**OFFERING MEMORANDUM** **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

# Nexi S.p.A.

## €825,000,000 1.75% Senior Notes due 2024

Nexi S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy (the "Issuer"), is offering (the "Offering") €825.0 million in aggregate principal amount of its 1.75% Senior Notes due 2024 (the "Notes"). The proceeds of the Notes will be used, together with cash on hand, to fund the Existing Notes Redemption (as defined herein) and to pay fees and expenses in connection therewith. See "*Use of Proceeds*."

The Notes will bear interest at a rate of 1.75% per annum and will mature on October 31, 2024. The Issuer will pay interest on the Notes semi-annually in arrears on April 30 and October 31 of each year, commencing on April 30, 2020. The Issuer will be entitled at its option to redeem all or a portion of the Notes (i) at any time prior to July 31, 2024, at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make whole" premium as set forth in this offering memorandum and (ii) thereafter at a redemption price equal to 100% of the principal amount of the Notes, plus in each case accrued and unpaid interest and additional amounts, if any, to the date of redemption. Upon the occurrence of certain events constituting both a change of control and a ratings event, the Issuer will be required to offer to repurchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. In the event of certain developments affecting taxation, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any.

The Notes will be senior unsecured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future senior unsecured obligations that are not subordinated in right of payment to the Notes, including obligations under the Facilities Agreement (as defined herein). The Notes will rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the Notes, if any. The Notes will be effectively subordinated to any existing and future secured obligations of the Issuer and the subsidiaries of the Issuer to the extent of the value of the property and assets securing such obligations, and will be structurally subordinated to all obligations of the Issuer's Subsidiaries that do not guarantee the Notes, including guarantees of the Facilities Agreement by certain Subsidiaries of the Issuer. The Notes will not be guaranteed.

The Notes are listed on the official list of the Luxembourg Stock Exchange (the "Official List") and are admitted for trading on the Euro MTF market thereof. There is no assurance, however, that this listing and this admission for trading will be maintained.

This offering memorandum may not be reproduced or used for any other purpose, nor may it be furnished to any person other than those to whom copies have been sent.

**Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 26.**

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**Issue Price for the Notes: 100.000%**

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Delivery of the Notes will be made in book entry form through a common depositary of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") on or about October 21, 2019 (the "Issue Date"). See "*Book Entry, Delivery and Form*."

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000.

**The Notes have not been, and will not be, registered under the U.S. federal securities laws or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act of 1933, as amended (the "Securities Act")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may only be offered and sold to non-U.S. persons outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act. See "*Notice to Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.**

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*Joint Global Coordinators and Bookrunners*

| | | |
|---|---|---|
| **Banca IMI** | **Barclays** | **BofA Merrill Lynch** |

*Joint Bookrunners*

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|---|---|---|---|---|---|
| **Banca Akros S.p.A.—Gruppo Banco BPM** | **Goldman Sachs International** | **J.P. Morgan** | **MPS Capital Services** | **UBI Banca** | **UniCredit Bank** |

The date of this offering memorandum is October 21, 2019.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 16, 2019.

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In making an investment decision, you should rely only on the information contained in this offering memorandum. Neither the Issuer nor any of the Initial Purchasers (as defined below) have authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum.

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes as described herein and should be used solely for the purposes for which it has been produced. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case), this offering memorandum contains all information that is material in the context of the issuance and offering of the Notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make this offering memorandum or any such information misleading in any material respect. The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time subsequent to that date. The Issuer accordingly accepts responsibility for the information contained in this offering memorandum.

None of the Initial Purchasers (as defined below) nor any employee of the Initial Purchasers has authorized the contents or circulation of this offering memorandum and does not assume any responsibility for, and will not accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

In accordance with normal and accepted market practice, none of the Trustee, the Paying Agent, the Registrar, or the Transfer Agent (each as defined herein) is responsible for the contents of this offering memorandum or expresses any opinion as to the merits of the Notes under this offering memorandum.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this offering memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer or any of its affiliates, or the Initial Purchasers. This offering memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

By receiving this offering memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this offering memorandum is not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and the Group, the terms of the Offering and the merits and risks involved.

The information set forth in those sections of this offering memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures. The Issuer, Trustee, the Paying Agent, the Registrar, or the Transfer Agent will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book entry interests.

This Offering is being made outside the United States to non-U.S. persons in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right to allot less than the full amount of Notes sought by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, or the Transfer Agent or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a further description of certain restrictions on the Offering and sale of the Notes and the distribution of the offering memorandum, see "*Plan of Distribution*," "*Notice to Investors*" and "*Transfer Restrictions*."

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this offering memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, the Initial Purchasers, Trustee, the Paying Agent, the Registrar, or the Transfer Agent or their respective affiliates will have any responsibility therefor.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an Offering or the circulation or distribution of this offering memorandum or any offering material in relation to the Issuer or the Notes in any country or jurisdiction where action for that purpose is required.

The Notes will only be issued in fully registered form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented by one or more global notes in registered form without interest coupons attached (the "Global Notes"). The Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream") and registered in the name of the nominee of the common depositary. See "*Book Entry, Delivery and Form*."

## STABILIZATION

IN CONNECTION WITH THIS ISSUE, MERRILL LYNCH INTERNATIONAL (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE RESPECTIVE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION TO DO THIS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "*PLAN OF DISTRIBUTION*."

## NOTICE TO INVESTORS

### United States

The Notes have not been, and will not be, registered under the U.S. federal securities laws or the securities laws of any other jurisdictions. The Notes may only be offered and sold to non-U.S. persons outside the United States in reliance on Regulation S. The Notes are not transferable except in accordance with the restrictions described under "*Plan of Distribution*" and "*Transfer Restrictions*." The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC or any state securities commission in the United States or any such other securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

**European Economic Area**

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Regulation (as defined below), from the requirement to produce a prospectus for offers of the Notes. In relation to each Member State of the European Economic Area ("EEA"), with effect from and including the date on which the Prospectus Regulation is implemented in that EU Member State no offer of Notes to the public in that EU Member State may be made other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes shall require us or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any EU Member State (as defined herein) means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that EU Member State by any measure implementing the Prospectus Regulation in that EU Member State. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129, and includes any relevant implementing measure in the EU Member State.

***Professional Investors and ECPs Only Target Market***

Solely for the purposes of the product approval process of the Manufacturers, as defined in the Purchase Agreement (as defined herein), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("ECPs") and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

***Prohibition of Sales to EEA Retail Investors***

The Notes 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 2016/97/EU (as amended, the "Insurance Distribution 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 Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Italy**

No action has been or will be taken which could allow an offering to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently integrated and amended (the "Italian Financial Act") and, in particular, the Offering has not been cleared by the Commissione Nazionale per la Società e la Borsa ("CONSOB") (the Italian securities exchange commission), pursuant to Italian securities legislation and will not be subject to review by CONSOB. Accordingly, the Notes may not be offered, sold or delivered directly or indirectly in the Republic of Italy, and neither this offering memorandum nor any other offering memorandum, prospectus, form of application, advertisement, other offering material or other documentation relating to the Notes may be issued, distributed or published in the Republic of Italy, except: (a) to qualified investors (*investitori qualificati*) as defined pursuant to Article 2 of Regulation (EU) 2017/1129 (the "Prospectus Regulation"); or (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and any other applicable Italian laws and regulations.

The Notes may not be offered, sold or delivered and neither this offering memorandum nor any other material relating to the Notes, may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this offering memorandum or any other offering material or other documentation relating to the Notes in the Republic of Italy is made in compliance with the selling restrictions above and must be made as follows: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance, as applicable, with Legislative Decree No 385 of September 1, 1993 (the "Italian Banking Act") as subsequently integrated and amended, the Italian Financial Act, the Issuer Regulation, Regulation 20307 and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirements or limitations which may be imposed from time to time by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or other competent Italian authority. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this offering memorandum in the Republic of Italy, see "*Transfer Restrictions*."

**Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.**

## FORWARD-LOOKING STATEMENTS

This offering memorandum 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 memorandum, 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*," "*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 memorandum 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 memorandum.

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:

- deterioration in the economic or political situation in Italy;
- political uncertainty in Italy;

- disruption of our ICT and information systems, including SIA and equensWorldline;
- vulnerability or weakness of our IT infrastructure or those of our outsourcers;
- the impact of privacy and data protection regulation;
- adverse changes to interchange regulations and other payment regulations;
- inability to maintain relationships with our partner banks;
- condition of the Italian banking sector;
- increased competition from third parties;
- the cost of adapting to and providing new technologies and services;
- an inability to fulfill our obligations under our existing debt and guarantee arrangements or any inability to secure adequate funding for our future operations;
- credit risk from our customers and partner banks;
- fraud by third parties;
- liability for the actions of our directors, employees, and others;
- adverse changes to payment network rules or standards;
- reliance on financial institutions for our clearing activities;
- regulatory changes in Italy or Europe;
- failure to successfully integrate acquired businesses and identify opportunities for future acquisitions and liabilities relating to disposed businesses;
- failure to attract and retain key employees;
- inadequate risk management policies and procedures;
- adverse results of litigation;
- inadequate insurance coverage, or increased insurance costs;
- an inability to adequately protect our intellectual property rights and/or infringement of or failure to obtain the intellectual property rights of third parties;
- liquidity risk;
- significant impairments of goodwill, other intangible assets or investments;
- changes to our tax laws or challenges or changes to our tax position;
- uncertainty regarding the financial situation of Banca Carige;
- inefficiencies due to relationships with related parties;
- increased scrutiny of antitrust regulators as a result of our market position;

- liabilities and losses in relation to Visa Europe;
- exposure to outstanding liabilities of Depobank;
- failure to adequately protect data;
- exposure to interest rate volatility;
- development of the Italian payments market below our expectations;
- a reduction in our number of customers due to consolidation in the Italian banking market; and
- increased insourcing of operations by our bank customers.

These risks and others described under "*Risk Factors*" are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our financial position, results of operations and liquidity. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward looking statements.

Given these risks and uncertainties, you should not rely on forward looking statements as a prediction of actual results.

Any forward-looking statements are only made as at the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

## INDUSTRY AND MARKET DATA

### General

In this offering memorandum, 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 memorandum 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, the Bank of Italy, Istat, the Politecnico of Milan, CBI Statistical Report and Eurostat. Other external providers, for which data is not publicly available but accessed via subscriptions include Euromonitor International and RBR. In considering the industry and market data included in this offering memorandum, prospective investors 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 Initial Purchasers make any representation as to the accuracy of such information.

### Primary Metrics

The primary metrics we use in this offering memorandum 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 memorandum 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 international 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 and number of e-banking licenses, respectively. 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.*** We acted as a merchant acquirer and card issuer in payment card transactions representing €456 billion in value and € 446 billion in value (including both issuing and acquiring transactions) in the twelve months ended June 30, 2019, and in the year ended December 31, 2018, respectively, 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 eCommerce electronic commerce or commerce conducted over the internet ("eCommerce") market share on the basis of volume of card spending by payment cards issued in Italy at any eCommerce merchant (regardless of geographical location), as well as volume of card spending (whether the cards were issued in Italy or abroad) at eCommerce 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.

"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 memorandum, 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 memorandum. 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 Issuer or any of its affiliates.

**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 memorandum 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 memorandum.

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 memorandum is the property of its respective holder.

