCredit Bank AG, Milan Branch has acted as Facility Agent only); (vi) UBI Banca S.p.A. holds a stake of 0.653% in our share capital; and (vii) Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., which is the holding company of the banking group MPS Capital Services Banca per le Imprese S.p.A. belongs to, and UBI Banca S.p.A. are three of our bank partners and have granted us and our Group some of the bilateral lines to cover our issuing business's needs.

In addition, Intesa Sanpaolo S.p.A., the holding company of the banking group Banca IMI S.p.A. belongs to, has entered into several commercial agreements with us and our Group, and as of the date of this offering circular, it represents our main customer in terms of paid commissions, and Banca IMI S.p.A. holds interests in the Clessidra Capital Partners 3 fund which indirectly holds a stake in our share capital.

In addition, our relationship with Banco BPM S.p.A., which is the holding company of the banking group Banca Akros S.p.A. belongs to and which is acting as IPO Credit Facilities coordinator, Bank of America Merrill Lynch International Designated Activity Company, which is an affiliate of Merrill Lynch International, Banca IMI S.p.A., Credit Suisse AG, Milan Branch, which belongs to the banking group of Credit Suisse Securities (Europe) Limited and its affiliates, Goldman Sachs International, Mediobanca—Banca di Credito Finanziario S.p.A., Barclays, Citibank N.A., Milan Branch, which belongs to the banking group of Citigroup Global Markets Limited, HSBC France, UBI Banca S.p.A., UBS Europe SE, UniCredit S.p.A., which is the holding company of the banking group UniCredit Bank AG, Milan Branch, belongs to, and BPER Banca S.p.A. may present a conflict of interest because they have acted as agent, global coordinators and bookrunners in connection with the granting in our favor of (i) a term credit facility for an amount equal to €1.165 billion and (ii) a revolving credit facility for a maximum amount equal to €350 million, pursuant the terms and conditions of the IPO Credit Facilities Agreement (in particular, Banca IMI S.p.A. has acted as global coordinator and facility agent).

In addition, our relationship with those Underwriters acting, directly or indirectly through subsidiaries or companies belonging to the same banking group, as margin loan lenders in connection with the New Margin Loan (which was entered into on April 10, 2019) may present a conflict of interests because: (i) should the market price of the shares decrease, they might carry out hedging transactions in order to cover financial risk relating to the pledged shares or, otherwise, (ii) they might become our shareholders following the enforcement of the pledge pursuant to the terms and conditions of the New Margin Loan. The Margin Loan Lenders will adopt appropriate measures to mitigate risks in order to properly address these potential conflicts of interests.

As a result, the Underwriters may have interests that may not be aligned, or could potentially conflict, with the interests of potential investors, or with our (and our Group's) interests and those of the Selling Shareholders.

For further information, see "Business—Material Contracts." For further information on services performed by the Underwriters or their affiliates for the Group, see "Sale and Distribution—Other relationships."

Moreover, in the ordinary course of their business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments, including corporate debt facilities, of the Issuer and the Selling Shareholders.

Accordingly, references herein to the Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to the Joint Global Coordinators and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Underwriters are acting exclusively for the Issuer and for no one else and will not regard any other person (whether or not a recipient of this offering circular) as their respective clients in relation to the Offering and will not be responsible to anyone other than to the Company for giving advice in relation to the Offering and for the listing and trading of the Offer Shares and/or any other transaction or arrangement referred to in this offering circular.

Selling restrictions

No action has been or will be taken by us, the Selling Shareholders or the Underwriters that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this offering circular or any other material relating to us or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Persons into whose hands this offering circular comes are required to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver shares or have in their possession or distribute such offering material, in all cases at their own expense.

United States

The Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and, accordingly, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirement of the US Securities Act provided by Rule 144A or another exemption from this registration requirement, and outside the United States in accordance with Regulation S. Terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as so defined.

United Kingdom

In the United Kingdom, this offering circular is only addressed to and directed to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this offering circular or any of its contents.

European Economic Area outside of Italy

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), Offer Shares have not and will not be offered to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(1) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(2) by the Underwriters to fewer than 100 or if the Relevant Member State has implemented the relevant provisions of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(3) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares referred to in (1) - (3) above shall result in a requirement for the publication by the Issuer or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplementary prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of this offering circular, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each person in a Relevant Member State other than, in the case of paragraph (i) below, persons receiving offers to the public contemplated in the Italian Public Offering, who receives any communication in respect of, or who acquires, any Offer Shares which are the subject of the Offering contemplated by this offering circular under the offers contemplated in this offering circular will be deemed to have represented, warranted and agreed to and with each Underwriter that:

(i) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(ii) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (a) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than to "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators has been given to the offer or resale or (b) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

Italy

This offering circular has not been submitted to the clearance of CONSOB and will not be subject to formal review or clearance by CONSOB. The Offer Shares may not be offered, sold or delivered, directly or indirectly, in Italy or to a resident of Italy, unless such offer, sale or delivery of the Offer Shares or distribution of copies of this offering circular or other documents relating to the Offering in Italy is made:

(i) to Italian Qualified Investors (investitori qualificati), as defined in Article 34-ter, paragraph 1, letter b), of the Issuers Regulation (as defined below) implementing Article 100 of the Consolidated Financial Act (as defined below); or

(ii) in any other circumstance where an express exemption from compliance with the regulations on offers to the public applies, including, without limitation as provided under Article 100 of the Consolidated Financial Act and Article 34-ter of the Issuers Regulation.

Any such offer, sale or delivery of the Offer Shares or distribution of copies of this offering circular or any other documents relating to the Offering in the Republic of Italy must be in compliance with the selling restrictions under (i) and (ii) above and must be made:

(i) by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter (r), of the Consolidated Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in Italy in accordance with the relevant provisions of the Consolidated Financial Act, the Regulation on Intermediaries, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Consolidated Banking Act**") and any other applicable laws and regulations; and

(ii) in compliance with any other applicable Italian securities, tax and exchange control laws and regulations and other applicable requirement or limitation which may be imposed by CONSOB, the Bank of Italy or any other Italian regulatory authority from time to time.

Any investor purchasing the Offer Shares is solely responsible for ensuring that any offer or resale of the Offer Shares it purchased occurs in compliance with applicable laws and regulations.

In accordance with Article 100-bis, paragraph 1, of the Consolidated Financial Act, the subsequent resale on the secondary market in Italy of the Offer Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Consolidated Financial Act and the Issuers Regulation unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such Offers Share being declared null and void and the intermediary transferring the Offer Shares may be liable for any damage suffered by the investors.

Canada

Resale restrictions

The distribution of the Offer Shares in Canada is being made on a private placement basis exempt from the requirement that we and the Selling Shareholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Offer Shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

Representations of Canadian purchasers

By purchasing Offer Shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us, the Selling Shareholders and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Offer Shares without the benefit of a prospectus qualified under those securities laws as it is an "**accredited investor**" as defined under National Instrument 45-106—*Prospectus Exemptions*, or subsection 73.3(1) of the Securities Act (Ontario), as applicable;
- the purchaser is a "permitted client" as defined in National Instrument 31-103—Registration Requirements, Exemptions and Ongoing Registrant Obligations;
- where required by law, the purchaser is purchasing as principal and not as agent; and
- the purchaser has reviewed the text above under "Resale restrictions".

Conflicts of interest

Canadian purchasers are hereby notified that the Underwriters are relying on the exemption set out in section 3A.3 of National Instrument 33-105—*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

Statutory rights of action

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Enforcement of legal rights

All of our directors and officers as well as the experts named herein and the Selling Shareholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and eligibility for investment

Canadian purchasers of the Offer Shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Offer Shares in their particular circumstances and about the eligibility of the Offer Shares for investment by the purchaser under relevant Canadian legislation.

DIFC

This offering circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This offering circular is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering circular nor taken steps to verify the information set forth herein and has no responsibility for the offering circular. The Offer Shares to which this offering circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares offered should conduct their own due diligence on the Offer Shares. If you do not understand the contents of this offering circular you should consult an authorized financial advisor.

Hong Kong

The Offer Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer or invitation to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the International Offer Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to International Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No.25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Malaysia

No offering circular or other offering material or document in connection with the Offer and the Offer Shares has been or will be registered with the Securities Commission of Malaysia ("Commission") pursuant to the Capital Markets and Services Act 2007 of Malaysia ("CMSA") and no approval for the Offering of the Offer Shares has been obtained from the Commission pursuant to the CMSA.

Accordingly, this offering circular and any other material or document in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (a) a closed-end fund approved by the Commission, (b) a holder of a Capital Markets Services Licence granted under Section 61 of the CMSA, (c) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3,000,000 (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual, (d) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies), per annum in the preceding twelve (12) months, (e) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve (12) months, (f) a corporation with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), based on the last audited accounts, (g) a partnership with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), (h) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act, 2010, (i) an Islamic bank licensee or takaful licensee as defined in the Labuan Islamic Financial Services and Securities Act, 2010, and (j) any other person as may be specified by the Commission, provided that, in each of the preceding categories (a) to (j), the distribution of the Offer Shares is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities.

This offering circular will only be deposited as an information memorandum with the Commission.

This offering circular does not constitute and may not be used for the purpose of a public offering or an issue, offer for subscription, or an invitation to subscribe for any securities requiring the registration of an offer document with the Commission under the CMSA.

Singapore

This offering circular has not been registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an "**institutional investor**" (as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a "**relevant person**" (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the Offer Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA), and the offer of Offer Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Offer Shares.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares.

United States

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and, accordingly, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirement of the Securities Act provided by Rule 144A or another exemption from this registration requirement, and outside the United States in accordance with Regulation S. Terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as so defined.

In addition, until the end of the 40th calendar day after commencement of the Offering, any offer or sale of Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption from registration under the Securities Act.

The offering of Offer Shares will only be made in the United States through US broker-dealer affiliates of the Underwriters.

None of the Issuer, the Selling Shareholders or the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor in the Offer Shares or other securities, of any of the restrictions described herein.

Rule 144A Shares

Each purchaser of the Offer Shares offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows:

1. The purchaser is, and at the time of the purchase of any Offer Shares, will be, a "qualified institutional buyer" (a "**QIB**") within the meaning of Rule 144A.
2. The purchaser understands and acknowledges that the Offer Shares have not been and will not be registered under the Securities Act, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of section 5 of the Securities Act provided by Rule 144A thereunder and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. The purchaser is purchasing the Offer Shares, (i) for its own account or (ii) for the account of one or more other QIBs for which it is acting as duly authorized fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgments, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any Offer Shares.
4. The purchaser understands and agrees that offers and sales of Offer Shares are being made in the United States only to QIBs, in each case pursuant to Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 3 above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, pledge, or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a person reasonably believed by it or any person acting on its behalf to be a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an "offshore transaction" in reliance on Regulation S or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any State or territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Offer Shares.
5. The purchaser understands that, for so long as the Offer Shares are "restricted securities" within the meaning of US federal securities laws, no such Offer Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such Offer Shares will not settle or trade through the facilities of DTC or any other US clearing system.

The purchaser understands that these representations and undertakings are required in connection with United States and other securities laws and that we, the Selling Shareholders and the Underwriters and our respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

6. The purchaser undertakes promptly to notify us, the Selling Shareholders and the Underwriters, if, at any time prior to the delivery of the Offer Shares, any of the foregoing ceases to be true.

LEGAL MATTERS

Linklaters LLP has advised the Issuer on certain US and English legal matters relating to the Offering. Bonelli Erede Studio Legale has advised the Issuer on certain Italian legal matters relating to the Offering. Kirkland & Ellis International LLP has advised Mercury UK on certain English legal matters relating to the Offering. Latham & Watkins LLP has advised the Underwriters on certain US and English legal matters relating to the Offering and Lombardi Segni e Associati has advised the Underwriters on certain Italian legal matters relating to the Offering.

INDEPENDENT AUDITORS

Our special purpose Carve-out Financial Statement included in this offering circular have been audited by KPMG S.p.A., independent auditors, as stated in their report appearing herein. The audit report covering the special purpose Carve-out Financial Statements contains an emphasis of matter paragraph that draws attention to Notes 1.1 and 1.2 to the special purpose Carve-out Financial Statements, which describes their basis of preparation, including the approach to and the purpose for preparing them.

INDEX TO FINANCIAL STATEMENTS

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Independent auditors' report on the carve out consolidated financial statements

To the board of directors of
Nexi S.p.A.

Opinion

We have audited the special purpose carve out consolidated financial statements of the Nexi Group (the "group"), which comprise the statement of financial position as at 31 December 2018, 2017 and 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended and notes thereto, which include a summary of the significant accounting policies (the "carve out consolidated financial statements").

In our opinion, the carve out consolidated financial statements give a true and fair view of the financial position of the Nexi Group as at 31 December 2018, 2017 and 2016 and of its financial performance and cash flows for the years then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the carve out consolidated financial statements*" section of our report. We are independent of Nexi S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of preparation

The carve out consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 have been prepared as part of the procedures for listing of the parent's ordinary shares on the Italian Stock Exchange manage and coordinated by Borsa Italiano S.p.A..

We draw attention to note 1.1 "PURPOSE" and note 1.2 "ACCOUNTING POLICIES" to the carve out consolidated financial statements, which present their basis of preparation and the preparation approach and purpose. We did not qualify our opinion in this respect.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the carve out consolidated financial statements

The directors are responsible for the preparation of carve out consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the carve out consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Independent auditors' responsibilities for the audit of the carve out consolidated financial statements

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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the carve out consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the carve out consolidated financial statements, including the disclosures, and whether the carve out consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the carve out consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Milan, 4 April 2019

KPMG S.p.A.

Luca Beltramme
Director of Audit

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

Carve-out consolidated financial statements
of the Nexi Group
as at and for the years ended
31 December 2018, 2017 and 2016

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

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CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

Board of directors

Franco Bernabè
Luca Bassi
Francesco Casiraghi
Simone Cucchetti
Giuseppe Capponcelli
Paolo Bertoluzzo
Arthur James Gerald Brocklebank
Michaela Castelli
Maurizio Mussi
Federico Ghizzoni
Robin Marshall
David Jeffrey Paduch
Antonio Patuelli

Independent auditors

KPMG S.p.A.
Via Vittor Pisani, 25
20124 Milan

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

GLOSSARY AND DEFINITIONS

Unless specifically defined otherwise, all terms used in these carve-out consolidated financial statements of the Nexi Group have the meaning specified in this section.

"ACE"	Aiuto alla Crescita Economica (Aid for Economic Growth)
"Advent"	Advent International Corporation and its group companies
"Bain Capital"	Bain Capital Investors LP and its group companies
Bassilichi	Bassilichi S.p.A. and its subsidiaries, acquired by ICBPI with effect from 3 July 2017 and merged into Nexi Payments with effect from 31 December 2018
"Bassmart"	BassmArt S.r.l.
"Bondco"	Mercury Bondco Plc
"Carige Acquiring"	The merchant acquiring business, previously managed by Banca Carige, and acquired by Nexi Payments with effect from 28 September 2018
"CartaSi"	CartaSi S.p.A. (now Nexi Payments S.p.A.)
"Clessidra SGR"	Clessidra SGR S.p.A., on behalf of the Clessidra Capital Partners fund
"DB Aquiring"	The merchant acquiring business, previously managed by Deutsche Bank, and with effect from 1 June 2017, by Nexi Payments
"Help Line"	Help Line S.p.A.
"ICBPI"	DEPObank – Banca Depositaria Italiana S.p.A. (formerly ICBPI – Istituto Centrale delle Banche Popolari Italiane S.p.A., and also Nexi S.p.A. for the period from 1 January 2017 to 30 June 2018)
"DepoBank"	Name of ICBPI after completion of the Reorganisation
"ICBPI Group"	Collectively ICBPI S.p.A., CartaSi S.p.A., Oasi-Diagram S.p.A. and Help Line S.p.A.
"Latino"	Latino Italy S.r.l. (now Nexi S.p.A.)
"Carve-out consolidated financial statements"	The special purpose consolidated financial statements that include the financial statements of Latino/Nexi S.p.A., Nexi Payments, Oasi, Help Line, Mercury Payment Services, DepoBank business unit and Bassilichi
"Mercury Italy"	Mercury Italy S.r.l.
"Mercury Payment Services"	Mercury Payment Services S.p.A. (formerly Setefi Services S.p.A.)
"Mercury"	Mercury UK Holdco Ltd.
"Moneynet"	Moneynet S.p.A.
"MPS Acquiring"	The merchant acquiring business, previously managed by Banca Monte dei Paschi di Siena and acquired with effect from 1 July 2017
"DepoBank business unit"	The group of assets, liabilities, revenue and costs related to DepoBank's non-regulated payment services, corporate centre resources and IMEL services contributed to Nexi Payments following completion of the Mercury UK Group's Reorganisation on 1 July 2018
"Nexi"	Nexi S.p.A. (formerly Latino Italy S.r.l), the parent
"Nexi Capital"	Nexi Capital S.p.A., set up in 2018 and merged into Nexi with effect from 31 December 2018
"Nexi Payments"	Nexi Payments S.p.A. (formerly Cartasì S.p.A.)

"Oasi"	Oasi Outsourcing Applicativo e Servizi Innovativi S.p.A.
"Paycare"	Paycare S.r.l.
"Reorganisation"	The corporate reorganisation of the Nexi Group, addressing the separation of the activities related to payment services from the regulated banking activities and the concentration of corporate business on payment services, completed on 1 July 2018
"Sparkling 18"	Sparkling 18 S.r.l. acquired with effect from 10 April 2018 and merged into Nexi Payments with effect from 31 December 2018
"Sponsors"	Collectively Advent, Bain Capital and Clessidra SGR

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

STATEMENT OF FINANCIAL POSITION

€'000	Note	31 December 2018	31 December 2017	31 December 2016
Assets				
Cash and cash equivalents	3	40,688	134,420	8,426
Financial assets at fair value through profit or loss	4	10	154	136
Financial assets at fair value through other comprehensive income	5	100,114	83,255	47,596
Financial assets at amortised cost	6	1,668,452	3,112,352	2,877,838
a) loans and receivables with banks		561,209	332,986	329,506
b) loans and receivables with customers		1,107,243	2,779,365	2,548,332
Equity investments	7	730	—	—
Property and equipment	8	156,193	156,907	109,816
Investment property	9	3,151	6,206	6,495
Intangible assets	10	2,668,293	2,607,637	1,906,458
of which: goodwill		2,097,379	2,071,665	1,500,565
Tax assets	11	62,873	54,086	46,075
a) current		29,299	27,972	23,162
b) deferred		33,574	26,114	22,913
Non-current assets held for sale and disposal groups	12	80,498	66,071	53,884
Other assets	13	405,705	339,754	263,266
Total assets		**5,186,707**	**6,560,842**	**5,319,990**
Liabilities and net investment				
Financial liabilities at amortised cost	14	3,716,834	2,606,046	1,957,055
a) due to banks		792,896	2,492,556	1,858,775
b) due to customers		354,249	113,491	98,280
c) securities issued		2,569,689	—	—
Financial liabilities held for trading	15	3,154	1,051	—
Hedging derivatives	16	16,557	5,520	—
Tax liabilities	11	163,194	133,897	146,443
a) current		31,124	3,182	16,926
b) deferred		132,070	130,715	129,517
Liabilities associated with disposal groups	12	39,069	22,937	11,845
Other liabilities	17	716,375	720,504	474,384
Post-employment benefits	18	14,084	17,955	15,786
Provisions for risks and charges	19	46,552	33,127	17,329
Total liabilities		**4,715,819**	**3,541,039**	**2,622,842**
Net investment	**20**	**470,888**	**3,019,803**	**2,697,148**
Total liabilities and net investment		**5,186,707**	**6,560,842**	**5,319,990**

The accompanying notes are an integral part of these carve-out consolidated financial statements.

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

€'000	Note	2018	2017	2016
Fee and commission income and fees for services	22	1,575,874	1,417,007	1,078,743
Fee and commission expense and cost of services	23	(620,882)	(582,474)	(559,317)
Net fee and commission income		**954,992**	**834,533**	**519,426**
Interest and similar income	24	56,114	22,078	24,279
Interest and similar expense	25	(99,089)	(37,654)	(31,724)
Interest margin		**(42,975)**	**(15,576)**	**(7,445)**
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss	26	(2,293)	(521)	(560)
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income	27	(5,188)	300	416
Total income		**904,536**	**818,736**	**511,837**
Personnel expense	28.1	(178,840)	(183,553)	(103,720)
Other administrative expenses	28.2	(458,412)	(427,032)	(276,913)
Total administrative expenses		**(637,252)**	**(610,586)**	**(380,633)**
Other net operating expense/income	29	4,107	(791)	(946)
Net impairment losses on financial assets at amortised cost	30	(2,239)	(2,767)	(2,246)
Net provisions for risks and charges	31	(33,188)	75	(6,574)
Depreciation and amortization of tangible and intangible assets	32	(114,870)	(88,553)	(27,421)
Operating margin		**121,094**	**116,115**	**94,017**
Net gain on equity investments and sales of investments	33	20,491	2,307	0
Profit from current operations before taxes		**141,585**	**118,422**	**94,017**
Income taxes	34	(66,730)	(46,503)	(33,553)
Profit/loss from assets held for sale net of taxes	35	(6,130)	205	2,225
Profit for the year		**68,725**	**72,125**	**62,690**
Profit for the year attributable to the owners of the parent		**67,226**	**73,112**	**58,852**
(Profit) loss for the year attributable to non-controlling interests	*36*	*(1,499)*	987	(3,838)
Basic/diluted earnings per share from continuing operations (in Euros)		0.013	n.a	n.a
Basic/diluted earnings per share (in Euros)		0.012	n.a	n.a
Statement of comprehensive income				
Profit for the year		**68,725**	**72,125**	**62,690**
Items that will not be reclassified subsequently to profit or loss				
Defined benefit plans		—	37	115
Financial assets at fair value through other comprehensive income		6,992	27,053	—
Comprehensive income		**75,717**	**99,215**	**62,805**
-Attributable to the owners of the parent		74,143	99,861	58,967
-Attributable to non-controlling interests		1,575	(646)	3,838

* Reference should be made to note 14.3 for the limitations to the distribution of dividends. The earnings per share for 2017 and 2016 were not calculated as the carve-out scope did not exist as a separate group with legal personality and, therefore, it did not have a number of shares that could be used for the calculation.

The accompanying notes are an integral part of these carve-out consolidated financial statements.

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

STATEMENT OF CHANGES IN NET INVESTMENT

Statement of changes in equity for the year ended 31 December 2018

2018	Balance at 1 January 2018 €'000	FTA reserve at 1.01.2018 €'000	Reorganisation €'000	Dividends paid €'000	2018 comprehensive income: Profit for the year €'000	Other comprehensive income - Valuation reserves €'000	2018 comprehensive income €'000	Equity at 31 December 2018 €'000
Equity attributable to the owners of the parent	**3,014,226**	**4,194**	**(369,442)**	**(2,258,750)**	**67,226**	**6,916**	**74,143**	**464,372**
Equity attributable to non-controlling interests	**5,577**	**52**	**(687)**	**—**	**1,499**	**76**	**1,575**	**6,516**
Total	**3,019,803**	**4,246**	**(370,129)**	**(2,258,750)**	**68,725**	**6,992**	**75,718**	**470,888**

The net investment at 31 December 2018 matches the Nexi Group's equity. The adjustments to the opening balances mainly refer to the IFRS 15 FTA reserve.

Statement of changes in net investment for the year ended 31 December 2017

2017	Balance at 1 January 2017 €'000	Adjustments to opening balances €'000	Dividends €'000	Increase/ decrease in net investment €'000	2017 comprehensive income: Profit for the year €'000	Other comprehensive income - Valuation reserves €'000	2017 comprehensive income €'000	Net investment at 31 December 2017 €'000
Net investment attributable to the owners of the parent	**2,683,279**	**—**	**(89,805)**	**320,890**	**73,112**	**26,749**	**99,861**	**3,014,226**
Net investment attributable to non-controlling interests	**13,869**	**—**	**(875)**	**(6,772)**	**(987)**	**341**	**(646)**	**5,577**
Total	**2,697,148**	**—**	**(90,680)**	**314,118**	**72,125**	**27,090**	**99,215**	**3,019,803**

Statement of changes in net investment for the year ended 31 December 2016

2016	Balance at 1 January 2016 €'000	Adjustments to opening €'000	Dividends €'000	Acquisition of non-controlling interests without a change in €'000	Increase in net investment €'000	2016 comprehensive income: Profit for the year €'000	Other comprehensive income - Valuation €'000	2016 comprehensive €'000	Net investment at 31 December 2016
Net investment attributable to the owners of the parent	**1,582,051**	**—**	**(69,330)**	**20,665**	**1,090,926**	**58,852**	**115**	**58,967**	**2,683,279**
Net investment attributable to non-controlling interests	**30,317**	**—**	**(1,781)**	**(18,507)**	**3**	**3,838**	**—**	**3,838**	**13,869**
Total	**1,612,368**	**—**	**(71,111)**	**2,158**	**1,090,929**	**62,690**	**115**	**62,805**	**2,697,148**

The accompanying notes are an integral part of these carve-out consolidated financial statements.

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

STATEMENT OF CASH FLOWS: INDIRECT METHOD

	Note	2018 €'000	2017 €'000	2016 €'000
A. OPERATING ACTIVITIES				
1. Operations				
Profit for the year		68,725	72,125	62,690
Impairment losses on assets held for sale		6,050	—	—
Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets		2,293	521	560
Net accruals to provisions for risks and charges and other costs/ revenue		40,615	(1,505)	1,359
Depreciation and amortization of tangible and intangible assets	**37.1**	114,870	88,553	27,421
Unpaid taxes, duties and tax assets		20,501	46,503	33,553
Gains on sales	**37.2**	(21,000)	—	—
Accrued unpaid interest expense on bonds		12,729	—	—
Other adjustments		6,224	(12)	65
		251,007	**206,184**	**125,647**
2. Cash flows generated by (used for) financial assets				
Financial assets held for trading		144	(18)	—
Financial assets at fair value through other comprehensive income	**37.3**	—	1,726	170,721
Loans and receivables with banks	**37.4**	(228,222)	(3,480)	(60,744)
Loans and receivables with customers	**37.5**	1,672,123	(231,034)	(33,444)
Assets held for sale		(14,427)	(12,187)	(15,214)
Other assets		(57,163)	17,365	15,615
		1,372,454	**(227,628)**	**76,934**
3. Cash flows generated (used) by financial liabilities				
Due to banks	**37.6**	(1,699,660)	576,133	(338,500)
Due to customers	**37.7**	240,758	6,835	13,104
Financial liabilities held for trading		2,102	1,051	—
Hedging derivatives		—	5,520	—
Liabilities associated with disposal groups		16,132	11,091	1,674
Other liabilities	**37.8**	(42,849)	117,109	189,979
		(1,483,517)	**717,740**	**(133,743)**
Net cash flows generated by operating activities		**139,944**	**696,296**	**68,838**
B. INVESTING ACTIVITIES				
1. Cash flows generated/used by				
Acquisitions of property and equipment	**37.9**	(40,600)	(41,665)	(25,746)
Sales of property, equipment and investment property and intangible assets		5,072	1,611	2,529
Acquisitions of intangible assets	**37.10**	(109,937)	(40,469)	(26,185)
Acquisitions of subsidiaries and business units	**37.11**	(6,422)	(713,217)	(1,033,009)
Net cash flows used in investing activities		**(151,887)**	**(793,740)**	**(1,082,411)**
C. FINANCING ACTIVITIES				
Repayment of loan to parent	**37.12**	(380,000)	—	—
Dividends paid	**37.13**	(56,000)	(89,805)	(69,330)
Issue/purchase of equity instruments	**37.14**	—	314,118	1,090,929
Issue of debt instruments	**37.15**	2,556,960	—	—
Dividends distributed to third parties	**37.16**	(2,202,750)	(875)	(1,781)
Sale/acquisition of non-controlling interests		—	—	2,158
Net cash flows generated by (used in) financing activities		**(81,790)**	**223,438**	**1,021,976**
NET CASH FLOWS GENERATED IN THE YEAR		**(93,733)**	**125,994**	**8,403**
Net cash flows for the year		(93,733)	125,994	8,403
Opening cash and cash equivalents		134,420	8,426	23
Closing cash and cash equivalents		**40,688**	**134,420**	**8,426**

The accompanying notes are an integral part of these carve-out consolidated financial statements.

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

1. NOTES TO THE CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

1.1 PURPOSE

The carve-out consolidated financial statements at 31 December 2018, 2017 and 2016 (the "carve-out consolidated financial statements") have been prepared solely for their inclusion in the registration document prepared for the Initial Public Offering of Nexi shares on the Italian Stock Exchange.

1.2 ACCOUNTING POLICIES

Statement of compliance with the IFRS

These carve-out consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the interpretations of the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Commission (and transposed into Italian law by Legislative decree no. 38/2005).

Nexi has applied the standards endorsed at 31 December 2018, 2017 and 2016 to the carve-out consolidated financial statements at 31 December 2018, 2017 and 2016, respectively.

It did not make any departures from the IFRS.

Basis of preparation

On 16 October 2017, the board of directors of Istituto Centrale delle Banche Popolari Italiane S.p.A. (now DepoBank S.p.A.) announced a corporate reorganisation of the Mercury Group (the "Reorganisation"). The aim of the Reorganisation was to separate the technological and digital payment activities from those that require a specific banking license in order to:

- transform Nexi Payments together with the other payments businesses of the Group (Bassilichi, Mercury Payment Services and the non-regulated payments business transferred from DepoBank S.p.A.) into the national digital payments market leader;
- provide DepoBank S.p.A. with a leaner organisational structure focused on the securities services business and the settlement business (offered to the market through a commercial agreement between DepoBank and Nexi Payments).

The Reorganisation was completed on 1 July 2018.

Therefore, the consolidation scope of the Nexi Group's carve-out consolidated financial statements includes the Mercury UK Holdco Group legal entities and businesses that were included in the sub-group headed by Nexi (formerly Latino Italy S.r.l) following the completion of the Reorganisation. At 31 December 2018, the consolidation scope of the statement of financial position included in the carve-out consolidated financial statements matches that of the Nexi Group's statement of financial position (while this is not true of the income statement as Nexi Group's income statement includes the income and expense of the entities transferred to Nexi with effect from 1 July 2018, when the Reorganisation was completed).

After completion of the Reorganisation, the Nexi Group's carve-out consolidation scope includes:

2016

Cartasì S.p.A. (now Nexi Payments), Helpline, Oasi, Setefi S.p.A. (now Mercury Payment Services since 15 December 2016, the acquisition date), Latino Italy S.r.l. from its incorporation date and the ICBPI-DepoBank business unit (comprising the assets, liabilities, revenue and costs related to the non-regulated payment services provided by ICBPI-DepoBank, the corporate centre and IMEL services, subsequently contributed to Nexi Payments following the Reorganisation's completion).