## CERTAIN DEFINITIONS

The following terms used in this offering memorandum have the meanings assigned to them below:

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| "**2018 Perimeter**" ...................... | our Group structure as of December 31, 2018 following the Reorganization. |
| "**Acquisitions**" ........................... | collectively, our acquisitions of Mercury Payment, MPS Acquiring, Bassilichi, DB Acquiring, Carige Acquiring and Sparkling. |
| "**Advent**".................................... | Advent International Corporation and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them. In the context of its investment in Mercury (AI) S.à r.l., references to Advent include its co-investors in such investment. |
| "**Bain Capital**" .......................... | Bain Capital Investors, LP and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them. In the context of its investment in Mercury (BC) S.à r.l., references to Bain Capital include its co-investors in such investment. |
| "**Bassilichi**" ................................ | Bassilichi S.p.A. and its subsidiaries, which merged into Nexi Payments as of December 31, 2018. |
| "**BMPS**" ..................................... | Banca Monte dei Paschi di Siena S.p.A. |
| "**business unit**" .......................... | means each of the business units specified in our Financial Statements: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions. |
| "**Carige Acquiring**" .................. | the merchant acquiring business of Banca Carige S.p.A. and its subsidiaries, Banca del Monte di Lucca S.p.A. and Banca Cesare Ponti S.p.A. |
| "**Clessidra**" ................................ | Clessidra SGR S.p.A. in its capacity as managing company of and on behalf of the fund Clessidra Capital Partners 3. In the context of its investment in Fides S.p.A., references to Clessidra include its co-investors in such investment. |
| "**Contracts with Depobank**" .... | the signing of certain agreements with Depobank effective from the date of completion of the Reorganization. |
| "**Credit Facilities**"..................... | the Revolving Credit Facility and the Term Loan Facility, collectively. |
| "**DB Acquiring**" ........................ | the merchant acquiring business formerly owned by Deutsche Bank S.p.A. |
| "**Depobank**"............................... | DEPObank—Banca Depositaria Italiana S.p.A. (formerly, Istituto Centrale delle Banche Popolari Italiane S.p.A.). |
| "**Disposals**" ................................ | the sales of our shares in Mercury Processing Services International, Bassilichi Business Services, Bassilichi CEE, PayCare, Oasi and Moneynet. |
| "**EU**" .......................................... | European Union. |
| "**euro**," "**EUR**" or "**€**"................ | the lawful currency of EU Member States participating in the European Monetary Union. |
| "**Existing Notes**"........................ | the €825,000,000 $4^1/_8$% Senior Secured Fixed Rate Notes due 2023 issued by the Issuer pursuant to an indenture dated as of May 18, 2018, as amended by a supplemental indenture dated as of July 2, 2018. |

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| “**Existing Notes Redemption**” .. | means the redemption on or around the Issue Date of the entire outstanding aggregate principal amount of the Existing Notes, together with the payment of accrued interest and prepayment premiums thereon, in connection with the Refinancing. |
| “**Facilities Agreement**” ............ | has the meaning set forth in “*Description of Certain Financing Arrangements—Facilities Agreement.*” |
| “**Factoring Agreement**” ........... | has the meaning set forth in “*Description of Certain Financing Arrangements—Settlement Obligations—Factoring Agreement.*” |
| “**Former Shareholder Banks**” . | the banks that sold all or the majority of their interests in ICBPI to Mercury under the sale and purchase agreement dated as of June 19, 2015, or otherwise. |
| “**Group**,” “**Nexi**,” “**we**,” “**us**” and “**our**” .................................. | and other similar terms means the Issuer and its subsidiaries, except where the context otherwise requires. |
| “**Help Line**” .............................. | Help Line S.p.A. |
| “**ICBPI**” .................................... | Depobank (formerly, Istituto Centrale delle Banche Popolari Italiane S.p.A.) and Nexi S.p.A. (prior to the Reorganization), collectively. |
| “**ICBPI Acquisition**” ................ | the acquisition by Mercury UK of a controlling interest in ICBPI. |
| “**IFRS**” ...................................... | International Financial Reporting Standards, as adopted by the EU. |
| “**Indenture**” .............................. | the indenture governing the Notes to be entered into on the Issue Date among, *inter alios*, the Issuer and the Trustee. |
| “**Initial Purchasers**” ................. | collectively, Banca IMI S.p.A., Barclays Bank PLC, Merrill Lynch International, Banca Akios S.p.A.—Gruppo Banco BPM, Goldman Sachs International, J.P. Morgan Securities plc, MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A. and UniCredit Bank AG. |
| “**Issue Date**” ............................. | on or about October 21, 2019, the date on which the Notes will be delivered in book entry form through a common depositary for Euroclear and Clearstream. |
| “**Issuer**” ..................................... | Nexi S.p.A. |
| “**Italian GAAP**” ........................ | generally accepted accounting principles in Italy. |
| “**Latino**” ................................... | Latino Italy S.p.A. (formerly, Latino Italy S.r.l.). |
| “**Mercury Funding Facility**” .... | the Mercury Payment funding facility descried under “*Description of Certain Financing Arrangements—Settlement Obligations—Mercury Funding Facility.*” |
| “**Mercury Payment**” ................ | Mercury Payment Services S.p.A. |
| “**Mercury Processing**” ............. | Mercury Processing Services International d.o.o., which was disposed of in December 2016. |
| “**Mercury UK**” ......................... | Mercury UK Holdco Limited. |
| “**Mercury UK Group**” ............. | Mercury UK and its subsidiaries. |

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| "**MPS Acquiring**" | the merchant acquiring and POS business formerly owned by BMPS. |
| "**Nexi Payments**" | Nexi Payments S.p.A. (formerly, CartaSi S.p.A.). |
| "**Notes**" | €825.0 million in aggregate principal amount of the Issuer's 1.75% Senior Notes due 2024 offered hereby. |
| "**Oasi**" | Oasi Diagram S.p.A. |
| "**Offering**" | this offering of the Notes pursuant to this offering memorandum. |
| "**Redeemed Notes**" | the Redeemed Private Notes and the Redeemed Senior Secured Floating Rate Notes, collectively. |
| "**Redeemed Private Notes**" | €400,000,000 Senior Secured Floating Rate Notes due 2024 issued by the Issuer pursuant to an indenture dated as of July 2, 2018, which have been redeemed on July 2, 2019. |
| "**Redeemed Senior Secured Floating Rate Notes**" | €1,375,000,000 Senior Secured Floating Rate Notes due 2023 issued by the Issuer pursuant to an indenture dated as of May 18, 2018, as amended by a supplemental indenture dated as of July 2, 2018, which have been redeemed on May 31, 2019. |
| "**Refinancing**" | the issuance of the Notes offered hereby and the use of the gross proceeds from the Offering, together with cash on hand, to (i) fund the Existing Notes Redemption and (ii) pay related fees and expenses. For descriptions of our current and anticipated indebtedness and certain financing arrangements, see "*Capitalization*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*" |
| "**Reorganization**" | the separation of the technological and digital payment activities from those that require a specific banking license. |
| "**Revolving Credit Facility**" | the revolving credit facility established under the Facilities Agreement, which is described in more detail in "*Description of Certain Financing Arrangements—Facilities Agreement.*" |
| "**SEC**" | the U.S. Securities and Exchange Commission. |
| "**Securities Act**" | the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder. |
| "**settlement obligations**" | the obligations under the agreements described under "*Description of Certain Financing Arrangements—Settlement Obligations.*" |
| "**Sparkling**" | the digital payments startup Sparkling 18 S.r.l. |
| "**Term Loan Facility**" | the term loan facility established under the Facilities Agreement, which is described in more detail in "*Description of Certain Financing Arrangements—Facilities Agreement.*" |
| "**Transformation Program**" | several strategic initiatives that we undertook following our acquisition by Advent, Bain and Clessidra in 2015. See also "*Business—Our History*." |
| "**Trustee**" | U.S. Bank Trustees Limited in its capacity as trustee under the Indenture. |

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| "**U.S. dollars**," "**dollars**," "**U.S.$**" or "**$**" ............................ | the lawful currency of the United States. |
| "**United States**" or "**U.S.**".......... | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia. |

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

## GLOSSARY

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| "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. |
| "ACH"....................................... | Automated Clearing House, an electronic network established to process the credit and debit transactions of the public and private sectors. |
| "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:<br>• participants create "blocks," i.e. small files containing information about transactions;<br>• these blocks are then validated by affixing a timestamp;<br>• each transaction is inserted into a new block by repeating the timestamp of the last block created. In this way, blocks are always connected the one each other in chronological order (hence the name blockchain, i.e., a "chain of blocks"); and |

- 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.

"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.

"COMI" ..................................... centre of main interests.

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

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

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

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

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

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

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

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| "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. |
| "ICT"......................................... | information and communications technology. |
| "interchange fee"....................... | a fee paid by a merchant acquirer to the card issuer per transaction. The card issuer may or may not deduct the fee from the amount it pays to the merchant acquirer, subject to the applicable agreement. |
| "IoT" ......................................... | Internet of Things. |
| "issuer," "issuing bank" or "card issuer"........................................ | a bank or financial institution that provides payment cards and the services necessary to execute digital payments. |
| "issuing".................................... | the process of issuing credit, charge, debit and prepaid cards to consumers. |
| "KYC"....................................... | know-your-customer, which denotes the heavily regulated process of banks and other service providers verifying the identity of their customers. |
| "m-commerce" ........................... | mobile commerce or commerce conducted over mobile devices such as tablet computers and smart phones. |
| "merchant acquirer" ................... | an entity that provides services necessary to enable a merchant to accommodate and execute digital payments. |
| "merchant service charge" ......... | a fee paid by the merchant to the acquiring bank, typically at the end of each month.<br><br>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*." |
| "Millennials" ............................. | the generation born, indicatively, between 1980 and 2000. |

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| "NFC" ........................................ | Near Field Communication, a technology which allows smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity. |
| "offline POS" ............................. | a physical POS terminal. Physical POS terminals may be used in brick-and-mortar stores. |
| "online commerce"..................... | e-commerce and m-commerce. |
| "online POS".............................. | a POS that is incorporated into a website or mobile application and enables online payments. |
| "PagoBancomat"........................ | an Italian payment network for debit card transactions at enabled POS terminals. |
| "payment card"........................... | a card which can be used to make non-cash payments, including charge, commercial, credit, debit or prepaid cards. |
| "Payment Initiation Service Providers" or "PISP".................. | payment service providers that offer their customers the ability to initiate a payment transaction from their bank account directly (e.g., to purchase goods or services online) without using a payment card. PISPs allow making a payment from the purchaser's account to the seller's account through a "bridge" software between the two accounts. |
| "paytech".................................... | payment technology. |
| "P2P transaction" ....................... | person-to-person transactions, i.e., payments made by an individual to another individual. P2P transactions typically are small payments made in cash or through mobile devices or computers through the internet. In digital P2P payment solutions, each person pairs its bank account/payment card to the service management platform. When a transaction is authorized, the payer's account puts the value defined in the transaction at the beneficiary's disposal. |
| "Person-to-business transaction" | person-to-business transactions are payments made by an individual to a merchant. These payments are typically made in cash or by using physical or virtual POS terminals. In the event of alternative P2B payment options, customers paying with mobile devices can identify the operator thanks to geo-location by searching for the store-sign or directly in-store by reading the QR Code, then entering the amount to be paid and initiating the money transfer transaction with a click. The operator can see the payment in real time, check the amount and confirm the transaction. |
| "Person-to-government transaction" ................................ | person-to-government transactions, payments made by an individual to a state/local public institution or agency. These payments are typically made in cash or (rarely) by using physical or virtual POS terminals. In the event of alternative P2G payment options, customers paying with mobile devices can identify the institution by searching for the store sign or directly through the reading of the QR Code of the communication received from the institution, then entering the payment amount and initiating the money transfer transaction with a click. |
| "POS"......................................... | the point of sale at which a customer makes a payment to the merchant in exchange for goods or services. A POS may be an offline POS or an online POS. |
| "POS terminal"........................... | a physical terminal or online portal that allows for non-cash payments at a POS, such as a merchant or website. |

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

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical and Carve-Out Financial Information

We have included in this offering memorandum unaudited historical interim condensed consolidated financial statements of the Issuer as of and for the six months ended June 30, 2019 and 2018 (the "Interim Financial Statements"), as well as special purpose audited carve-out consolidated financial statements as of and for each of the years ended December 31, 2018, 2017 and 2016 (the "Carve-out Financial Statements" and, together with the Interim Financial Statements, the "Financial Statements"). The Carve-out Financial Statements have been prepared on a carve-out basis to illustrate the effects of the Reorganization, which was completed on July 1, 2018, and are derived from the historical financial statements of the Issuer and those of Mercury UK. Our Financial Statements have been prepared in accordance with IFRS. However, the Carve-out Financial Statements differ from, and are not comparable to, the statutory audited financial statements published by the Issuer and the Group. The scope of consolidation of the Carve-out Financial Statements includes the legal entities and businesses of the Mercury UK Group that were included in the sub-group headed by the Issuer, following the completion of the Reorganization. As of December 31, 2018, the scope of consolidation of the balance sheet included in our Carve-out Financial Statements corresponds to that of the Group's balance sheet included in its statutory financial statements (which is not true of the income statement for the year ended December 31, 2018, as the Group's income statement included in its statutory financial statements includes the income and expense of the entities transferred to the Issuer with effect from July 1, 2018, when the Reorganization was completed). The terms used for the financial statement line items included in this offering memorandum (particularly in "*Summary—Summary of Financial Information and Other Data*," "*Selected Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*") are those used in the Interim Financial Statements as of and for the six months ended June 30, 2019, which differ from the terms used for certain financial statement line items taken from the Carve-out Financial Statements included in this offering memorandum. Nevertheless, the line items are comparable among the periods.

### Pro Forma Financial Information

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

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

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

The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements included elsewhere in this offering memorandum.

## Non-GAAP Financial Information

### *Non-GAAP Financial Measures*

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

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

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

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

- EBITDA;
- EBITDA margin;
- Investments (capital expenditures);
- Normalized financial and operating income;
- Net financial position;
- Net financial position/EBITDA;
- Net financial position/Normalized EBITDA;
- Normalized amortization, depreciation and net impairment losses on tangible and intangible assets;
- Normalized EBITDA;
- Normalized EBITDA margin;
- Normalized income taxes;
- Normalized net accruals to provisions for risks and charges;
- Normalized net value adjustments on assets measured at amortized cost;
- Normalized operating margin;

- Normalized operating pre-tax cash flow;
- Normalized personnel expenses;
- Normalized pre-tax profit;
- Normalized pre-tax profit from continuing operations;
- Normalized profit for the period;
- Pro forma interest expense; and
- Pro forma net debt.