Consequently, the banking operations of ICBPI, the individual components of Mercury and Mercury Processing D.o.o, which were part of the original Mercury UK Group, are excluded. The carve-out scope at 31 December 2016 and a reconciliation with the consolidated financial statements of Mercury UK Holdco are provided below:

The carve-out scope at 31 December 2016 and a reconciliation with the consolidated financial statements of Mercury UK

	31 december 2016	Contribution to income statement Carve-out	Statement Carve-out
	Mercury UK Consolidated		
(-)	Mercury Uk Separated		
(-)	ICBPI - DepoBank (regulated activities)		
(-)	Mercury Processing D.o.o.		
(=)	CARVE-OUT NEXI GROUP		
of which			
	Latino Italy S.r.l.	Since 21/04/2016	Included
	Nexi Payments S.p.A.	Since 1/01/2016	Included
	Mercury Payment Services	Since 15/12/2016	Included
	Help Line S.p.A.	Since 1/01/2016	Included
	ICBPI - Depobank Business Unit	Since 1/01/2016 (1)	Included (1)
	Oasi Diagram S.p.A.	Since 1/01/2016 on IFRS 5	Included
	Intercompanies with ICBPI - DepoBank (regulated activities)	Since 1/01/2016	Included
	Intercompanies with Mercury UK	Since 1/01/2016	Included
	Intercompanies with Mercury Processing D.o.o.	Since 15/12/2016	Included

(1) Includes the income statement for the year ended 31 December 2016 and the statement of financial position of the business unit attributable to ICBPI.

2017

Latino Italy S.r.l., Nexi Payments (including the DB Acquiring and MPS Acquiring business units, acquired on 1 June 2017 and 1 July 2017 respectively), Oasi, Helpline, Mercury Payment Services, Bassilichi (from the acquisition date of 3 July 2017) and the ICBPI-DepoBank business unit (the assets, liabilities, revenue and costs related to non-regulated payment services provided by ICBPI-DepoBank, the corporate centre and IMEL services, subsequently contributed to Nexi Payments following the Reorganisation's completion).

Consequently, the banking operations of ICBPI, the individual components of Mercury and Mercury Processing D.o.o, which were part of the original Mercury UK Group, are excluded. The carve-out scope at 31 December 2017 and a reconciliation with the consolidated financial statements of Mercury UK Holdco are provided below:

The carve-out scope at 31 December 2017 and a reconciliation with the consolidated financial statements of Mercury UK

	31 december 2017	Contribution to income statement Carve-out	Financial Statement Carve-out
	Mercury UK Consolidated		
(-)	Mercury Uk Separated		
(-)	ICBPI - DepoBank (regulated activities)		
(-)	Mercury Processing D.o.o.		(1)
(=)	CARVE-OUT NEXI GROUP		
of which			
	Latino Italy S.r.l.	Since 1/01/2017	Included
	Nexi Payments S.p.A.	Since 1/01/2017	Included
	Bassilichi S.p.A.	Since 1/07/2017	Included
	Mercury Payment Services	Since 1/01/2017	Included
	Help Line S.p.A.	Since 1/01/2017	Included

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

The carve-out scope at 31 December 2017 and a reconciliation with the consolidated financial statements of Mercury UK

31 december 2017	Contribution to income statement Carve-out	Financial Statement Carve-out
ICBPI - Depobank Business Unit	Since 1/01/2017 (2)	Included (2)
Oasi Diagram S.p.A.	Since 1/01/2017 on IFRS 5	Included
Intercompanies with ICBPI - DepoBank (regulated activities)	Since 1/01/2017	Included
Inercompanies with MUK	Since 1/01/2017	Included

(1) Only including the sale of the equity investments held by Latino Italy S.r.l..
(2) Includes the income statement for the year ended 31 December 2016 and the statement of financial position of the business unit attributable to ICBPI.

Mercury Processing D.o.o. has not been included in the 2016 and 2017 carve-out consolidation scope because it was acquired on 15 December 2016 and subsequently sold on 23 December 2017. Therefore, it is not relevant for the purposes of the Reorganisation and for the Nexi Group carve-out consolidation scope. The proceeds from its disposal has been included in the 2017 carve-out net investment as it was recognised by Latino Italy S.r.l..

2018

Nexi (formerly Latino Italy S.r.l.), Nexi Payments (including the Carige Acquiring business unit, acquired on 28 September 2018), Oasi, Helpline, Mercury Payments Services, Bassilichi, Sparkling 18 (from the acquisition date of 1 April 2018), Nexi Capital S.r.l. (from 16 April 2018 when it was incorporated) and the DepoBank business unit (the assets, liabilities, revenue and costs related to non-regulated payment services provided by DepoBank, the corporate centre and IMEL services, subsequently contributed to Nexi Payments following the Reorganisation's completion). Bassilichi and Sparkling 18 were merged into Nexi Payments with effect from 31 December 2018.

Consequently, the banking operations of DepoBank and the individual components of Mercury, which were part of the original Mercury UK Group, are excluded. The carve-out scope at 31 December 2018 and a reconciliation with the consolidated financial statements of Mercury UK Holdco are provided below:

The carve-out scope at 31 December 2018 and a reconciliation with the consolidated financial statements of Nexi Group

31 december 2018	Contribution to Income Statement Carve-out Nexi Group	Contribution to Consolidated Income Statement Nexi Group	Financial Statement Carve-out = Nexi Group Consolidated
Nexi S.p.A.	Since 1/01/2018	Since 1/01/2018	Included
(+) Nexi Capital S.p.A.	Since 15/04/2018	Since 15/04/2018	(1)
(+) Nexi Payments S.p.A.	Since 1/01/2018	Since 1/07/2018	Included
(+) Bassilichi S.p.A.	Since 1/01/2018 (3)	Since 1/07/2018 (3)	(2) and (3)
(+) Mercury Payment Services	Since 1/01/2018	Since 1/01/2018	Included
(+) Help Line S.p.A.	Since 1/01/2018	Since 1/07/2018	Included
(+) ICBPI - Depobank Business Unit	Since 1/01/2018 (4)	Since 1/07/2018	(4)
(+) Sparkling 18 S.p.A.	Since 1/04/2018	Since 1/07/2018	(2)
(+) Oasi Diagram S.p.A.	Since 1/01/2018 on IFRS 5	Since 1/07/2018 on IFRS 5	Included on IFRS 5

(1) Merged into Nexi S.p.A. on 31 December 2018
(2) Merged into Nexi Payments on 31 December 2018
(3) Entities now controlled by Nexi Payments due to the merger with Bassilichi, i.e., Moneynet, Bassmart and Paycare, are recognised in accordance with IFRS 5
(4) Including the income statement for the six months ended 30 June 2018 for DepoBank while the income and expense for the second six months of the year and the assets and liabilities at 31 December 2018 are included in Nexi Payments due to the contribution of the business unit on 1 July 2018

The above reorganisations qualify as transactions under common control and, therefore, any goodwill arising on consolidation is recognised in continuity with the carrying amounts included in the parent's consolidated financial statements. Specifically, the above mergers performed at year end did not affect the consolidated financial statements except to a limited extent for the non-controlling interests that, in accordance with IFRS 3, are solely recognised in equity (i.e., without changing the carrying amount of goodwill recognised in the consolidated financial statements when the first business combination was accounted for under IFRS 3).

These carve-out consolidated financial statements present the historical financial information of the entities and businesses included in the consolidated financial statements and accounting records of the Mercury UK Group headed by Mercury which controlled and controls their operations. As the Reorganisation only affected the Mercury UK Group, it is recognised as a transaction under common control and, therefore, in continuity with the carrying amounts included in the Mercury UK Group's consolidated financial statements. As a consequence, the carve-out consolidated financial statements have been prepared by making the following adjustments to the Mercury UK Group's consolidated financial statements:

a) elimination of the ICBPI-DepoBank banking business;

b) elimination of Mercury's individual components;

c) inclusion of the ICBPI-DepoBank banking business and Mercury which had been eliminated in Mercury's consolidated financial statements. The assets, liabilities, revenue and costs of the non-regulated payment services of the DepoBank business unit, the corporate centre and IMEL services contributed to Nexi Payments following the Reorganisation's completion were excluded from the banking business;

d) elimination of Mercury Processing D.o.o. (solely from the statement of financial position as at 31 December 2016 as it was acquired at the end of that year, and from the income statement for the year ended 31 December 2017 as it was sold in December 2017).

The above process was used for 2016 and 2017. As the Reorganisation was completed on 1 July 2018, the carve-out consolidated financial statements at 31 December 2018 have been prepared using the consolidated financial statements of Nexi S.p.A.. Specifically, the statement of financial position is exactly the same while the following amendments were made to the income statement:

a) inclusion of the income statements of Nexi Payments, Help Line, Bassilichi, Oasi and the DepoBank business unit for the first six months of 2018;

b) elimination of any income or expenses among the above companies.

While simplifying the preparation process, this approach ensures the consistency of the carve-out scope over the three years.

Therefore, the 2018, 2017 and 2016 carve-out consolidation scope includes the financial statements of Nexi, Nexi Payments, Oasi, Help Line and the DepoBank business unit (the assets, liabilities, revenue and costs related to non-regulated payment services provided by DepoBank, the corporate centre and IMEL services, subsequently contributed to Nexi Payments following the Reorganisation's completion) as at and for the years ended 31 December 2018, 2017 and 2016. It includes Mercury Payment Services' statement of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2017 and its statement of financial position as at 31 December 2016, 2017 and 2018, Bassilichi's financial statements as at and for the year ended 31 December 2018 and as at and for the six months ended 31 December 2017 and Sparkling 18's financial statements as at and for the nine months ended 31 December 2018.

The presentation of the statement of financial position in these carve-out consolidated financial statements matches that used in the Nexi Group's consolidated financial statements at 31 December 2018. As the introduction of IFRS 9 did not impact the reclassification and measurement of the assets and liabilities included in the carve-out consolidated financial statements due to their specific nature and that of the Nexi Group's business, in order to make the figures more comparable, the Group applied the new presentation adopted for the statement of financial position as at 31 December 2018 retrospectively to show the changes introduced by IFRS 9 at 31 December 2017 (which is allowed by the standard) and 2016. The notes provide the information needed to reconcile the captions with those of the consolidated financial statements of the Mercury UK Group, where necessary.

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS OF THE NEXI GROUP AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

The presentation of the income statement in the carve-out consolidated financial statements matches that used in the Nexi Group's consolidated financial statements at 31 December 2018, which complies with the requirements of IAS 1 and the measures issued to implement article 9 of Legislative decree no. 38/2005 and article 43 of Legislative decree no. 136/2015.

No pro forma adjustments or re-measurements have been made in the carve-out consolidated financial statements, which have been prepared using the carrying amounts presented in the Mercury UK Group's consolidated financial statements. All the financial information in the carve-out consolidated financial statements is derived from the following audited financial statements prepared by the relevant boards of directors:

- Mercury: consolidated and separate financial statements as at and for the years ended 31 December 2017 and 2016;
- Nexi: financial statements as at and for the years ended 31 December 2017 and 2016 and consolidated and separate financial statements as at and for the year ended 31 December 2018;
- DepoBank - ICBPI: sub-consolidated and separate financial statements as at and for the years ended 31 December 2017 and 2016;
- Nexi Payments: financial statements as at and for the years ended 31 December 2018, 2017 and 2016;
- Mercury Payment Services: financial statements as at and for the years ended 31 December 2018, 2017 and 2016;
- Oasi and Helpline: financial statements as at and for the years ended 31 December 2018, 2017 and 2016;
- Bassilichi: financial statements as at and for the year ended 31 December 2017;
- carve-out financial statements of Nexi Payments Business as at and for the years ended 31 December 2017, 2016 and 2015 prepared solely for their inclusion in the Offering Circular of Nexi Capital for the listed bond issue approved by the board of directors of Latino Italy S.r.l. on 16 April 2018.

The following additional documents have also been used:

- interim financial statements of Nexi Payments, Nexi, Mercury Payment Services, Bassilichi, Help Line and Sparkling 18 as at and for the six months ended 30 June 2018;
- interim financial statements of DepoBank (including the business unit contributed to Nexi Payments on the Reorganisation completion date) as at and for the six months ended 30 June 2018.

Since Nexi and the Nexi Group did not have any share capital or equity at 31 December 2016 and 2017 as the carve-out consolidation scope did not include any legal entities, the carve-out equity is presented herein as "net investment" pursuant to the reference practices. The notes provide a breakdown of equity at 31 December 2018 as it matches that presented in the consolidated financial statements of the Nexi Group and the Reorganisation scope. Non-controlling interests in equity at 31 December 2017 and 2016 were those in Latino Italy S.r.l. - Nexi as per the consolidated financial statements of the Nexi Group.

Carve-out consolidated financial statements at 31 December 2018

The carve-out consolidated financial statements at 31 December 2018 include the statements of financial position, the income statement and the statement of comprehensive income, changes in net investment and cash flows and notes thereto.

They are presented in Euros and the amounts shown in the statements and the notes are in thousands of Euros.

The Group has applied the recognition and measurement criteria established by the IFRS and endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

The Group applies the measurement criteria assuming that it will continue as a 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 following table shows the new standards or amendments to standards with the related endorsement regulations. Application is mandatory for annual periods beginning on (for entities whose reporting period is the calendar year) or after 1 January 2019.

Endorsement date		Standard/Interpretation	Effective date
31/10/2017	IFRS 16	Leases	2019
22/03/2018	Amendment to IFRS 9	Financial instruments: Prepayment features with negative compensation	2019
23/11/2018	IFRIC 23	IFRIC 23 Uncertainty over income tax treatments	2019

IFRS 16 was endorsed in 2016 and its application is mandatory from 1 January 2019. During 2018, the group commenced a project for transition to the new standard which identified the following types of in-scope leases:

- property leases;
- company car leases;
- leases of ICT equipment and ICT outsourcing.

IFRS 16 introduces a single accounting model for lessees that does not distinguish between operating and finance leases and is applicable to all contracts that contain a lease. Specifically, the lessee shall recognise:

- a right-of-use asset representing its right to use the underlying leased asset to be amortised or depreciated through profit or loss;
- a lease liability representing its obligation to make lease payments. Interest accrues on the liability and is recognised using the amortised cost method in profit or loss.

The right-of-use asset's initial carrying amount includes the lease liability, transaction costs, any lease payments made before the commencement date, the estimated costs of dismantling and restoring the asset and any lease incentives.

The standard provides specific rules should the initially used estimate parameters be changed.

The Group elected not to restate the comparative figures (modified retrospective approach) upon transition to IFRS 16. Therefore, the initial effects will be recognised in opening equity at 1 January 2019. The Group elected to measure the right-of-use asset using the following practical expedients:

- measurement of the right-of-use asset at an amount equal to the lease liability;
- measurement of the lease liability using the discount rate applicable on the date of initial application;
- exclusion of the initial direct costs from the measurement of the right-of-use asset.

The Group does not expect first-time adoption of IFRS 16 to have a significant effect on its equity thanks to these practical expedients. However, this may change as:

- the Group has not yet completed its tests of the new IT system which will be used to manage these leases;
- the elections may be changed up until publication of the first financial report for 2019.

The following table shows the standards or amendments to standards which have not yet been endorsed by the EU:

IASB document	Publication date
IFRS 17 Insurance contracts	May 18, 2017
Amendments to IAS 28: Long-term interests in associates and joint ventures	October 12, 2017
Annual improvements to IFRS Standards 2015-2017 cycle	December 12, 2017
Amendments to IAS 19: Plan amendment, curtailment or settlement	February 7, 2018

IASB document	Publication date
Amendments to References to Conceptual Framework in IFRS Standards	March 29, 2018
Amendment to IFRS 3 Business combinations	October 22, 2018
Amendments to IAS 1 and IAS 8: Definition of Material	October 31, 2018

As the European Commission has not yet endorsed any of these standards and amendments, they have not affected the carve-out consolidated financial statements.

Carve-out consolidated financial statements at 31 December 2017

The carve-out consolidated financial statements at 31 December 2017 include the statements of financial position, the income statement and the statement of comprehensive income, changes in net investment and cash flows and notes thereto.

They are presented in Euros and the amounts shown in the statements and the notes are in thousands of Euros.

The Group has applied the recognition and measurement criteria established by the IFRS and endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

The Group applies the measurement criteria assuming that it will continue as a 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 next sections describe the amendments made to the standards issued by the IASB and endorsed by the European Commission, the application of which is mandatory after 1 January 2017:

- Regulation (EU) no. 2017/1989 of 6 November 2017 endorsing the “Recognition of deferred tax assets for unrealised losses (amendments to IAS 12 Income taxes)”. The amendments clarify how to remove certain inconsistencies and provide additional guidance.
- Regulation (EU) no. 2017/1990 of 6 November 2017, which adopted “Disclosure initiative (Amendments to IAS 7)”. The amendments introduce the requirement for entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities (and any related assets) arising from financing activities, including both changes arising from cash flows and non-cash changes.
- Regulation (EU) no. 2018/182 of 7 February 2018 amending IFRS 1 First-time adoption of international financial reporting standards, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint ventures.

Application of these amendments did not significantly affect the carve-out consolidated financial statements at 31 December 2017.

The following table shows the new standards or amendments to standards with the related endorsement regulation for 2017. Application is mandatory for annual periods beginning on (for entities whose reporting period is the calendar year) or after 1 January 2018.

Endorsement regulation	Name	Standard/Interpretation	Effective date
2016/2027	IFRS 9	Financial instruments	January 1, 2018
2017/1988	Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	January 1, 2018
2016/1905	IFRS 15	Revenue from contracts with customers	January 1, 2018

Endorsement regulation	Name	Standard/Interpretation	Effective date
2017/1987	Clarifications to IFRS 15	Clarifications to IFRS 15 Revenue from contracts with customers	January 1, 2018
2016/1986	IFRS 16	Leases	January 1, 2019
2018/182	Annual improvements to IFRS Standards 2014-2016 cycle	Amendments to IFRS 1 First-time adoption of international financial reporting standards, IFRS 12 Disclosure of interests in other entities, IAS 28 Investments in associates and joint ventures	January 1, 2018 (for the amendments to IFRS 1 and IAS 28)

Carve-out consolidated financial statements at 31 December 2016

The carve-out consolidated financial statements at 31 December 2016 include the statements of financial position, the income statement and the statements of comprehensive income, changes in net investment and cash flows and notes thereto.

They are presented in Euros and the amounts shown in the statements and the notes are in thousands of Euros.

The Group has applied the recognition and measurement criteria established by the IFRS and endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

The Group applies the measurement criteria assuming that it will continue as a 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 next sections describe the amendments made to the standards issued by the IASB and endorsed by the European Commission, the application of which is mandatory after 1 January 2017:

- Regulation no. 2343 of 15 December 2015 - Annual improvements 2012 - 2014 cycle (IFRS 5, IFRS 7, IAS 19 and IAS 34) and Regulation no. 28/2015 of 17 December 2014 - Annual improvements 2010 - 2012 cycle (IFRS 2, IFRS 3, IFRS 8, IAS 16 and IAS 24). The amendments provide clarifications to remove certain inconsistencies and provide additional guidance.
- Regulation no. 29/2015 of 17 December 2014 - IAS 19 Employee benefits. The objective of the amendment is to clarify, also by means of application guidance, the accounting treatment of contributions from employees or third parties, based on the distinction as to whether or not they are envisaged in the formal conditions of defined benefit plans, and whether or not they are related to the number of years in service.
- Regulation no. 2173 of 24 November 2015 - IFRS 11 Joint arrangements. The amendments establish how to account for the acquisition of an interest in a joint operation which constitutes a business as defined in IFRS 3.
- Regulation no. 2231 of 2 December 2015 - IAS 16 Property, plant and equipment, IAS 38 Intangible assets. Clarifications are provided on the acceptable methods of depreciation and amortisation. Specifically, the use of revenue-based methods to calculate the depreciation or amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Regulation no. 2406 of 18 December 2015 - IAS 1 Presentation of financial statements. The Disclosure Initiative is intended to improve the effectiveness of disclosures in financial reports and encourage companies to apply professional judgment in determining what information to disclose in their financial statements in terms of materiality and disaggregation.

- Regulation no. 2016/1703 of 22 September 2016 - Amendments to IFRS 10, 12 and IAS 28 “Investment entities: applying the consolidation exemption”. The amendments clarify the requirements that should be met to allow an investment entity to account for an investment in a subsidiary at fair value rather than consolidate it.

Application of these amendments did not significantly affect the carve-out consolidated financial statements at 31 December 2016.

The following table shows the new standards or amendments to standards with the related endorsement regulation for 2016. Application is mandatory for annual periods beginning on (for entities whose reporting period is the calendar year) or after 1 January 2018.

Endorsement regulation	Name	Standard/Interpretation	Adoption date
2016/2067	IFRS 9	Financial instruments	January 1, 2018
2016/1905	IFRS 15	Revenue from contracts with customers	January 1, 2018

The following table shows the standards for which amendments were issued in 2016:

Standard	Name	Publication date
IFRS 14	Regulatory deferral accounts	January 30, 2014
IFRS 16	Leases	January 13, 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	September 11, 2014

As the European Commission has not yet endorsed any of these amendments, they have not affected the carve-out consolidated financial statements at 31 December 2016.

The Group prepared the carve-out consolidated financial statements at 31 December 2017 using the recognition and measurement criteria established by the IFRS and endorsed by the European Union and the general guidelines in the Framework for the preparation and presentation of financial statements issued by the IASB. The Group adopted the accounting policies on a going concern basis and they comply with the accruals-basis of accounting, the materiality and relevance of financial disclosure and the principle of substance over form.

The carve-out consolidated financial statements schedules and the tables in the notes present the figures for 2018, 2017 and 2016 on a comparative basis.

Basis of presentation

Statement of financial position, income statement and statement of comprehensive income

They include notes and additional disclosures. Revenue is shown without a plus sign while costs are shown in brackets in the income statement and the statement of comprehensive income. The basis of presentation is consistent with the requirements of IAS 1 Presentation of financial statements.

Statement of changes in net investment

This statement shows changes in the “net investment” during the three years (2018, 2017 and 2016). As already noted, given that the net investment at 31 December 2018 matches the equity presented in the consolidated financial statements of the Nexi Group at the same date, a breakdown of equity is provided in the notes.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method, which is the method traditionally applied by the Mercury - ICPBI Group. All cash inflows and outflows from operating activities are adjusted to exclude the effects of non-monetary transactions.

Cash flows are divided into those from operating, investing and financing activities.

Cash flows generated in the year are shown without a plus sign while cash flows used in the year are shown in brackets.

The 2016 statement of cash flows has been derived from using the statement of financial position as at 31 December 2015 included in the carve out financial statements of Nexi Payments Business as at and for the years ended 31 December 2017, 2016 and 2015, adjusted to exclude the items related to Mercury as it is not included in the consolidation scope of these carve-out consolidated financial statements.

Basis of presentation of the notes

The notes to these carve-out consolidated financial statements include the disclosures required by the applicable IFRS.

The accounting policies described below have been adopted to disclose all the information in the carve-out consolidated financial statements.

Basis of consolidation

The Group has established the consolidation scope in accordance with IFRS 10 Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

Therefore, these carve-out consolidated financial statements include all the entities over which the Group has the above three types of control. Compliance with this requirement had already been checked for the Mercury UK Group to which all the components belong that, due to the Reorganisation, are included in the current Nexi Group scope.

When an entity is controlled through the direct exercise of voting rights, control exists when the investor holds more than half the voting rights.

Assessment of whether control exists may be more complex in other circumstances and require a greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the case of these carve-out consolidated financial statements, all the consolidated entities are controlled through voting rights. Accordingly, Nexi did not have to exercise judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

The carve-out consolidated financial statements of the Nexi Group at 31 December 2018, 2017 and 2016 and the financial statements of the in-scope companies were used for consolidation purposes, after reclassifications and adjustments to comply with the consolidation requirements of the IFRS.

Companies controlled by Nexi as a result of the Reorganisation have been consolidated for periods prior to the Reorganisation by recognising all the assets, liabilities, revenue and costs on a line-by-line basis and making the following adjustments:

a) the carrying amount of investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated;

b) non-controlling interests in equity and the profit (loss) for the year have been recognised separately.

At first consolidation of an acquiree, in accordance with IFRS 3, any positive differences arising on consolidation, after allocation to the assets and liabilities of the investee, are recorded under intangible assets as goodwill. Conversely, any negative differences are recognised as revenue.

Intragroup assets, liabilities, revenue, costs, gains and losses are eliminated.

The revenue and costs of the subsidiaries (which are listed on the following page) are included in the carve-out consolidated financial statements from their acquisition date. Revenue and costs of an entity or a business sold during the year are recognised in the income statement up to the sales date, which is the date on which the Nexi Group loses control thereover, except when the effect is immaterial, in which case it is included in the gain or loss on the sale of the equity investment.

Pursuant to IAS 28, the carve-out consolidated financial statements (for 2017 in particular) also include the results of investees, i.e., entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement based on the Group's share of the investee's equity. The Group's share of the associate's profit or loss is recognised separately in the income statement.

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

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

The investments in the in-scope subsidiaries are set out below.

Investments in subsidiaries - 31 December 2018

	Operating office	Registered office	Type of relationship (1)	Parent	Investment %	Voting rights %
- Nexi S.p.A.	Milan	Milan	1	Mercury UK Holdco Ltd	93.21	93.21
- Nexi Payments S.p.A. (3)	Milan	Milan	1	Nexi S.p.A. (2)	98.92	98.92
- Mercury Payment Services S.p.A.	Milan	Milan	1	Nexi S.p.A.	100	100
- Oasi S.p.A.	Milan	Milan	1	Nexi S.p.A. (2)	100	100
- Help Line S.p.A ..	Cividale del Friuli / MIlan	Cividale del Friuli	1	Nexi S.p.A. (2)	69.24	69.24

Note

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings
(2) Company now owned by Nexi following completion of the Reorganisation
(3) Including the business unit contributed by DepoBank, as well as Bassilichi and Sparkling 18 merged at 31 December 2018.

As well as the above companies, the Group includes the following equity-accounted associates at 31 December 2018:

	Registered office	Operating office	Investor	Investment %	Voting rights %
Win Join	Lecce	Lecce	Bassilichi S.p.A.	24	24
Rs Record store	Piacenza	Piacenza	Bassilichi S.p.A.	30	30
BASSNET S.r.l.	Monteriggioni	Monteriggioni	Bassilichi S.p.A.	49.68	49.68
K.Red	Milan	Milan	Bassilichi S.p.A.	50	50

The carve-out consolidated financial statements also include investments in the following companies, whose assets and liabilities are fully consolidated but which are classified and measured in accordance with IFRS 5 as they are held for sale:

	Registered office	Operating office	Investor	Investment %	Voting rights %
Oasi S.p.A.	Milan	Milan	Nexi S.p.A.	100	100
MoneyNet S.p.A.	Palermo	Palermo	Nexi Payments S.p.A.	100	100
Bassmart S.r.l.	Florence	Florence	Nexi Payments S.p.A	95	95
Paycare	Florence	Florence	Nexi Payments S.p.A.	100	100

Investments in subsidiaries - 31 December 2017

	Operating office	Registered office	Type of relationship (1)	Parent	Investment %	Voting rights %
- Latino Italy S.r.l. (now Nexi S.p.A.)	Milan	Milan	1	Mercury UK Holdco Ltd	100	100
- Nexi Payments S.p.A.(3)	Milan	Milan	1	ICBPI S.p.A.(2)	98.75	98.75
- Mercury Payment Services S.p.A.	Milan	Milan	1	Latino Italy S.r.l.	100	100
- Bassiilichi S.p.A.	Siena	Siena	1	ICBPI S.p.A.(2)	100	100
- Oasi S.p.A.	Milan	Milan	1	ICBPI S.p.A.(2)	100	100
- Help Line S.p.A	Cividale del Friuli / Milan	Cividale del Friuli	1	ICBPI S.p.A.(2)	70.00	70.00

Note

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings
(2) Company now owned by Nexi following completion of the Reorganisation
(3) Including the business unit contributed by DepoBank

Investments in subsidiaries - 31 December 2016

	Operating office	Registered office	Type of relationship (1)	Parent	Investment %	Voting rights %
- Latino Italy S.r.l. (now Nexi S.p.A.)	Milan	Milan	1	Mercury UK Holdco Ltd	100	100
- Nexi Payments S.p.A. (formerly CartaSi S.p.A.) (3)	Milan	Milan	1	ICBPI S.p.A.(2)	96.74	96.74
- Mercury Payment Services S.p.A. (formerly Setefi S.p.A.)	Milan	Milan	1	Latino Italy S.r.l.	100	100

	Operating office	Registered office	Type of relationship (1)	Parent	Investment %	Voting rights %
- Oasi S.p.A.	Milan	Milan	1	ICBPI S.p.A.(2)	100	100
- Help Line S.p.A	Cividale del Friuli / Milan	Cividale del Friuli	1	ICBPI S.p.A.(2)	70.00	70.00

Note

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings
(2) Company now owned by Nexi following completion of the Reorganisation (3) Including the business unit contributed by DepoBank

Significant judgements and assumptions adopted to define the consolidation scope

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

This is also true for the associates, where significant influence is basically attributable to the voting rights held by the Group.

Investments in subsidiaries with significant non-controlling interests

Non-controlling interests, their voting rights and dividends received

31 December 2018

	Investments	Voting rights (1)	Dividends
Help Line S.p.A. (*)	29.7%	29.7%	—

(1) availability of votes at ordinary shareholder's meeting
(*) Subsidiaries whose non-controlling interests affect the Group

31 December 2017

	Investments	Voting rights (1)	Dividends
Help Line S.p.A. (*)	30%	30%	—

(1) availability of votes at ordinary shareholder's meeting
(*) Subsidiary originally of ICBPI S.p.A. whose non-controlling interests affect the current Group

31 December 2016

	Investments	Voting rights (1)	Dividends
Help Line S.p.A. (*)	30%	30%	—

(1) Availability of votes at ordinary shareholder's meeting
(*) Subsidiary originally of ICBPI S.p.A. whose non-controlling interests affect the current Group

Subsidiaries with significant non-controlling interests: key financial figures

31 December 2018

Help Line S.p.A.

Statement of financial position:	Total assets €	Cash and cash equivalents €	Loans and receivables €	Property and equipment Intangible assets €	Other assets €	Other liabilities €	Equity €
	21,907,441	663	2,204,071	7,096,641	12,085,029	(15,781,060)	3,744,893

Statement of profit or loss and other comprehensive income:	Interest margin €	Operating costs €	Profit/loss from assets held for sale net of taxes €	Income taxes €	Post-tax profit from continuing operations €	Other comprehensive expense, net of income taxes (2) €	Comprehensive income (3) = (1) + (2) €
	(2,385)	1,178,013	1,175,628	(374,670)	800,959	45,096	846,054

31 December 2017

Help Line S.p.A.