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

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

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

(ii) APMs are not indicative of our future performance;

(iii) APMs must be read together with the Financial Statements;

(iv) since APMs are determined on a basis which is not regulated by IFRS, the criteria applied for the relative determination of APMs, as well as our definition and calculation of APMs presented in this offering memorandum, may not be homogeneous with the criteria adopted by other groups and therefore, on APMs may not be comparable with similarly titled APMs presented by other groups; and

(v) the APMs used by us are presented on the same basis for all the periods for which financial information is included in this offering memorandum.

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

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

(i) the normalization associated with non-recurring expenses and income provides useful information as there are limits on the comparability of historical data relating to the years in question, which include cost and revenue items related to one-off corporate events that are not pertinent to our normal operations, such as, principally: the Acquisitions, the issuances of the Existing Notes and the Redeemed Notes, the Disposals, the Reorganization, the rebranding program, the Listing and the Credit Facilities; and

(ii) the normalization of the effects relating to the amortization of Customer Contracts also provides useful information with respect to the comparability of our historical data. Adjustment for the effects of amortization of Customer Contracts (i.e., amortization of intangible assets arising from the allocation of the purchase price of the acquisitions of Mercury Payment, MPS Acquiring and DB Acquiring) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the six months ended June 30, 2019, the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

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

***Unaudited 2018 Perimeter Information***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The unaudited non-GAAP managerial information should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements included elsewhere in this offering memorandum.

**IFRS 16**

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

**Rounding**

Certain numerical figures set out in this offering memorandum, 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 memorandum 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.

## EXCHANGE RATES

The tables below set forth, for the periods indicated, the period end, average, high and low exchange rates published by Bloomberg (London Composite Rate). The Bloomberg (London Composite Rate) is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg (London Composite Rate) is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg (London Composite Rates) on the last day of each month during a year. The average rate for a month, or for a partial month, means the average of the daily Bloomberg Composite rate during that month, or partial month, as the case may be. The below rates may differ from the actual rates used in the preparation of our Financial Statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the U.S. dollar amounts actually represent such euro amounts, or that such amounts would have been converted at a particular rate, if at all.

On October 10, 2019, the exchange rate between the U.S. dollar and the euro was $1.1017 per €1.00.

| | U.S. dollar per €1.00 | | | |
|---|---|---|---|---|
| | **High** | **Low** | **Average** | **Period End** |
| **Year** | | | | |
| 2014 | 1.3925 | 1.2100 | 1.3283 | 1.2100 |
| 2015 | 1.2010 | 1.0492 | 1.1096 | 1.0866 |
| 2016 | 1.1527 | 1.0384 | 1.1069 | 1.0547 |
| 2017 | 1.2026 | 1.0427 | 1.1300 | 1.2022 |
| 2018 | 1.2492 | 1.1245 | 1.1811 | 1.1452 |
| 2019 (through October 10, 2019) | 1.1533 | 1.0903 | 1.1225 | 1.1017 |
| **Monthly** | | | | |
| April 2019 | 1.1307 | 1.1137 | 1.1234 | 1.1217 |
| May 2019 | 1.1242 | 1.1134 | 1.1186 | 1.1162 |
| June 2019 | 1.1389 | 1.1201 | 1.1295 | 1.1359 |
| July 2019 | 1.1307 | 1.1122 | 1.1214 | 1.1128 |
| August 2019 | 1.1227 | 1.0988 | 1.1128 | 1.0988 |
| September 2019 | 1.1076 | 1.0903 | 1.1010 | 1.0903 |
| October 2019 (through October 10, 2019) | 1.1017 | 1.0938 | 1.0974 | 1.1017 |

## SUMMARY

*The following summary contains basic information about us and this Offering and is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the Notes. For a more complete understanding of this Offering, we encourage you to read this entire offering memorandum carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Regulation" and our Financial Statements and the notes to the Financial Statements contained elsewhere in this offering memorandum.*

### Overview

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

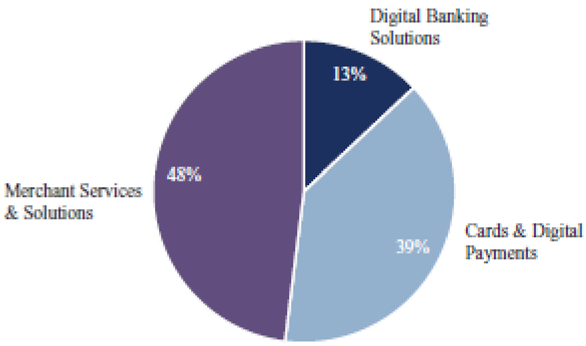
We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of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

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

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

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

**Operating Revenues by Business Unit**
**Total €956 million**




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

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

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

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

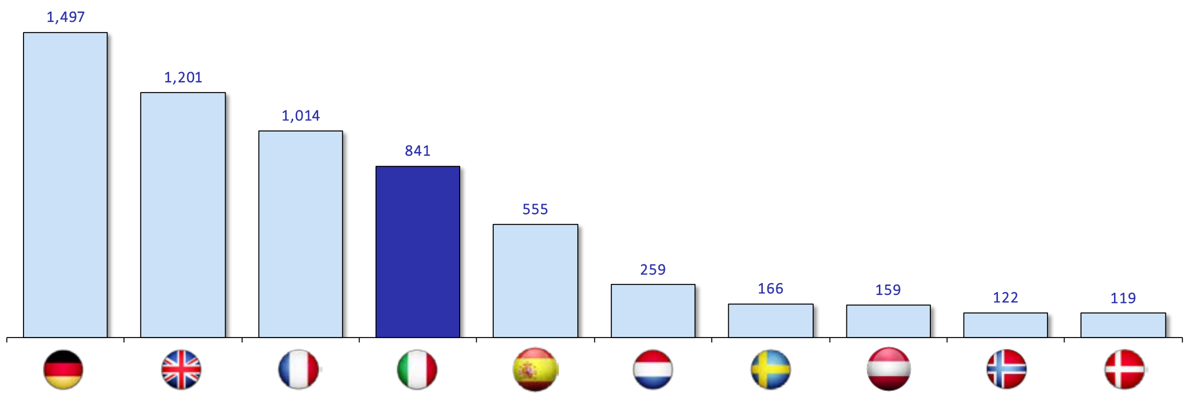
## Our Strengths

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

*Overview*

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

**Total Consumer Spending 2018, Selected European Countries (€ billions)(1)**



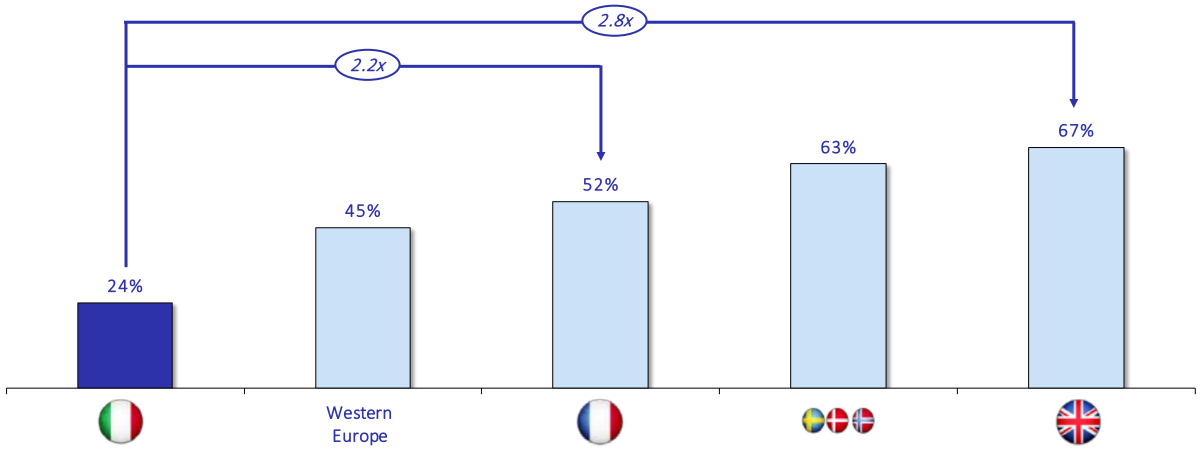

Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

*Card Payments Penetration*

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

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

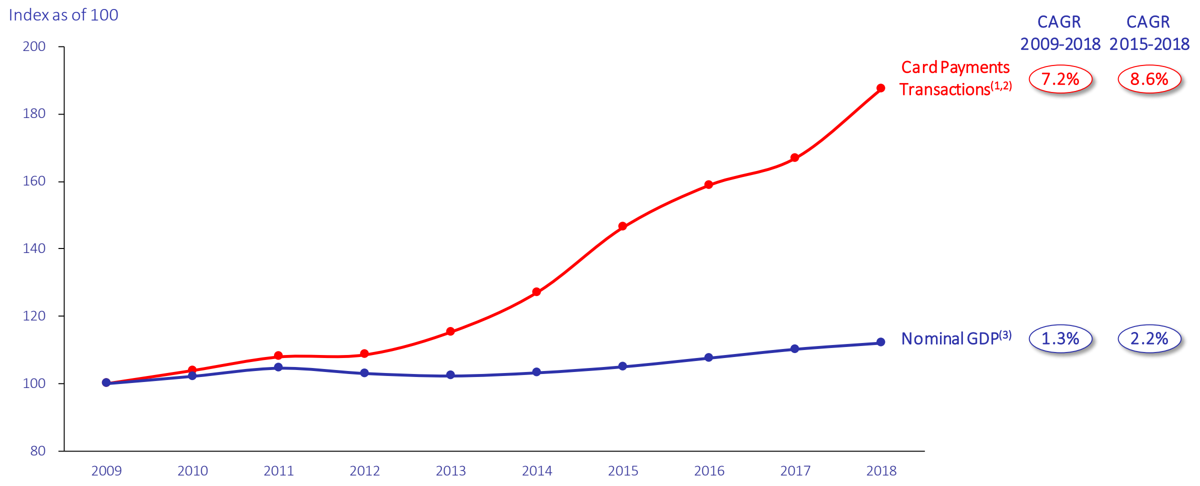



Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

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

**Growth of Italian Card Payments (in value) consistently outperforming Italian nominal GDP growth from 2009 to date indexed to 100[(1)(2)(3)]**




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

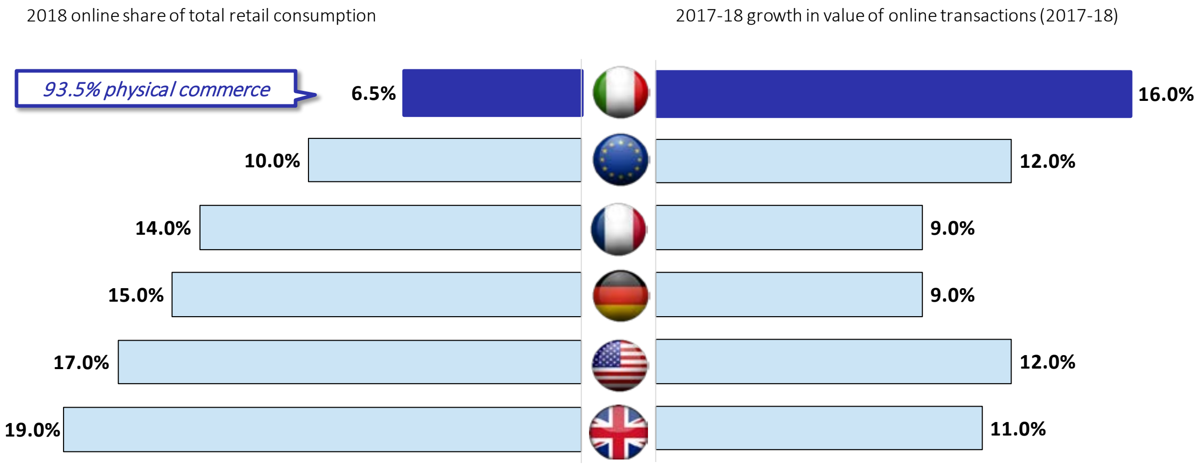
*SMEs*

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

*eCommerce and mCommerce*

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

**Statistics on e-commerce industry in Selected European Countries(1)**




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

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

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

*Regulatory Tailwinds*

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

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

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

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

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

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

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

In addition, we have developed the CBI Globe Open Banking Gateway to capture the opportunities from PSD2. CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents approximately 80% of the Italian banking market in terms of branches as of June 2019, increasing from approximately 70% in December 2018. The CBI Globe Open Banking Gateway is fully operational from June 2019.

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

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

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

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

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

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

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

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

- the combination of our know-how, business support activities, specialization and investment in innovation that allows us to deliver faster, highly integrated and technology-driven payment services, which are strategically important for banks; and

- our scale, which creates significant cost advantages across product development, processing and overhead that we believe no single partner bank could match on its own.

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

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

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

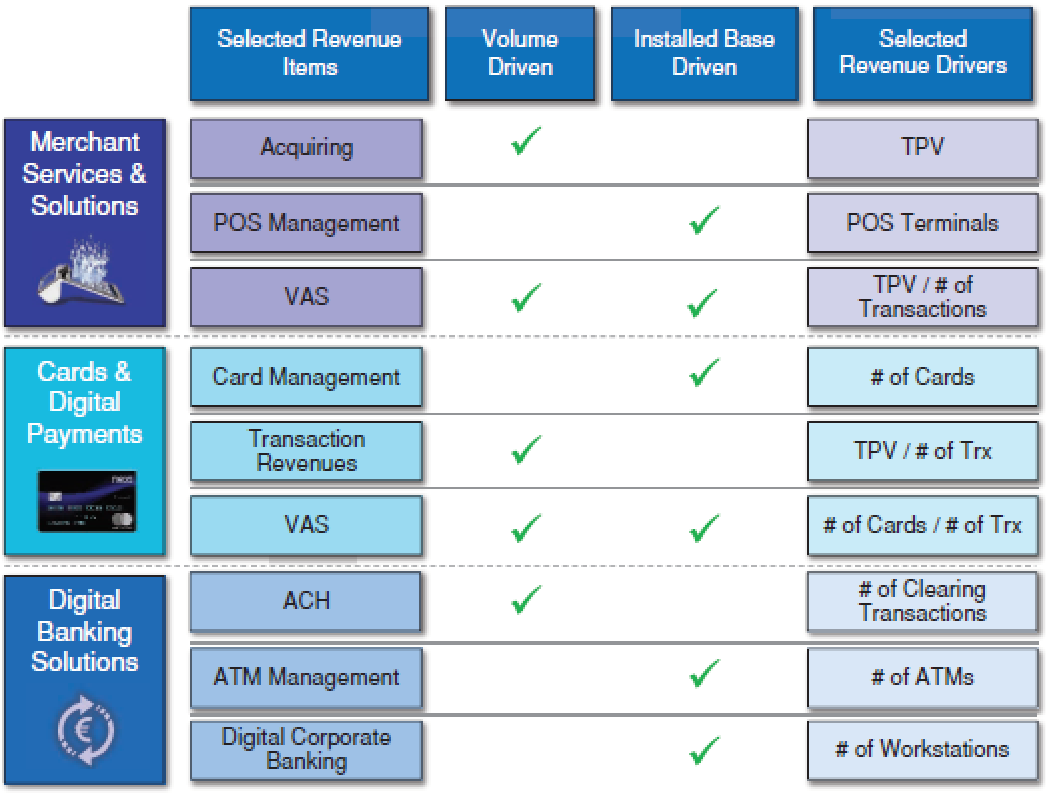
Our approach to innovation is two-fold. We aim to proactively shape and constantly sharpen our extensive innovation strategy, which we implement through collaboration with our partner banks. We also strive to work strategically with our main partner banks to develop bespoke solutions that best fit their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

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

***Resilient and Diversified Recurring Revenues***

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

**Revenue Drivers**




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

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

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

| | Recurring Annual Contracts | 2025+ | 2024 | 2023 | 2022 | 2021 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|
| **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%** |

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

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

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

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

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

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

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

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

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

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

The combination of these key strategic additions to management and the expansion of our technological capabilities has enabled us to simultaneously implement substantial strategic initiatives since 2016. During the 2016-2018 period, we grew significantly through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, our Normalized EBITDA increased at a CAGR of 15.5% for the period. Since 2016, we successfully completed six acquisitions (Mercury Payment, Bassilichi, Sparkling, and the acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), while making our business more focused by selectively streamlining non-core and marginal operations. Our recent acquisitions served different strategic purposes, ranging from increasing our customer base and expanding our business coverage (e.g., Mercury Payment and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), increasing our technological capabilities, for example through the acquisition of Sparkling18, and adding new synergistic and strategic business lines (e.g., Bassilichi). In addition to the expected financial benefits and synergies, these acquisitions have strengthened our customer relationships, added significant scale to our issuing, acquiring and POS management capabilities and expanded our customer base. The disposal of certain non-core businesses generated proceeds of €381 million between 2017 to the date of this offering memorandum, more than the extraordinary costs relating to the Transformation Program and the Reorganization.

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

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

**Our Strategy**

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

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

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

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

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

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

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

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

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

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

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

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

- domestic consolidation, increasing our scale, for example by acquiring merchant books. The acquisitions of Mercury Payments, MPS Acquiring, DB Acquiring and Banca Carige that have increased our operational scale;

- enhancing our technological capabilities in selected high-growth products (such as with the acquisition of Sparkling); and

- acquiring new synergistic and strategic business lines (such as with the acquisition of 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. We remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

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

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

**Corporate Information**

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

## Recent Developments

### *Acquisitions and Disposals*

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

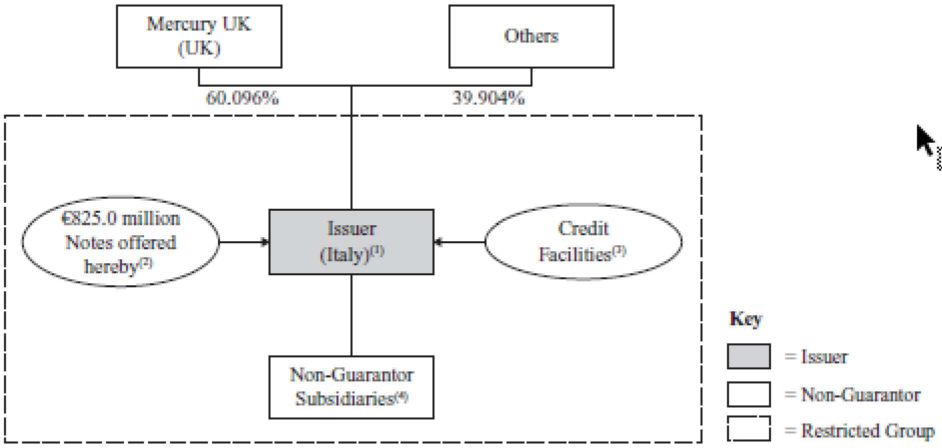
### *Recent Trading*

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

*The preliminary financial results presented above are presented on the basis of unaudited preliminary management information and are derived from our accounting records and internal management accounts, and have not been prepared on the same basis as our Financial Statements. This information has not been audited, reviewed or compiled, nor have any procedures been performed by our independent auditors with respect thereto. Accordingly, you should not place undue reliance on it, and no opinion or any other form of assurance is provided with respect thereto. Our preliminary financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the eight months ended August 31, 2019. Accordingly, the preliminary financial results presented above are subject to the completion of our results for the nine months ended September 30, 2019, may change and those changes may be material. See "Risk Factors" and "Forward-Looking Statements."*

## SUMMARY CORPORATE AND FINANCING STRUCTURE

*The following chart shows a simplified summary of our corporate and financing structure and principal outstanding financing arrangements immediately after the Refinancing. The information below should be read together with the sections entitled "Description of the Notes," "Description of Certain Financing Arrangements," "Capitalization" and "Principal Shareholders."*




(1) The Issuer is publicly listed on the Mercato Telematico Azionario ("MTA"), organized and managed by Borsa Italiana S.p.A. For additional information about our shareholders, please see "*Principal Shareholders*."

(2) The Notes will be senior unsecured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future senior unsecured obligations that are not subordinated in right of payment to the Notes, including obligations under the Facilities Agreement. The Notes will rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the Notes, if any. The Notes will be effectively subordinated to any existing and future secured obligations of the Issuer and the Subsidiaries of the Issuer to the extent of the value of the property and assets securing such obligations, and will be structurally subordinated to all obligations of the Issuer's Subsidiaries that do not guarantee the Notes, including guarantees of the Facilities Agreement by certain Subsidiaries of the Issuer. The Notes will not be guaranteed.

(3) On March 20, 2019, the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment, as borrowers and guarantors, entered into the Facilities Agreement which provides for aggregate borrowings of €1,000 million under the Term Loan Facility and €350 million under the Revolving Credit Facility. While the Term Loan Facility was fully drawn on July 2, 2019, the Revolving Credit Facility is not currently expected to be drawn as of the Issue Date. Following the Refinancing, the security in favor of the Credit Facilities will be released. See "*Description of Certain Financing Arrangements—Facilities Agreement.*"

(4) The Issuer's non-Guarantor subsidiaries consist of Nexi Payments, Mercury Payment and Help Line.

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## THE OFFERING

The following is a brief summary of certain terms of the Offering of the Notes. It may not contain all the information that is important to you. For additional information regarding the Notes, see "*Description of the Notes.*"

| | |
|---|---|
| **Issuer** ......................................... | Nexi S.p.A. |
| **Notes Offered:**........................... | €825.0 million in aggregate in principal amount of 1.75% Senior Notes due 2024. |
| **Issue Date** .................................. | October 21, 2019. |
| **Issue Price:**................................ | 100.000%. |
| **Maturity Date:**.......................... | October 31, 2024. |
| **Interest Rate:** ............................ | 1.75% per annum. |
| **Interest Payment Dates:**........... | Interest is payable semi-annually in arrears on April 30 and October 31 of each year, commencing on April 30 2020. |
| **Form and Denomination**.......... | The Notes will only be issued in fully registered form and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available. |
| **Ranking of the Notes**............... | The Notes will:<br><br>be senior unsecured obligations of the Issuer;<br><br>rank *pari passu* in right of payment with all of the Issuer's existing and future senior unsecured obligations that are not subordinated in right of payment to the Notes, including obligations under the Facilities Agreement;<br><br>rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the Notes, if any;<br><br>be effectively subordinated to any existing and future secured obligations of the Issuer and the Subsidiaries of the Issuer to the extent of the value of the property and assets securing such obligations; and<br><br>be structurally subordinated to all obligations of the Issuer's Subsidiaries that do not guarantee the Notes, including guarantees of the Facilities Agreement by certain Subsidiaries of the Issuer. |
| **Use of Proceeds**......................... | The proceeds from the offering of the Notes, together with cash on hand, will be used to (i) fund the Existing Notes Redemption and (ii) pay related fees and expenses. See "*Use of Proceeds*." |
| **Additional Amounts**................. | Any payments made by the Issuer with respect to the Notes will be made without withholding or deduction for taxes unless required by law. If such withholding or deduction is required by law in any "relevant taxing jurisdiction," the Issuer will pay the additional amounts necessary so that the net amounts received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction, subject to certain exceptions. See "*Description of the Notes—Withholding Taxes*." |

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Withholding Taxes*," the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("Decree No. 461"), except where the procedures required under Decree No. 239 or Decree No. 461 in order to benefit from an exemption have not been complied with due solely to the actions or omissions of the Issuer or its agents. See "*Description of the Notes—Withholding Taxes*."

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of the Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified currently in Ministerial Decree of September 4, 1996 as subsequently amended and supplemented and, in the future, in any decree to be issued under Article 11(4)(c) of Decree No. 239; any such decree, the "White List") and such holder of the Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 or in Decree No. 461 after the date hereof, including any change in the White List. See "*Certain Tax Consequences—Certain Italian Tax Considerations*."

**Optional Redemption:** ............. The Issuer may redeem the Notes:

in whole or in part at any time prior to July 31, 2024 at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make whole" premium as set forth in this offering memorandum under the caption "Description of the Notes—Optional Redemption," plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; and

in whole or in part at any time on or after July 31, 2024, at a redemption price equal to 100% of the principal amount thereof as set forth in this offering memorandum under the caption "Description of the Notes—Optional Redemption," plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

**Optional Redemption for Tax Reasons**...................................... In the event of certain developments affecting taxation that become effective after the Issue Date, the Issuer may redeem the Notes in whole but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to, but excluding, the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

**Change of Control**.................... Upon the occurrence of certain events constituting both a "change of control" and a "ratings event," the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of repurchase, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control Repurchase Event.*"

**Certain Covenants**.................... The Indenture will limit, among other things, the ability of the Issuer and its subsidiaries to:

enter into guarantees with respect to the Facilities Agreement, certain syndicated facilities or certain public indebtedness without concurrently guaranteeing the Notes; and

incur liens on their principal properties to secure indebtedness;

The Issuer is limited in its ability to undertake certain mergers, consolidations or sales of all or substantially all of its assets and it is required to make available periodic financial reports under the Indenture.

Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."

| | |
|---|---|
| **Transfer Restrictions** ............... | The Notes have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "*Notice to Investor*" and "*Transfer Restrictions.*" Holders of the Notes will not have the benefit of any exchange or registration rights. |
| **Risk Factors** .............................. | Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes. |
| **No Prior Market** ....................... | The Notes will be new securities for which there is no existing market. Although the Initial Purchasers of the Notes have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes. |
| **Listing** ........................................ | The listing of the Notes on the Official List of the Luxembourg Stock Exchange and their admission to trading on the Euro MTF market (the "Exchange"). There can be no assurance that the Listing will be maintained. |
| **Governing Law** ......................... | The Indenture and the Notes will be governed by the laws of the State of New York. Paragraphs "*Amendment, Supplement and Waiver,*" "*Meetings of Holders*" and "*Noteholders' Representative*" under section "*Description of the Notes*" and the provisions of the Indenture concerning the meetings of Holders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy. |
| **Trustee** ....................................... | U.S. Bank Trustees Limited. |
| **Paying Agent** ............................. | Elavon Financial Services DAC. |
| **Transfer Agent** ......................... | Elavon Financial Services DAC. |
| **Registrar** ................................... | Elavon Financial Services DAC. |

## SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA

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

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

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

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

- Mercury Payment (acquired on December 15, 2016) has been included in our scope of consolidation since December 31, 2016. It began contributing to our economic results beginning in 2017;

- DB Acquiring and MPS Acquiring (acquired on June 1, 2017 and July 1, 2017, respectively) have been included in our scope of consolidation since their respective acquisition dates. They contributed to our economic results for seven and six months, respectively, in 2017;

- Bassilichi (acquired on July 3, 2017) has been included in our scope of consolidation since July 1, 2017. It contributed to our economic results for the second half of 2017;

- Carige Acquiring (acquired on September 28, 2018) has been included in our scope of consolidation since September 30, 2018. It contributed to our economic results for the last three months of 2018;

- the Reorganization was completed on July 1, 2018. The aim of the Reorganization was to separate the technological and digital payment activities from those that require a banking license. Non-regulated payments businesses were transferred from Depobank to Nexi and included in our scope of consolidation from July 1, 2018; and

- the Listing was completed on April 16, 2019. It added significant liquidity to our Group and allowed for the repayment of part of our indebtedness, including the Redeemed Notes.

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

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

Pro Forma Consolidated Financial Information and our future results of operations and financial position may be material. The summary Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with our Financial Statements and the notes thereto. See "Unaudited Pro Forma Consolidated Financial Information."

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

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

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

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

| | Pro Forma | Interim Financial Statements | | Carve-Out Financial Statements | | |
|---|---|---|---|---|---|---|
| | | Six months ended June 30, | | Year ended December 31, | | |
| | Six months ended June 30, 2019 | 2019 | 2018 | 2018 | 2017 | 2016 |
| | (in € millions) | | | | | |
| Fee for services rendered and commission income | 770.8 | 770.8 | 82.9 | 1,575.9 | 1,417.0 | 1,078.7 |
| Fee for services received and commission expense | (300.5) | (300.5) | (1.0) | (620.9) | (582.5) | (559.3) |
| **Net fee and commission income** | **470.3** | **470.3** | **81.9** | **955.0** | **834.5** | **519.4** |
| Interest and similar income | 9.6 | 9.6 | 0.4 | 56.1 | 22.1 | 24.3 |
| Interest and similar expense | (34.4) | (113.5) | (12.8) | (99.1) | (37.7) | (31.7) |
| **Net interest income** | **(24.8)** | **(104.0)** | **(12.4)** | **(43.0)** | **(15.6)** | **(7.4)** |
| Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss | (5.3) | (5.3) | (0.0) | (2.3) | (0.5) | (0.6) |
| Dividends and profit / loss from investments and sale of assets at fair value through OCI | (4.4) | (4.4) | 0.5 | (5.2) | 0.3 | 0.4 |
| **Financial and operating income** | **435.8** | **356.6** | **70.0** | **904.5** | **818.7** | **511.8** |
| Personnel expense | (129.8) | (129.8) | (9.2) | (178.8) | (183.6) | (103.7) |
| Other administrative expenses | (188.4) | (188.4) | (35.4) | (458.4) | (427.0) | (276.9) |
| **Total administrative expenses** | **(318.2)** | **(318.2)** | **(44.5)** | **(637.3)** | **(610.6)** | **(380.6)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other operating income, net | (2.5) | (2.5) | 0.6 | 4.1 | (0.8) | (0.9) |
| Net value adjustments on assets measured at amortized cost | (1.8) | (1.8) | — | (2.2) | (2.8) | (2.2) |
| Net accruals to provisions for risks and charges | 0.6 | 0.6 | (0.2) | (33.2) | 0.1 | (6.6) |
| Amortization, depreciation and net impairment losses on tangible and intangible assets | (70.3) | (70.3) | (21.3) | (114.9) | (88.6) | (27.4) |
| **Operating margin** | **43.5** | **(35.6)** | **4.5** | **121.1** | **116.1** | **94.0** |
| Profit (loss) from equity investments and disposal of investments | (0.1) | (0.1) | — | 20.5 | 2.3 | 0.0 |
| **Pre-tax profit from continuing operations** | **43.5** | **(35.7)** | **4.5** | **141.6** | **118.4** | **94.0** |
| Income taxes | (18.5) | 0.5 | 0.4 | (66.7) | (46.5) | (33.6) |
| Income (Loss) after tax from discontinued operations | 93.6 | 93.6 | — | (6.1) | 0.2 | 2.2 |
| **Profit for the period** | **118.6** | **58.4** | **4.9** | **68.7** | **72.1** | **62.7** |

**Summary Historical and Pro forma Balance Sheet**

| | **Pro Forma** | **Interim Financial Statements** | **Carve-Out Financial Statements** | | |
|---|---|---|---|---|---|
| | | | **As at December 31,** | | |
| | **As at June 30, 2019** | **As at June 30, 2019** | **2018** | **2017** | **2016** |
| | | **(in € millions)** | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 122.3 | 165.9 | 40.7 | 134.4 | 8.4 |
| Financial assets at fair value through profit or loss | — | — | 0.0 | 0.2 | 0.1 |
| Financial assets at fair value through OCI | 131.8 | 131.8 | 100.1 | 83.3 | 47.6 |
| Financial assets measured at amortized cost | 1803,4 | 1,803.4 | 1,668.5 | 3,112.4 | 2,877.8 |
| a) loans and receivables with banks | 414.0 | 414.0 | 561.2 | 333.0 | 329.5 |
| b) loans and receivables with financial entities and customers | 1,389.4 | 1,389.4 | 1,107.2 | 2,779.4 | 2,548.3 |
| Equity investments | 0.7 | 0.7 | 0.7 | 0.0 | 0.0 |
| Property equipment | 191.9 | 191.9 | 156.2 | 156.9 | 109.8 |
| Investments property | 3.1 | 3.1 | 3.2 | 6.2 | 6.5 |
| Intangible assets | 2.660,2 | 2,660.2 | 2,668.3 | 2,607.6 | 1,906.5 |
| Of which goodwill | 2,097.4 | 2,097.4 | 2,097.4 | 2,071.7 | 1,500.6 |
| Tax assets | 84.3 | 84.3 | 62.9 | 54.1 | 46.1 |

| | | | | | |
|---|---|---|---|---|---|
| a) current | 51.6 | 51.6 | 29.3 | 28.0 | 23.2 |
| b) deferred | 32.7 | 32.7 | 33.6 | 26.1 | 22.9 |
| Non-current assets held for sale and discontinued operations | 8.1 | 8.1 | 80.5 | 66.1 | 53.9 |
| Other assets | 403.2 | 403.2 | 405.7 | 339.8 | 263.3 |
| **Total assets** | **5,409.0** | **5,452.6** | **5,186.7** | **6,560.8** | **5,320.0** |
| **Liabilities and net investment** | | | | | |
| Financial liabilities measured at amortized cost | 3,198,5 | 3,198.5 | 3,716.8 | 2,606.0 | 1,957.1 |
| a) due to banks | 1,590.6 | 1,590.6 | 792.9 | 2,492.6 | 1,858.8 |
| b) due to financial entities and customers | 385.3 | 385.3 | 354.2 | 113.5 | 98.3 |
| c) securities issued | 1,222.6 | 1,222.6 | 2,569.7 | — | — |
| Financial liabilities held for trading | 8.7 | 8.7 | 3.2 | 1.1 | — |
| Hedging derivatives | 45.8 | 45.8 | 16.6 | 5.5 | — |
| Tax liabilities | 140.6 | 140.6 | 163.2 | 133.9 | 146.4 |
| a) current | 5.3 | 5.3 | 31.1 | 3.2 | 16.9 |
| b) deferred | 135.3 | 135.3 | 132.1 | 130.7 | 129.5 |
| Liabilities associated with non-current assets held for sale and discontinued operations | 9.8 | 9.8 | 39.1 | 22.9 | 11.8 |
| Post-employment benefits | 15.1 | 15.1 | 14.1 | 18.0 | 15.8 |
| Provisions for risks and charges | 41.9 | 41.9 | 46.6 | 33.1 | 17.3 |
| Other liabilities | 732.0 | 732.0 | 716.4 | 720.5 | 474.4 |
| **Total liabilities** | **4,192.4** | **4,192.4** | **4,715.8** | **3,541.0** | **2,622.8** |
| **Net Investments** | **1,216.6** | **1,260.2** | **470.9** | **3,019.8** | **2,697.2** |
| **Total liabilities and net investment** | **5,409.0** | **5,452.6** | **5,186.7** | **6,560.8** | **5,320.0** |

### Summary Historical Cash Flow Statement Information

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

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

| | Pro Forma | Interim Financial Statements | | Carve-Out Financial Statements | | |
|---|---|---|---|---|---|---|
| | | Six months ended June 30, | | Year ended December 31, | | |
| | Six months ended June 30, 2019 | 2019 | 2018 | 2018 | 2017 | 2016 |
| | (in € millions) | | | | | |
| Merchant Services & Solutions | 223.6 | 223.6 | 33.0 | 435.7 | 352.5 | 208.0 |
| Cards & Digital Payments | 187.9 | 187.9 | 49.0 | 360.6 | 342.1 | 234.8 |
| Digital Banking Solutions | 55.9 | 55.9 | — | 113.7 | 97.4 | 60.1 |
| Other Services(1) | — | — | — | 32.4 | 29.8 | 8.0 |
| **Normalized financial and operating income(2)** | **467.3** | **467.3** | **82.0** | **942.5** | **821.8** | **510.9** |
| Personnel expenses | (84.1) | (84.1) | (8.6) | (158.0) | (132.8) | (88.1) |
| Operating costs | (150.3) | (150.3) | (15.8) | (365.4) | (350.8) | (251.6) |
| **Normalized EBITDA** | **232.9** | **232.9** | **57.6** | **419.1** | **338.2** | **171.3** |

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

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

### Other Financial Data(*)

| | Unaudited Non-GAAP Managerial Information | | | |
|---|---|---|---|---|
| | | Six months ended June 30, | | Year ended December 31, |
| | Twelve months ended June 30, 2019 | 2019 | 2018 | 2018 |
| | (in € millions) | | | |
| Normalized EBITDA(1) | 462.9 | 232.9 | 194.1 | 424.1 |
| Normalized EBITDA Margin(2) | 48% | 50% | 44% | 46% |
| Pro forma net debt(3) | 1,578.2 | | | |
| Pro forma interest expense(4) | 38.8 | | | |
| Ratio of pro forma net debt(3) to Normalized EBITDA(1) | 3.4x | | | |
| Ratio of Normalized EBITDA(1) to pro forma interest expense(4) | 11.9x | | | |

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

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

EBITDA and Normalized EBITDA are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. EBITDA and Normalized EBITDA as presented in this offering memorandum may differ from and may not be comparable with similarly titled measures used by other companies, and differ from "Consolidated EBITDA" as defined in the section "*Description of the Notes*" of this offering memorandum and in the Indenture. We present EBITDA and Normalized EBITDA for informational purposes only. This information does not represent the results we would have achieved had each of the items for which an adjustment is made occurred at the dates indicated. There can be no assurance that items we have identified for adjustment as nonrecurring will not recur in the future or that similar items will not be incurred in the future. The calculations for EBITDA and Normalized EBITDA are based on various assumptions and management estimates. These amounts have not been, and, in certain cases, cannot be, audited, reviewed or verified by any independent accounting firm. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented, may not be comparable with our Financial Statements or the other financial information included in this offering memorandum and should not be relied upon when making an investment decision. We present EBITDA and Normalized EBITDA because (i) these are among the measures used by the management team to evaluate our operating performance, (ii) they are among the measures used by the management team to make day to day operating decisions, (iii) they are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results across companies in our industry and (iv) EBITDA is a relevant metric under our historical financing arrangements. EBITDA and Normalized EBITDA have limitations as analytical tools, and you should not consider such measures either in isolation or as a substitute for net income (loss), cash flow from operations or other methods of analyzing our results as reported under IFRS. Some of these limitations are:

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

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

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

| | Pro Forma | Interim Financial Statements | | Carve-Out Financial Statements | | |
|---|---|---|---|---|---|---|
| | | Six months ended June 30, | | Year ended December 31, | | |
| | Six months ended June 30, 2019 | 2019 | 2018 | 2018 | 2017 | 2016 |
| | (in € millions) | | | | | |
| **Profit for the period** | **118.6** | **58.4** | **4.9** | **68.7** | **72.1** | **62.7** |
| Income (loss) after tax from discontinued operations[(a)] | (93.6) | (93.6) | — | 6.1 | (0.2) | (2.2) |
| Income taxes[(b)] | 18.9 | 0.0 | (0.4) | 66.7 | 46.5 | 33.6 |
| Profit (loss) from equity investments and disposal of investments[(c)] | 0.1 | 0.1 | — | (20.5) | (2.3) | — |
| Net financial charges related to the Notes[(d)] | 22.5 | 101.6 | 12.1 | 32.0 | | |
| Amortization, depreciation and net impairment losses on tangible and intangible assets[(e)] | 71.2 | 71.2 | 21.3 | 114.9 | 88.6 | 27.4 |
| **EBITDA[(f)]** | **137.7** | **137.7** | **37.9** | **268.0** | **204.7** | **121.5** |
| **Total non-recurring expenses with impact on EBITDA** | **95.2** | **95.2** | **19.7** | **151.1** | **133.5** | **49.8** |
| **Normalized EBITDA** | **232.9** | **232.9** | **57.6** | **419.1** | **338.2** | **171.3** |

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

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

(c) Represents (i) for the year ended December 31, 2018, gain on disposal of the business related to former Banca Popolare di Vicenza and Veneto Banca, currently in compulsive administrative liquidation, to Intesa Sanpaolo, and (ii) for the year ended December 31, 2017, profit on shareholding in the affiliates of Nexi Payments (Win Join, Rs Record store, ICT Logistica, Bassnet S.r.l. and K Red). Profit (loss) from equity investments and disposal of investments for the six months ended June 30, 2019, excludes tax benefits related to the acquisition of Sparkling, amounting to €0.5 million.

(d) Included in the Net Interest income, as applicable.

(e) Amortization, depreciation and net impairment losses on tangible and intangible assets for the six months ended June 30, 2019, includes VAT related to the right of use of assets amounting to € 0.8 million.

(f) EBITDA for the six months ended June 30, 2019, differs from the EBITDA reported in the management report published together with the Interim Financial Statements, due to a difference in (i) income taxes, which in this presentation excludes tax benefits related to the acquisition of Sparkling, amounting to €0.5 million, (ii) net financial charges related to the Notes, which in this presentation is not included in Net Interest income and (iii) amortization, depreciation and net impairment losses on tangible and intangible assets, which in this presentation includes VAT related to the right of use of assets amounting to €0.8 million.

(2) The Normalized EBITDA margin is determined as the ratio of Normalized EBITDA to operating revenues.

(3) Pro forma net debt includes pro forma total debt, net of cash and cash equivalents. See “*Capitalization*.”

(4) Represents the pro forma interest expense on our pro forma net debt. Excludes amortized debt issuance costs incurred in connection with the Offering. Pro forma interest expense is presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Refinancing occurred on January 1, 2018, nor does it purport to project our interest expense for any future period or our financial position at any future date.

## Unaudited Non-GAAP Managerial Information

| | Twelve months ended June 30, 2019 | Six months ended June 30, | | Year ended December 31, 2018 |
|---|---|---|---|---|
| | | 2019[(1)] | 2018 | |
| | (in € millions) | | | |

| | | | | |
|---|---|---|---|---|
| Merchant Services & Solutions | 461.6 | 223.6 | 210.0 | 448.0 |
| Cards & Digital Payments | 374.2 | 187.9 | 174.3 | 360.6 |
| Digital Banking Solutions | 120.0 | 55.9 | 57.8 | 121.9 |
| **Operating revenues** | **955.8** | **467.3** | **442.1** | **930.6** |
| Personnel expenses | (161.7) | (84.1) | (77.7) | (155.3) |
| Operating costs | (331.2) | (150.3) | (170.3) | (351.2) |
| **Normalized total costs(2)** | **(492.9)** | **(234.5)** | **(248.0)** | **(506.4)** |
| **Normalized EBITDA** | **462.9** | **232.9** | **194.1** | **424.1** |

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

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

## Investments (Capital Expenditure)

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

## Other Aggregated Operating Information(1)(2)

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

(1) The other aggregated operating information presented in this table was prepared on the same basis as the unaudited non-GAAP managerial information. See "*Presentation of Financial and Other Information.*"

(2) The figures presented in this table are subject to variation from period to period, including due to seasonality and acquisitions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations-Key Factors Affecting Our Results of Operations and Financial Condition*" and "*Risk Factors—Risks Related to Our Business.*"

(3) The figures presented in this table aggregate the number of transactions managed under our licensing, servicing and direct issuing and acquiring models.

## RISK FACTORS

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

### Risks Related to Our Business

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

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

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

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

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

Italy by one notch, from Baa2 to Baa3 (stable outlook) in light of the country's economic and political situation and the unfavorable international environment.

Continuation or further worsening of these difficult financial and macroeconomic conditions or a prolonged period of political instability could result in a decrease in the demand for our services due to a decrease in consumer spending or difficulties in carrying out our ordinary activities. These circumstances could have a material adverse effect on our business, financial condition, results of operations and prospects. A deterioration in the state of the economy could have significant effects on the financial resources of our clients, which could lead to a contraction in the demand for our services, with a material adverse impact on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*The Second Payment Services Directive 2 ("PSD2")*

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

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

- *Reporting on information security.* In accordance with PSD2, payment institutions are required to report certain data security matters, such as statistics on fraudulent payments, to the relevant authority on an annual basis;

- *Interoperability of systems.* PSD2 provides for interoperability among payment service providers, on the one hand, and providers of services for disposal of payment orders and account information, on the other hand; and

- *Protection obligations.* PSD2 requires payment service providers to protect all funds received from payment service users or through another payment service provider for the execution of payment transactions, subject to certain obligations related to the separation of funds, or by ensuring that the funds are covered by an insurance policy or a similar form of guarantee by an insurance company or credit institution not belonging to the same group as the payment service provider. See "*Regulation*."

*Anti-Money Laundering*

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

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

*Reporting and Accounting Requirements*

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

*Changes in the Regulations Governing Digital Payments*

The Italian government is considering measures to encourage electronic payments in order to increase tax revenues and reduce tax evasion. A number of options are under advisement, including fines for merchants who do not possess a POS, a reduced tax liability for card payments and the reduction or elimination of merchant fees for payments under a certain threshold. Although the former two measures present an opportunity for us, the reduction or elimination of merchant fees for payments under a certain threshold could have a negative impact on our business, given that we currently receive a commission for payments of any amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Account Information Service Providers (AISP), i.e. payment service providers who can offer the possibility of aggregating their account information into a single instrument to all users who have a payment account accessible online; and

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

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

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

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

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

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

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

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

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

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

Delays in product development may also require further investments in research and development. If there is an increase in costs associated with the development of new products and the improvement of products for which we are not achieving sufficient revenue, the development costs of new products may not be recoverable. An increase in costs or a decrease in revenue from new products, or both, could have a material adverse effect on our business, financial condition and results of operations. Failure to maintain innovation or the introduction of new or updated technologies that respond to changes in terms of consumption, merchants, payment card systems or regulatory requirements could have a material adverse effect on our competitiveness and could cause us to lose market share, which could have a material adverse effect on our business, financial condition and results of operations. In the wake of the increasing presence of internet systems and the emergence of smartphones and tablet computers, the financial services sector in which we operate could be altered by regulatory changes and/or emerging technologies aimed at competing with consolidated business models. New technologies, including continued progress in proximity payment devices (such as contactless payment cards), digital currencies (including bitcoin and other technologies) and remote payment technologies (such as cloud-based accounts), as well as the evolution of consumer behavior (including changes toward digitalization, cost transparency and mobility) are rapidly changing the way people perform commercial transactions worldwide. Traditional and non-traditional competitors, such as mobile phone, technology and telecommunications companies and aggregators, are working toward providing digital and mobile payment services both for consumers and merchants, eliminating the need for credit and debit cards. As a result, consumers could begin to use their payment cards less, or not to use them at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***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 units. Examples of merchant fraud may include the sale of counterfeit goods or the deliberate use of a stolen or counterfeit credit or debit card, payment card number, or other credentials to record a false sale or a credit transaction by merchants or other parties, the processing of an invalid payment card, or the intentional non-delivery of goods or services sold in an otherwise valid transaction.

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

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

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

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

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

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

Furthermore, our business activities may also involve risks relating to potential claims which may result from activities or errors by our employees and may result in breaches of security measures or damage to third parties. We are also exposed to the risk that our directors, employees or agents may commit cybercrimes such as breaches of the computer systems of our competitors, gain unlawful access to bank data (including customer data) and may cause damage to our computer systems and documents. As of the date of this offering memorandum, we and our subsidiaries (with the exception of BassmArt) have adopted an organizational, management and control model pursuant to Legislative Decree 231/2001, as a defense against the administrative responsibility that could be attributed to us pursuant to Legislative Decree 231/2001 for offenses committed in our interest or for our benefit by our employees, directors and representatives. However, the adoption of the 231 Model by us is not sufficient on its own to prevent sanctions under Legislative Decree 231/2001. While maintaining, implementing and updating the internal control systems, we may not be able to prevent or detect the commission of the offences covered in Legislative Decree 231/2001, especially given the nature and size of the Group. Any proceedings relating to alleged offences covered by Legislative Decree 231/01, regardless of their outcome, could be costly and divert management's attention from other aspects of the business, cause adverse publicity and reputational damage and could have an adverse effect on our business, financial condition and results of operations. Any of the above circumstances, including the failure to properly implement and update such control systems, may expose us to civil and administrative penalties under the provisions of Legislative Decree No. 231/2001 and cause damage to our reputation. Specifically, under Legislative Decree No. 231/2001, we can be held liable for certain offenses committed in our interest or for our benefit in Italy or abroad (e.g., corruption, fraud against the State, corporate offenses, market abuse, certain environmental and workplace safety violations) by persons that have a relationship with us at the time of committing the offense in question, including third-party agents, partners or intermediaries, unless we can demonstrate that such persons intentionally violated our internal control model and that it would have been impossible for us to prevent such breach. In such circumstances, we may be subject to fines, confiscations of profits or other penalties, including the termination of authorizations, permits, licenses, concessions and loan agreements, including subsidized loans, the suspension of our operations or a prohibition on contracts with public administrations. In such a case, the duration of such punitive measures could range from a minimum of three months to a maximum of two years. Certain of the above-mentioned legal sanctions may also be applied as interim measures during investigations. However, in very serious cases, some of these measures can be imposed permanently. In certain circumstances, as an alternative to the penalties described above, a court could appoint a third-party professional (*custode giudiziario*) to run the company, which would result in the profits obtained during the controlled administration period being automatically confiscated by the administrator. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 2, 2019, the ECB ordered the extraordinary administration of Banca Carige S.p.A. ("Banca Carige") to ensure stability and consistency in Banca Carige's governance and to permit the continuation of the necessary capital strengthening activities. On September 20, 2019, Banca Carige's shareholders have approved a €700 million capital increase, thus avoiding liquidation. Should the uncertainty around Banca Carige's situation continue, or should Banca Carige be subject to compulsory administrative liquidation, crisis resolution measures or similar procedures provided by the Consolidated Banking Act, Directive 2014/59/EU of the European Parliament and the Council, Regulation (EU) 806/2014 and/or Legislative Decree No. 180/2015, Banca Carige might be unable to meet its obligations pursuant to the agreements entered into with us. If Banca Carige is not able to perform its obligations under our agreement, the amount of future revenue generated by us through the Banca Carige distribution network may be lower than estimated at the time we entered into the agreement. If actual revenues were to be significantly lower than expected, this could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are also presenting in this offering memorandum unaudited non-GAAP managerial information as of and for (i) the twelve months ended June 30, 2019, and (ii) the year ended December 31, 2018. The unaudited non-GAAP managerial information as of and for the twelve months ended June 30, 2019, has been derived by adding the unaudited historical financial information for the six months ended June 30, 2019, as reported in the Interim Financial Statements, to the unaudited non-GAAP managerial information for the year ended December 31, 2018, and subtracting the unaudited non-GAAP managerial information for the six months ended

June 30, 2018. The unaudited non-GAAP managerial information for the year ended December 31, 2018, differ from the Unaudited 2018 Perimeter Information because it includes the effects of entering into the Contracts with Depobank.