Statement of financial position:	Total assets €	Cash and cash equivalents €	Loans and receivables €	Property and equipment Intangible assets €	Other assets €	Other liabilities €	Equity €
	23,302,272	488	3,860,585	6,522,672	12,400,033	(18,479,707)	2,888,839

Statement of profit or loss and other comprehensive income:	Interest margin €	Operating costs €	Profit/loss from assets held for sale net of taxes €	Income taxes €	Post-tax profit from continuing operations €	Other comprehensive expense, net of income taxes (2) €	Comprehensive income (3) = (1) + (2) €
	(793)	(7,437,198)	(7,437,991)	1,781,267	(5,656,724)	34,638	(5,622,086)

31 December 2016

Help Line S.p.A.

Statement of financial position:	Total assets €	Cash and cash equivalents €	Loans and receivables €	Property and equipment Intangible assets €	Other assets €	Other liabilities €	Equity €
	22,600,028	927	4,845,840	7,051,897	10,018,488	(11,640,550)	8,510,924

Statement of profit or loss and other comprehensive income:	Interest margin €	Operating costs €	Profit/loss from assets held for sale net of taxes €	Income taxes €	Post-tax profit from continuing operations (1) €	Other comprehensive expense, net of income taxes (2) €	Comprehensive income (3) = (1) + (2) €
	(384)	(137,510)	137,126	(105,069)	32,057	26,046	58,103

Significant restrictions to voting rights

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

Other disclosures

None.

Main accounting policies

Financial assets at fair value through profit or loss

a) 2018 carve-out

Classification

This category includes financial assets other than those classified as at fair value through other comprehensive income and at amortised cost. At the reporting date, the caption solely consists of equity instruments held for purposes other than trading that the Group has not elected to measure at fair value through other comprehensive income.

According to the general rules of IFRS 9 on the reclassification of financial assets (excluding equity instruments which may never be reclassified), reclassifications into other categories are not allowed unless the entity changes its business model for managing financial assets. This should be highly infrequent and the financial assets may be reclassified out of the amortised cost measurement category into one of the other two categories established by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognised prospectively from the reclassification date. The effective interest rate of the reclassified financial asset is determined using its fair value at the reclassification date, which is the date of initial staging for impairment purposes.

Recognition

They are initially recognised at fair value which is usually the transaction price.

Measurement

They are subsequently measured at fair value and any fair value gains or losses are recognised as net trading income (expense) in profit or loss.

Fair value is determined using the criteria set out in the section “Fair value”.

Derecognition

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.

Specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

b) Financial assets and liabilities at fair value through profit or loss as classified at 31 December 2017 and 2016

Classification

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised as "Net hedging or trading income (expense) or gains/losses on the sale or repurchase of financial assets and liabilities" in the income statement. Interest accrued on these assets is recognised as "Interest and similar income", although interest and/or other income and expense on trading derivatives are recognised as "Net hedging or trading income (expense) or gains/losses on the sale or repurchase of financial assets and liabilities" in the income statement .

The specific section provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

Derecognition

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.

Financial assets at fair value through other comprehensive income

a) 2018 carve-out

Classification

This category includes equity instruments other that those held for trading which the Group has elected to measure at fair value through other comprehensive income. Non-derivative financial assets held within the Hold to Collect and Sell business model show a nil balance at the reporting date as they are factored on a daily basis.

According to the general rules of IFRS 9 on the reclassification of financial assets (excluding equity instruments, which cannot be reclassified), when, and only when, an entity changes its business model for managing financial assets, it shall reclassify all affected assets. This should be highly infrequent and the financial assets may be reclassified out of the fair value through other comprehensive income category into one of the other two categories established by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognised retrospectively from the reclassification date. If an entity reclassifies a financial asset into the amortised cost measurement category, the cumulative gain or loss in the fair value reserve is reclassified as an adjustment to the fair value of the financial asset at the reclassification date. If an entity reclassifies a financial asset into the fair value through profit or loss measurement category, the cumulative gain or loss previously recognised in the fair value reserve is removed from equity to profit or loss.

Recognition

They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement

They are measured at fair value through other comprehensive income. Dividends are recognised in the income statement while any impairment losses and gains or losses on their sale are not recognised in profit or loss.

Fair value is determined using the criteria set out in the relevant subsequent section.

Derecognition

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

Specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

b) 2017 and 2016 carve-out former available-for-sale (AFS) financial assets

Classification

This category includes non-derivative financial assets that are not classified as financial assets at amortised cost.

Recognition

They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement

AFS financial assets are subsequently measured at fair value with recognition of interest from amortised cost accounting in profit or loss and any fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.

Realised gains or losses are recognised as "Dividends and net fair value gains or losses on investments at fair value through other comprehensive income" in the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are carried at cost when it is not possible to calculate their fair value reliably.

The Group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, it recognises it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognised in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months.

If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognised in profit or loss, the impairment loss is reversed and the related amount is recognised in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortised cost had the loss not been recognised. Impairment losses on shares, recognised in profit or loss, cannot be reversed through profit or loss but only directly through equity.

Derecognition

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.

Financial assets at amortised cost

a) 2018 carve-out

Classification

This category includes non-derivative financial assets held within the HTC business model whose contractual provisions generate cash flows that are solely payments of principal and interest on the outstanding principle (SPPI test).

According to the general rules of IFRS 9 on the reclassification of financial assets, reclassifications into other categories are not allowed unless the entity changes its business model for managing financial assets. This should be highly infrequent and the financial assets may be reclassified out of the amortised cost measurement category into one of the other two categories established by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The carrying amount is the fair value at reclassification and the effects of reclassification are recognised retrospectively from the reclassification date. If an entity reclassifies a financial asset into the fair value through profit or loss or other comprehensive income measurement categories, any gain or loss arising from the difference between its amortised cost and fair value is recognised in profit or loss or in other comprehensive income, respectively.

Recognition

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

Measurement

They are subsequently measured at amortised cost using the effective interest method.

Financial assets at amortised cost are tested for impairment at each reporting date. The impairment rules described below also apply to loan commitments and financial guarantee contracts.

Impairment is calculated considering the financial asset's expected credit losses. Application of the related method requires classification of the financial assets into three stages depending on whether there has been a significant increase in credit risk since initial recognition. A different recognition level is applied to each stage. Specifically:

- Stage 1 includes performing financial instruments that have not seen a significant increase in credit risk since their initial recognition or financial instruments with a low credit risk at the reporting date. The loss allowance for a financial instrument is measured at an amount equal to the 12-month expected credit losses.
- Stage 2 includes performing financial instruments that have seen a significant increase in credit risk since their initial recognition. Impairment is measured using their lifetime expected credit losses;
- Stage 3 includes credit-impaired financial instruments. Impairment is measured using their lifetime expected credit losses. Credit-impaired financial assets include financial assets classified as bad, unlikely to pay or past due by more than 90 days according to Bank of Italy's rules and the IFRS.

With respect to impairment:

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

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

Impairment losses are recognised in profit or loss as net impairment losses.

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

Derecognition

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.

Specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

b) 2017 and 2016 carve-out former loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Recognition

Loans and receivables are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest is recognised as net interest income (expense) in the income statement .

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as bad and unlikely to pay as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the Group uses their present value, while if it is probable that they will be enforced, it considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised as "Impairment losses and net accruals to provisions for risks and charges" in the income statement.

Loans and receivables are reinstated to their original value in subsequent years when the reasons for impairment are no longer valid, as long as this assessment may be objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the asset's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition

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.

Hedging transactions

a) 2018 carve-out

Classification

Hedging derivative assets and liabilities are recognised under assets and liabilities, respectively, depending on whether their fair value is positive or negative.

Hedges are agreed to mitigate potential losses on a financial instrument or group of financial instruments due to a specific risk, offsetting them with the gains realisable on a different financial instrument or group of financial instruments.

The Group uses the following hedging relationships provided for by IFRS 9:

- fair value hedges, designated to hedge the exposure to changes in fair value (due to the hedged item's risk category) of a recognised asset or liability, or an identified part of such an asset or liability; this type of hedge is used to manage the exposure to changes in fair value of a specific asset arising from currency and price risks;
- cash flow hedges, designated to hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. This type of hedge is used to sterilise currency risk on highly probable forecast transactions.

As established by IFRS 9, derivatives are designated as hedging instruments if there is formal documentation of the hedging relationship between the hedged item and the hedging instruments complies with all its requirements, including that of hedge effectiveness.

Recognition

Hedging derivatives are initially recognised at fair value at the transaction date.

Measurement

They are measured at fair value. Specifically:

- fair value hedges: the derivative is designated as a hedge of an equity instrument and the gain or loss is recognised in other comprehensive income as the Group has made this election. Therefore, both the hedged item and the hedging instrument are measured at fair value through other comprehensive income;
- cash flow hedges: the hedging instruments are US dollar deposits held to hedge currency risk on a forecast acquisition of property and equipment. Therefore, the exchange gain or loss on the translation of the deposits into Euro, classified as a financial asset at amortised cost, is recognised in equity (hedging reserve). When the future transaction takes place, the gain or loss is removed from the hedging reserve and included in the acquired asset's carrying amount.

Derecognition

If the hedge effectiveness test is not passed risk management objective underlying the hedging relationship is amended. The hedge is discontinued and the derivative classified as held for trading.

Hedge accounting is also discontinued when:

- the derivative expires;
- the hedging instrument is cancelled;
- the hedge is terminated.

b) 2017 and 2016 carve out

Classification

Liabilities include a derivative with a negative fair value at 31 December 2017.

Hedges of risks are agreed to offset potential losses on a financial instrument or a group of financial instruments due to a specific risk using the gains on a different financial instrument or group of financial instruments should the risk actually materialise.

With respect to the hedge categories in IAS 39, the Group has just one fair value hedge agreed to hedge its exposure to changes in fair value of an asset due to currency and price risks.

As provided for by IAS 39, the derivative qualifies as a hedge if there is formal documentation of the hedging relationship between the hedged item and the hedging instrument and this relationship is effective at inception of the hedge and, prospectively, over its entire life.

The effectiveness of the hedge is assessed at each reporting date using:

- prospective tests, that justify application of hedge accounting as they show the hedge’s expected effectiveness;
- retrospective tests, that show the effectiveness percentage of the hedge in the reporting period by comparing it to a perfect hedge.

Recognition

Derivatives are recognised at fair value at the date of agreement of the related agreement (contract or trade date).

Measurement and recognition of revenue and costs

Hedging derivatives are measured at fair value and the change in fair value of the hedged item is offset against the change in fair value of the hedging instrument. The gain or loss on the hedged item (due to changes in the underlying risk) and the hedging instrument is recognised as “Net hedging or trading income (losses) or gains/losses on the sale or repurchase of financial assets and liabilities” of the income statement. Any difference due to the partial ineffectiveness of the hedge thus affects profit or loss.

If the hedging relationship is terminated, the hedged item is treated in line with its original measurement criteria.

Derecognition

When the test does not confirm the hedge’s effectiveness, the relationship is terminated. The derivative is reclassified as a trading instrument.

In addition, the hedging relationship is terminated when:

- the derivative expires, is terminated or exercised;

- the hedged item is sold, expires or reimbursed.

Equity investments

This caption includes equity-accounted investments as described in the section "Basis of consolidation"

Investments in entities other than subsidiaries, associates or jointly controlled entities are classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

Property, equipment and investment property

Classification

This caption includes land, owner-occupied property, furniture and fittings, valuable artistic heritage, the POS devices and ATMs, the electronic equipment and all other equipment, which will be used over more than one year.

Items of property and equipment held for use in production or for the supply of goods and services are classified as such under IAS 16. Property held for investment purposes held to earn rentals or for capital appreciation or both is classified as investment property under IAS 40.

It also comprises assets under finance lease.

Recognition

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.

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, when the relevant requirements are met, while other ordinary maintenance costs are expensed.

Measurement

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

The depreciable amount 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 asset's estimated useful life to reflect their technical-economic life and residual use.

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

- owner-occupied property: maximum of 33 years;
- electronic office equipment: five years;
- POS devices and ATMs, classified as electronic equipment, are depreciated over three and seven 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.

The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition

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

Intangible assets

Classification

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

Recognition

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.

Specifically:

- technology related intangible assets, such as software acquired with open term licences and software development costs, are amortised on the basis of their expected technological obsolescence over a maximum period of five years. In particular, an intangible asset arising from development of software projects shall be recognised if, and only if, an entity can demonstrate all of the following:
  - its ability to measure reliably the expenditure attributable to the intangible asset during its development;
  - its intention, financial and technical resources to complete the development and to use or sell the intangible asset;
  - how the intangible asset will generate probable future economic benefits.

Intangible assets include customer contracts and customer relationships acquired through business combinations.

Measurement

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.

Capitalised software development costs only comprise the costs directly attributable to the development phase.

Assets to which the difference between the acquisition price and fair value is allocated have a useful life that is estimated individually for each transaction:

- customer contracts: in line with the contract terms;
- customer relationships: roughly 20 years.

Their residual value is taken to be nil.

The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition

The Group derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

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 profit or loss (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 arising from a business combination is allocated to cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of the CGU exceeds its recoverable amount. Impairment losses on goodwill are recognised in profit or loss and are not reversed in subsequent periods. In addition to goodwill, intangible assets with a finite useful life (customer contracts) arising from allocation of the transaction price of business combinations are tested for impairment.

Non-current assets held for sale and disposal groups/liabilities associated with disposal groups

Non-current assets or disposal groups that the Group has decided to sell and their sale is deemed highly probable are classified under assets as "Non-current assets and disposal groups" and liabilities as "Liabilities associated with disposal groups".

They are measured at the lower of their carrying amount and fair value less costs to sell.

Gains and losses (net of tax) on disposal groups recognised as such in the reporting period are presented separately in the income statement.

Current and deferred taxes

The Group estimates current and deferred taxes, considering the domestic tax consolidation scheme.

Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position (IRAP), while those covered by the domestic tax consolidation are recognised under "Other liabilities" as a liability with the tax consolidation parent (IRES). If payments on account in the current or previous reporting periods exceed the related tax expense, the difference is recognised as an asset under "Tax assets—a) current" (IRAP) and as "Other assets" (IRES). Current and deferred taxes are recognised as "Income taxes" in the income statement unless they relate to actuarial gains or losses on defined benefit plans and gains or losses on financial assets at fair value through other comprehensive income, which are recognised directly in the related valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting as "Deferred tax assets" and "Deferred tax liabilities", respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The Group recognises deferred tax assets (in caption 100.b) for deductible temporary differences and carryfoward 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 assets.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution, given the amount of the taxed available reserves, the Group does not expect to undertake transactions that would require their taxation.

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, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the Group may find itself.

Financial liabilities at amortised cost

a) 2018 carve-out

Classification

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

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

Recognition

Financial liabilities are recognised at the contract agreement date, which is usually when the Group 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.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised as “Interest and similar income” or “Interest and similar expense”.

Derecognition

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

b) Financial liabilities at 31 December 2017 and 2016

Classification

A financial liability arises when the Group has a contractual obligation to deliver a certain amount to another entity at a certain date.

Recognition

The Group initially recognises a financial liability when it receives the cash or incurs an obligation to deliver cash or a cash equivalent.

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.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised as “Interest and similar income” or “Interest and similar expense”.

Derecognition

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

Financial liabilities held for trading

This caption includes derivatives that do not qualify for hedge accounting 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 profit or loss.

The recognition and measurement are similar to those described for financial assets at fair value through profit or loss.

Post-employment benefits

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

As payment is certain but not the date of payment, they are assimilated to defined contribution plans and classified as post-employment benefits.

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 Group'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 other comprehensive income while the interest cost is recognised in profit or loss.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be necessary to settle the obligation and the liability can be reliably estimated.

At each reporting date, the Group reviews its provisions and reverses them, in whole or in part, to profit or loss if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

When the effect of the time value of money is material, provisions are discounted using current market rates. The effect of discounting is recognised in profit or loss.

Foreign currency transactions

Initial recognition

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

Subsequent measurement

Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

- 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 differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange differences on non-monetary items are recognised in equity or in profit or loss 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.

Income statement and statement of comprehensive income

Income statement

Interest income and expense

Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method, including commissions and transaction costs.

Fee and commission income and other income for services

Fee and commission income not considered in amortised-cost accounting and other income for services rendered are recognised when the performance obligation is met and the service is transferred to the customer.

Under IFRS 15, the service is transferred to the customer and the revenue can be recognised:

- at a point in time, when the entity satisfies its performance obligation by transferring the promised good or service; or
- over time, as the entity satisfies its performance obligation by transferring the promised good or service. An asset is transferred when, or as, the customer obtains control of that asset.

Specifically:

- membership fees are recognised considering the credit cards' expiry date;
- fee and commission income from merchants and circuits is recognised on the date of the cardholders' expenditure;
- up-front fees for the activation of new customers, new products or subsequent amendments to contracts that do not entail a substantial amendment of the performance obligations are recognised over the expected contract term;
- revenue from recurring services (mainly maintenance and leases of POS devices and ATMs, processing services) is recognised over the contract term.

As provided for by IFRS 15, fees and commissions are adjusted to reflect the fair value of loyalty programme points. The prize catalogue's fair value is calculated as the average unit value of the loyalty points compared to the market value of the prizes including VAT and delivery costs to reconcile fair value with the value perceived by the customer. The unit fair value is applied to the number of outstanding points net of the points that, based on the analyses performed, will not be redeemed (using redemption estimates). Deferred fees and commissions are reclassified to profit or loss in line with redemption of the points.

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

Fee and commission expense

Fee and commission expense not considered in amortised-cost accounting is recognised when incurred or when the related income is recognised.

Costs for services

Costs for services are recognised when incurred or when the related revenue is recognised.

Costs to fulfil a contract with a customer (such as, for example, card emission costs and costs for ICT services incurred at the start of a relationship with a new customer/launch of a new product or due to immaterial contract amendments) are recognised on a straight line basis over the underlying contract's term.

Dividends

Dividends are recognised in profit or loss when their distribution is approved.

Business combinations

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

Utilisation of estimates and assumptions in the preparation of the carve-out consolidated financial statements

The carve-out consolidated financial statements captions are measured using the accounting policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.

The use of reasonable estimates is an essential part of financial reporting but must not affect reliability. The captions affected to a greater extent by the use of estimates and assumptions are:

- financial instruments at fair value (including derivatives) not quoted in active markets;
- financial assets at amortised cost and loan commitments;
- intangible assets;
- investment property;
- estimated useful life of property, equipment and investment property;
- accruals to provisions for risks and charges and liabilities for loyalty programmes;
- deferred 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 profit or loss of the period of the change and, if the change affects future periods, also in future periods.

No significant changes were made in 2018 to the accounting estimates applied in 2017 or 2016.

Transfers between portfolios of financial assets

No transfers took place in 2018, 2017 or 2016.

First-time adoption of IFRS 9 and IFRS 15

The Group decided to apply IFRS 9 and IFRS 15 without restating the comparative information. Therefore, its transition date is 1 January 2018 and it calculated the cumulative effect of their application on the net investment. The effect of adopting IFRS 15 was calculated considering solely contracts that had not been completed at the transition date (1 January 2018).

Specifically, the Group's analyses showed the following with respect to the classification and measurement of debt instruments:

- Classification and measurement of loans and receivables with banks and customers: these captions, all classified as loans and receivables under IAS 39, were reclassified into the Hold To Collect business model. As they generate cash flows that are solely payments of principal and interest on the outstanding principle (SPPI), these financial assets have been classified as financial assets at amortised cost in line with the same accounting treatment adopted under IAS 39. Given their characteristics (short or very short term), transition to an impairment model based on expected credit losses for some categories did not generate significant effects.

- Classification and measurement of equity instruments: the Group elected to use the option allowed by IFRS 9 for these assets, all classified as available-for-sale financial assets under IAS 39, and measured them at fair value through other comprehensive income, with recognition of just the dividends in profit or loss. Unlike IAS 39, impairment losses and gains or losses on disposal are not recognised in profit or loss under IFRS 9. These changes did not generate effects at the transition date as they involved a reclassification of reserves.

- Hedging relationships: the only transaction in this category is the hedge of the Visa shares, agreed in September 2017. The Group elected to apply IFRS 9 rather than continuing to apply IAS 39. As this transaction qualifies for hedge accounting under both IAS 39 and IFRS 9, its carrying amount was maintained at the transition date although the IAS 39 hedge ratio should be reassessed and possibly adjusted with any changes recognised in profit or loss. At 1 January 2018, it was not necessary to adjust it as the hedge ratio calculated under IAS 39 was the same as that calculated for IFRS 9 purposes. Therefore, transition to IFRS 9 did not affect the Group's net investment and solely led an internal reclassification due to the measurement of the hedged item at fair value rather than using the equity method.

Application of IFRS 15 gave rise to the following effects:

- Up-front revenue and costs to fulfil contracts with customers, recognised directly in profit or loss under IAS 18, are now recognised over the underling contract's term (contract costs).

- This led to the reclassification of the portion of revenue and costs that pertain to future years from retained earnings at 1 January 2018 under IFRS 15.

The effects on the Group's net investment at 31 December 2017 due to application of the standards applicable from 1 January 2018 are summarised below.

Assets	31/12/2017	IFRS 9 impacts	IFRS 15 impacts	01/01/2018	Note
Tax assets	**54,086**	**—**	**3,893**	**57,979**	**(1)**
a) current	27,972		—	27,972	
b) deferred	26,114		3,893	30,007	
Other assets	**339,754**		**18,115**	**357,869**	**(2)**
TOTAL	**393,840**	**—**	**22,007**	**415,847**	

Note:

(1) The caption increased due to the recognition of deferred tax assets calculated at FTA on the deferred income on one-off projects.

(2) The caption increased as a result of recognition of prepayments related to:
- costs to fulfil the contracts with customers for one-off projects of €8,585 thousand;
- other costs to fulfil contracts of €9,529 thousand.

Liabilities and net investment	31/12/2017	IFRS 9 impacts	IFRS 15 impacts	01/01/2018	Note
Tax liabilities	**133,897**	**—**	**5,991**	**139,888**	**(3)**
a) current	*3,182*		*—*	*3,182*	
b) deferred	*130,715*		*5,991*	*136,706*	
Other liabilities	**720,504**		**11,771**	**732,275**	**(4)**
Net investment	**621,794**	**—**	**4,246**	**626,040**	**(5)**
TOTAL	**1,476,195**	**—**	**22,007**	**1,498,203**	

Note

(3) The caption increased due to the recognition of deferred tax liabilities calculated at FTA on prepayments related to:

(4) The caption increased as a result of recognition of deferred income on one-off projects.

(5) The reserves increased by €3,316 thousand as a result of the following:
- decrease of €2,132 thousand due to the IFRS 15 FTA effect on prepayments and deferred income on one-off projects, net of tax;
- increase of €6,378 thousand due to the IFRS 15 FTA on prepaid costs to fulfil contracts, net of tax.

No reclassifications have been made to assets and liabilities as these captions at 31 December 2017 and 2016 already complied with the requirements of IFRS 9.

Fair value disclosure

The IFRS require that financial instruments classified as at fair value through other comprehensive income and financial assets at fair value through profit or loss be measured at fair value.

IFRS 13 covers fair value measurement and the related disclosure.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not a forced liquidation or distress sale) on the principal market 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 observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- 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 changes affecting the issuer.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:

- for issued bonds, fair value based on the active markets where the bonds are traded;
- for non-current fixed-rate financial assets and liabilities (other than securities issued), the discounted cash flow method is mainly used;

- for on demand floating-rate 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 current floating-rate and fixed-rate securities issued, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Qualitative disclosure

Levels 2 and 3: valuation techniques and inputs used

Assets and liabilities measured at fair value on a recurring basis are mainly the Visa Inc shares in portfolio and derivatives agreed to hedge price and currency risks on these shares.

The Group measured their fair value as follows given that market prices were not available:

- unlisted equity instruments: considering the market value of class A Visa Inc shares, listed on active markets, into which the shares in portfolio (class C) will be converted;
- OTC derivatives: using generally accepted market models (Black&Scholes for future continuous dividends) adjusted to reflect market parameters. As the derivatives are hedged by CSA (credit support annexes), the counterparty risk is mitigated by the daily settlement of collateral with the counterparty.

Measurement processes and sensitivity

Not applicable as the Group does not have level 3 instruments.

Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or their 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.

Quantitative disclosure

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

	31 December 2018			31 December 2017			31 December 2016		
	Level 1 €‘000	Level 2 €‘000	Level 3 €‘000	Level 1 €‘000	Level 2 €‘000	Level 3 €‘000	Level 1 €‘000	Level 2 €‘000	Level 3 €‘000
Financial assets at fair value through profit or loss	—	10	—	154	—	—	136	—	—
Financial assets at fair value through other comprehensive income	—	100,114	—	3	83,252	—	3	47,593	—
Property, equipment and investment property	—	—	—	—	—	—	—	—	—
Intangible assets	—	—	—	—	—	—	—	—	—
Total	**—**	**100,124**	**—**	**157**	**83,252**	**—**	**139**	**47,593**	**—**
Financial liabilities held for trading	3,154	—	—	1,051	—	—	—	—	—
Hedging derivatives	16,557	—	—	5,520	—	—	—	—	—
Total	**19,711**	**—**	**—**	**6,571**	**—**	**—**	**—**	**—**	**—**

The Group did not transfer assets and liabilities between levels 1, 2 and 3 during the three years.

Changes in assets measured at fair value on a recurring basis (level 3)

N/A

Changes in liabilities measured at fair value on a recurring basis (level 3)

N/A

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

	31 December 2018				31 December 2017				31 December 2016			
	Carrying amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Carrying amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Carrying amount €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Loans and receivables with banks	561,209	—	561,209	—	332,986	—	332,986	—	329,506	—	329,506	—
Loans and receivables with customers	1,107,243	—	1,106,294	949	2,779,365	—	2,778,903	462	2,548,332	—	2,547,416	916
Investment property	3,151	—	3,151	—	6,206	—	6,720	—	6,495	—	6,720	—
Total	**1,671,603**	**—**	**1,670,654**	**949**	**3,118,557**	**—**	**3,118,609**	**462**	**2,884,333**	**—**	**2,883,642**	**916**
Due to banks	792,896	—	792,896	—	2,492,556	—	2,492,556	—	1,858,775	—	1,858,775	—
Due to customers	354,249	—	354,249	—	113,491	—	113,491	—	98,280	—	98,280	—
Securities issued	2,569,689	—	2,582,285	—	—	—	—	—	—	—	—	—
Total	**3,716,834**	**—**	**3,729,430**	**—**	**2,606,047**	**—**	**2,606,047**	**—**	**1,957,055**	**—**	**1,957,055**	**—**

2. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3. Cash and cash equivalents

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
a) Cash	34	36	24
b) Deposits and current accounts	40,654	134,384	8,403
Total	**40,688**	**134,420**	**8,426**

The caption "deposits and current accounts" at 31 December 2017 and 2016 refers to cash in currents accounts held by Latino Italy with ICBPI and HSBC. The 31 December 2016 balance shows the residual capital injections to complete the acquisition of Setefi (now Mercury Payments). The increase in 2017 is mainly due to €113 million received by Latino Italy S.r.l. on the sale of Mercury Processing D.o.o. completed at the end of December 2017 and classified as a capital injection and the increase in the net investment for the purposes of these carve-out financial statements, as it is equal to the cash originally received from Mercury to make the investment. Also the amount at 31 December 2018 refers to Nexi S.p.A. and its decrease is due to the net cash outflows for the bond issues, dividend distribution and the Reorganisation costs.

4. Financial assets at fair value through profit or loss

	31 December 2018		31 December 2017		31 December 2016	
	Level 1 €'000	Level 2 €'000	Level 1 €'000	Level 2 €'000	Level 1 €'000	Level 2 €'000
Equity instruments and OEIC units	—	10	154	—	136	—
Total	**—**	10	**154**	**—**	**136**	**—**

The caption solely consists of Intesa Sanpaolo shares for incentive plans granted to some Mercury Payment Services employees.

There were no level 3 financial instruments held for trading at the three reporting dates.

5. Financial assets at fair value through other comprehensive income (former available-for-sale financial assets at 31 December 2017 and 2016)

5.1 Breakdown by product

	31 December 2018			31 December 2017			31 December 2016		
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000
Equity instruments	0	100,114	0	3	83,252	—	3	47,593	—
Total	**0**	**100,114**	**0**	**3**	**83,252**	**—**	**3**	**47,593**	**—**

5.2 Breakdown by issuer

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
a) Banks	60	3	3
b) Other financial companies	100,012	83,135	47,544
- Visa Inc.	*99,968*	*83,091*	*47,500*
- International Card System AD - Casys	*44*	*44*	*44*
c) Non-financial institutions	42	117	49
Total	**100,114**	**83,255**	**47,596**

The caption "Other financial companies" consists of financial assets (mainly the Visa shares) over which the Group does not exercise control, joint control or significant influence. The increase in the caption during 2017 is due to the fair value gains on the Visa Inc. preferred shares granted following the sale of the investment in Visa Europe. In September 2017, the Group agreed a derivative to hedge the price and currency risks of these shares. The increase in 2018 is due to the Visa shares' positive performance.

5.3 Changes

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Equity instruments			
A. Opening balance	**83,255**	**47,596**	**60,120**
B. Increases	16,934	35,659	66,191
- Fair value gains	*16,877*	*1*	*1,129*
- Reversals of impairment	—	*35,591*	*3,416*
- Other increases	*57*	*68*	*61,647*
C. Decreases	*75*	—	*78,716*
- Sales	—	—	*22,363*
- Repayments	—	—	—
- Impairment losses	—	—	—
- Fair value losses	—	—	—
- Other decreases	*75*	—	*56,353*
Total	**100,114**	**83,255**	**47,596**

The increase in "Fair value gains" in 2017 relates to the Visa Inc. preferred shares granted after sale of the shares of Visa Europe. The "Other increases" of 2017 include small investments held by Bassilichi. The fair value gains have a balancing entry in the net investment net of tax and the related effect of the derivatives agreed in 2017.