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

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

(i) the normalization associated with non-recurring expenses and income provides useful information as there are limits on the comparability of historical data relating to the years in question, which include cost and revenue items related to one-off corporate events that are not pertinent to our normal operations, such as, principally: the Acquisitions, the issuances of the Existing Notes and the Redeemed Notes, the Disposals, the Reorganization, the rebranding program, the Listing and the Credit Facilities; and

(ii) the normalization of the effects relating to the amortization of Customer Contracts also provides useful information with respect to the comparability of our historical data. Adjustment for the effects of amortization of Customer Contracts (i.e., amortization of intangible assets arising from the allocation of the purchase price of the acquisitions of Mercury Payment, MPS Acquiring and DB Acquiring) was necessary to make our historical data comparable and to take account of the fact that our results were influenced by higher depreciation included in our income statement as a result of the business aggregation processes carried out during the three-year period under review. From a merely accounting point of view, these processes resulted in the reallocation of part of the capital gains arising from the above transactions among intangible assets (Customer Contracts). These amortizations therefore impacted our income statement for the six months ended June 30, 2019, the entire 2018 financial year and for half of the 2017 financial year but did not have any impact on our income statement for the 2016 financial year.

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

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

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

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

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

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

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

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

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

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the availability of such cash flow to fund working capital and settlement obligations, capital expenditures, technological innovation or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;

- limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and

- limiting our ability to upstream cash from our subsidiaries, none of whom will initially guarantee the Notes to help meet our obligations under the Notes.

Any of these or other consequences or events resulting from our substantial indebtedness could have a material adverse effect on our ability to satisfy our debt obligations, including under the Notes. Although the terms of the Indenture limit our ability to incur additional indebtedness, such limitations are subject to significant exceptions and qualifications, and the incurrence of additional indebtedness would exacerbate the risks described above.

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

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

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

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

- create or incur certain liens;

- guarantee indebtedness; and

- merge, consolidate or sell, lease or transfer all or substantially all of the Issuer's assets.

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

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

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

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

The Notes will mature on October 31, 2024, and our Term Loan and our Revolving Credit Facility on May 31, 2024. If we are unable to pay interest on our indebtedness when due, or to repay or refinance the principal amount of our indebtedness when due, we will be in default under the terms of the documents governing such indebtedness, including the Indenture if we do not pay interest or principal when due under the Notes. If that happens, the holders of the Notes and of our other indebtedness could elect to declare the indebtedness immediately due and payable and, in the case of the Revolving Credit Facility, terminate their lending commitments. Prior to or after these defaults, the holders of our indebtedness could exert pressure on us to sell assets or take other actions, including the initiation of bankruptcy proceedings or the commencement of an out-of-court debt restructuring, which may not be in the best interests of the company or holders of our debt securities, including the Notes. If we attempt an asset sale, whether on our own initiative or as a result of pressure from lenders or holders of our indebtedness, we may not be able to complete a sale on terms acceptable to us. Ultimately, this could result in non-payment of amounts due under the Notes. Any default under our indebtedness, or the perception that we may default, would also adversely affect the trading value of our debt securities, including the Notes.

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

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

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

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

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

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

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

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

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

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

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

**Risks Related to the Notes**

***Holders of the Notes generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Issuer to comply with certain procedures.***

We are organized under the laws of Italy and are Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by or on our behalf in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, we will pay such Additional Amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. We are not liable to pay any Additional Amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 ("Decree 239") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("Decree 461"), except where the procedures required under Decree 239 in order to benefit from an exemption have not been complied with due to the actions or omissions by us or our agents. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Withholding Taxes*" and "*Certain Tax Consequences—Certain Italian Tax Considerations*."

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, as amended and, supplemented from time to time and replaced, (the "White List"), and such holder complies with certain certification requirements there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree 239 after the date hereof, including any change in the White List.

***No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of April 1, 1996 will be met by the relevant foreign intermediaries.***

The regime provided by Decree 239 and in particular the exemption from withholding tax in principle granted to holders of the Notes resident in countries included in the White List applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Certain Tax Consequences—Certain Italian Tax Considerations*."

***The Notes will not be guaranteed and any future guarantee of the Notes (if any) is likely to be subject to significant limitations or may not be permitted at all.***

As of the Issue Date, the Notes will not be guaranteed by the Issuer or any other entity, and no subsidiary of the Issuer is under any obligation under the Indenture to grant a guarantee of the Notes in the future. See "—*Risks Related to the Financial Profile of the Issuer—We are a holding company and rely on our subsidiaries for the distribution of dividends.*" If a subsidiary of the Issuer does guarantee the Notes in the future, such a guarantee, and any security interest in collateral granted by such subsidiary guarantor in favor of the Notes, will be subject to certain defenses available under law, including those that relate to fraudulent conveyance, financial assistance, corporate benefit, capital maintenance, liquidity maintenance or similar laws as well as regulations or defenses affecting the rights of creditors generally. Such limitations will act to limit the obligation under such guarantee or security interest to an amount which will be determined in light of applicable laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value. The effect of any such limitation could be that the value of such subsidiary guarantee or collateral to a holder of the Notes is significantly reduced, or even eliminated, or as the case may be, that a subsidiary would not be legally permitted to guarantee the Notes. For more information, see "*Certain Insolvency Law Considerations*."

***Your right to receive payments on the Notes will be effectively subordinated to the rights of our existing and future secured creditors and structurally subordinated to claims against our subsidiaries that do not guarantee the Notes.***

The Notes will be general unsecured obligations and will not be guaranteed as of the Issue Date by any subsidiary of the Issuer. Lenders under our existing or future secured indebtedness will have claims that are prior to your claims as holders of the Notes to the extent of the value of the assets securing that other indebtedness. The Notes will be subordinated to such secured indebtedness and any other secured indebtedness to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of such secured indebtedness will have a prior claim to those of our assets that constitute their collateral, and will be entitled to be paid in full from such collateral before any payment is made on the Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less than the amounts due under the Notes or nothing at all.

***The insolvency laws of Italy and other applicable jurisdictions may not be as favorable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar.***

The Issuer is incorporated under the laws of Italy. There is a rebuttable presumption that the centre of main interests ("COMI") as defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of May 20, 2015 on Insolvency Proceedings is the jurisdiction where the registered office is situated. The insolvency laws of foreign jurisdictions may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Issuer or any of its material subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Although laws differ across jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Notes against the Issuer, the enforceability of any guarantee of the Notes (if any) and the enforceability of the security interests in any collateral granted in favor of the Notes (if any). The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under a relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Issuer or the appointed insolvency administrator may challenge intercompany obligations generally, as preferences, transaction at an undervalue, invalid charges, fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- direct that the Issuer and the holders of the Notes return any amounts paid under any guarantee to the security provider or to a fund for the benefit of such security provider's creditors; and

- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any guarantee of the Notes (if any), or if security interests (if any) are found to be preferences, transactions at an undervalue, fraudulent transfers or conveyances or are otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. There can be no assurance as to what standard a court would apply in making a determination of the maximum liability owed by the Issuer or any future guarantor or security provider (if any). There is also the possibility that any guarantee of the Notes or any security interests (if any) may be set aside, in which case the entire liability may be extinguished.

***The Notes will initially be held in book entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Notes (as defined below) will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes (as defined below), will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, none of the Issuer, the Trustee, the Transfer Agent, the Registrar or the Paying Agent will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if investors own a book entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike a holder of the Notes (which is expected to be a nominee for the common depositary), owners of book entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book entry interests, if investors own book entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book Entry, Delivery and Form*."

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

***The Issuer may not be able to repurchase the Notes upon a change of control repurchase event.***

If a change of control repurchase event (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes are tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Facilities Agreement and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control repurchase event would constitute a default under the Indenture, which would, in turn, constitute a default under the Notes and the Facilities Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture. In addition, the occurrence of certain events that might otherwise constitute a change of control repurchase event will be deemed not to be a change of control repurchase event if a ratings event has not also occurred. See "*Description of the Notes—Repurchase at the Option of Holders—Change of Control Repurchase Event*."

***The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.***

Upon the occurrence of a transaction that constitutes both a change of control and a ratings event under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "change of control" in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control repurchase event has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders.***

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally, including modifications to the terms and conditions of the Notes. The provisions under "*Description of the Notes—Meetings of Holders*" permit defined majorities, depending on the nature of the resolution, to bind all holders of the Notes, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact the rights of the holders of Notes and may have a material adverse effect on the market value of the Notes. Our decision to increase the majority required to pass a resolution at any meeting of the holders of the Notes is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to the applicable threshold which, with respect to amendments of the terms and conditions of the Notes, is equal to 50% of the aggregate principal amount of the then outstanding Notes or, if higher, two thirds of the aggregate principal amount of the Notes represented at the relevant meeting.

***You may be unable to serve process on the Issuer or its respective directors and officers in the United States and enforce U.S. judgments based on the Notes.***

The Issuer is organized under the laws of Italy and does not have any assets in the United States. The directors and executive officers of the Issuer are not residents of the United States, and all or a majority of the assets of the Issuer will be located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or its directors and executive officers, or to enforce any judgments obtained in U.S. courts, predicated upon the civil liability provisions of U.S. securities laws. In addition, the Issuer cannot assure you that the civil liabilities provided for in U.S. federal securities laws will be enforceable in Italy, as applicable. See "*Certain Insolvency Law Considerations.*"

***The Notes may not remain listed on the Luxembourg Stock Exchange.***

Although the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on its Euro MTF market, the Issuer cannot assure you that the Notes will remain listed. If the Issuer cannot maintain the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Euro MTF market or it determines that it will not maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange, provided that it will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List of the Luxembourg Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

## USE OF PROCEEDS

On the Issue Date, the Issuer will issue the Notes offered hereby and use the gross proceeds of the Offering, together with cash on hand, to (i) fund the Existing Notes Redemption and (ii) pay related fees and expenses.

For descriptions of our current and anticipated indebtedness and certain financing arrangements, see "*Capitalization*," "*Description of Certain Financing Arrangements*" and "*Description of the Notes*." The Existing Notes Redemption is conditional on the completion of the Offering.

The following table illustrates the estimated sources and uses of the proceeds from the Offering. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimates of fees and expenses, the actual date on which the Existing Notes Redemption occurs and outstanding amounts upon repayment.

| Sources of Funds | Amount | Uses of Funds | Amount |
|---|---|---|---|
| | (in € millions) | | (in € millions) |
| Notes offered hereby[1] . | 825.0 | Existing Notes Redemption[2]................ | 845.2 |
| Cash on balance sheet .. | 43.6 | Accrued Interest[3]......... | 13.3 |
| | | Transaction costs[4] ....... | 10.0 |
| **Total sources**............... | **868.6** | **Total uses**..................... | **868.6** |

(1) Represents the aggregate principal amount of the Notes at maturity.

(2) Represents (i) €825.0 million outstanding aggregate principal amount of the Existing Notes which will be redeemed in full on or about the Issue Date, and (ii) €20.2 million of redemption premium payable in connection with the Existing Notes Redemption. The Existing Notes Redemption is conditional on completion of the Offering.

(3) Represents the accrued interest in relation to €825.0 million outstanding aggregate principal amount of the Existing Notes.

(4) Represents the fees and expenses associated with the Refinancing, including commitment, placement, financial advisory and other transaction costs and professional fees. Actual fees and expenses may vary.

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## CAPITALIZATION

The following table sets forth (i) the cash and cash equivalents and capitalization of the Issuer as of June 30, 2019, as set forth in our Interim Financial Statements (except as otherwise described below), and (ii) the Issuer's pro forma consolidated cash and cash equivalents and capitalization as of June 30, 2019, as adjusted to give effect to the Refinancing, including the use of proceeds from this Offering as described in "*Use of Proceeds,*" as if such transactions had occurred on June 30, 2019.

The information in the table below is illustrative only and does not purport to be indicative of the Issuer's capitalization following the completion of the Refinancing. You should read this table together with the sections of this offering memorandum entitled "*Presentation of Financial and Other Information,*" "*Summary—Summary of Financial Information and Other Data,*" "*Use of Proceeds,*" "*Unaudited Pro Forma Consolidated Financial Information,*" "*Selected Financial Information,*" "*Description of Certain Financing Arrangements,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements, and related notes, included elsewhere in this offering memorandum.

| | **As of June 30, 2019** | |
|---|---|---|
| | **Actual** | **As adjusted for the Offering** |
| | **(in € millions)** | |
| **Cash and cash equivalents(1)** | **323.0** | **279.4** |
| **Indebtedness**: | | |
| Credit Facilities(2) | 1,000.0 | 1,000.0 |
| Existing Notes(3) | 825.0 | — |
| Notes offered hereby(4) | — | 825.0 |
| Other liabilities(5) | 32.6 | 32.6 |
| **Total debt** | **1,857.6** | **1,857.6** |
| Net investments | 1,260.2 | 1,216.6 |
| **Total capitalization** | **3,117.8** | **3,074.3** |

(1) Cash and cash equivalents includes €165.9 million of cash, €64.6 million of available liquidity generated by subsidiaries during the period and other cash-like items (i.e. €83.4 million of Class C Visa Shares and up to €9.0 million or earn-out from Oasi). Thus, it differs from cash and cash equivalents reported for accounting purposes in the Interim Financials.