6. Financial assets at amortised cost

6.1 Loans and receivables with banks: breakdown by product

31 December 2018	Stages 1 and 2 €'000	Stage 3 €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
Loans and receivables with banks					
Deposits and current accounts	398,115		—	398,115	—
Prepaid cards—ICBPI-DepoBank business unit	45,864		—	45,864	—
Transferred liquidity not related to cards—ICBPI-DepoBank business unit	5,471			5,471	
Ordinary current accounts used for factoring	53,151		—	53,151	—
Other assets for services provided	58,608			58,608	
Total	**561,209**		**—**	**561,209**	**—**

31 December 2017	Stages 1 and 2 €'000	Stage 3 €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
Loans and receivables with banks					
Deposits and current accounts	213,589	—	—	213,589	—
Prepaid cards—ICBPI-DepoBank business unit	50,946	—	—	50,946	—
Transferred liquidity not related to cards—ICBPI-DepoBank business unit	17,902	—	—	17,902	—
Other assets for services provided	50,550	—	—	50,550	—
Total	**332,986**	**—**	**—**	**332,986**	**—**

31 December 2016	Stages 1 and 2 €'000	Stage 3 €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
Loans and receivables with banks					
Deposits and current accounts	240,316	—	—	240,316	—
Prepaid cards—ICBPI-DepoBank business unit	53,411	—	—	53,411	—
Transferred liquidity not related to cards—ICBPI-DepoBank business unit	8,372	—	—	8,372	—
Other assets for services provided	27,407	—	—	27,407	—
Total	**329,506**	**—**	**—**	**329,506**	**—**

Current accounts include the operating companies' cash. The slight increase in 2017 is due to normal business activities. The large increase in 2018 is due to Nexi Payments' operating cash flows as its acquirees of 2017 were active for the entire year, the non-distribution of the 2017 profit and the treasury requirements management strategy linked to liability trends.

The balance at 31 December 2018, 2017 and 2016 includes € 76.8 million, €126 million and €228 million, respectively, related to Mercury Payment Services for the daily settlement of transactions processed on behalf of Intesa Sanpaolo and that should be read in conjunction with the liability with Intesa Sanpaolo included in "Due to banks" of €91 million, €171 million and €135 million at 31 December 2016, 2017 and 2018, respectively although these two positions are shown separately for accounting purposes. Net of these balances, the current accounts include the operating companies' liquidity.

Prepaid cards relate to the IMEL activity on these cards included in the ICBPI-DepoBank business unit up until the Reorganisation's completion date and subsequently contributed to Nexi Payments. The liquidity has to be considered separately from that used for operations as it is lodged in a restricted current account with DepoBank that can only be used to cover the use of the prepaid cards by the cardholders.

Starting from 2018 and, specifically, from the Reorganisation's effective date, the caption includes the accounts opened for the factoring of ordinary credit card balances (described in more detail in the next note). The balance includes deposits and term accounts of €53.4 million set up for Unicredit Factoring.

Other assets for services provided mainly refer to services provided by Mercury Payment Services to Intesa Sanpaolo S.p.A. and show an increase in 2017 in line with the rise in revenue.

6.2 Loans and receivables with customers: breakdown by product

	Carrying amount			Fair value		
		Stage 3				
31 December 2018	**Stages 1 and 2**	**Purchased**	**Other**	**L1**	**L2**	**L3**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Credit cards	186,273	—	—	—	186,273	—
International circuits and merchants	504,451	—	—	—	504,451	—
Revolving credit cards	212,327	—	201	—	212,528	—
Personal loans	5,790	—	—	—	5,790	—
Receivables factored without recourse	192,524	—	—	—	192,524	—
Other assets	4,930	—	748	—	5,678	—
Total	**1,106,295**	**—**	**949**	**—**	**1,107,243**	**—**

	Carrying amount			Fair value		
		Stage 3				
31 December 2017	**Stages 1 and 2**	**Purchased**	**Other**	**L1**	**L2**	**L3**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Credit cards	2,104,293	—	—	—	2,104,293	—
International circuits and merchants	453,735	—	—	—	453,735	—
Revolving credit cards	213,972	—	170	—	213,972	170
Personal loans	6,416	—	—	—	6,416	—
Other assets	487	—	292	—	487	292
Total	**2,778,903**	**—**	**462**	**—**	**2,778,903**	**462**

	Carrying amount			Fair value		
		Stage 3				
31 December 2016	**Stages 1 and 2**	**Purchased**	**Other**	**L1**	**L2**	**L3**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Credit cards	2,010,898	—	3	—	2,010,898	3
International circuits and merchants	304,434	—	581	—	304,434	581
Revolving credit cards	216,874	—	151	—	216,874	151
Personal loans	7,505	—	—	—	7,505	—
Other assets	7,705	—	181	—	7,705	181
Total	**2,547,416**	**—**	**916**	**—**	**2,547,416**	**916**

Credit risk is modest as it is mostly transferred to the partner banks and to the factor for banking issuing activities. Direct issuing is marginal and only for selected customers while exposures with international customers are settled within one to three days. The only limited risk situations related to bad exposures (of a very small amount) refer to amounts due from merchants for fees to be collected or amounts settled as a result of operating irregularities that, therefore, have more of an operational risk than a credit risk.

Ordinary credit cards shows the reporting-date balance of the amount spent by cardholders in the last month of the year and usually charged to their current accounts by the partner banks by the 15th of the subsequent month. The balances at 31 December 2016 and 2017 were affected by the operating procedure in place before the Reorganisation whereby Nexi Payments advanced the entire amount spent by the cardholders using funding facilities provided by ICBPI. The balance at 31 December 2018 is significantly lower as, following the Reorganisation and exit from the banking group, Nexi Payments redefined the methods used to manage funding and given the termination of the long-standing credit facilities provided by DepoBank. Therefore, as part of its new funding strategy, starting from 1 July 2018, Nexi Payments signed a contract for the daily factoring of receivables from most of its ordinary credit cards (roughly 92% of the amount involved) issued together with its partner banks.

The factoring agreement provides for three credit facilities:

- a facility for the daily non-recourse factoring of receivables arising on the use of the cards and guaranteed by a list of banks defined by the factor based on each bank's risk profile; this facility allows for the derecognition of the receivables for which the Group has transferred all the risks and rewards to the factor. The difference between their carrying amount and the net factoring price is recognised under "Dividends and gains/losses on investments and the sale of financial assets at fair value through other comprehensive income";
- a facility for the advances on recourse factoring of receivables arising on the use of cards and guaranteed by banks other than those for the above facility. This facility does not allow the derecognition of the receivables and entails the recognition of a liability with the factor measured at amortised cost;
- a bridge facility, to be used solely when there is a time gap between when the transaction performed using the card issued by the Group is debited and when the related receivable from the cardholder is assigned to the factor.

These credit facilities are revolving and include the assignment, pursuant to the factoring law (Law no. 52/91 as subsequently amended), of all the existing and future receivables arising on the use of ordinary credit cards issued in line with the agreements with the partner banks selected by the factor. With respect to the receivables covered by the first facility, their factoring has led to a change in the business model from HTC to HTCS. Given that the receivables are assigned on a daily basis without recourse and are, therefore, derecognised, this change in the business model did not affect the measurement of loans and receivables.

At the reporting date, the derecognised receivables amount to €1,712 million, the liability for the recourse factoring facility to €192.5 million and the liability for the bridge factoring facility to €109 million.

Amounts due to international circuits include the daily settlements on the Visa-Mastercard circuits of which Nexi Payments and Mercury Payment Services are direct members. They include the advances made by Nexi Payments to its merchants for transactions still to be settled on the circuits. They are all settled in a few days (between one to three days usually). The reporting-date balances are affected by the number of holidays around year end when the settlement systems are closed leading to a greater accumulation of transactions and utilisation of funding facilities. The 2017 increase is mainly due to the higher transaction volumes on both the ordinary credit cards and the new scope of the MPS Acquiring and DB Acquiring businesses acquired on 1 July and 1 June 2017, respectively.

6.3 Loans and receivables with customers: gross balances, net balances and impairment losses on performing and non-performing exposures

	31 December 2018			31 December 2017			31 December 2016		
	Gross €'000	Allowance €'000	Net €'000	Gross €'000	Allowance €'000	Net €'000	Gross €'000	Allowance €'000	Net €'000
Performing	1,107,951	(1,657)	1,106,294	2,781,427	(2,523)	2,778,904	2,549,969	(2,553)	2,547,416
Non-performing	5,922	(4,973)	949	5,304	(4,842)	462	7,553	(6,637)	916
Total	**1,113,873**	**(6,630)**	**1,107,243**	**2,786,731**	**(7,365)**	**2,779,365**	**2,557,522**	**(9,190)**	**2,548,332**

With respect to the risk classes provided for by IFRS 9, the performing exposures are all classified in stage 1 while non-performing exposures are classified in stage 3.

7. Equity investments

7.1 Equity investments

At 31 December 2018, the balance of €730 thousand relates to Nexi Payments' investments in Win Join and RC Records Store S.p.A. (after the merger with Bassilichi that took effect on 31 December 2018).

	Registered office	Operating office	Type of relationship	Investment		Voting rights %
				Investor	Investment %	
A. Jointly-controlled entities						
B. Associates						
1. Win Join	Lecce	Lecce	1	Bassilichi S.p.A.	24	24
2. Rs Record store	Piacenza	Piacenza	1	Bassilichi S.p.A.	30	30
3. Bassnet S.r.l.	Monteriggioni	Monteriggioni	1	Bassilichi S.p.A.	49.68	49.68
4. K.Red	Milan	Milan	1	Bassilichi S.p.A.	50	50

	Registered office	Operating office	Investment%	Voting rights %	Carrying amount
A. Subsidiaries					
B. Jointly controlled subsidiaries					
1. WIN JOIN SOC.CONSORTILE A R.L.	Lecce	Lecce	24	24	48
2. RS RECORDS STORE S.P.A.	Piacenza	Piacenza	30	30	682
3. BASSNET S.r.l.	Monteriggioni	Monteriggioni	49.68	49.68	—
4. K.Red	Milan	Milan	50	50	—
C. Associates					
Total					**730**

7.2 Changes in 2018

	Group equity investments	Non-group equity investments	Total
A. Opening balance	**—**	**—**	0
B. Increases	**4,730**	—	**4,730**
B.1 Purchases	4,000	—	4,000
B.2 Reversals of impairment losses	—	—	—
B.3 Fair value gains	—	—	—
B.4 Other increases	730	—	730
C. Decreases	4,000	—	**4,000**
C.1 Purchases	4,000	—	4,000
D. Closing balance	**730**		**730**

8. Property and equipment

8.1 Property and equipment: breakdown of assets measured at cost

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Owned			
a) land	17,218	17,135	13,209
b) buildings	53,685	55,877	41,686
c) furniture	1,159	1,038	1,509
d) electronic systems	81,334	81,950	52,986
e) other	2,796	907	425
Total	**156,193**	**156,907**	**109,816**

The Group does not have assets held under finance lease at the three reporting dates.

At 31 December 2016, "Buildings" include the assets acquired in 2015 when the Mercury Group was set up and remeasured due to completion of the purchase price allocation (PPA) procedure, net of depreciation for the year. Electronic equipment mainly consists of POS devices and ATM.

The 2017 increase for both these captions relates to the acquisition of Bassilichi.

The balance at 31 December 2018 is unchanged due to the new technological investments and new POS devices and ATMs which were just below the depreciation expense for the year.

No indications of impairment were identified for items of property and equipment.

8.2 Property and equipment: changes

31 December 2018	**Land €'000**	**Buildings €'000**	**Furniture €'000**	**Electronic systems €'000**	**Other €'000**	**Total €'000**
A. Opening balance	**17,135**	**55,877**	**1,038**	**81,951**	**907**	**156,907**
B. Increases						**48,349**
B.1 Purchases	—	52	631	39,865	53	40,600
B.2 Capitalised improvement costs	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
B.5 Exchange gains	—	—	—	—	—	—
B.6 Transfers from investment property	658	5,125	—	—	—	5,783
B.7 Other increases	—	—	—	—	1,965	1,965
C. Decreases					**—**	**49,067**
C.1 Sales	—	(1,240)	(386)	(2,054)	—	(3,681)
C.2 Depreciation	—	(3,408)	(123)	(38,046)	(128)	(41,706)
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	(574)	(2,173)	—	—	—	(2,747)
b) non-current assets held for sale and disposal groups	—	—	—	—	—	—
C.7 Other decreases		(548)	—	(382)	(3)	(933)
D. Closing balance	**17,218**	**53,685**	**1,159**	**81,334**	**2,796**	**156,193**

Acquisitions made during the year mainly refer to the electronic systems and, specifically, the POS devices and ATMs (€18.4 million and €1.4 million, respectively for the latter two).

31 December 2017	Land €'000	Buildings €'000	Furniture €'000	Electronic systems €'000	Other €'000	Total €'000
A. Opening balance	**13,209**	**41,686**	**1,509**	**52,986**	**425**	**109,816**
B. Increases						**—**
B.1 Purchases	—	25	707	40,312	621	41,665
B.2 Capitalised improvement costs	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
B.5 Exchange gains	—	—	—	—	—	—
B.6 Transfers from investment property	—	—	—	—	—	—
B.7 Other increases	—	20,060	—	14,669	4,486	39,125
C. Decreases						
C.1 Sales	—	—	(1,114)	(497)	—	(1,611)
C.2 Depreciation	—	(2,008)	(65)	(25,237)	(4,870)	(32,179)
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	—	—	—	—	—	—
b) non-current assets held for sale and disposal groups	—	—	—	—	—	—
C.7 Other decreases	—	—	—	—	—	—
D. Closing balance	**13,209**	**59,763**	**1,038**	**82,234**	**664**	**156,907**

Acquisitions made during the year mainly refer to the electronic systems and, specifically, the POS devices and ATMs (€26.4 million and €3.5 million, respectively for the latter two).

The "Other increases" refer to the inclusion of the assets of Bassilichi, acquired on 3 July 2017, as noted earlier.

31 December 2016	Land €'000	Buildings €'000	Furniture €'000	Electronic systems €'000	Other €'000	Total €'000
A. Opening balance	**13,209**	**28,790**	**1,506**	**37,747**	**359**	**81,612**
B. Increases						
B.1 Purchases	—	—	69	25,514	163	25,746
B.2 Capitalised improvement costs	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
B.5 Exchange gains	—	—	—	—	—	—
B.6 Transfers from investment property	—	—	—	—	—	—
B.7 Other increases	—	14,870	—	10,772	70	25,712
C. Decreases						
C.1 Sales	—	—	—	(2,529)	—	(2,529)
C.2 Depreciation	—	(1,974)	(66)	(18,518)	(167)	(20,725)
C.3 Impairment losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.4 Fair value losses recognised in:	—	—	—	—	—	—
a) equity	—	—	—	—	—	—
b) profit or loss	—	—	—	—	—	—
C.5 Exchange losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) investment property	—	—	—	—	—	—
b) non-current assets held for sale and disposal groups	—	—	—	—	—	—
C.7 Other decreases	—	—	—	—	—	—
D. Closing balance	**13,209**	**41,686**	**1,509**	**52,986**	**425**	**109,816**

Acquisitions made during the year mainly refer to the electronic systems and, specifically, the POS devices and ATMs (€19 million and €4.5 million, respectively for the latter two).

The "Other increases" refer to the inclusion of the assets of Mercury Payment Services acquired on 15 December 2016.

9. Investment property

9.1 Investment property*: breakdown of assets measured at cost*

31 December 2018	Carrying amount €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Owned	**3,151**	—	—	—
a) land	2,332	—	—	—
b) buildings	819	—	—	—
2. Leased	—	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
Total	**3,151**	—	—	—

31 December 2017	Carrying amount €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Owned	**6,206**	**—**	**—**	**—**
a) land	903	—	—	—
b) buildings	5,303	—	—	—
2. Leased	—	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
Total	**6,206**	**—**	**6,720**	**—**

31 December 2016	Carrying €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Owned	**6,495**	**—**	**—**	**—**
a) land	903	—	—	—
b) buildings	5,592	—	—	—
2. Leased	—	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
Total	**6,495**	**—**	**6,720**	**—**

At 31 December 2018, 2017 and 2016, the balances include the buildings and land held for investment purposes, the fair value of which was determined using an independent expert's appraisal.

Investment property is recognised in accordance with IAS 40 and includes buildings (both owned and held under finance lease) held to earn rentals or for capital appreciation.

Investment property is measured at cost, net of depreciation.

Its location is as follows:

- Via Selvamaggio, Colle di Val D'Elsa (SI) owned by Bassilichi S.p.A.;
- Strada delle Frigge, Moteriggioni (SI) owned by Bassilichi S.p.A.;
- Via Nazionale 3, San Giovanni al Natisone (UD), owned by HelpLine S.p.A.

The property owned by Bassilichi was classified in this category in 2018 after completion of the acquisition and integration process.

In 2018, Nexi Payments S.p.A. sold its property at Stada 1, Assago MilanoFiori (Milan), recognising a gain of €150 thousand.

At the three reporting dates (31 December 2018, 2017 and 2016), there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations or contractual commitments to purchase, build, develop, repair or maintain investment property.

9.2 Investment property: *changes*

	31 December 2018		31 December 2017		31 December 2016	
	Land €'000	Buildings €'000	Land €'000	Buildings €'000	Land €'000	Buildings €'000
A. Gross opening balance	**903**	**5,303**	**903**	**5,592**	**903**	**5,881**
A.1 Total net impairment losses	—	0	—	0	0	0
A.2 Net opening balance	903	5,303	903	5,592	903	5,881
B. Increases:	**574**	**2,173**	**—**	**—**	**—**	**—**
B.1 Purchases	—	—	—	—	—	—
B.2 Capitalised improvement costs	—	—	—	—	—	—
B.3 Reversals of impairment losses	—	—	—	—	—	—
B.4 Fair value gains	—	—	—	—	—	—
B.5 Exchange gains	—	—	—	—	—	—
B.6 Transfers from investment property	574	2,173	—	—	—	—
B.7 Other increases	—	—	—	—	—	—
C. Decreases:	**(658)**	**(5,144)**	**—**	**(289)**	**—**	**(289)**
C.1 Sales	—	—	—	—	—	—
C.2 Depreciation	—	(19)	—	(289)	—	(289)
C.3 Impairment losses	—	—	—	—	—	—
C.4 Fair value losses	—	—	—	—	—	—
C.5 Exchange losses	—	—	—	—	—	—
C.6 Transfers	(658)	(5,125)	—	—	—	—
C.7 Other decreases	—	—	—	—	—	—
D. Net closing balance	**819**	**2,332**	**903**	**5,303**	**903**	**5,592**
E. Cost	**3,780**		**6,720**		**6,720**	

10. Intangible assets

10.1 Intangible assets: breakdown

	31 December 2018		31 December 2017		31 December 2016	
	Finite life €'000	Indefinite life €'000	Finite life €'000	Indefinite life €'000	Finite life €'000	Indefinite life €'000
A.1 Goodwill	—	2,097,379	—	2,071,665	—	1,500,565
A.2 Intangible assets - Customer contracts	418,603		458,770	—	365,529	—
A.3 Other	152,311	—	77,202	—	40,364	—
Total	**570,914**	**2,097,379**	**535,972**	**2,071,665**	**405,893**	**1,500,565**

Goodwill at 31 December 2016 is due to the acquisition of the ICBPI Group by Mercury for the part allocated to the non-banking activities that were then transferred to Nexi after the Reorganisation. The balance is net of final PPA adjustments of €27.3 million. It includes goodwill of Mercury Payment Services, the acquisition of which was completed at the end of 2016, which amounted to €590.8 million after the PPA procedure.

The 2017 increase in goodwill is due to the acquisition of the merchant acquiring business from Monte dei Paschi di Siena S.p.A. and Deutsche Bank S.p.A. (€433.4 million) and Bassilichi S.p.A. (€137.7 million).

The 2018 increase in goodwill relates to the acquisition of the Carige Acquiring business (approximately €22 million) and Sparkling 18 (for the remainder).

Note 35 provides more information about the effects of the business combinations performed in the three years.

The other intangible assets include new software and technological upgrades for which the related investments have increased since 2016 in line with the new development plans finalised after Mercury's acquisition of the ICBPI Group at the end of 2015. The 31 December 2016 balance includes the effect of allocating part of the consideration for Mercury Payment Services (€366 million) to intangible assets with finite useful lives (customer contracts). Amortisation thereof started in 2017 given that the acquisition was finalised at the end of December 2016.

Upon completion of the PPA procedure for the MPS Acquiring and DB Acquiring businesses, the Group allocated €126.7 million to customer contracts at 31 December 2017 and recognised amortisation of €3 million for the second half of that year.

10.2 Intangible assets: changes

		Other intangible assets: purchases		Other intangible assets: other		
31 December 2018	**Goodwill €'000**	**Finite life €'000**	**Indefinite life €'000**	**Finite life €'000**	**Indefinite life €'000**	**Total €'000**
A. Opening balance	**2,071,665**	**458,770**	**—**	**77,202**	**—**	**2,607,637**
A.1 Total net impairment losses	—	—	—	—	—	—
A.2 Net opening balance	**2,071,665**	**458,770**	**—**	**77,202**	**—**	**2,607,637**
B. Increases	**25,714**	**—**	**—**	**109,483**	**—**	**135,197**
Purchases	—	—	—	109,031	—	109,031
Other increases	25,714	—	—	452	—	26,166
C. Decreases	**—**	**(40,167)**	**—**	**(34,374)**	**—**	**(74,541)**
Sales	—	—	—	(1,377)	—	(1,377)
Impairment losses	—	(40,167)	—	(32,997)	—	(73,164)
Other decreases	—	—	—	—	—	—
D. Net closing balance	**2,097,379**	**418,603**	**—**	**152,311**	**—**	**2,668,293**
D.1 Total net impairment losses	—	—	—	—	—	—
E. Gross closing balance	**2,097,379**	**418,603**	**—**	**152,311**	**—**	**2,668,293**

Goodwill increased as a result of the acquisitions of the Carige Acquiring business and Sparkling 18 (€25.7 million). During the year, the Group continued to invest in developing information platforms and systems for €109 million.

31 December 2017	Goodwill €'000	Other intangible assets: purchases Finite life €'000	Other intangible assets: purchases Indefinite life €'000	Other intangible assets: other Finite life €'000	Other intangible assets: other Indefinite life €'000	Total €'000
A. Opening balance	**1,500,565**	**365,529**	**—**	**40,363**	**—**	**1,906,457**
A.1 Total net impairment losses	—	—	—	—	—	—
A.2 Net opening balance	**1,500,565**	**365,529**	**—**	**40,363**	**—**	**1,906,457**
B. Increases	**571,100**	**126,687**	**—**	**59,478**	**—**	**757,265**
Purchases	—	—	—	40,469	—	40,469
Other increases	571,100	126,687	—	19,009	—	716,796
C. Decreases	**—**	**(33,446)**	**—**	**(22,639)**	**—**	**(56,085)**
Sales	—	—	—	—	—	—
Impairment losses	—	(33,446)	—	(22,639)	—	(56,085)
Other decreases	—	—	—	—	—	—
D. Net closing balance	**2,071,665**	**458,770**	**—**	**77,202**	**—**	**2,607,637**
D.1 Total net impairment losses	—	—	—	—	—	—
E. Gross closing balance	**2,071,665**	**458,770**	**—**	**77,202**	**—**	**2,607,637**

The 2017 increase reflects the acquisition of the DB Acquiring and MPS Acquiring businesses on 1 June and 1 July 2017, respectively, for which the Group classified €126.7 million under intangible assets with finite useful lives, and Bassilichi acquired on 3 July 2017.

31 December 2016	Goodwill €'000	Other intangible assets: purchases Finite life €'000	Other intangible assets: purchases Indefinite life €'000	Other intangible assets: other Finite life €'000	Other intangible assets: other Indefinite life €'000	Total €'000
A. Opening balance	**948,208**	**—**	**—**	**12,033**	**—**	**960,241**
A.1 Total net impairment losses	—	—	—	—	—	—
A.2 Net opening balance	**948,208**	**—**	**—**	**12,033**	**—**	**960,241**
B. Increases	**577,157**	**365,529**	**—**	**34,736**	**—**	**977,422**
Purchases	—	—	—	26,185	—	26,185
Other increases	577,157	365,529	—	8,551	—	951,237
C. Decreases	**(24,799)**	**—**	**—**	**(6,010)**	**—**	**(30,809)**
Sales	—	—	—	—	—	—
Impairment losses	—	—	—	(6,010)	—	(6,010)
Other decreases	(24,799)	—	—	—	—	(24,799)
D. Net closing balance	**1,500,566**	**365,529**	**—**	**40,759**	**—**	**1,906,854**
D.1 Total net impairment losses	—	—	—	(396)	—	(396)
E. Gross closing balance	**1,500,565**	**365,529**	**—**	**40,363**	**—**	**1,906,458**

The 2016 increase relates to completion of the PPA procedure for Mercury Payment Services on 15 December 2016, of which €590.8 million included in goodwill and €366 million under intangible assets with finite useful lives (customer contracts). The additional increase in goodwill is due to completion of the PPA procedure for the ICBPI Group.

10.3 Intangible assets: impairment test

31 December 2018

The Group tested just its intangible assets with indefinite useful lives arising from the allocation of the consideration paid for the business combinations for impairment, as no impairment indicators were identified for the other intangible assets with finite useful lives.

It performed this test on the following CGUs identifiable at the reporting date:

CGU	Goodwill	Intangible assets*
Monetica Nexi Payments	1,506,551	118,119
Mercury Payment Services	590,828	304,608
	2,097,379	**422,727**

* Assets with a finite useful life arising on acquisitions (customer contracts)

The allocation of goodwill to the above CGUs is in line with the CGUs identified by the ultimate parent, Mercury UK Holdco, for the purposes of its 2017 financial statements with just the following modifications:

- goodwill arising on the business combinations performed in 2017 (acquisition of the Bassilichi Group and the MPS Acquiring and DB Acquiring business units) referred to separate CGUs in Mercury UK's 2017 financial statements. In 2018 after integration of the acquired assets, this goodwill no longer refers to separate CGUs as they were merged into the Monetica Nexi Payments CGU;
- goodwill related to the Payments business unit, transferred by DepoBank to Nexi Payments as part of the Reorganisation in 2018, was included in the Payments CGU in 2017. Following the Reorganisation, this CGU was included in Nexi Payments in 2018.

The Group did not test the Outsourcing CGU for impairment as this asset is held for sale and, under IFRS 5, is measured at the lower of its carrying amount (including goodwill) and fair value less costs to sell.

The intangible assets with a finite useful life (customer contracts and customer relationships) arising from the PPA procedure applied to the acquisition of Mercury Payments Services and the MPS Acquiring and DB Acquiring business units, respectively, were also tested for impairment as they are included in the above CGUs.

The recoverable amount of a CGU is the higher of:

- fair value less costs to sell; and
- value in use.

The Group estimated value in use using the unlevered version of the discounted cash flow (DCF) method applied to its 2019-2023 business plan, approved by the parent's board of directors and from which the business plans for Nexi Payments and Mercury Payment Services were extracted.

The key parameters used to calculate the cost of capital and, hence, value in use, are as follows:

Cost of capital	
Risk-free rate at 31 December 2018	2.7%
Equity market risk premium	5.7%
Beta median	0.98%
Ke	8.3%
Kd (net of tax)	1.9%
WACC	7.1%
Growth rate	2.0%

The above parameters were calculated as follows:

- risk-free rate: gross return on the 10-year Italian government bonds (BTP) at 31 December 2018 (source: Info provider).

- Beta: a sample of comparables analysed every month for five years.
- equity market risk premium: in line with best professional valuation practice.

With respect to the CGUs' estimated terminal value:

- growth rate (g): 2.0%, in line with the ECB's objectives for the Eurozone's inflation rate;
- a prudent increase of 100 bps applied to the discount rate.

Fair value was determined using the market multiples method and, specifically, the EV/gross operating margin and EV/operating margin multiples for a sample of comparables.

The above impairment test showed that the carrying amounts are fully recoverable.

The Group performed a sensitivity analysis assuming an increase or decrease of 0.5% in the WACC and growth rate, which confirmed that no impairment took place in either scenario.

As a result of the Reorganisation and given Nexi's post-Reorganisation core business and the consequent non-applicability of the minimum capital requirements, the most appropriate impairment test method is the unlevered version of the discounted cash flow (DCF) method. Accordingly, the cash flows for the explicit period and the terminal value are discounted using the weighted average cost of capital (WACC), i.e., the weighted average cost of the entity's venture and debt capital.

31 December 2017

The Group tested its intangible assets with indefinite useful lives for impairment.

It performed this test on the following CGUs identifiable at the reporting date. Except for the changes to the scope of the Group and/or business, the test was in line with that carried out for 2016:

CGU	Goodwill (€000)
Nexi Payments	789,737
MPS and DB Acquiring	433,395
Payments - ICBPI business unit	120,000
Bassilichi - Triveneto	137,705
Mercury Payment Services	590,828
Goodwill	**2,071,665**
Intangible assets - Customer contracts	458,770
Outsourcing CGU held for sale	27,759
	2,558,194

Goodwill recognised at 31 December 2017 (€2,071,665 thousand) includes that allocated to Mercury Payment Services after completion of the PPA procedure and the businesses acquired during the year. Goodwill allocated to Oasi (€27,759 thousand) has been reclassified as an asset held for sale but was originally included in the impairment test.

The recoverable amount of a CGU is the higher of:

- fair value less costs to sell; and
- value in use ("VIU").

The Group estimated value in use using the excess capital version of the dividend discount model, based on its 2017-2021 business plan, approved by the parent's board of directors on 9 February 2017. The pro forma version of the business plan was used to consider the revisions approved by the board of directors, the changes in the consolidation scope and adjustments to the 2018 budget.

Fair value was determined using the market multiples method, i.e., the median of the multiples of a basket of comparables.

The key parameters used to calculate the cost of capital and, hence, value in use, are as follows:

Cost of capital - Ke	Cards MPS/DB/ Bassilichi	Carve-out CGUs Payments	Outsourcing	Carve-out
Risk-free rate at 31 December 2017	1.97%	1.97%	1.97%	1.97%
Beta	1.12	1.15	0.96	1.12
Equity market risk premium	5.50%	5.50%	5.50%	5.50%
Cost of capital	**8.15%**	**8.32%**	**7.24%**	**8.60%**

The above parameters were calculated as follows:

- risk-free rate: gross return on the 10-year Italian government bonds (BTP) at 31 December 2017 (source: Info provider).
- beta used for consolidated DDM: weighted average of the betas of the comparables identified for each CGU;
- equity market risk premium: in line with best professional valuation practice.

With respect to the CGUs' estimated terminal value:

- growth rate (g): 2.0%, in line with the ECB's objectives for the Eurozone's inflation rate;
- A prudent increase of 100 bps applied to the discount rate.

The dividends distributable during the explicit period and for terminal value calculation have been determined assuming compliance with the minimum requirements established by Bank of Italy. They are calculated using the Nexi Group's consolidation scope.

The tests did not identify any impairment indicators at 31 December 2017.

31 December 2016

The Group tested its intangible assets with indefinite useful lives for impairment.

It tested the following CGUs:

CGU	Goodwill (€'000)
Nexi Payments	789,737
Payments—ICBPI business unit	120,000
Goodwill	**909,737**
Outsourcing CGU held for sale	27,759
	937,496

At 31 December 2016, goodwill of €937,496 thousand arose on the acquisition of ICBPI in December 2015 (and especially the cards and payment services businesses) for which the PPA procedure was completed in December 2016. The balance includes €27,759 thousand related to Oasi, now classified as an asset held for sale which had been tested for impairment.

Goodwill of €590,828 thousand recognised on the acquisition of Mercury Payment Services in December 2016 (€835,477 thousand, including the amount allocated to assets with a finite useful life) was tested for impairment for the first time at 31 December 2017, given that the acquisition took place near the end of the year.

The recoverable amount of a CGU is the higher of:

- fair value less costs to sell; and
- value in use ("VIU").

Fair value was determined using the market multiples method, i.e., the median of the multiples of a basket of comparables.

The key parameters used to calculate the cost of capital and, hence, value in use, are as follows:

	Carve-out CGUs			
Cost of capital—Ke	**Cards**	**Payments**	**Outsourcing**	**Carve-out**
Risk-free rate at 31 December 2016	1.82%	1.82%	1.82%	1.82%
Beta	1.13	1.12	0.91	1.13
Equity market risk premium	6.02%	6.02%	6.02%	6.02%
Market risk premium	6.82%	6.73%	5.46%	6.78%
Cost of capital	**8.63%**	**8.55%**	**7.27%**	**8.60%**

The above parameters were calculated as follows:

- risk-free rate: gross return on the 10-year Italian government bonds (BTP) at 31 December 2017 (source: Info provider).
- beta used for consolidated DDM: weighted average of the betas of the comparables identified for each CGU;
- Equity market risk premium: ERP for Italy– December 2016 (source: ERP by months – A. Damodaran).

With respect to the CGUs' estimated terminal value:

- growth rate (g): 2.0%, in line with the ECB's objectives for the Eurozone's inflation rate;
- a prudent increase of 100 bps applied to the discount rate.

The dividends distributable during the explicit period and for terminal value calculation have been determined assuming compliance with the minimum requirements established by Bank of Italy.

The tests did not identify any impairment indicators at 31 December 2016.

11. Tax asset and liabilities

11.1 Current tax asset and liabilities

At 31 December 2018 and 2017, the Group has current tax assets of €29,299 thousand and €27,972 thousand, respectively, and IRES and IRAP current tax liabilities of €31,124 thousand and €3,182 thousand, respectively.

At 31 December 2016, current tax assets amount to €23,162 thousand and current tax liabilities to €16,926 thousand (for IRES and IRAP).

11.2 Deferred tax assets: breakdown

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Deferred tax assets			
- of which: recognised in net investment	1,299	435	435
- of which: recognised in profit or loss	32,275	25,679	22,478
Total	**33,574**	**26,114**	**22,913**

Deferred tax assets recognised in equity mainly relate to fair value gains and losses on the Group's derivatives.

Deferred tax assets recognised in profit or loss mostly refer to impairment losses on loans and receivables, temporary differences relating to goodwill and the FTA of IFRS 15 (described in the related note).

11.3 Deferred tax liabilities: breakdown

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Deferred tax liabilities			
- of which: recognised in net investment (equity at 31 December 2018)	3,439	2,267	306
- of which: recognised in profit or loss	27,896	18,623	8,331
- of which: *recognised in profit or loss due to elimination of the equity investments*	100,734	109,824	120,881
Total	**132,070**	**130,715**	**129,517**

The Italian group companies pay IRES (corporate income tax) and IRAP (regional production tax).

Deferred tax liabilities mostly refer to the fair value changes in the Visa shares and the FTA of IFRS 15.

Deferred tax liabilities recognised in profit or loss due to the elimination of equity investments refer to the elimination of the investment in Mercury Payment Services and allocation of part of the consideration to intangible assets with a finite useful life. The decrease in 2018 is due to depreciation of these items of property and equipment.

11.4 Changes in deferred tax assets (recognised in profit or loss)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Opening balance	**25,679**	**22,478**	**21,423**
2. Increases	**12,267**	**6,376**	**4,677**
2.1 Deferred tax assets recognised in the year	11,285	5,568	2,770
2.2 New taxes or increases in tax rates	—	—	—
2.3 Other increases	982	808	1,907
3. Decreases	**(5,670)**	**(3,175)**	**(3,622)**
3.1 Deferred tax assets derecognised in the year	(5,670)	(3,175)	(3,622)
3.2 Decrease in tax rates	—	—	—
3.3 Other decreases	—	—	—
4. Closing balance	**32,275**	**25,679**	**22,478**

11.5 Changes in deferred tax liabilities (recognised in profit or loss)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Opening balance	**128,447**	**129,212**	**9,079**
2. Increases	**13,100**	**10,386**	**121,003**
2.1 Deferred tax liabilities recognised in the year	13,100	10,386	122
2.2 New taxes or increases in tax rates	—	—	—
2.3 Other increases	—	—	120,881
3. Decreases	**(12,916)**	**(11,152)**	**(870)**
3.1 Deferred tax liabilities derecognised in the year	(867)	(91)	(117)
3.2 Decrease in tax rates	—	—	—
3.3 Other decreases	(12,049)	(11,061)	(753)
4. Closing balance	**128,630**	**128,447**	**129,212**

In 2016, the other increases relate to the part of the transaction price for the Mercury Payment Services acquisition allocated to intangible assets with a finite useful life. The other decreases in 2017 refer to the reversal of the deferred tax liabilities recognised on the first portion of amortisation of these intangible assets. In 2018, the other decreases include the reversal of the deferred tax liabilities on the entire year's amortisation of the intangible assets with a finite useful life (the customer contracts of the MPS Acquiring and DB Acquiring businesses).

The increases recognised in 2018 relate to the fiscally-driven amortisation of the portfolios of MPS Acquiring and DB Acquiring.

11.6 Changes in deferred tax assets (recognised in net investment, equity at 31 December 2018)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Opening balance	**435**	**435**	**305**
2. Increases	**865**	**—**	**130**
2.1 Deferred tax assets recognised in the year	—	—	—
2.2 New taxes or increases in tax rates	—	—	—
2.3 Other increases	865	—	130
3. Decreases	(1)	—	—
3.1 Deferred tax assets derecognised in the year	(1)	—	—
3.2 Decrease in tax rates	—	—	—
3.3 Other decreases	—	—	—
4. Closing balance	**1,299**	**435**	**435**

11.7 Changes in deferred tax liabilities (recognised in net investment, equity at 31 December 2018)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Opening balance	**2,267**	**306**	**13,936**
2. Increases	**1,172**	**1,961**	**295**
2.1 Deferred tax liabilities recognised in the year	1,172	1,961	295
2.2 New taxes or increases in tax rates	—	—	—
2.3 Other increases	—	—	—
3. Decreases	**—**	**—**	**13,925**
3.1 Deferred tax liabilities derecognised in the year	—	—	13,925
3.2 Decrease in tax rates	—	—	—
3.3 Other decreases	—	—	—
4. Closing balance	**3,439**	**2,267**	**306**

12. Non-current assets held for sale and disposal groups and liabilities associated with disposal groups

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
A. Assets held for sale			
A.1 Financial assets	6,149	6,049	409
A.2 Property and equipment	449	296	212
A.3 Intangible assets	37,615	38,580	35,058
A.4 Other assets	36,285	21,146	18,205
Total (A)	**80,498**	**66,071**	**53,884**
of which: measured at cost	*80,498*	*66,071*	*53,884*
of which: measured at fair value level 1			
of which: measured at fair value level 2			
of which: measured at fair value level 3			
B. Liabilities associated with disposal groups			
B.1 Other liabilities	39,069	22,937	11,845
Total (B)	**39,069**	**22,937**	**11,845**
of which: measured at cost	*39,069*	*22,937*	*11,845*
of which: measured at fair value level 1			
of which: measured at fair value level 2			
of which: measured at fair value level 3			

This caption includes assets and liabilities of Oasi (for 2018, 2017 and 2016), Moneynet and Bassmart (for 2018 and 2017) and Paycare (for 2018) for which the disposal process commenced in 2018. The intangible assets include goodwill allocated to Oasi in 2015 as part of the PPA procedure for the ICPBI Group. The Group tested this goodwill for impairment in 2017 and 2016 (as described earlier) and no indications of impairment were identified. The non-current assets held for sale are not impaired as their expected disposal price, calculated using the closing conditions, is higher than their carrying amount. Impairment losses of €6.1 million are recognised for Bassmart, Moneynet and Paycare in line with their expected disposal price.

13. Other assets

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Tax assets	51,905	58,107	56,966
Fees and commissions to be collected	191,225	148,883	111,034
Credit card transactions	58,098	57,333	59,236
Other assets	104,477	75,431	36,029
Total	**405,705**	**339,754**	**263,266**

Liabilities

14. Financial liabilities at amortised cost

14.1 Due to banks (breakdown by product)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Due to DepoBank(ICBPI)	—	1,722,846	1,120,752
2. Due to banks	792,896	769,710	738,023
2.1. Financing	266,476	387,228	313,842
2.2 Other liabilities	526,420	382,482	424,181
Total	**792,896**	**2,492,556**	**1,858,775**
Fair value - Level 1	—	—	—
Fair value - Level 2	792,896	2,492,556	1,858,775
Fair value - Level 3	—	—	—
Total fair value	**792,896**	**2,492,556**	**1,858,775**

"Due to DepoBank (ICBPI)" shows the funding obtained from DepoBank to finance the Group's operations and mainly refers to the credit card business. This funding was in place until 1 July 2018 when the Reorganisation was completed and after which Nexi Payments changed its operating funding policy to include new facilities such as the recourse and non-recourse factoring facilities for ordinary credit cards (described earlier) and the bilateral facilities provided by other banks. This policy is the reasons for the decrease in the exposure with DepoBank and the concurrent increase in liabilities with banks during 2018. Nexi Payments self-financed the acquisition of the two MPS Acquiring and DB Acquiring businesses in 2017 and, therefore, did not require injections from its shareholders. Therefore, its operations were funded by increasing utilisation of the credit facilities from DepoBank.

The caption "Due to banks – financing" includes the bilateral facilities for the revolving cards and the current account overruns of Mercury Payment Services on the bilateral facility provided by Intesa Sanpaolo S.p.A. in 2018, 2017 and 2016. These accounts are connected to the positive balances of the current accounts also held with Intesa Sanpaolo S.p.A. recognised as "Loans and receivables with banks" (see note 6).

"Other liabilities" include the facilities used to settle the Acquiring services and the residual part of the Direct Issuing business not covered by the factoring facilities. They also comprise Bassilichi's credit facilities of €35.2 million and €57.6 million in 2018 and 2017, respectively.

14.2 Due to customers (breakdown by product)

31 December 2018	Carrying amount €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Financing	—	—	—	—
2. Factoring	301,535	—	301,535	—
3. Other liabilities	52,714	—	52,714	—
Total	**354,249**	**—**	**354,249**	**—**

31 December 2017	Carrying amount €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Financing	656	—	656	—
2. Other liabilities	112,835	—	112,835	—
Total	**113,491**	**—**	**113,491**	**—**

31 December 2016	Carrying amount €'000	Fair value Level 1 €'000	Fair value Level 2 €'000	Fair value Level 3 €'000
1. Financing	14,942	—	14,942	—
2. Other liabilities	83,338	—	83,338	—
Total	**98,280**	**—**	**98,280**	**—**

"Financing" mainly refers to the liability with the international circuits and their correspondent legal entities (i.e., members) related to Nexi Payments (€656 thousand at 31 December 2017) and Mercury Payment Services (€14,942 thousand at 31 December 2016). The caption also comprises, solely at 31 December 2016, €10,000 thousand of an annual loan agreement between Latino Italy S.r.l. and Mercury Processing Service D.o.o..

Starting from 2018, the caption includes amounts due to Unicredit Factoring, of which €192.5 million for the recourse factoring of receivables for ordinary credit cards while the balance refers to the daily bridge facility for card transactions on the last day of the year.

"Other liabilities" include amounts due to banks.

14.3 Securities issued

At 31 December 2018, this caption of €2,569,689 thousand refers to two bond issues with a nominal amount of €2,600,000 thousand, which were issued as part of the Group's Reorganisation.

The bonds' carrying amount includes transaction costs of approximately €43 million and the effect of amortised cost accounting. Their fair value (level 2) is €2,582,285 thousand at 31 December 2018.

The main terms and conditions of the bonds are summarised below:

- *Total amount of listed bonds:* €2,200 million, including €825 million at a fixed rate and €1,375 million at a variable rate;
- *Total amount of bonds placed with private investors*: €400 million;
- *Redemption date of the fixed rate listed bonds*: 1 November 2023;
- *Redemption date of the variable rate listed bonds*: 1 May 2023;
- *Redemption date of the privately placed bonds*: 2 July 2024;

- *Interest rate of fixed rate bonds*: 4.125% pa;
- *Interest rate of variable rate bonds*: 3M EURIBOR (0% floor) plus 3.625% pa;
- *Interest rate on privately placed bonds*: 3M EURIBOR (0% floor) plus 3.625% pa;
- *Interest payment dates for the fixed rate bonds*: every six months on 30 November and 31 May, starting from 30 November 2018;
- *interest payment dates for the variable rate bonds:* every three months on 31 August, 30 November, 28 February and 31 May, starting from 31 August 2018;
- *interest payment dates for the privately placed bonds*: every three months on 31 August, 30 November, 28 February and 31 May, starting from 31 August 2018.

The bonds have limitations that, except in certain specific circumstances, prevent the Issuer and some of its subsidiaries from, inter alia: (i) performing extraordinary transactions; (ii) taking on additional debt; (iii) making certain payments, including restrictions to dividend payouts and the granting of financing to third parties; and (iv) transferring, selling or lending shares of the Issuer's subsidiaries or transferring, selling or leasing assets of the Issuer and certain of its subsidiaries.

The Issuer is also required to comply with certain conditions in the event of a change of control and to provide regular annual and quarterly reports as well as reports on special events.

The bonds are secured by collateral including:

- a pledge on the Issuer's shares held by Mercury (93.21% of the Issuer's share capital);
- a pledge on all the Issuer's significant accounts;
- a pledge on the Nexi Payments shares held by the Issuer (98.84% of the subsidiary's share capital) which constitute the Issuer's entire investment in Nexi Payments, without prejudice to the Issuer's obligation to buy additional shares and pledge them;
- a pledge on the Mercury Payment Services shares held by the Issuer (100% of the subsidiary's share capital).

Specifically, the bonds' terms and conditions are set out in two identical contracts drawn up under the laws of the state of New York ("indentures", and separately the "indenture") dated 18 May 2018 (for the listed bonds) and 2 July 2018 (for the privately placed bonds).

These indentures limit the ability of the issuer and its subsidiaries subject to restrictions to distribute dividends to their shareholders.

Dividends can only be distributed in line with the provisions for payments subject to restrictions set out in the indentures, i.e., when the related conditions are met and they qualify as authorised payments without prejudice to the fact that, except for that provided for in the indentures, no other limitation or restriction on the payment of dividends (and transfer of assets and goods) by the subsidiaries subject to restrictions to Nexi S.p.A. can be applied.

15. Financial liabilities held for trading

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Financial derivatives	3,154	1,051	—
Total	**3,154**	**1,051**	**—**
Fair value - level 1	3,154	**1,051**	**—**
Fair value - level 2		—	—
Fair value - level 3		—	—
Total fair value	3,154	**1,051**	**—**

The caption includes the derivative agreed during the year and not included in the hedging relationship for the Visa Inc. shares in portfolio.

16. Hedging derivatives

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Hedging derivatives	**16,557**	5,520	—
Total	16,557	**5,520**	—
Fair value - level 1	16,557	5,520	—
Fair value - level 2	—	—	—
Fair value - level 3	—	—	—
Total fair value	16,557	**5,520**	—

At 31 December 2016, there are no hedging derivatives.

As already described in note 5.2, "Financial assets at fair value through other comprehensive income" include series C Visa shares, convertible into series A Visa shares using a variable conversion factor depending on the cost of the contingent liabilities of the former Visa Europe. In order to hedge both currency and price risks, the Group agreed a zero cost collar with a Euro strike price and the series A Visa shares as the underlying. At 31 December 2017, 84% of the derivative qualifies for hedge accounting using the conversion factor for the series C Visa shares.

17. Other liabilities

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Tax liabilities	15,325	15,376	2,186
Due to employees	53,587	46,839	20,240
Other liabilities for fees and commissions to be paid	265,375	255,096	168,482
Unsettled transactions	256,614	245,120	154,475
Other liabilities	74,153	103,561	74,142
Deferred loyalty fees	49,554	53,625	53,936
Prepaid cards unsettled transactions	1,766	888	923
Total	**716,375**	**720,504**	**474,384**

18. Post-employment benefits

18.1 Post-employment benefits: changes

Italian law provides that, upon termination of employment, Italian employees are entitled to post-employment benefits based on their annual salary and the inflation rate.

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
A. Opening balance	**17,995**	**15,786**	**14,865**
B. Increases	**2,057**	**4,245**	**1,879**
B.1 Accruals	2057	143	139
B.2 Other increases	—	4,103	1,740
- *Business combinations*	—	4,103	1,629
- *Other increases*	—	—	111
C. Decreases	**(5,968)**	**(2,036)**	**(958)**
C.1 Payments	(1,873)	(1,929)	(522)
C.2 Other decreases	—	(108)	(436)
- *Business combinations*	—	—	—
- *Other decreases*	(4,095)	(108)	(436)
D. Closing balance	**14,084**	**17,995**	**15,786**

The 2017 and 2016 increases reflect the acquisitions of the Mercury Payment Services and Bassilichi businesses in 2016 and 2017, respectively. The decrease in 2018 is mainly a result of the exclusion of the Bassilichi Business Services business unit from the consolidation scope.

18.2 Other information

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2018

The liability amounts to €14,084 thousand, €17,955 thousand and €15,786 thousand at 31 December 2018, 2017 and 2016, respectively.

As required by IAS 19, the Group carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions.

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2018

Mortality among aged pensioners	Rate for the Italian population broken down by age and gender shown in the RG48 mortality tables published by the State General Accounting Office
Mortality among total and permanent disability pensioners	Rate inferred from the INPS invalidity tables, broken down by age and gender
Annual advances rate	3.03%
Annual turnover	0.84%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	1.50%
Annual discount rate	1.57% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees

Sensitivity analysis

As required by IAS 19, the Group carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease.

€'000		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Change in actuarial assumptions:			
- Discount rate:			
	-0.50%	473	5.61%
	0.50%	(440)	-5.21%
- Employee turnover			
	-0.50%	20	0.23%
	0.50%	(19)	-0.22%

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2017

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2017	
Mortality among aged pensioners	Rate for the Italian population broken down by age and gender recorded by ISTAT in 2006 and decreased by 25%
Mortality among total and permanent disability pensioners	Rate inferred from the invalidity tables currrently used in the reinsurance sector, broken down by age and gender
Annual advances rate	1.72%
Annual turnover	1.65%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	1.50%
Annual discount rate	1.57% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees

Sensitivity analysis

As required by IAS 19, the Group carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease:

€'000		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Change in actuarial assumptions:			
- Discount rate:			
	-0.50%	1,397	6.11%
	0.50%	(1,284)	-5.62%

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2016

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2016	
Mortality among aged pensioners	Rate for the Italian population broken down by age and gender recorded by ISTAT in 2000 and decreased by 25%
Mortality among total and permanent disability pensioners	Rate inferred from the invalidity tables currrently used in the reinsurance sector, broken down by age and gender
Annual advances rate	1.87%
Annual turnover	2.50%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	1.50%
Annual discount rate	1.31% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees

Sensitivity analysis

As required by IAS 19, the Group carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease:

€'000		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Change in actuarial assumptions:			
- Discount rate:			
	-0.50%	1,181	5.73%
	0.50%	(1,102)	-5.35%
- Employee turnover			
	-0.50%	71	0.34%
	0.50%	(81)	-0.39%

19. Provisions for risks and charges

19.1 Provisions for risks and charges: breakdown

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
1. Internal pension funds	—	6	—
2. Other provisions for risks and charges	46,552	33,121	17,329
2.1 Legal and tax disputes	4,245	3,506	4,126
2.2 Employees	2,804	5,630	3,726
2.3 Other	39,503	23,986	9,477
Total	**46,552**	**33,127**	**17,329**

Caption 2.1 "Legal and tax disputes" refers to disputes with agents and claims and complaints received from customers.

Caption 2.2 "Employees" includes the best estimate of the incentives and bonuses to be paid to employees.

Caption 2.3 "Other" mainly consists of accruals for various charges, such as the provision for the risk of irregular completed transaction losses and fraudulent transactions calculated using a statistical approach. The caption also includes accruals for disputes commenced by cardholders and operators and for future contractual obligations. The 2017 increase is mainly due to the Bassilichi acquisition related to its liabilities.

Note 30 provides information on the increases in 2018.

19.2 Provisions for risks and charges: changes

	31 December 2018			31 December 2017			31 December 2016		
	Internal pension funds €'000	Other provisions €'000	Total €'000	Internal pension funds €'000	Other provisions €'000	Total €'000	Internal pension funds €'000	Other provision €'000	Total €'000
A. Opening balance	**6**	**33,121**	**33,127**	**—**	**17,329**	**17,329**	**—**	**16,216**	**16,216**
B. Increases	—	33,531	33,531	6	20,885	20,891	—	9,583	9,583
C. Decreases	(6)	(20,100)	(20,106)	—	(5,093)	(5,093)	—	(8,470)	(8,470)
D. Closing balance	**—**	**46,552**	**46,552**	**6**	**33,121**	**33,127**	**—**	**17,329**	**17,329**

The main increase for 2017 is due to the inclusion of the provision for risks and charges set by by Bassilichi S.p.A. before its acquisition.

20. Net investment (equity at 31 December 2018)

	31 December 2018 €'000	31 December 2017 €'000	31 December 2016 €'000
Net investment (Equity at 31 December 2018)	464,372	3,014,226	2,683,279
Net investment attributable to non-controlling interests (Equity at 31 December 2018)	6,516	5,577	13,869
Total	**470,888**	**3,019,803**	**2,697,148**

In 2016, the net investment included a capital injection used for:

- the acquisition of Mercury Payment Services (€1,006 million);
- payment of the outstanding part of the consideration for the ICPBI Group (including a price adjustment of €27.3 million);
- the acquisition of non-controlling interests in Cartasì (now Nexi Payments) net of dividends paid.

The increase at 31 December 2017 is due to the capital injection of €113 million after the sale of Mercury Processing D.o.o and utilisation of part of the capital increase of the Mercury Group for the Bassilichi acquisition.

The decrease seen in 2018 is a result of the following events:

- the non-recurring dividend distribution of €2,203.7 million as a capital repayment, including €2,053 million to Mercury UK and €150 million to Nexi's non-controlling investors;
- the ordinary dividend distribution of €56 million to Mercury UK;
- completion of the Reorganisation, which entailed in particular:
    - o inclusion of a loan liability of €380 million with Mercury UK as part of the spin-off from DepoBank to Nexi, with the resulting transfer to Nexi of a smaller share of equity of the Mercury Group previously included in the carve-out scope;
    - o non-inclusion of the loss of €14.8 million for the first six months of the year in the DepoBank business unit, which remained with the transferor;

- restatement of the opening balances due to first-time adoption of IFRS 9 and IFRS 15 for (€4.2 million).

At 31 December 2018, the net investment in the carve-out consolidated financial statements matches the Nexi Group's equity, which comprises the following captions:

Equity captions	**31 December 2018**
Share capital	€50 million
Share premium	€389.3 million
Consolidation reserve	-€47.7 million
Valuation reserves	€36.9 million
Equity attributable to non-controlling interests	€6.5 million
Profit for the year	€6.9 million
Total	**€470.9 million**

The above profit for the year does not match that shown in the carve-out consolidated financial statements as the former only includes the profits or losses of the Nexi Group entities starting from the Reorganisation's completion date. However, the profit for the first six months of the year in the carve-out consolidated financial statements is included in the consolidation reserve as, apart from the DepoBank business unit, this profit was attributable in full to the Group.

21. NOTES TO THE INCOME STATEMENT

22. Fee and commission income and fees for services

	2018	**2017**	**2016**
	€'000	**€'000**	**€'000**
Nexi Payments - Issuing&Acquiring	1,074,128	854,750	758,036
Nexi Payments - Servicing	87,668	111,245	112,477
Nexi Payments - Processing and other service revenue	101,869	166,574	155,244
Mercury Payments - Issuing&Acquiring	173,530	154,953	—
Bassilichi Payments - revenue	84,804	74,673	—
Help Line services - revenue	6,375	6,395	6,124
Other Payments - Servicing	46,795	43,463	42,691
Other revenue	705	4,954	4,171
Total	**1,575,874**	**1,417,007**	**1,078,743**

The increase in 2017 in "Nexi Payments - Issuing&Acquiring" mainly relates to the contribution of the MPS Acquiring and DB Acquiring businesses. Moreover, the other increases in 2017 are due to the contribution of Mercury Payment Services for the entire year and of Bassilichi for a part of the year.

In 2017, the caption includes €3,304 thousand for the Bassilichi Group's foreign operations that were sold and are no longer part of the scope in 2018 (Bassilichi CEE, Bassilichi Podgorica, Arsblue and Banja Luka) and €22,011 thousand for 2018 and €20,564 thousand for 2017 for revenue of the Bassilichi Business Services business unit, which was sold on 28 June 2018. In 2018, the contribution of the Bassilichi Group's foreign operations was not significant and, therefore, it was included in the "Net gains on equity investments and sales of investments".

The balances include non-recurring expense of €2.6 million in 2018 for a one-off commercial discount agreed to a relevant client and €3 million in 2017, mainly due to trade discounts on payment services given by Bassilichi to Monte dei Paschi di Siena.

23. Fee and commission expense and cost of services

	2018	2017	2016
	€'000	€'000	€'000
Nexi Payments - bank fees and commissions	616,570	580,749	559,291
- fees and commissions to partners	412,747	366,408	310,130
- fees and commissions to banks	203,823	214,342	249,161
Other fee and commission expense	4,313	1,725	27
Total	**620,882**	**582,474**	**559,317**

Fee and commission expense reflect the rising risk trend. Fees and commissions paid to banks decreased in 2018 following the exclusion of the former Veneto banks' portfolios sold to Intesa Sanpaolo.

The 2018 balance includes non-recurring structuring fees of €1.3 million.

24. Interest and similar income

	2018	2017	2016
	€'000	€'000	€'000
Loans and receivables with banks and financial institutions	135	379	1
Loans and receivables with customers	19,864	21,410	23,481
Other assets and financing	36,115	289	797
Total	**56,114**	**22,078**	**24,279**

Interest income on loans and receivables with customers mainly relates to the revolving credit card business. The 2018 increase in "Other assets and financing" is chiefly a result of the interest of €36,031 thousand accrued on the bridge loan of €2,018 million granted by Nexi to Mercury UK as an advance on the liquidity collected on the bond issues while the non-recurring dividend payout was finalised (it took place on 20 December 2018).

Interest income recognised in 2017 on the Bassilichi Group's foreign operations (which were sold in 2018) amounts to €135 thousand. Its contribution in 2018 was not significant and, therefore, it was included in "Net gains on equity investments and sales of investments".

25. Interest and similar expense

	2018	2017	2016
	€'000	€'000	€'000
Financial liabilities at amortised cost - due to banks	33,372	37,652	31,723
Financial liabilities at amortised cost - recourse factoring	495	—	—
Financial liabilities at amortised cost - securities issued	65,006	—	—
Other liabilities and provisions	216	2	—
Total	**99,088**	**37,654**	**31,723**

In 2017 and 2016, interest expense refers to the facilities provided to Nexi Payments by ICBPI for its ordinary activities and, specifically for the revolving credit card business, by the partner banks. The higher interest expense in 2017 is due to the greater use of the ICBPI facilities after acquisition of the MPS Acquiring and DB Acquiring businesses by Nexi Payments which it self-financed. Interest expense in 2017 related to the Bassilichi Group's foreign operations (sold in 2018) amounts to €143 thousand and was insignificant in 2018 when it was recognised as "Net gains on equity investments and sales of investments":

The increase in 2018 is mostly due to the interest accrued on the bonds issued on 1 July 2018, including the effect of amortised cost accounting of €5,151 thousand.

The decrease in interest paid to banks is a result of the change in the funding models (funding was mostly provided by ICBPI-DepoBank up until 30 June 2018), already described in the notes to the statement of financial position assets with respect to the Reorganisation. This reduction is offset by new recourse factoring costs and the cost of non-recourse factoring financial assets at fair value through other comprehensive income (note 26).

26. Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss

	2018 €'000	2017 €'000	2016 €'000
Net trading expense	(2,293)	(1,520)	(560)
Net hedging income (expense)	—	999	—
Total	**(2,293)**	**(521)**	**(560)**

26.1 Net trading income (expense): breakdown

	2018			2017			2016		
	Trading income	Trading losses	Net trading losses	Trading gains	Trading losses	Net trading losses	Trading gains	Trading losses	Net trading losses
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets held for trading - debt instruments	—	(10)	(10)	84	—	84	—	—	—
Financial assets and financial liabilities: exchange differences	6,971	7,350	(379)	5,236	5,788	(553)	4,338	4,898	(560)
Financial derivatives	198	2,102	(1,904)	—	1,051	(1,051)	—	—	—
Total	**7,169**	**9,442**	**(2,293)**	**5,320**	**6,840**	**(1,520)**	**4,338**	**4,898**	**(560)**

26.2 Net hedging income: breakdown

	2018 €'000	2017 €'000	2016 €'000
Gains on fair value hedges	0	999	—
Total	**0**	**999**	**—**

The 2017 balance shows the gains on the derivatives hedging the Visa Inc. preferred shares (described in the notes to the statement of financial position).

27. Dividends and gains/losses on investments and sale of financial assets at fair value through other comprehensive income

	2018 €'000	2017 €'000	2016 €'000
Financial assets held for trading	—	—	300
Other financial assets mandatorily measured at fair value	11	18	4
Financial assets at fair value through other comprehensive income	—	248	112
Equity investments	426	34	—
Non-recourse factoring costs	(5,626)	—	—
Total	**(5,188)**	**300**	**417**

The "Non-recourse factoring costs" relate to part of the receivables for ordinary credit cards which are factored without recourse as part of the new funding model adopted with the Reorganisation, as already disclosed in note 6.2 on Loans and receivables with customers.

28. Administrative expenses

28.1 Personnel expense: breakdown

	2018 €'000	2017 €'000	2016 €'000
1) Employees			
a) wages and salaries	119,681	136,865	73,784
b) social security charges	31,605	27,087	18,507
c) post-employment benefits	4,086	2,250	550
d) pension and similar costs	32	99	47
e) accrual for post-employment benefits	2,057	257	179
f) pension and similar provisions:	—	—	—
— *defined contribution plans*	—	—	—
— *defined benefit plans*	—	—	—
g) payments to external supplementary pension funds:	5,619	4,816	5,812
— *defined contribution plans*	5,619	4,816	5,812
— *defined benefit plans*	—	—	—
h) costs of share-based payment plans	—	—	—
i) other employee benefits	13,998	11,946	3,991
2) Other personnel	1,762	234	851
Total	**178,840**	**183,553**	**103,720**

The 2017 increase in wages and salaries is mostly due to the personnel expenses recognised after the acquisition of Bassilichi and higher non-recurring costs. It also includes non-recurring costs (chiefly for the Reorganisation) of €50.8 million and €15.9 million in 2017 and 2016, respectively. The new acquisitions of 2018 did not have a significant effect on the caption, which only shows a slight increase and includes non-recurring items of €20.8 million, mostly due to the restructuring costs of the former Bassilichi companies and one-off incentives paid as part of the Reorganisation.

In 2017, the caption includes €849 thousand for the Bassilichi Group's foreign operations that were sold in 2018 (Bassilichi CEE, Bassilichi Podgorica, Arsblue and Banja Luka), €4,640 thousand for 2018 and €5,152 thousand for 2017 for revenue of the Bassilichi Business Services business unit, which was sold on 28 June 2018. In 2018, the contribution of the Bassilichi Group's foreign operations was not significant and, therefore, it was included in the "Net gains on equity investments and sales of investments".

28.2 Other administrative expenses: breakdown

	2018 €'000	2017 €'000	2016 €'000
1. Third party services	308,202	250,098	178,175
2. Leases and building management costs	6,255	3,920	3,110
3. Insurance	1,856	1,814	1,350
4. Leases and maintenance	45,780	32,080	29,368
5. Transport costs	19,230	19,726	21,988
6. Telephone and telegraph	7,954	5,163	4,877
7. Other taxes and duties	60,807	68,940	42,536
8. Legal, notary public and consultancy fees	63,664	34,053	46,793
9. Administrative expenses - Bassilichi	—	64,379	—
10. Tax and duties recoveries	(56,737)	(54,116)	(52,391)
11) Directors' and statutory auditors' fees	1,400	975	1,106
Total	**458,412**	**427,032**	**276,913**

The administrative expenses for the three years include many large costs incurred solely for the initial acquisition phase of the ICBPI Group, the subsequent acquisitions and related integration, reorganisation and transformation projects, which are the reason for the high balances of 2017. As a result, the caption includes non-recurring costs and specifically:

- €95.9 million for 2018, mostly referred to: consultancy fees of roughly €62.1 million for the Reorganisation project, the bond issues (that could not be included in the amortised cost calculation) and the transformation project, the cost of €12.8 million to complete the re-branding project and promote the new YAP application, legal and notary public fees of €3.6 million incurred in conjunction with the Reorganisation, non-deductible VAT of €3 million on the above expenses, M&A costs of €5.7 million, the write-down of €1.8 million of Bassilichi's inventories, prior year administrative costs of €2.8 million, costs of €2 million to re-insource the data centre and costs of €1.6 million for the Fruendo agreement;
- €84.9 million for 2017, which mainly related to non-recurring costs of €59.5 million for the Reorganisation and transformation projects, costs of €5.8 million for the re-branding project started in the last two months of the year and the acquisition costs of €17 million for the MPS Acquiring, DB Acquiring and Bassilichi businesses and other special assets;
- €35.4 million for 2016, comprising costs to acquire Setefi and post-acquisition costs for the ICBPI Group.

The increase in 2017 is also due to the 12-month contribution of Mercury Payments, which was not included in 2016, and the inclusion of Bassilichi for the second half of the year, presented separately.

In 2017, the caption includes €2,076 thousand for the Bassilichi Group's foreign operations that were sold in 2018 (Bassilichi CEE, Bassilichi Podgorica, Arsblue and Banja Luka), €18,580 thousand for 2018 and €16,360 thousand for 2017 for revenue of the Bassilichi Business Services business unit, which was sold on 28 June 2018. With respect to the Bassilichi Group's foreign operations sold in 2018, in 2018, their contribution was not significant and, therefore, it was included in the "Net gains on equity investments and sales of investments".

29. Other net operating expense/income

Other net operating expense amounts to €0.8 million and €1.0 million for 2017 and 2016, respectively. The balance for 2018 is €4.1 million and includes non-recurring expenses of €16.5 million for fines for service disruptions after the re-insourcing of the data centre (€11 million) and disservices (€5 million). The caption also includes non-recurring income of €13 million arising from the cancellation of liabilities due to the expiry of the time limit and for a decrease of €9 million in the deferred price for the DB Acquiring business.

30. Net impairment losses on financial assets measured at amortised cost

	Impairment losses			Reversals of impairment losses		
2018	**Stages 1 and 2**	**Stage 3**		**Stages 1 and 2**	**Stage 3**	**Total**
		Write-off	**Other**			
	€ 0	**€ 0**	**€ 0**	**€ 0**	**€ 0**	**€ 0**
A. Loans and receivables with banks	—	—	0	—	—	—
B. Loans and receivables with customers	11	58	3,100	(829)	(102)	2,239
Total	**11**	**58**	**3,100**	**(829)**	**(102)**	**2,239**

2017	**Stages 1 and 2**	**Stage 3**		**Stages 1 and 2**	**Stage 3**	**Total**
		Write-off	**Other**			
	€ 0	**€ 0**	**€ 0**	**€ 0**	**€ 0**	**€ 0**
A. Loans and receivables with banks	—	—	72	—	—	**72**
B. Loans and receivables with customers	—	—	2,695	—	—	2,695
Total	**—**	**—**	**2,767**	**—**	**—**	**2,767**

	Impairment losses			Reversals of impairment losses		
2016	**Stages 1 and 2**	**Stage 3**		**Stages 1 and 2**	**Stage 3**	**Total**
		Write-off	**Other**			
	€ 0	**€ 0**	**€ 0**		**€ 0**	**€ 0**
A. Loans and receivables with banks			53			**53**
B. Loans and receivables with customers			2,193			2,192
Total	**—**	**—**	**2,246**	**—**	**—**	**2,245**

31. Net provisions for risks and charges

	2018	**2017**	**2016**
	€'000	**€'000**	**€'000**
Net accruals to provisions for risks and charges	(28,637)	4,428	(1,086)
Net accruals for fraud - Nexi Payments	(4,551)	(4,353)	(5,488)
Total	**(33,188)**	**75**	**(6,574)**

Net provisions for risks and charges decreased by €6,649 thousand from net accruals of €6,574 thousand in 2016 to net reversals of €75 thousand in 2017. They include non-recurring reversals of €6,070 thousand related to Bassilichi and of €1,020 thousand related to Nexi Payments in 2017 and 2016, respectively.

The 2018 accruals include some non-recurring items, including €24 million related to supply agreements after Basslichi's integration into Nexi Payments (€16 million), the estimated costs of finalising Bassnet's winding up (€2.8 million) and other potential future claims (€4 million).

32. Depreciation and amortization of tangible and intangible assets

	2018	**2017**	**2016**
	€'000	**€'000**	**€'000**
Depreciation and net impairment losses on property, equipment and investment property	(41,706)	(32,468)	(21,015)
Amortisation and net impairment losses on intangible assets	(73,164)	(56,085)	(6,406)
Total	**(114,870)**	**(88,553)**	**(27,421)**

In 2017, depreciation and net impairment losses on property, equipment and investment property referred to Bassilichi's foreign operations sold in 2018 and amount to €204 thousand while amortisation and net impairment losses on intangible assets amount to €99 thousand. The balances for 2018 for the foreign operations are immaterial and, therefore, they have been included in "Net gains on equity investments and sales of investments".

2018	Amortisation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Intangible assets				
A.1 Owned	73,164	—	—	73,164
- Acquired	73,164	—	—	*73,164*
- Other	—	—	—	—
A.2 Leased	—	—	—	—
Total	**73,164**	**—**	**—**	**73,164**

2017	Amortisation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Intangible assets				
A.1 Owned	56,085	—	—	56,085
- Acquired	33,446	—	—	33,446
- Other	22,639	—	—	22,639
A.2 Leased	0	0	0	0
Total	**56,085**	**0**	**0**	**56,085**

2016	Amortisation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Intangible assets				
A.1 Owned	6,010	396	—	6,406
- internally-generated assets	—	—	—	—
- other	6,010	396	—	6,406
A.2 Leased	—	—	—	—
Total	**6,010**	**396**	**—**	**6,406**

2018	Depreciation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	41,688	—	—	41,688
- Investment property	19	—	—	19
Total	**41,706**	**—**	**—**	**41,706**

2017	Depreciation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	32,179	—	—	32,179
- Investment property	289	—	—	289
Total	**32,468**	**—**	**—**	**32,468**

2016	Depreciation €'000	Impairment losses €'000	Reversals of impairment losses €'000	Carrying amount €'000
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	20,727	—	—	20,727
- Investment property	289	—	—	289
Total	**21,015**	**—**	**—**	**21,015**

33. Net gain on equity investments and sales of investments

In 2018, this caption amounts to €20.5 million and mainly relates to the gain of €21 million on the sale of the former Veneto banks' portfolios to Intesa Sanpaolo.

In 2017, the caption amounts to €2,307 thousand and includes the Group's share of profits of the associates of Bassilichi, Win Join, RS Record Store, ICT Logistica, Bassnet S.r.l. and K Red. The 2016 balance was zero.

34. Income taxes

	2018 €'000	2017 €'000	2016 €'000
Current tax expense	73,143	50,470	34,545
Change in deferred tax assets	(6,596)	(3,201)	(270)
Change in deferred tax liabilities	183	(765)	(722)
Income taxes	**66,730**	**46,503**	**33,553**

The increase in current taxes is due to the higher tax base for IRES and IRAP in 2017. The 2017 increase in deferred tax assets is mainly due to the recognition of intangible assets with a finite useful life (customer contracts related to the MPS and DB Acquiring business units acquired in 2017 and the first-time consolidation of Bassilichi S.p.A.). The increase in the tax rate in 2018 is chiefly a result of the smaller deductibility of interest expense on the securities issued.

35. Profit/loss from assets held for sale net of taxes

The 2016 balance of €2.2 million relates solely to Oasi. In 2017, the caption amounts to €205 thousand and relates to Oasi, Bassmart and Moneynet while the 2018 balance also includes the decrease of €6.1 million in the estimated realisable value of Moneynet, Bassmart and Paycare.

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

	2018 €'000	2017 €'000	2016 €'000
Profit (loss) for the year attributable to non-controlling interests	1,499	(987)	3,838
Total	**1,499**	**(987)**	**3,838**

This caption mainly refers to Nexi Payments.

37. Notes to the statement of cash flows

The €94 million decrease in cash and cash equivalents in 2018 and the €126 million increase from 2016 (€8.4 million) to 2017 (€134.4 million) is mainly due to:

37.1 Depreciation and amortization of tangible and intangible assets

The 2017 increase in amortisation due to the intangible assets with a finite useful life (customer contracts) recognised as part of the PPA procedure for Mercury Payment Services and the MPS Acquiring and DB Acquiring businesses and the new IT upgrades and renewed ATMs and POS devices with an increase in the acquisitions commenced in the previous year. The increase in 2018 is due to the 12-month amortisation of contracts with customers of the MPS Acquiring and DB Acquiring businesses and the higher amortisation due to larger investments made in the three years.

37.2 Gains on sales

The gain on the sale of the former Veneto banks' portfolios was excluded from the cash flows generated by operating activities and included in the cash flows used in investing activities (note 37.11).

37.3. Financial assets held for trading

The 2016 increase is due to the sale of the Visa Europe shares.

37.4 Loans and receivables with banks

The increase is due to the larger amount of cash available in the operating companies' bank accounts. The slight increase in 2017 is a result of normal business trends. The large increase in 2018 is due to Nexi Payments' operating liquidity as its acquisitions of 2017 were active for the entire year, the non-payment of dividends using the 2017 profit and the treasury requirements management strategy linked to liability trends.

37.5 Loans and receivables with customers

The increase in the ordinary credit cards balance in 2017 and 2016, as a result of the higher volumes and amounts due from the international circuits that, in 2017, is mainly due to Mercury Payment Services and the MPS Acquiring and DB Acquiring businesses. The large decrease in 2018 is caused by the new funding policy adopted after the Reorganisation, which provides for the non-recourse factoring of a significant portion of receivables for ordinary credit cards.

37.6 Due to banks

The 2017 increase is due to the greater resort to the facilities provided by DepoBank S.p.A., as Nexi Payments acquired the MPS Acquiring and DB Acquiring businesses without shareholder financing. The 2016 decrease reflects the liquidity generated by the sale of the Visa Europe shares (as per the increase described earlier), the increase in the number of unsettled credit card transactions and higher commissions to be transferred back as per the subsequent point. The significant reduction in 2018 is solely due to the different funding model described in the note to loans and receivables with customers and, therefore, the transition from funding provided by DepoBank to funding obtained through non-recourse factoring.

37.7 Due to customers

The 2018 increase is tied to the new funding model and, in particular, the advances received on the recourse factoring of part of the costs for ordinary credit cards.

37.8 Other liabilities

The increase in 2017 and 2016 is due to the higher balances for unsettled credit card transactions and the increase in commissions to be transferred back as a result of the higher business volumes, which are due to the new businesses in 2017. The 2018 variation mostly reflects current and deferred taxes.

37.9 Acquisitions of property, equipment and investment property

Acquisitions of property, equipment and investment property mainly refer to the new ATMs and POS devices in the three years.

37.10 Acquisitions of intangible assets

Acquisitions of intangible assets in the three years relate to software and IT systems.

37.11 Acquisitions/sales of subsidiaries and business units

The 2018 balance mostly shows the effects of the acquisition of the Carige Acquiring business and Sparkling 18, net of the gains on the sale of the former Veneto banks' portfolios. The 2017 balance relates to the acquisition of Bassilichi S.p.A. and non-controlling interests in Triveneto, as well as the MPS Acquiring and DB Acquiring businesses. The 2016 balance comprises the acquisition of Mercury Payment Services and the price adjustment for the acquisition of the non-banking business of ICBPI.

37.12 Repayment of loan to the parent

The Group used part of the cash obtained from the bond issue to repay Mercury UK a loan of €380 million included in the business unit spun off by DepoBank. This repayment took place when the Reorganisation was completed.

37.13 Dividends paid

These refer to dividends paid by Nexi Payments and Oasi to ICBPI-DepoBank in 2017 and 2016. The 2018 balance refers to ordinary dividends paid by Nexi to Mercury UK.

37.14 Issue/purchase of equity instruments

The 2017 increase includes Nexi's proceeds from the sale of Mercury Processing (previously acquired with capital injected by Mercury UK) and part of the capital increase used to acquire Bassilichi and the non-controlling interests in Triveneto. The 2016 increase refers to the capital injection by Mercury UK to Nexi to allow it to acquire Mercury Payment Services.

37.15 Issue of debt instruments

The Group issued bonds in 2018. The increase is the sum of their issue value, the issue costs included in amortised cost accounting and the accruing interest. The latter is not included in cash flows from operating activities.

37.16 Dividends distributed to third parties

In addition to the dividends paid to non-controlling investors in 2018, the balance includes the non-recurring distribution of the proceeds from the bond issues.

38. Business combinations

38.1 Transactions performed in 2018

<u>Acquisition of the Carige business unit</u>

On 28 September 2018, Nexi Payments completed its acquisition of Carige's Acquiring business unit. It acquired the commercial relationships with the merchants both for the Acquiring business and management of the POS terminals, the power to take significant decisions about pricing and whether to terminate the relationships.

As the transaction qualifies as a business combination, it was recognised in accordance with IFRS 3 Business combinations. This standard defines a business combination as "a transaction or other event in which an acquirer obtains control of one or more businesses". It provides that the assets, liabilities and contingent liabilities of the acquiree shall be measured at their acquisition-date fair value, including any unrecognised intangible assets and that the difference between the fair value of the net assets acquired and the consideration paid be allocated to goodwill. This PPA procedure is to be performed within one year of the acquisition date.

The PPA procedure was still ongoing at 31 December 2018 and will be completed before 30 June 2019, mainly because the price is still being calculated. Apart from that, the procedure should be complete except for the measurement of customer contracts. Since the acquisition date, the carrying amounts of these assets have not been modified.

Goodwill arising from the business combinations amounts to €22.5 million.

CARIGE	Provisional fair value €'000	Adjustments €'000	Definitive fair value €'000
Consideration transferred	23,422	—	23,422
Portion of consideration attributable to non-controlling interests	262	—	262
Intangible assets	—	—	—
Tax assets	716	—	716
Other assets	—	—	—
Due to banks	—	—	—
Financial liabilities	—	—	(5)
Other liabilities	(5)	—	(5)
Net assets	710	—	705
Goodwill	22,449	—	22,455
Consideration transferred	23,422	—	23,422
Cash acquired	—	—	—
Net consideration	23,422	—	23,422

In April 2018, Nexi Payments acquired an 89.84% investment in Sparkling 18 (Bassilichi already held 11.16%). The resulting goodwill amounts to €3 million.

Nexi Payments paid the entire transaction price of €23,422 thousand for the Carige Acquiring business acquisition on 28 September 2018, although the seller deposited part of the price in an escrow account to be released steadily to the party that may become entitled to receive it based on conditions that may be met after the date of preparation of this document. The Group has prudently assumed that none of the above €23,422 thousand will be returned to Nexi Payments.

Nexi Payments paid the entire transaction price of €2,500 thousand for Sparkling 18 on 14 March 2018 although the seller has deposited part of the price (€1,000 thousand) in an escrow account to be released steadily as a guarantee for the compensation obligations to the buyer. These obligations extend after the date of preparation of this report. The agreements also established that the sellers will receive an additional earn-out payment of €500 thousand, should certain conditions be met, and which is not included in the provisional allocation of the price and calculation of goodwill.

38.1.1 Pro forma disclosures on 2018 acquisitions as per IFRS 3

Pursuant to IFRS 3.59 and B64, the following table shows the revenue and profit (loss) for the year of the Carige business unit and Sparkling 18 as if the acquisitions had taken place on 1 January 2018.

Based on the table used in the segment reporting section, the following table shows the operating margin, i.e., excluding non-recurring amortisation, depreciation and costs.

	2018 carve-out including new Carige and Sparkling 18 businesses from their acquisition date	Carige January - September 2018	Sparkling 18 January - April 2018	2018 pro forma carve-out
Normalized total income	942,471	1,857	702	945,030
Operating costs	(523,422)	(623)	(643)	(524,688)
Normalized operating margin	344,345	1,234	(114)	345,466
Pre-tax profit (loss)	141,585	1,234	(115)	142,704
Profit (loss) for the period/ year	**67,226**	**826**	**(60)**	**67,992**

The Bassilichi Business Services business unit sold in 2018 contributed as follows to the 2018 pro forma figures:

- net operating revenue of €22,011 thousand;
- operating costs of €23,202 thousand;
- operating loss of €1,190 thousand;
- pre-tax loss of €1,190 thousand.

38.2 Transactions performed in 2017

Acquisition of Bassilichi Payments

On 3 July 2017, Nexi acquired 98.2% of Bassilichi, which gave it control over the Bassilichi Group.

At 31 December 2017, the related PPA procedure was completed and goodwill arising from the business combination amounts to €137.9 million.

	Fair value of the acquirees €'000	Adjustments €'000	Definitive fair value of the acquirees €'000
Consideration transferred	111,656	(39,520)	72,136
Identified assets allocated to non-controlling interests	—	—	—
Amounts allocated to the individual assets/ liabilities			
Cash and cash equivalents	29	—	29
Financial assets	1,796	—	1,796
Equity investments	1,890	—	1,890
Property, equipment and investment property	39,369	—	39,369
Intangible assets	18,774	(187)	18,588
Tax assets	3,423	—	3.423
Other assets	96,832	—	96,832
Financial liabilities	(93,766)	—	(93,766)
Other liabilities	(135,201)	—	(135,201)
Group's share of net assets	(66,854)	(187)	(67,040)
Non-controlling interests' share of net assets	1,257	—	1,257
Identifiable net assets	(65,597)	(187)	(65,783)
Goodwill	**161,603**	**(39,314)**	**137,890**
Consideration transferred			72,136
Cash acquired			(29)
Net consideration			72,107

Acquisition of the MPS Acquiring and DB Acquiring businesses

On 1 June and 1 July 2017, Nexi Payments finalised its acquisitions of the Merchant Acquiring business units from Deutsche Bank and Monte dei Paschi di Siena, respectively.

These two business units are very similar. Nexi Payments acquired the customer contracts as part of the Acquiring business and POS terminal servicing. It thus acquired the power to take significant decisions about pricing and whether to terminate these contracts.

As both transactions qualify as business combinations, they are accounted for in accordance with IFRS 3 Business combinations, as described above.

At 31 December 2017, the PPA procedure was completed and, given the stability of the relationships acquired, the lack of a contractual term in the underlying contracts and all the significant internal and external factors, the difference between the consideration transferred and the carrying amount of the net assets acquired was allocated in full to goodwill.

Goodwill arising from the business combinations amounts to €561.2 million (the amounts in the next table are in thousands of Euros).

DB Acquiring	Provisional fair value €'000	Adjustments €'000	Definitive fair value €'000
Consideration transferred	**29,100**	**—**	**29,100**
Contingent consideration	**12,000**	**—**	**12,000**
Portion of consideration attributable to non-controlling interests	**(527)**	**191**	**(336)**
Cash and cash equivalents	—	—	—
Financial assets	—	—	—
Equity investments	—	—	—
Property, equipment and investment property	—	—	—
Intangible assets	—	15,252	15,252
Tax assets	—	—	—
Other assets	2,480	—	2,480
Due to banks	—	—	—
Financial liabilities	—	—	—
Other liabilities	(3,380)	—	(3,380)
Net assets	**(900)**	**15,252**	**14,352**
Goodwill	**41,473**	**(15,060)**	**26,412**
Consideration transferred	41,100	—	41,100
Cash acquired	—	—	—
Net consideration	41,100	—	41,100

MPS Acquiring	Provisional fair value €'000	Adjustments €'000	Definitive fair value €'000
Consideration transferred	**534,784**	**—**	**534,784**
Contingent consideration	**—**	**—**	**—**
Portion of consideration attributable to non-controlling interests	**(6,573)**	**1,399**	**(5,174)**
Cash and cash equivalents	—	—	—
Financial assets	—	—	—
Equity investments	—	—	—
Property, equipment and investment property	—	—	—
Intangible assets	—	111,436	111,436
Tax assets	—	—	—
Other assets	16,137	—	16,137
Due to banks	(4,946)	—	(4,946)
Financial liabilities	—	—	—
Other liabilities	—	—	—
Net assets	**11,191**	**111,436**	**122,627**
Goodwill	**517,019**	**110,037**	**406,983**
Consideration transferred	534,784	—	534,784
Cash acquired	—	—	—
Net consideration	534,784	—	534,784

38.2.1 Pro forma disclosures on 2017 acquisitions as per IFRS 3

Pursuant to IFRS 3.59 and IFRS.B64, the following table shows:

- the revenue and profit for the year of the MPS Acquiring and DB Acquiring businesses and Bassilichi since the acquisition date, already included in the statement of profit or loss and other comprehensive income for 2017;
- the revenue and profit for the year of the three businesses acquired for 2017 as if the acquisitions had taken place on 1 January 2017.

Based on the table used in the segment reporting section, the following table shows the operating margin, i.e., excluding non-recurring amortisation, depreciation and costs.

	2017 carve-out excluding new businesses (MPS/DB/Bassilichi)	MPS and DB Book H2 2017	Bassilichi H2 2017	2017 carve-out 2017 including new businesses (MPS/DB/Bassilichi)	MPS and DB H1 2017 pro forma	Bassilichi H1 2017 pro forma	2017 pro forma carve-out
Net operating revenue	700,186	44,702	76,898	821,786	36,821	57,100	915,707
Operating costs	(396,539)	(18,426)	(68,615)	(483,580)	(14,159)	(55,416)	(553,155)
Operating margin	81,555	26,277	8,283	116,115	22,662	1,684	307,445
Pre-tax profit (loss)	91,856	25,689	879	118,423	22,461	(8,995)	131,889
Profit (loss) for the period/ year	**55,552**	**17,187**	**(614)**	**72,125**	**15,027**	**(15,265)**	**71,887**

The Bassilichi foreign operations and the Bassilichi Business Services business unit sold in 2018 contributed as follows to the 2017 pro forma figures:

- net operating revenue of €6,125 thousand and €33,379 thousand for the foreign operations and the business unit, respectively;

- operating costs of €5,452 thousand and €41,802 thousand for the foreign operations and the business unit, respectively;
- operating margin of €152 thousand for the foreign operations and a operating loss of €2,422 thousand for the business unit;
- a pre-tax profit of €152 thousand and a pre-tax loss of €2,422 thousand for the foreign operations and the business unit, respectively.

38.3 2016 acquisitions

Acquisition of Mercury Payment Services

The Group acquired Mercury Payment Services and Mercury Processing D.o.o. from Intesa Sanpaolo S.p.A. on 15 December 2016. Mercury Payment Services was the electronic payments platform of Intesa Sanpaolo, one of the biggest European banking groups. Mercury Processing was the electronic payments platform of the businesses of Central and Eastern Europe of Intesa Sanpaolo. These acquisitions reflected the Group's intention to increase its share of the payment systems and acquire new growth opportunities. However, as noted in the basis of preparation section, Mercury Processing D.o.o. was not included in the carve-out scope.

As the Mercury Payment Services acquisition qualifies as a business combination, it has been recognised in accordance with IFRS 3, as described earlier.

The consideration transferred comprises an equity value of €927 million plus an additional €78 million for the gains on the sale of the Mercury Payment Services shares to VISA Europe. Therefore, the cash consideration was €1,005 million.

The total transaction costs to acquire the group amount to €4.3 million, recognised in full in profit or loss.

Upon completion of the PPA procedure for Mercury Payment Services, part of the difference between the consideration transferred and the fair value of the net assets acquired has been allocated to intangible assets with a finite useful life (customer contracts) (€366.5 million including deferred taxes of €120.9 million). This is the only adjustment made as the carrying amount of the other assets acquired and liabilities assumed is substantially in line with their fair value (the amounts in the next table are in thousands of Euros).

	Carrying amount of assets at 31 €'000	Adjustments in 2017 €'000	Fair value of assets at 31 €'000
Consideration transferred	1,005,717	—	1,005,717
Amounts allocated to the individual assets/ liabilities			
Cash and cash equivalents	1	—	1
Financial assets	419,561	—	419,561
Property, equipment and investment property	10,789	—	10,789
Intangible assets	7,533	365.529	373,062
Tax assets	24,709	—	24,709
Non-current assets held for sale and disposal groups	—	—	—
Other assets	37,427	—	37,427
Financial liabilities	(235,046)	—	(235,046)
Tax liabilities	(57)	(120,881)	(120,938)
Other liabilities	(94,678)	—	(94,678)
Identifiable net assets	170,240	244,648	414,888
Goodwill	**835,476**	**(244,648)**	**590,828**
Consideration transferred	1,005,717	—	1,005,717
Cash acquired	(1)	—	(1)
Net consideration	1,005,716	—	1,005,716

The business combination had the following effect on the statement of financial position:

- the difference between equity at the acquisition date (including the profit for 2016) and the carrying amount of the equity investment has been entirely allocated to intangible assets with a finite useful life (€366.5 million, including deferred taxes of €120.9 million (i.e., a net €244.6 million), while €590.1 million has been allocated to goodwill;
- the profit for the year was included in the consolidation scope from 1 January 2017 as the Group deemed that the 17 days of operations of the new businesses (from the acquisition date to 31 December 2016) were irrelevant.

39. Related parties

The aim of IAS 24 (Related party disclosures) is to ensure an entity's financial statements contain the additional disclosures necessary to show the possibility that its financial position and results of operations may have been influenced by related parties and by transactions and balances with such parties. Based on this standard, applied to its organisational and governance structure, the Group identified the following related parties:

a) the ultimate parent, Mercury;

b) the parties that, directly or indirectly, including through subsidiaries, trustees or nominees, control, including jointly, Mercury or hold an investment in Mercury UK that gives them significant influence;

c) companies controlled or jointly controlled by the parties set out in the previous point;

d) the subsidiaries, associates or jointly controlled entities of Mercury;

e) key management personnel of Nexi, its direct and indirect parents and their subsidiaries, associates and joint ventures;

f) close relatives of the natural persons included in points b) and e);

g) the pension fund set up for group employees or related entities.

The effects of transactions carried out with the related parties identified above are summarised in the following table:

	31 December 2018				31 December 2017			31 December 2016		
	Managers and members of supervisory body €'000	DepoBank €'000	Mercury UK €'000	Total €'000	Managers and members of supervisory body €'000	ICBPI €'000	Total €'000	Managers and members of supervisory body €'000	ICBPI €'000	Total €'000
Cash and cash equivalents	—	40,654	—	**40,654**	—	128,693	**128,693**	—	—	**—**
Financial assets at amortised cost - loans and receivables with banks	—	244,054	—	**244,054**	—	58,853	**58,853**	—	3,224	**3,224**
Non-current assets held for sale and disposal groups	—	—	—	**—**	—	1,888	**1,888**	—	1,368	**1,368**
Other assets	—	15,712	—	**15,712**	—	20,434	**20,434**	—	2,816	**2,816**
Financial liabilities at amortised cost - due to banks	—	31	—	**31**	—	1,722,936	**1,722,936**	—	1,120,752	**1,120,752**
Liabilities associated with disposal groups	—	—	—	**—**	—	2,663	**2,663**	—	2,523	**2,523**
Other liabilities	—	2,283	—	**2,283**	66	24,000	**24,066**	45	33,240	**33,285**
Net fee and commission income (expense)	—	7,137	—	**7,137**	—	(421)	**(421)**	—	(1,318)	**(1,318)**
Net interest income (expense)	—	(11,687)	35,994	**24,307**	—	(18,756)	**(18,756)**	—	(14,328)	**(14,328)**
Personnel expense	—	139	—	**139**	—	955	**955**	—	386	**386**
Other administrative expenses	(6,974)	(446)	—	**(7,420)**	(864)	(22,348)	**(21,484)**	(977)	(21,591)	**(22,568)**
Other operating income and expense	—	299	—	**299**	—	—	**—**	—	—	**—**
Profit (loss) from continuing operations	(944)	—	—	**(944)**	(111)	(190)	**(79)**	129	1,326	**1,197**

The Nexi Group did not carry out transactions with Mercury for 2017 and 2016 as it only performed transactions with DepoBank S.p.A.

With reference to the disclosures required by IAS 24.17, compensation for key management included in the above table amounted to €5,954 thousand, of which €5,668 thousand related to annual compensation, including a special bonus for completion of the Reorganization, and €285 thousand to post-employment benefits required by law. As of December 31, 2018 there were no other long-term incentive plans. The remaining amount relates to the Board of Directors' ordinary annual compensation.

At 31 December 2016, Mercury Processing D.o.o. has a €10 million loan with Latino Italy which it repaid in full in 2017.

The transactions are governed by specific agreements that, while aiming at optimising synergies and economies of scale and purpose and the use of centres of excellence, make reference to objective parameters that are constant over time, characterised by transparency and substantial fairness. Transfer pricing is defined and formalised based on parameters that account for the actual use of the service by each end user.

Specifically, with respect to transactions carried out during the year with DepoBank (holding company of the Nexi Group until 1 July 2018):

- there was a funding facility in the first half of 2018, which bore interest at market rates and was available until 1 July 2018 when, after the Mercury Group's Reorganisation, this facility was extinguished and replaced by new financing provided in the form of factoring agreements with third party banks. Therefore, the above interest expense refers to the first half of 2018;

- service contracts were agreed after the Group's Reorganisation and with effect from 1 July 2018. Specifically:
  - given that nearly the entire ICT department of DepoBank was transferred to Nexi Payments, an outsourcing agreement was entered into for IT services. The fee paid is in line with the actual use of internal and external resources;
  - a commercial services agreement was signed, setting out the terms and conditions whereby Nexi Payments offers its customers DepoBank products and services through its sales network. The fee, calculated using a market benchmark analysis, is in line with the annual business volumes recorded by Depobank as a result of Nexi Payment's commercial activities.

Transactions with Mercury UK

For the purposes of the Reorganisation, the €380 million loan granted by Mercury to DepoBank was included in the business unit spun-off by DepoBank to Nexi against a smaller portion of equity transferred. The loan was repaid concurrently with the Reorganisation by using part of the proceeds on the bond issues. Interest of €17 million accrued on the loan was paid to Mercury.

Following completion of the Reorganisation, on 1 July 2018, Nexi provided a bridge loan of €2,018 million to Mercury UK to enable it to pay cash advances on the bonds and to redeem the bonds issued by Mercury BondCo. These transactions took place while awaiting finalisation of the non-recurring dividend distribution, which took place on 20 December 2018. The loan was repaid when the dividends were distributed and accrued interest of €36,031 thousand.

40. SHARE-BASED PAYMENT

None.

41. Group funding transactions

41.1 Bond issues

The Group carried out its Reorganisation in 2018 which entailed, inter alia, a review of its funding structure. Specifically, the bonds issued by the vehicle Mercury BondCo (not part of the Mercury Group) principally to finance the sponsors' acquisition of Istituto Centrale delle Banche Popolari and Mercury Payments Services (the "outstanding bonds"), were refinanced. This refinancing involved the transfer of the bonds to the Nexi Group via the vehicle Nexi Capital S.p.A. set up on 16 April 2018 and merged into Nexi S.p.A. at 31 December 2018. Nexi Capital issued new bonds (described in note 14) to facilitate this transfer.

The cash collected by Nexi S.p.A. was used to redeem the outstanding bonds after its transfer via Mercury UK to Mercury BondCo (see above for information on transactions with Mercury UK).

The bonds have repayment clauses that did not require the separate recognition of prepayment options, based on the analyses performed. As required by IFRS 9 for amortised cost accounting purposes, the Group estimated the bonds' expected residual life, which was found to equal their contract term considering the uncertainty about their possible refinancing.

41.2 Factoring

Nexi Payments redefined its funding management model as a consequence of the Reorganisation and the related termination of the facilities historically provided by DepoBank. Therefore, on 26 June 2018 with effect from 1 July 2018, it entered into a factoring agreement for the daily assignment of receivables mostly related to its credit cards (roughly 92% of the unsettled payments) issued through its partner banks. More information is available in note 6.2.

42. Segment reporting

Segment reporting is provided in accordance with IFRS 8.

It reflects the organisational and production structure of the Mercury UK Group, and now also Nexi Group, used over the three years.

The Group has just one operating segment, the electronic services and payment service, which includes the corporate centre. A more detailed breakdown is provided for the net revenue which is split among the four business segments, i.e.:

- services and solutions for the Merchants sector (Acquiring);
- card services (Issuing) and digital payments;
- digital banking solutions;
- other services, including outsourced services.

The tables below provide a breakdown of net revenue by business segment. Based on the current operating structure and allocation of resources in the three years under examination, there is no need to present a breakdown of the statement of financial position by business segment. Note 43.2 presents a reconciliation between the income statement prepared for segment reporting purposes and that presented in the carve-out consolidated financial statements for 2018, 2017 and 2016. The reconciliation shows the impact of the non-recurring items on the carve-out income statement.

Net revenue is not presented by geographical segment as it is generated entirely in Italy, which is considered to be a single geographical segment.

42.1 Segment reporting: income statement for the years ended 31 December 2018, 2017 and 2016

2018	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	479,732	(44,040)	435,693
Cards & Digital Payments	361,147	(528)	360,619
Digital banking solutions	119,690	(5,967)	113,723
Other services	61,047	(28,611)	32,436
Normalized total income	**1,021,616**	**(79,146)**	**942,471**
Personnel expense	(158,137)	94	(158,044)
Administrative expenses	(442,328)	79,843	(362,486)
Adjustments and net operating provisions*[(1)]	(2,093)	(800)	(2,893)
Operating costs net of amortisation and depreciation	**(602,558)**	**79,136**	**(523,422)**
Normalized EBITDA	**419,058**	**(10)**	**419,048**
Amortization, depreciation and impairment losses	(74,703)	—	(74,703)
Normalized operating margin	**344,355**	**(10)**	**344,345**
Amortization, depreciation and impairment losses (customer contracts)			(40,167)
Interest on bonds and loan			(32,034)
Gain (loss) on equity investments and sale of investments			—
Other non-recurring items			(130,559)
Pre-tax profit			**141,585**
Income taxes			(66,730)
Profit/loss from assets held for sale net of taxes			(6,130)
Profit for the year			**68,725**
Loss for the year attributable to non-controlling interests			(1,499)
Profit attributable to the owners of the parent			**67,226**

1 *The reconciling items mainly refer to the call centre services provided by Help Line and Nexi Payments.*

Other non-recurring items is mainly comprised of:

- fee and commission income and cost of services of €2.6 million for a one-off commercial discount agreed to a relevant client;
- fee and commission expense and cost of services due to one-off structuring fees of €1.3 million.
- personnel expenses for €20.8 million, mostly due to the restructuring costs of the former Bassilichi companies and one-off incentives paid as part of the Reorganisation;
- other administrative expenses for €95.9 million mostly referred to:
  - consultancy fees of roughly €62.1 million for the Reorganisation project, the bond issues (that could not be included in the amortised cost calculation) and the transformation project:
  - the cost of €12.8 million to complete the re-branding project and promote the new YAP application;
  - legal and notary public fees of €3.6 million incurred in conjunction with the Reorganisation;
  - non-deductible VAT of €3 million on the above expenses;
  - M&A costs of €5.7 million;
  - the write-down of €1.8 million of Bassilichi's inventories;
  - prior year administrative costs of €2.8 million;
  - costs of €2 million to re-insource the data centre and
  - costs of €1.6 million for the Fruendo agreement;
- Other net operating expenses/income of €16.5 million for fines for service disruptions after the re-insourcing of the data centre (€11 million) and disservices (€5 million), and non-recurring income of €13 million arising from the cancellation of liabilities due to the expiry of the time limit and for a decrease of €9 million in the deferred price for the DB Acquiring business.
- Net provisions for risks and charges for €24 million related to supply agreements after Basslichi's integration into Nexi Payments (€16 million), the estimated costs of finalising Bassnet's winding up (€2.8 million) and other potential future claims (€4 million).
- The fair value negative result of Euro 2 million of the financial liabilities classified as held for trading;
- The net gain from investments of Euro 20.4 million that is already classified below the operating margin but has a non-recurring nature because mainly generated by the disposal of Veneto's business.

2017	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	352,527	—	352,527
Cards & Digital Payments	342,149	—	342,149
Digital banking solutions	97,351	—	97,351
Other services	57,815	(28,056)	29,759
Net operating revenue	**849,842**	**(28,056)**	**821,786**
Personnel expense	(132,765)	—	(132,765)
Administrative expenses	(372,336)	29,001	(343,335)
Adjustments and net operating provisions	(7,479)	—	(7,479)
Operating costs net of amortization and depreciation	**(512,581)**	**29,001**	**(483,580)**
Normalized EBITDA	**337,261**	**945**	**338,206**
Amortization, depreciation and impairment losses	(55,107)	—	(55,107)
Normalized operating margin	**282,154**	**945**	**283,099**
Amortization, depreciation and impairment losses (customer contracts)			(33,446)
Net gains on equity investments			2,307
Other non-recurring items			(133,537)
Pre-tax profit			**118,423**
Income taxes			(46,503)
Profit/loss from assets held for sale net of taxes	1,150	(945)	205
Profit for the year			**72,125**
Profit (loss) for the year attributable to non-controlling interests			987
Profit attributable to the owners of the parent			**73,112**

The reconciling items mainly refer to the call centre services provided by Help Line and Nexi Payments. With reference to other non-recurring components please refer to notes 28.1, 28.2, 29 and 31.

2016	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	207,972	—	207,972
Cards & Digital Payments	234,825	—	234,825
Digital banking solutions	60,131	—	60,131
Other services	38,316	(30,341)	7,974
Net operating revenue	**541,244**	**(30,341)**	**510,902**
Personnel expense	(88,061)	—	(88,061)
Administrative expenses	(271,622)	30,845	(240,776)
Adjustments and net operating provisions	(10,785)	—	(10,785)
Operating costs net of amortization and depreciation	**(370,467)**	**30,845**	**(339,622)**
Normalized EBITDA	**170,777**	**504**	**171,281**
Amortization, depreciation and impairment losses	(27,421)	—	(27,421)
Normalized operating margin	**143,356**	**504**	**143,860**
Net gains on equity investments			—
Other non-recurring items			(49,843)
Pre-tax profit			**94,017**
Income taxes			(33,553)
Profit/loss from assets held for sale net of taxes	2,730	(504)	2,226
Profit for the year			**62,690**
Profit (loss) for the year attributable to non-controlling interests			(3,838)
Profit attributable to the owners of the parent			**58,852**

The reconciling items mainly refer to the call centre services provided by Help Line and Nexi Payments. With reference to other non-recurring components please refer to notes 28.1, 28.2, 29 and 31.

42.2 Segment reporting: reconciliation of the income statement prepared for segment reporting purposes and that included in the carve-out consolidated financial statements for 2018, 2017 and 2016

2018	Segment reporting	Reconciliation	Carve-out
Normalized total income	**942,471**	**(37,936)**	**904,535**(1)
Personnel expense	(158,044)	(20,796)	(178,840)
Administrative expenses	(362,486)	(95,926)	(458,412)
Adjustments and net operating provisions*	(2,893)	(28,426)	(31,319)
Operating costs net of amortisation and depreciation	**(523,423)**	**(145,148)**	**(668,571)**
Normalized EBITDA	**419,048**	**(183,084)**	**235,964**(2)
Amortization, depreciation and impairment losses	(74,703)	(40,167)	(114,870)
Normalized operating margin	**344,345**	**(223,251)**	**121,094**(3)
Amortization, depreciation and impairment losses (customer contracts)	(40,167)	40,167	—
Interest on bonds and loan	(32,034)	32,034	—
Net gain on equity investments and sale of investments	—	20,491	20,491
Other non-recurring items	(130,559)	130,559	—
Pre-tax profit	**141,585**		**141,585**
Income taxes	(66,730)		(66,730)
Profit/loss from assets held for sale net of taxes	(6,130)		(6,130)
Profit for the year	**68,725**		**68,725**
Profit for the year attributable to non-controlling interests	(1,499)		(1,499)
Profit attributable to the owners of the parent	**67,226**		**67,226**

Notes:

(1) Such table represents a reconciliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Total income.

(2) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating EBITDA.

(3) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating Margin.

Notes 28.1, 28.2, 29 and 31 provide information about the non-recurring items. Interest on the bonds and loan is classified under interest income and interest expense.

The revenues showed in the table are completely related to services provided to external customers. There is not any revenue from transactions with other operating segments.

2017	**Segment reporting**	**Reconciliation**	**Carve-out**
Normalized total income	**821,786**	**(3,049)**	**818,737**(1)
Personnel expense	(132,765)	(50,788)	(183,553)
Administrative expenses	(343,335)	(84,488)	(427,823)
Adjustments and net operating provisions	(7,479)	4,787	(2,692)
Operating costs net of amortization and depreciation	**(483,580)**	**(130,488)**	**(614,068)**
Normalized EBITDA	**338,206**	**(133,537)**	**204,669**(2)
Amortization, depreciation and impairment losses	(55,107)	(33,446)	(88,553)
Normalized Operating margin	**283,099**	**(166,983)**	**116,116**(3)
Amortization, depreciation and impairment losses (customer contracts)	(33,446)	33,446	—
Net gains on equity investments	2,307	—	2,307
Other non-recurring items	(133,537)	133,537	—
Pre-tax profit	**118,423**	**0**	**118,423**
Income taxes	(46,503)	—	(46,503)
Profit/loss from assets held for sale net of taxes	205	—	205
Profit for the year	**72,125**	**—**	**72,125**
Profit for the year attributable to non-controlling interests	987	—	987
Profit attributable to the owners of the parent	**73,112**	**—**	**73,112**

Notes:

(1) Such table represents a reconciliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Total income.

(2) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating EBITDA.

(3) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating Margin.

Notes 28.1, 28.2, 29 and 31 provide information about the non-recurring items.

2016	Segment reporting	Reconciliation	Carve-out
Normalized total income	**510,902**	**935**	**511,837**(1)
Personnel expense	(88,061)	(15,659)	(103,720)
Administrative expenses	(240,776)	(36,137)	(276,913)
Adjustments and net operating provisions	(10,785)	1,019	(9,766)
Operating costs net of amortization and depreciation	**(339,622)**	**(50,777)**	**(390,399)**
Normalized EBITDA	**171,281**	**(49,843)**	**121,438**(2)
Amortization, depreciation and impairment losses	(27,421)	(0)	(27,421)
Normalized Operating margin	**143,860**	**(49,842)**	**94,017**(3)
Net gains on equity investments	—	—	—
Other non-recurring items	(49,843)	49,843	—
Pre-tax profit	**94,017**	**1**	**94,017**
Income taxes	(33,553)	—	(33,553)
Profit/loss from assets held for sale net of taxes	2,226	—	2,226
Profit for the year	**62,690**	**—**	**62,690**
Loss for the year attributable to non-controlling interests	(3,838)	—	(3,838)
Profit attributable to the owners of the parent	**58,852**	**—**	**58,852**

Notes:

(1) Such table represents a reconciliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Total income.

(2) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating EBITDA.

(3) Such table represents a reconcilliation of the Segment reporting to the Carve-out figures, therefore such figure included in the Carve-out column of this table corresponds to Operating Margin.

Notes 28.1, 28.2, 29 and 31 provide information about the non-recurring items.

43. Contingent liabilities

At 31 December 2018, 2017 and 2016, the Group does not have contingent liabilities.

44. Events after the reporting date

No events have taken place in the period between the reporting date and the date of approval of these carve-out consolidated financial statements. The disposals of the assets classified as held for sale are nearing completion at amounts in line with those used to prepare the carve-out consolidated financial statements.

ANNEX A—UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION

The pro-forma financial information has been prepared in accordance with the Italian regulation set out in the Consob Communication n. DEM/1052803 of July 5, 2001. The rules and regulations related to the preparation of pro-forma financial information in other jurisdictions may vary significantly from the requirements applicable in Italy. The examination of the pro-forma financial information by KPMG SpA (or other jurisdictions outside of Italy), has not been carried out in accordance with the auditing standards generally accepted in the U.S. and accordingly should not be relied upon by U.S. investors as if it had been carried out in accordance with those standards or any other standards besides the Italian standards mentioned above.

Foreword

This Section includes the following statements: (i) the unaudited *pro-forma* balance sheet at December 31, 2018; (ii) the unaudited *pro-forma* income statement and total profitability for the year ended December 31, 2018; and (iii) the unaudited *pro-forma* statement of cash flows for the year ended December 31, 2018 of Nexi (hereinafter the "**Issuer**" or the "**Company**" and, jointly with the subsidiaries thereof, the "**Group**"), accompanied by the related explanatory notes (hereinafter the "**Unaudited Pro-forma Consolidated Financial Statements**") approved by the Issuer's Board of Directors on February 13, 2019.

The Unaudited Pro-forma Consolidated Financial Statements have been prepared for the purpose of including them in the offer documents relating to the admission of our shares to trading on the MTA.

In particular, the Unaudited Pro-forma Consolidated Financial Statements have been prepared in order to represent the main effects on the carve-out balance sheet at December 31, 2018, on the carve-out income statement and total profitability and on the carve-out cash flow statement, relating to the year ended December 31, 2018, of the following transactions:

- our acquisition of the business unit through which Banca Carige SpA and its subsidiaries Banca del Monte di Lucca SpA and Banca Cesare Ponti SpA were engaged in acquiring payment cards, as a result of an agreement signed on September 28, 2018 with effective date September 30, 2018 (hereinafter the "**Acquisition of Carige Acquiring**");
- our purchase of 89.94% of the share capital of Sparkling 18 due to an agreement signed on March 14, 2018 with effective date April 10, 2018 (hereinafter the "**Acquisition of Sparkling**");
- the sale of the entire shareholding in Oasi, as a result of a purchase and sale agreement signed on January 22, 2019 effective February 25, 2019 (hereinafter the "**Disposal of Oasi**");
- the sale of the business services business unit, as a result of an agreement signed on June 28, 2018 and effective on the same date and the disposal of the entire shareholding in Pay Care due to an agreement signed on February 19, 2019 and effective on the same date (hereinafter the "**Disposal of the Business Units**");
- the planned sale of the entire shareholding in Moneynet (hereinafter the "**Disposal of Moneynet**"), for which a binding contract was signed on December 28, 2018, the effectiveness of which is subject to the required legal authorization by the Bank of Italy;
- the corporate reorganization of the Nexi Group concerning the separation of the activities related to payment services from regulated banking activities and the concentration our activities on payment services (hereinafter the "**Reorganization**") and the issue, within the framework of the same, of a fixed-rate notes for €825 million and a variable-rate notes for €1,375 million, which took place on May 18, 2018 (hereafter the "**Listed Notes**") and the issue of a private placement notes for €400 million on July 2, 2018 (hereinafter the "**Private Placement Notes**" and, jointly with the Listed Notes, the "**Notes**");
- the signing of certain agreements with Depobank effective from the date of completion of the corporate reorganization of the Nexi Group concerning the separation of the activities related to payment services from regulated banking activities and the concentration of our activities on payment services (hereinafter the "**Contracts with Depobank**").

The Acquisition of Carige Acquiring, the Acquisition of Sparkling, the Disposal of the Business Units, the Notes and the Contracts with Depobank (jointly the "**Transactions**") are illustrated in detail in the section below, to which reference is made.

The Unaudited Pro-forma Consolidated Financial Statements have been prepared on the basis of the historical data extracted from the Carve-out Consolidated Financial Statements at December 31, 2016, 2017 and 2018 prepared in accordance with the IFRS, approved by the Board of Directors on February 13, 2019 (hereinafter also the "**Carve-out Consolidated Financial Statements**"), subject to examination by KPMG SpA, who issued their report without comments on February 28, 2019.

The Unaudited Pro-forma Consolidated Financial Statements have been prepared in order to simulate, according to evaluation criteria consistent with the historical data and in compliance with the relevant legislation, the main effects of the Transactions on the Group's equity, financial and economic situation, as if they had occurred on December 31, 2018 with reference to equity effects and, on January 1, 2018 with reference to economic effects and effects on the cash flows.

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

The *pro-forma* information was prepared in accordance with the accounting criteria and standards we adopted in the Carve-out Consolidated Financial Statements. For a description of the accounting criteria and standards adopted for the preparation of the Carve-out Consolidated Financial Statements, refer to the relevant explanatory notes to the Carve-out Consolidated Financial Statements included elsewhere in this Offering Circular.

Lastly, it is noted that the Unaudited Pro-forma Consolidated Financial Statements do not in any way represent a forecast of the Group's future results and should therefore not be used in this regard.

Transactions

Description of the Transactions

The following is a short description of the Transactions:

Acquisition of Carige Acquiring

The amount for the Acquisition of Carige Acquiring was agreed for a total of €23,422 thousand, paid entirely on September 28, 2018, although a portion of this amount was deposited by the seller in escrow and is subject to progressive release to the party entitled under conditions that may occur after the date of preparation of this document. For the purposes of the Unaudited Pro-forma Consolidated Financial Statements, in the absence of elements that suggest the contrary, it has been prudently assumed that no portion of the aforementioned amount of €23,422 thousand will be refunded to us.

Acquisition of Sparkling

The amount for the Acquisition of Sparkling was agreed for a total of €2,500 thousand, fully paid on April 10, 2018, although a portion of this amount, equal to €1,000 thousand, was deposited by the seller in escrow and is subject to progressive release to guarantee the compensation obligations envisaged in favor of the purchaser. These obligations extend to a later date than the date of preparation of this document. The agreements with the purchaser also provide for the payment to the sellers, upon the occurrence of certain conditions, of a further sum for a total of €500 thousand.

For the purposes of the Unaudited Pro-forma Consolidated Financial Statements, in the absence of elements that suggest the contrary, it has been prudently assumed that no portion of the aforementioned amount of €2,500 thousand will be refunded to us. Furthermore, on the basis of the information available at the date of this document, the earn-out payment is not considered probable and, therefore, was not reflected in the Unaudited Pro-forma Consolidated Financial Statements.

Disposal of Oasi

The price agreed for the Disposal of Oasi is equal to €145,900 thousand (hereinafter the "**Provisional Amount**"), subject to adjustment: (i) downward in the circumstances in which the EBITDA recorded by OASI for the year ended December 31, 2018 is lower than a specific contractually defined value and (ii) downward or upward in the circumstances in which the net financial position of OASI calculated at the effective date differs from a specific contractually defined value. The Provisional Amount was paid on February 25, 2019 and verifications concerning potential adjustments will be made subsequently.

In addition, a positive earn-out is foreseen for the seller, up to a maximum of €9,000 thousand, subject to the achievement of certain commercial objectives by Oasi within the period until December 31, 2019.

For the purposes of the Unaudited Pro-forma Consolidated Financial Statements and in the absence of any elements that might suggest otherwise, the amount for the Disposal of Oasi expected at the effective date was assumed to be equal to the Provisional Amount. Prudentially, furthermore, the eventual collection of the earn-out was not considered.

Disposal of Business Units

The execution of the disposal of the Business Service business unit occurred on June 28, 2018. The purchase price was agreed for a total of €100 thousand, fully paid on June 28, 2018. The disposal of the Pay Care business unit occurred on February 19, 2019. The purchase price was agreed for a total of €210 thousand.

Disposal of Moneynet

The execution of the agreement relating to the Disposal of Moneynet occurred on December 28, 2018. The effectiveness of the same is subject to the fulfilment of certain conditions precedent in line with the market practice for similar transactions, including the issuance of the authorization by the Bank of Italy which, at the Date of the Registration Document, has not been received yet.

The provisional price agreed on for the 100% purchase and sale of the capital of Moneynet is equal to €100 thousand, to be paid on the effective date of the transaction. This provisional price will be subject to a series of adjustments, either positive or negative, including, in particular, one deriving from any differences in the effective net financial position of Moneynet at the effective date with respect to the value agreed by the parties of €3,050 thousand, which has already been incorporated in the Carve-Out Consolidated Financial Statements at December 31, 2018.

For the purposes of the Unaudited Pro-forma Consolidated Financial Statements and in the absence of any elements that might suggest otherwise, the definitive amount of the Disposal of Moneynet was assumed to be equal to €100 thousand.

In the context of the transaction, the parties also envisaged:

(iv) the signing, on the effective date, of an agreement for the provision of processing services between Moneynet, as the client, and Nexi Payments, as the provider, for a period of three years;

(v) the signing, on the effective date, of an agreement for the provision of assistance and maintenance services on POS terminals between Moneynet, as the provider, and Nexi Payments, as the client, for a period of three years;

(vi) the commitment of the sellers to collaborate with the purchaser in order to achieve the disposal, by Moneynet, of the business unit related to the provision of assistance and maintenance services on POS terminals, to a third party by December 31, 2021;

(vii) the commitment of the sellers to pay to the purchaser a maximum contribution of €1,500 thousand, upon the occurrence of certain circumstances provided for in the Moneynet disposal contract.

Considering the unavailability of specific data regarding the effects of the aforementioned further agreements described in points (i) to (iv) above and, however, given the extremely limited materiality of the same, the latter have not been reflected in the Unaudited Pro-forma Consolidated Financial Statements.

The Notes

The proceeds of the Listed Notes, net of the costs incurred for the issue of the same, were deposited in an escrow account until July 1, 2018, the date on which the Reorganization was completed. Subsequently, on July 2, 2018, the aforementioned net proceeds of the Listed Notes and the proceeds of the Private Placement Notes, net of the costs incurred for the issue of the same, were used mainly to:

- repay a pre-existing financial debt to the direct shareholder Mercury for €380 million (hereinafter the "**Pre-existing Loan**"),
- grant a loan to the direct shareholder Mercury for €2,018 thousand (hereinafter the "**Intercompany Loan**").

The funds transferred to Mercury through the repayment of the Pre-existing Loan and the disbursement of the Intercompany Loan were used to repay a pre-existing notes held by our shareholders.

Subsequently, on December 20, 2018, Nexi distributed to its shareholders an extraordinary dividend for available reserves totaling €2,203 million, of which €2,053 thousand was distributed to Mercury (hereinafter the "**Extraordinary Dividend to Mercury**") and €150 million was distributed to minority shareholders, in order to complete the overall corporate reorganization and refinancing of the infra-group debt that concerned the Company, in line with the provisions of the documentation relating to Notes.

The Extraordinary Dividend to Mercury was compensated for with the Intercompany Loan and with the interest that it accrued between July 2, 2018 and the distribution date of the Extraordinary Dividend to Mercury, equal to approximately €36 million. Specifically, as a result of this compensation, at the complete closure of the aforementioned Intercompany Loan, Mercury paid to us €506 thousand.

Contracts with Depobank

As part of the Reorganization, we entered into agreements with Depobank that regulate, among other things, the provision of IT services and the provision of commercial services by Nexi Payments to Depobank. In addition, in the context of the Reorganization, certain persons who performed their activities exclusively for the business currently attributable to Depobank were transferred to us.

Presentation of Pro-forma Financial Statements

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

The Unaudited Pro-Forma Consolidated Financial Statements are not, by their nature, capable of offering a representation of our economic, equity and financial position, considering that they are constructed to retrospectively reflect the effects of subsequent transactions that were not recorded at the dates of the periods subject of Pro-Forma, despite compliance with accounting rules of common acceptance and the use of reasonable assumptions.

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

(viii) since these representations were constructed on hypotheses, if the Transactions were carried out on the dates taken as reference for the preparation of pro-forma data, rather than on the respective effective dates, the historical data would not necessarily have been the same as the *pro-forma* data;

(ix) the *pro-forma* data does not reflect forecast data as it is prepared in such a way as to represent the significant, isolable and objectively measurable effects deriving from the Transactions, without taking into account the potential effects due to changes in management policies and operational decisions resulting from the Transactions.

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

Pro-forma Balance Sheet at December 31, 2018

The following table shows the *pro-forma* adjustments made to represent the significant effects of the Transactions on the Carve-out Balance Sheet at December 31, 2018:

	Carve-out Balance Sheet	Pro-forma adjustments Disposals	Pro-forma Balance Sheet
	(1)	(2)	
		(In € thousands)	
Assets			
Cash and cash equivalents	40,688	146,210	186,898
Financial assets measured at fair value with impact on the Income Statement	10	—	10
Financial assets measured at fair value with impact on total profitability	100,114	—	100,114
Financial assets measured at amortized cost	1,668,453	—	1,668,453
(a) receivables from banks	561,209	—	561,209
(b) receivables from customers	1,107,244	—	1,107,244
Shareholdings	730	—	730
Tangible assets for functional use	156,193	—	156,193
Tangible assets held for investment purposes	3,151	—	3,151
Intangible assets	2,668,293	—	2,668,293
of which:—goodwill	2,097,379	—	2,097,379
Tax assets	62,873	—	62,873
(a) current	29,299	—	29,299
(b) advanced	33,574	—	33,574
Non-current assets and groups of assets held for sale	80,498	(78,228)	2,270
Other assets	405,704	—	405,704
Total assets	5,186,707	67,982	5,254,689
Liabilities and Shareholders' Equity			
Financial liabilities measured at amortized cost	3,716,834	—	3,716,834
(a) banks	792,896	—	792,896
(b) customers	354,249	—	354,249
(c) securities issued	2,569,689	—	2,569,689
Financial liabilities held for trading	3,154	—	3,154
Hedge derivatives	16,557	—	16,557
Tax liabilities	163,194	1,244	164,438
(a) current	31,124	1,244	32,368
(b) deferred	132,070	—	132,070
Liabilities related to assets held for sale	39,069	(38,518)	551
Other liabilities	716,375	—	716,375
Employee severance indemnity (TFR)	14,084	—	14,084
Provisions for risks and charges	46,552	—	46,552
Total Liabilities	4,715,819	(37,274)	4,678,545
Net Equity	470,888	105,256	576,144
Total Liabilities and Net Equity	5,186,707	67,982	5,254,689

Pro-forma Income Statement for the year ended December 31, 2018

The following table shows the *pro-forma* adjustments made to represent the significant effects of the Transactions on the carve-out income statement and total profitability for the year ended December 31, 2018:

		Pro-forma adjustments				
	Carve-out Income Statement	Acquisitions	Disposals	Notes	Contracts with Depobank	Pro-forma Income Statement
	(1)	(2)	(3)	(4)	(5)	
			(In € thousands)			
Fee and commission income and fees for services	1,575,873	2,573	(24,859)	—	10,405	1,563,992
Fee and commission expense and cost of services	(620,882)	—	—	—	—	(620,882)
Net fee and commission income	954,991	2,573	(24,859)	—	10,405	943,110
Interest and similar income	56,114	—	—	(36,031)	—	20,083
Interest and similar expenses	(99,089)	(14)	—	(40,423)	—	(139,526)
Interest margin	(42,975)	(14)	—	(76,454)	—	(119,443)
Net trading/hedging income (expense) on financial assets and liabilities at fair value through profit or loss	(2,293)	—	—	—	—	(2,293)
Dividends and gains/losses on the sale of financial assets at fair value through other comprehensive income	(5,188)	—	—	—	—	(5,188)
Total income	904,535	2,559	(24,859)	(76,454)	10,405	816,186
Personnel expenses	(178,840)	(289)	11,136	—	(2,666)	(170,659)
Other administrative expenses	(458,412)	(831)	17,013	—	(7,239)	(449,469)
Total administrative expenses	(637,252)	(1,120)	28,149	—	(9,905)	(620,128)
Other operating net expenses/income	4,107	3	—	—	—	4,110
Net impairment losses on financial assets at amortized cost	(2,239)	—	—	—	—	(2,239)
Net provisions for risks and charges	(33,188)	(151)	—	—	—	(33,339)
Depreciation and amortization of tangible and intangible assets	(114,870)	(173)	80	—	—	(114,962)
Operating margin	121,094	1,118	3,370	(76,454)	500	49,628
Net gain on equity investments and sales of investments	20,491	—	—	—	—	20,491
Profit from current operations before taxes	141,585	1,118	3,370	(76,454)	500	70,119
Income taxes	(66,730)	(408)	—	18,349	(165)	(48,954)
Profit/loss from assets held for sale net of taxes	(6,130)	—	6,449	—	—	319
Profit for the year	68,725	710	9,819	(58,105)	335	21,483
Profit (Loss) for the year attributable to the parent company	67,226	702	9,819	(58,105)	331	19,973
Profit for the year attributable to minorities	(1,499)	(8)	—	—	(4)	(1,510)
Other income components						
Other income components without reversal to the Income Statement						
Defined benefits plans	—	—	—	—	—	—
Financial assets measured at fair value with impact on total profitability	6,992	—	—	—	—	6,992
Total profitability for the year	75,717	710	9,819	(58,105)	335	28,475

Pro-forma Cash Flow Statement at December 31, 2018

The following table shows the *pro-forma* adjustments made by type to represent the significant effects of the Transactions on the carve-out cash flow statement for the year ended December 31, 2018:

		Pro-forma adjustments				
	Carve-out Cash Flow Statement	**Acquisitions**	**Disposals**	**Notes**	**Contracts with Depobank**	**Pro-forma Cash Flow Statement**
	(1)	(2)	(3)	(4)	(5)	
			(In € thousands)			
A. OPERATING ACTIVITIES						
1. Operations						
profit for the year	68,725	710	9,819	(58,105)	335	21,483
impairment of assets held for sale	6,050	—	—	—	—	6,050
gains/losses on financial assets held for trading and on other financial assets/ liabilities measured at fair value with impact on the Income Statement and on hedging activities	2,293	—	—	—	—	2,293
net allocations to provisions for risks and charges and other costs/revenues	40,615	151	—	—	—	40,766
depreciation and amortization of tangible and intangible assets	114,870	173	—	—	—	115,043
taxes, duties and unpaid tax credits	20,501	—	—	—	—	20,501
gains from disposal	(21,000)	—	—	—	—	(21,000)
interest expense on accrued and unpaid notes	12,729	—	—	—	—	12,729
other adjustments	6,224	—	—	—	—	6,224
	251,007	1,034	9,819	(58,105)	335	204,089
2. Cash flows generated from/absorbed by financial assets						
financial assets measured at fair value with impact on total profitability	144	—	—	—	—	144
financial assets held for trading	—	—	—	—	—	—
receivables from banks	(228,222)	—	—	—	—	(228,222)
receivables from customers	1,672,122	—	—	—	—	1,672,122
assets held for sale	(14,427)	—	—	—	—	(14,427)
other assets	(57,163)	—	—	—	—	(57,163)
	1,372,454	—	—	—	—	1,372,454
3. Cash flows generated from/absorbed by financial liabilities						
payables to banks	(1,699,660)	—	—	—	—	(1,699,660)
payables to customers	240,758	—	—	—	—	240,758
financial liabilities held for trading	2,102	—	—	—	—	2,102
hedge derivatives	—	—	—	—	—	—
liabilities held for sale	16,132	—	—	—	—	16,132
other liabilities	(42.849)	—	—	—	—	(42.849)
	(1.483.517)	—	—	—	—	(1.483.517)
Net cash flows generated by/used in operations	139.944	1,034	9,819	(58,105)	335	93.026
B. INVESTING ACTIVITIES						
1. Cash flows generated from/absorbed by						
purchases of tangible assets	(40,600)	—	—	—	—	(40,600)
sales of tangible assets	5,072	—	—	—	—	5,072
purchases of intangible assets	(109,937)	—	—	—	—	(109,937)
purchases/sales of subsidiaries and business units	(6,422)	—	—	—	—	(6,422)
Net cash flows generated by/used in investing activities	(151.887)	—	—	—	—	(151.887)

	Carve-out Cash Flow Statement	Pro-forma adjustments Acquisitions	Disposals	Notes	Contracts with Depobank	Pro-forma Cash Flow Statement
	(1)	(2)	(3)	(4)	(5)	
			(In € thousands)			
C. FINANCING ACTIVITIES						
1. Cash flows generated from/absorbed by						
reimbursement of payables to parent company	(380,000)	—	—	—	—	(380,000)
dividends (paid)/collected	(56,000)	—	—	—	—	(56,000)
issue/purchase of equity instruments	—	—	—	—	—	—
issue of debt securities	2,556,960	—	—	—	—	2,556,960
distribution of dividends to third parties	(2,202,750)	—	—	—	—	(2,202,750)
sale/purchase of minority control	—	—	—	—	—	—
Net cash flows generated by/used in financing activities	(81,790)	—	—	—	—	(81,790)
NET CASH FLOWS FOR THE YEAR	(93,733)	1,034	9,819	(58,105)	335	(140,651)

Notes to the Unaudited Pro-forma Consolidated Financial Statements

Basis of presentation and accounting standards used

The Unaudited Pro-forma Consolidated Financial Statements have been prepared in compliance with CONSOB Communication no. DEM/1052803 of July 5, 2001, which governs the methodology for the preparation of pro-forma data. In particular, the Unaudited Pro-forma Consolidated Financial Statements have been prepared by adjusting the historical data for the year ended December 31, 2018, taken from the Carve-out Consolidated Financial Statements, in order to simulate the main equity, financial and economic effects that could derive from the Transactions.

The accounting standards adopted for the preparation of the Unaudited Pro-forma Consolidated Financial Statements are the same used for the preparation of the Carve-out Consolidated Financial Statements and, in particular, International Financial Reporting Standards, which include all International Accounting Standards, all International Financial Reporting Standards and all the interpretations of the IFRS Interpretations Committee previously called Standing Interpretations Committee, adopted by the European Union ("**IFRS**").

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

Description of pro-forma adjustments made for the preparation of the Unaudited Pro-forma Consolidated Financial Statements

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

Unaudited Pro-Forma Balance Sheet

Note 1—Carve-out Balance Sheet

The column in question includes the Carve-out Balance Sheet at December 31, 2018, extracted from the Carve-out Consolidated Financial Statements.

Note 2—Disposals

This column includes the effects of the disposals of Oasi, Moneynet and Pay Care.

At December 31, 2018, said entities are accounted for in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. Therefore, the related assets and liabilities are shown separately in the Balance Sheet.

The following table represents a summary of the effects related to each of the aforementioned disposals:

	Disposal of OASI	Disposal of Moneynet	Disposal of Pay Care	TOTAL
	(In € thousands)			
Assets associated with assets held for sale (a)	62,708	7,897	7,623	78,228
Liabilities associated with assets held for sale (b)	20,476	10,013	8,029	38,518
Fee (c)	145,900	100	210	146,210
Gain for statutory purposes (d)=(c)-(a)+(b)	103,668	2,216	616	106,500
Tax value of the shareholding (e)	42,232	100	5,878	
Gain for tax purposes (f): (c)-(e)	103,668	—	—	103,668
Tax impact (g)(5% of (f) taxable amount for IRES purposes)	1,244	—	—	1,244
Net impact on equity (d)+(g)	102,424	2,216	616	105,256

It is noted that the gain deriving from the disposal of OASI is subject to the participation exemption regime and, as such, subject to IRES taxation of 5% The disposals Moneynet and Pay Care are essentially tax neutral as the agreed amounts substantially coincide with the related carrying amounts for tax purposes.

As mentioned above, the amount for the disposals of Oasi and Moneynet are subject to adjustment and, therefore, for the purposes of the pro-forma Consolidated Financial Statements have been assumed equal to their respective provisional amounts. However, with specific reference to the Disposal of Oasi, the collection of the earn-out, equal to a maximum amount of €9,000 thousand, was not considered.

Unaudited Pro-Forma Income Statement and Total Profitability

Note 1—Carve-out Income Statement and Total Profitability

The column in question includes the Carve-out Income Statement and total profitability for the year ended December 31, 2018, extracted from the Carve-out Consolidated Financial Statements.

It is noted that the carve-out income statement and total profitability for the year ended December 31, 2018 includes non-recurring expenses amounting to €130,559 thousand (excluding the related tax effects) inclusive of non-recurring expenses attributable to the Reorganization amounting to €48,755 thousand and non-recurring expenses attributable to the issue of the Notes amounting to €13,375 thousand.

Note 2—Acquisitions

The column in question includes the results of Carige Acquiring and Sparkling for the periods prior to their inclusion in our consolidation perimeter.

It is noted that in accordance with the pro-forma data construction methodology governed by CONSOB Communication no. DEM/1052803 of July 5, 2001, the potential economic effects, including any related tax effects, related to the synergies that may be generated as a result of the aforementioned acquisitions have not been presented in the Pro-forma Consolidated Financial Statements.

It is also noted that on the basis of the information available at the date of this document, the payment of the earn-out of €500 thousand envisaged for the Acquisition of Sparkling is not considered probable and, therefore, was not reflected in the Pro-forma Consolidated Financial Statements.

Note 3—Disposals

The column in question represents the reversal of the results of: (i) the Business Service and Pay Care business units; (ii) Oasi; and (iii) Moneynet for the periods they were included in our consolidation perimeter.

As commented previously, at December 31, 2018, Oasi, Pay Care and Moneynet are accounted for in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. Therefore, their related income and expenses are shown separately in the income statement and total profitability.

It is noted that the Pro-Forma Consolidated Income Statement does not reflect the non-recurring expenses related to the Disposals and, specifically, the gains deriving from the same which, on the basis of the information available at the date of this document, are estimated at €106,500 thousand. Also refer to note 2 of the Pro-forma Balance Sheet for further details.

It is also noted that, with specific reference to the Disposal of Oasi, the eventual collection of the earn-out of up to €9,000 thousand was not considered, both with respect to the economic and equity effects.

Note 4—Notes

This column includes the effects:

- the elimination of financial income accrued in 2018 on the Intercompany Loan, equal to €36,031 thousand. These proceeds were eliminated because if the Reorganization is considered to have taken effect on January 1, 2018, including the provision of the Extraordinary Dividend to Mercury, the Intercompany Loan that generated the financial income in question would not have been disbursed,
- the calculation of financial expenses on the Listed Notes and on the Private Placement Notes for the entire year 2018, equal to €107,188 thousand and, therefore, also for the period of 2018 prior to their issuance,
- the tax effect on previous adjustments, calculated by applying the IRES rate of 24%

Specifically, the adjustments in question were calculated as follows:

	(In € thousands)
Financial expenses already accounted for in the Carve-Out Consolidated Financial Statements	(66,765)
Adjustment of financial expenses (a)	(40,423)
Total financial expenses of Notes on pro-forma basis	(107,188)
Reversal of financial income accrued on the Intercompany Loan (b)	(36,031)
Net impact (a)+(b)	(76,454)
Tax impact	18,349

It is noted that the adjustment of financial expenses was calculated using the values of the interest rates that existed on the issue date of the Notes.

Note 5—Contracts with Depobank

The column in question includes the effects of the agreements with Depobank for the period prior to the Reorganization, estimated at €10,405 thousand and the costs relating to personnel which, as part of the Reorganization, were allocated to us, equal to €9,905 thousand. The related tax effect was also determined, equal to €165 thousand, determined by applying the IRES rate of 27.5% and IRAP rate of 5.57%

Unaudited Pro-Forma Consolidated Cash Flow Statement

Note 1—Carve-out Consolidated Cash Flow Statement

The column in question includes the Carve-out Cash Flow Statement for the year ended December 31, 2018, extracted from the Carve-Out Consolidated Financial Statements.

It is noted that the Carve-out Consolidated Cash Flow Statement for the year ended December 31, 2018 includes the effects of: (i) the issues of the Notes that generated net liquid assets of €2,556,960 thousand; (ii) repayment of the Pre-existing Loan equal to €380,000 thousand; and (iii) the distribution of the Extraordinary Dividend for €2,202,750 thousand.

Note 2—Acquisitions

The column in question includes the cash flows of Carige Acquiring and Sparkling for the periods prior to their inclusion in our consolidation perimeter.

Also refer to note 2 of the Pro-forma Income Statement for further details.

Note 3—Disposals

The column in question represents the reversal of the effects on cash flows connected to: (i) the Business Service and Pay Care business units; (ii) Oasi; and (iii) Moneynet for the periods included in our consolidation perimeter.

Also refer to note 3 of the Pro-forma Income Statement for further details.

It is noted that the Pro-Forma Consolidated Cash Flow Statement does not reflect non-recurring cash flows connected to the aforementioned disposals. Based on the information available at the date of this document, these cash flows are estimated at €146,210 thousand. It is also noted that this last amount does not consider the eventual collection of the earn-out envisaged for the Disposal of Oasi equal to a maximum of €9,000 thousand.

Note 4—Notes

This column includes the effects on cash flows from:

- the elimination of financial income accrued in the year on the Intercompany Loan, amounting to €36,031 thousand;
- the financial expenses on the Listed Notes and on the Private Placement Notes for the entire year 2018, amounting to €107,188 thousand and, therefore, also for the period prior to the issue for the same amount;
- the tax effect on the previous adjustments, calculated by applying the IRES rate of 24%

Refer to note 4 of the Pro-forma Income Statement for further details.

Note 5—Contracts with Depobank

The column in question include the effects on the cash flows of the arrangements with Depobank. Refer to note 5 of the Pro-forma Income Statement for further details.

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

		Pro-forma adjustments				
	Carve-out Income Statement	Acquisitions	Disposals	Notes	Contracts with Depobank	Pro-forma Income Statement
			(In € thousands)			
Merchant Services & Solutions	435,693	2,559	(1,419)	—	—	436,833
Cards & Digital Payments	360,619	—	—	—	—	360,619
Digital Banking Solutions	113,723	—	(2,198)	—	10,405	121,930
Other services	32,436	—	(21,242)	—	—	11,194
Normalized total income	942,471	2,559	(24,859)	—	10,405	930,576
Personnel expenses	(158,044)	(289)	11,136	—	(2,666)	(149,863)
Administrative expenses	(362,486)	(831)	17,013	—	(7,239)	(353,543)
Adjustments and net operating provisions	(2,893)	(148)	—	—	—	(3,041)
Operating costs net of amortization/ depreciation	(523,423)	(1,268)	28,149	—	(9,905)	(506,447)
NORMALIZED EBITDA	419,048	1,291	3,290	—	500	424,129
Amortization, depreciation and impairment losses	(74,703)	(173)	80	—	—	(74,796)
Normalized operating margin	344,345	1,118	3,370	—	500	349,333
Amortization, depreciation and impairment losses (customer contracts)	(40,168)	—	—	—	—	(40,168)
Interest on bonds and loan	(32,034)	—	—	(76,454)	—	(108,488)
Gain/(loss) on equity investments and sale of investments	—	—	—	—	—	—
Other non-recurring items	(130,559)	—	—	—	—	(130,559)
Pre-tax profit	141,585	1,118	3,370	(76,454)	500	70,118
Income taxes	(66,730)	(408)	—	18,349	(165)	(48,954)
Profit/loss from assets held for sale net of taxes	(6,130)	—	6,449	—	—	319
Profit for the year	68,725	710	9,818	(58,105)	335	21,483
Loss for the year attributable to non-controlling interests	(1,499)	(8)	—	—	(4)	(1,510)
Profit attributable to the owners of the parent	67,226	702	9,818	(58,105)	331	19,973

ANNEX B—TARGETS

*On February 13, 2019, our Board of Directors approved our 2019-2023 business plan (the "**Business Plan**"), developed in connection with the application to admit the Issuer's shares to trading on the MTA. The Business Plan was prepared in accordance with IFRS, in line with the accounting principles used to prepare our consolidated financial statements for the year ended on December 31, 2018 and the Carve-out Financial Statements. The Business Plan contains information on our strategy and economic and financial objectives, some of which are set out below (the "**Targets**").*

Although we believe that the expectations underlying the Targets are reasonable, we do not provide any assurances with respect to such statements.

The preparation of the Targets was based upon a number of assumptions concerning future events that management expects to occur, and the actions management intends to take once the Business Plan is implemented. Such events and actions may not be realized, as they depend substantially on variables which management cannot control, and may involve situations that management cannot predict. As a result, the projections and objectives in the Targets are inherently uncertain and actual results may differ materially from and be more negative than those included or implied in the projections and objectives.

Data used in the Targets are based on assumptions regarding our operations and results that, in turn, are based on our current expectations regarding future events and are therefore subject to significant uncertainties that could cause our actual results to differ.

You should not place undue reliance on the projections and objectives, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral Targets that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such Targets after the date hereof to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Assumptions Underlying the Plan

The Targets are based on assumptions of a general nature related to future events, subject to uncertainties that management expects will occur, and on the actions that the management intends to perform. Management expects to achieve challenging levels of efficiency and profitability over the years covered by the Plan considering that such levels are higher than those currently registered by our primary competitors, although they are lower than our growth rates during the period 2016-2018.

The Targets are also based on assumptions of a hypothetical nature related to future events and actions that may not necessarily come to fruition. These assumptions are inherently uncertain and subject to potentially significant changes, including as a result of changes in the macroeconomic environment and the industry.

Our ability to increase our revenues, achieve our growth and development objectives and maintain adequate levels of profitability depends on both the growth of the underlying market and on new initiatives to increase revenues and control costs.

In this regard, (i) the targeted growth in revenues and profitability will be generated mainly by these new initiatives and (ii) these new initiatives will initially have a smaller impact on profitability than those currently carried out by us and (iii) the cost reductions planned for 2019 depend on the implementation of these initiatives, which may not be realized, in whole or in part, or may not result in the expected outcomes.

Below is a brief description of the main assumptions underlying the preparation of the Targets, which are divided into assumptions of a general nature, which are discretionary and dependent on initiatives of our management, and assumptions of a hypothetical nature, which are linked to variables that are outside of our control.

Main assumptions of a general nature underlying the Targets

As part of our broader corporate restructuring strategy and acquisitions carried out in recent years, in 2017, we announced and launched certain initiatives aimed at (i) the reduction of certain operating costs, (ii) the generation of synergies resulting from recent acquisitions and (iii) innovation and customer value management.

We estimated that the Normalized EBITDA improvement from these initiatives, once realized and fully implemented, would be €126 million. Of this targeted Normalized EBITDA improvement, €31 million was realized in 2018. As of December 31, 2018, the estimated unrealized Normalized EBITDA improvement from the initiatives is at least equal to €95 million, of which we expect to realize a portion in 2019, with the remaining achieved in 2020, once the initiatives have been fully implemented.

Initiatives announced and launched in 2017

The initiatives announced and launched in 2017 and estimated to be completed by 2020 are as follows

(i) Cost efficiency initiatives: These initiatives aim to reduce production costs and general and administrative expenses, headcount rationalizations, reduction in IT processing and running costs and the optimization of our Customer Contact Center. With respect to our operations, the initiatives are aim to (i) increase the efficiency of our production costs through the digitization of production processes and the optimization of stock management and (ii) increase the efficiency of customer service related activities by promoting self-care systems and reviewing current internal processes in order to optimize the customer experience. In the IT area, the main cost initiatives concern (i) the renegotiation of contracts with major suppliers and (ii) the internalization and optimization of IT platforms to enable them to be more efficient and scalable both on existing products and services and on new products that we will introduce to the market. Finally, with respect to human resources, in addition to the initiatives already promoted to reduce costs by means of voluntary redundancies and pre-retirement, the initiatives aim to optimize our organizational structure and make use of outsourcing. Taking into account the initiatives already carried out in 2018, we expect €36 million of Operating EBITDA from these initiatives by 2020.

(ii) Synergies arising from the integration of Bassilichi and Mercury Payment Services: taking into account the synergies already achieved in 2018 we expect €36 million of Operating EBITDA from these initiatives by 2020. Such synergies are the result of three main areas of intervention: (i) centralization of purchases with efficiencies on both IT and production costs and general and administrative expenses, (ii) rationalization of IT platforms and systems previously used by the acquired companies and (iii) simplification of their organizational structures for the integration into our organizational structure**.**

(iii) Innovation and customer value management initiatives include the launch of new products and other customer-value management measures which, taking into account the initiatives already carried out in 2018, are expected to result in a total Operating EBITDA improvement of €23 million by 2020 once fully implemented. In particular, the main new products and services already launched include: (i) the introduction of a new online and mobile payment platform (e.g. Xpay e-commerce) with many updated features, including the acceptance of alternative payment methods (*e.g.,* Paypal, Alipay), (ii) the development of a dedicated offer for large merchants, (iii) the launch of a number of mobile payment solutions (*e.g,.* Apple Pay, Google Pay), (iv) the introduction of international debit cards, which allow customers to shop online and offline internationally, (v) the renewal of business and corporate offers for companies that need to provide their employees with a payment tool at competitive conditions for the company itself and its employees, (vi) the development of solutions for the management of card limits and real-time installment payments, (vii) the introduction of the instant payments platform for the management of real time payments and (vii) the introduction of CVM (ustomer value management) campaigns designed to increase the frequency of use and of card expenditures.

The overall additional impact on Operating EBITDA resulting from the above-mentioned categories of the initiatives which have been already launched is expected to be equal to at least €95 million by 2020.

Other initiatives

In addition to the initiatives already announced and launched in 2017, management continues, and will continue, to work to identify new opportunities and initiatives for growth or efficiency. For instance, to date, management has identified further areas of development in addition to what has already been announced, including:

(i) cost-efficiency initiatives such as the development of big data tools to reduce fraud and improve customer satisfaction; and

(ii) innovation and customer value management initiatives, including the introduction of new products and services including the development of the Open Banking platform enabled by PSD2 and the expansion of the B2B offer with a renewed Digital Corporate Banking solution for the management of electronic invoices and the integration of payment and collection services.

In order to support the initiatives, we intend to carry out in the next few years (i) ordinary maintenance and growth capital expenditure (“**Ordinary Capital Expenditure**”) and (ii) non-recurring capital exependiture, primarily related to recent acquisitions and to the transformation of our IT platform (“**Transformation Program Capital Expenditure**”), which will progressively decrease over the years covered by the Plan.

In addition, management does not expect any material changes to our business model in place in 2018 during the period covered by the Plan.

Main hypothetical assumptions underlying the Targets

Certain assumptions underlying the Targets relate to the trend of external factors which may influence the development of the business and that are outside management’s control.

The main hypothetical assumptions are as follows:

- Steady growth of the Italian digital payments and cards market driven by the progressive adoption of digital payment methods in place of cash.
- Technology and innovation, with a focus on digital, will continue to reshape the Italian payments market. Specialization, technology, expertise and excellence in digital innovation are key elements in the future development of the business.
- The banking sector will remain the main distribution channel in Italy. Partnerships with banks will still have a key role to play in our business development strategy.

Targets

Based on the general and hypothetical assumptions described above, the Issuer is pursuing the following objectives.

Revenue

We aim to achieve compound annual revenue growth over the medium term (i.e., for the period including 2019-2021) of 6.5%, with year-on-year growth between 5% to 7%. The growth for 2019 is targeted to be in the lower end of that range due to one-off effects related both to the termination of certain contracts relating to Bassilichi which were considered non-strategic and characterized by low profitability, and the termination of certain contracts relating to the former Venetian banks (Veneto Banca and Banca Popolare di Vicenza) following their acquisition by Intesa Sanpaolo. We expect that these one-off effects will occur mainly in the Digital Banking Solutions business unit. The above-mentioned one-off effects will lead to a CAGR slightly below the historical growth rate (7.8% on the basis of the 2018 Perimeter, 8.5% on the basis of the 2018 pro forma value).

The market volumes growth, the impact of the initiatives and other market dynamics will contribute to the medium-term (i.e., for the period including 2019-2021) growth of our revenues. Over this period, the initiatives will be the factor which will contribute most to revenue growth.

With regard to the last three years (2016-2018), we have benefited from a growth in transaction volumes substantially in line with the growth of card payment transactions. Specifically, our volumes grew approximately 10% (according to company estimates), in line with the 10% CAGR for total card payment transactions volume of the Italian market in the same period (2016-2018) (Euromonitor International Consumer Finance 2019 Edition). Number of card payment transactions exclude commercial transactions and are based on current prices. We believe that over the medium-term (i.e., for the period including 2019-2021) the trend of our volumes will remain in line with the trend in volumes of the market.

Normalized EBITDA

We aim to achieve a medium-term (i.e., for the period including 2019-2021) Normalized EBITDA CAGR of 14.3%, with year-on-year growth between 13% to 16% as a result of our continuous and significant focus on operating efficiency, with 2019 targeted value equal to approximately €490 million, which is at the upper end of the range. This CAGR, which is higher than the expected CAGR of our revenue in 2019, is the result of the implied operating leverage of the business, the implementation of efficiency initiatives announced and launched in 2017, the first application of IFRS 16 and the synergies resulting from the integration of the acquired companies. Our management believes we can reach these levels of efficiency and profitability, which are challenging insofar as they are higher than those of our primary competitors although they are lower than our growth rates during the period 2016-2018, thanks to the distinctive features of our business model (significant scale, focus on activities / segments with high added value within the payments value chain, concentration on a single reference market resulting in a simplification / rationalization of products and systems).

Therefore, over the medium term (i.e., for the period including 2019-2021,) EBITDA growth will be driven by the growth in market volumes, revenue initiatives (with increasing margins year-on-year), cost initiatives (*i.e.,* efficiency initiatives and synergies arising out of the integration of the acquired companies) and other market dynamics. Over the medium term, revenues and cost initiatives will be the factors which will contribute most to EBITDA growth.

The trend we expect for the Normalized EBITDA in 2019 (expected growth of approximately 16%) is substantially in line with the trend for the last three years with the same scope of analysis (CAGR of approximately 15.5% on the basis of the 2018 Perimeter). Over the medium term i.e., for the period 2019-2021, the expected growth range (13% to 16%), will be positioned around the historical value (15.5%), with the lower end of the range indicated above (13% to 16%) below this value (15.5%).

The values above refer to Normalized EBITDA and not to net income. Our net income differs from Normalized EBITDA as it includes: non-recurring expenses/income, income/losses of the assets held for sale, income taxes, income/losses of equity investments and disposals of investments, net depreciation/amortization on property and intangible assets and interest on the Notes. These items are not included in Normalized EBITDA.

With regard to the main items not included in the Normalized EBITDA:

- with reference to the Notes, considering that they provide for a bullet repayment between 2023 and 2024, in the medium term, the relevant financial charges are estimated to grow progressively up to €120 million (including the effects of the depreciation of ancillary costs incurred for the issuance of the Notes), as a result of the trend we expect in interest rates. This estimate does not reflect any benefits in terms of lower financial charges that may arise from: (i) any refinancing transaction of the Notes on more favorable conditions than those currently applied (through the potential utilization of funding provided under the IPO Credit Facilities), and (ii) any use of the proceeds received from the Offering to reduce the Notes. We intend to use the proceeds from the Offering to reduce our financial indebtedness;

- the depreciation and amortization on tangible and intangible assets (excluding the component of amortization associated with "Customer Contracts") are targeted to increase in the medium term because of non-recurring capital expenditure carried out during the course of 2018 and envisaged in the Plan. We expect this depreciation and amortization on tangible and intangible assets (excluding the component of amortization associated with "Customer Contracts") to be equal to approximately 12% of revenues for 2019 and to gradually increase up to reach approximately 15% of revenues in the medium term. In the long term, due to the effect of the progressive decline in such non-ordinary course capital expenditure, we estimate that, in terms of impact on revenues, the depreciation and amortization on tangible and intangible assets (excluding the component of amortization associated with "Customer Contracts") will decline in line with the reduction of the transformation initiatives and, as a result, of the capitalized costs;

- for those non-recurring/non-recurring items, a reduction of more than 60% is expected in the year 2019, net of non-recurring expenses arising out of the listing and potential refinancing transactions. Furthermore, starting from 2020, we consider that the impact of the non-recurring charges will begin to decline rapidly. Non-recurring charges in the three-year period 2016-2018 are mainly attributable to M&A transactions completed over the three years, the Reorganization, our re-branding and the "Transformation Plan". Except for the Transformation Plan, the activities related to M&A, the Reorganization and the re-branding were substantially completed in 2018 and, therefore, the same will produce limited effects on 2019 and negligible effects on the results for the subsequent financial years.

(iii) *Capital expenditure*: We are aiming to achieve ordinary capital expenditure of approximately 8 to 10% of total revenue over the long term, with total capital expenditure (including both Ordinary Capital Expenditure and Transformation Plan Capital Expenditure) trending towards this level over the medium to long term. Total investments (including both Ordinary Capital Expenditure and Transformation Plan Capital Expenditure) are expected to be between 16-17% of total revenue for 2019.

(iv) *Net financial position*: We are targeting a Net financial position of between 3.0-3.5x Normalized EBITDA including the initiatives by the end of 2019. Proceeds we receive from the Offering will be used to reduce our financial debt. We aim to achieve a Net financial position between 2.0x-2.5x Normalized EBITDA in the medium/long-term period.

These Targets, as previously mentioned, are based on a set of assumptions relating to future events and actions that we expect to take, including hypothetical assumptions relating to future events and actions that may not necessarily occur or that are outside of our management control. These assumptions are inherently uncertain and subject to potentially significant changes, including as a result of changes in the macroeconomic environment and the industry.

Consequently, we cannot assure you that such objectives represented by the Targets will be achieved, in whole or in part, or that they will be achieved within the timeframe expected nor that, if achieved, they will be maintained over time.

Given the inherent uncertainty of the Targets, you are urged not to rely solely on such data when making your investment decision and to read such information together with the section entitled "Risk Factors".

Sensitivity analysis

In the event that a 50% reduction of the growth in volumes were to occur, this would result in a decrease of approximately €20 million in the Normalized EBITDA targeted at the end of 2019.

Alternatively, in the event that a 50% reduction of the targeted benefits from the implementation of the initiatives were to occur, this would result in a decrease of approximately €10 million in the Normalized EBITDA expected at the end of 2019. The impact on our 2019 results of the sensitivity analysis on the initiatives is lower than the impact on the volumes since only a portion of the initiatives' impact will be reflected in 2019, given the gradual nature of the initiatives' impact and the fact that the launch of such initiatives occurred during the course of the year and it will be reflected only in part in the 2019 income statement.

The sensitivity analysis shown in this paragraph has been developed through simulations only involving the variables listed herein, all other conditions being equal. However, this does not take into account any assumptions regarding corrective actions that our management may implement, regardless of how easy and effective such implementation would be.

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