(2) The Facilities Agreement provides for aggregate borrowings of €1,000 million under the Term Loan Facility and € 350 million under the Revolving Credit Facility. While the Term Loan Facility was fully drawn on July 2, 2019, the Revolving Credit Facility is not currently expected to be drawn as of the Issue Date.

(3) Represents the outstanding aggregate principal amount of the Existing Notes, excluding accrued and unpaid interest and deferred debt issuance costs, which will be redeemed in full in connection with the Refinancing.

(4) Represents the aggregate principal amount of the Notes, disregarding the accounting impact of deferred debt issuance costs.

(5) Represents the aggregate principal amount of (i) € 1.3 million of credit lines in place at Nexi Payments, utilized for general corporate purposes and (ii) €31.3 million of other financial liabilities, mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16. Other liabilities is defined differently from the line item titled other liabilities in our Unaudited Pro Forma Consolidated Financial Information. Other liabilities excludes settlement obligations and accruals in respect of pass-through fee payments. Settlement obligations consist of € 219 million in respect of the recourse component of our Factoring Agreement relating to the settlement of payments with charge cards, € 183 million in respect of overdraft facilities made available by partner banks to settle payments with credit cards, €386 million in respect of bilateral bank lines or overdraft sourced by other banks to mainly fund the merchant acquiring settlement exposure, and €330 million of obligations under the Mercury Funding Facility used in connection with the settlement and collection of payments. Pass-through fee payments consist of €100 million of obligations due to partner banks in respect of their share of card payment fees. The foregoing settlement obligations and accruals in respect of pass-through fee payments are presented under the line item due to banks in our unaudited pro forma combined statement of financial position. See "*Unaudited Pro Forma Consolidated Financial Information*" and "*Description of Certain Financing Arrangement—Settlement Obligations*."

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

### Foreword

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

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

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

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

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

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

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

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

### Transactions

*Credit Facilities and Capital Increase*

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

*Offering*

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

**Presentation of Pro Forma Financial Statements**

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

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

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

(i) since these representations were constructed on hypotheses, if the Transactions were carried out on the dates taken as reference for the preparation of pro forma data, rather than on the respective effective dates, the historical data would not necessarily have been the same as the pro forma data; and

(ii) the pro forma data does not reflect forecast data as it is prepared in such a way as to represent the significant, isolable and objectively measurable effects deriving from the Transactions, without taking into account the potential effects due to changes in management policies and operational decisions resulting from the Transactions.

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

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

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

| | | **Pro Forma Adjustments** | |
|---|---|---|---|
| | **Consolidated Balance Sheet** | **Offering** | **Pro Forma Consolidated Balance Sheet** |
| | **(1)** | **(2)** | |
| | | **(in € thousands)** | |
| **ASSETS** | | | |
| Cash and cash equivalents | 165,891 | (43,600) | 122,291 |
| Financial assets at fair value through profit or loss | — | — | — |
| Financial assets at fair value through OCI | 131,764 | — | 131,764 |
| Financial assets measured at amortized cost | 1,803,387 | — | 1,803,387 |
| Equity investments | 682 | — | 682 |
| Property, equipment | 191,852 | — | 191,852 |
| Investment property | 3,101 | — | 3,101 |

| | | | |
|---|---|---|---|
| Intangible assets | 2,660,159 | — | 2,660,159 |
| Tax assets | 84,327 | — | 84,327 |
| Non-current assets held for sale and discontinued operations | 8,130 | — | 8,130 |
| Other assets | 403,272 | — | 403,272 |
| **Total assets** | **5,452,565** | **(43,600)** | **5,408,965** |
| **LIABILITIES** | | | |
| Financial liabilities measured at amortized cost | 3,198,508 | — | 3,198,508 |
| Financial liabilities held for trading | 8,730 | — | 8,730 |
| Hedging derivatives | 45,833 | — | 45,833 |
| Tax liabilities | 140,575 | — | 140,575 |
| Liabilities associated with non-current assets held for sale and discontinued operations | 9,774 | — | 9,774 |
| Other liabilities | 732,045 | — | 732,045 |
| Post-employment benefits | 15,079 | — | 15,079 |
| Provisions for risks and charges | 41,857 | — | 41,857 |
| **Total liabilities** | **4,192,401** | **—** | **4,192,401** |
| **Net equity** | **1,260,164** | **(43,600)** | **1,216,564** |
| **Total liabilities and net equity** | **5,452,565** | **(43,600)** | **5,408,965** |

***Pro Forma Income Statement for the Six Months Ended June 30, 2019***

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

| | | **Pro Forma Adjustments** | | |
|---|---|---|---|---|
| | **Consolidated Income Statement— H1 2019** | **IPO Proceeds and Credit Facilities** | **Offering** | **Pro Forma Consolidated Income Statement** |
| | **(1)** | **(2)** | **(3)** | |
| | | **(in € thousands)** | | |
| Fee for services rendered and commission income | 770,813 | — | — | 770,813 |
| Fee for services received and commission expense | (300,514) | — | — | (300,514) |
| **Net fee and commission income** | **470,299** | **—** | **—** | **470,299** |
| Interest and similar income | 9,560 | — | — | 9,560 |
| Interest and similar expense | (113,530) | 70,205 | 8,972 | 34,353 |
| **Net interest income** | **(103,970)** | **70,205** | **8,972** | **24,793** |
| Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss | (5,298) | — | — | (5,298) |
| Dividends and profit / loss from investments and sale of assets at fair value through OCI | (4,386) | — | — | (4,386) |

| | | | | |
|---|---|---|---|---|
| **Financial and operating income** | **356,645** | **70,205** | **8,972** | **435,822** |
| Personnel expenses | (129,794) | — | — | (129,794) |
| Other administrative expenses | (188,411) | — | — | (188,411) |
| ***Total administrative expenses*** | **(318,205)** | **—** | **—** | **(318,205)** |
| Other operating income, net | (2,548) | — | — | (2,548) |
| Net value adjustments on assets measured at amortized cost | (1,811) | — | — | (1,811) |
| Net accruals to provisions for risks and charges | 590 | — | — | 590 |
| Amortization depreciation and net impairment losses on tangible and intangible assets | (70,313) | — | — | (70,313) |
| **Operating margin** | **(35,642)** | **70,205** | **8,972** | **43,535** |
| Profit loss from equity investments and disposal of investments | (74) | — | — | (74) |
| **Pre-tax profit from continuing operations** | **(35,716)** | **70,205** | **8,972** | **43,461** |
| Income taxes | 542 | (16,849) | 2,153 | 18,460 |
| Income (Loss) after tax from discontinued operations | 93,623 | — | — | 93,623 |
| **Profit for the period** | **58,449** | **53,356** | **6,819** | **118,624** |
| *Profit for the period attributable to the owners of the parent* | 58,424 | 53,356 | 6,819 | 118,599 |
| *Profit for the period attributable to non-controlling interests* | 25 | — | — | 25 |

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

*Basis of Presentation and Accounting Standards Used*

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

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

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

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

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

**Unaudited Pro Forma Balance Sheet**

**Note 1—Consolidated Balance Sheet**

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

**Note 2—Offering**

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

**Unaudited Pro Forma Income Statement**

**Note 1—Consolidated income Statement**

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

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

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

| | Consolidated Income Statement—H1 2019 | Pro Forma Adjustments | Pro Forma |
|---|---|---|---|
| | (in € thousands) | | |
| Early redemption costs | 42.5 | (42.5) | — |
| Other post-IPO debt restructuring impacts | 59.1 | (27.7) | 31.4 |
| **Total** | **101.6** | **(70.2)** | **31.4** |
| Tax impact (calculated by applying the IRES rate of 24%) | | 16.8 | |

**Note 3—Offering**

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

| | (in € thousands) |
|---|---|
| Elimination of finance costs accounted for the Existing Notes | 17,016 |
| Estimated finance costs on the Offering | (8,044) |
| | **8,972** |
| Tax impact (calculated by applying the IRES rate of 24%) | (2,153) |

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

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

| | Consolidated Income Statement— H1 2019 | Pro Forma Adjustments IPO Proceeds and Credit Facilities | Offering | Pro Forma Consolidated Income Statement |
|---|---|---|---|---|
| | (in € thousands) | | | |
| Merchant Services & Solutions | 223,602 | — | — | 223,602 |
| Cards & Digital Payments | 187,850 | — | — | 187,850 |
| Digital Banking Solutions | 55,886 | — | — | 55,886 |
| **Operating revenue** | **467,338** | **—** | **—** | **467,338** |
| Personnel expenses | (84,114) | — | — | (84,114) |
| Administrative costs | (148,453) | — | — | (148,453) |
| Adjustments and net operating provisions | (1,888) | — | — | (1,888) |
| **Operating costs net of amortization** | **(234,455)** | **—** | **—** | **(234,455)** |
| **EBITDA** | **232,883** | **—** | **—** | **232,883** |
| Amortization and depreciation | (52,829) | — | — | (52,829) |
| **Operating Profit** | **180,054** | **—** | **—** | **180,054** |
| Amortization & depreciation(customer contracts) | (18,433) | — | — | (18,433) |
| Interest financing costs | (101,647) | 70,205 | 8,972 | (22,470) |
| Non-recurring items | (1,578) | — | — | (1,578) |
| **Pre-tax profit** | **58,396** | **70,205** | **8,972** | **137,573** |
| Income taxes | 53 | (16,849) | 2,153 | (18,949) |
| **Profit for the period** | **58,449** | **53,356** | **6,819** | **118,624** |
| Minorities | (25) | — | | (25) |
| **Profit attributable to the Group** | **58,424** | **53,356** | **6,819** | **118,599** |

## SELECTED FINANCIAL INFORMATION

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

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

| | Pro Forma | Interim Financial Statements | | Carve-Out Financial Statements | | |
|---|---|---|---|---|---|---|
| | | Six months ended June 30, | | Year ended December 31, | | |
| | Six months ended June 30, 2019 | 2019 | 2018 | 2018 | 2017 | 2016 |
| | (in € millions) | | | | | |
| Fee for services rendered and commission income | 770.8 | 770.8 | 82.9 | 1,575.9 | 1,417.0 | 1,078.7 |
| Fee for services received and commission expense | (300.5) | (300.5) | (1.0) | (620.9) | (582.5) | (559.3) |
| **Net fee and commission income** | **470.3** | **470.3** | **81.9** | **955.0** | **834.5** | **519.4** |
| Interest and similar income | 9.6 | 9.6 | 0.4 | 56.1 | 22.1 | 24.3 |
| Interest and similar expense | (34.4) | (113.5) | (12.8) | (99.1) | (37.7) | (31.7) |
| **Net interest income** | **(24.8)** | **(104.0)** | **(12.4)** | **(43.0)** | **(15.6)** | **(7.4)** |
| Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss | (5.3) | (5.3) | (0.0) | (2.3) | (0.5) | (0.6) |
| Dividends and profit / loss from investments and sale of assets at fair value through OCI | (4.4) | (4.4) | 0.5 | (5.2) | 0.3 | 0.4 |
| **Financial and operating income** | **435.8** | **356.6** | **70.0** | **904.5** | **818.7** | **511.8** |
| Personnel expense | (129.8) | (129.8) | (9.2) | (178.8) | (183.6) | (103.7) |
| Other administrative expenses | (188.4) | (188.4) | (35.4) | (458.4) | (427.0) | (276.9) |
| **Total administrative expenses** | **(318.2)** | **(318.2)** | **(44.5)** | **(637.3)** | **(610.6)** | **(380.6)** |
| Other operating income, net | (2.5) | (2.5) | 0.6 | 4.1 | (0.8) | (0.9) |
| Net value adjustments on assets measured at amortized cost | (1.8) | (1.8) | — | (2.2) | (2.8) | (2.2) |
| Net accruals to provisions for risks and charges | 0.6 | 0.6 | (0.2) | (33.2) | 0.1 | (6.6) |
| Amortization, depreciation and net impairment losses on tangible and intangible assets | (70.3) | (70.3) | (21.3) | (114.9) | (88.6) | (27.4) |
| **Operating margin** | **43.5** | **(35.6)** | **4.5** | **121.1** | **116.1** | **94.0** |
| Profit (loss) from equity investments and disposal of investments | (0.1) | (0.1) | — | 20.5 | 2.3 | 0.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Pre-tax profit from continuing operations** | **43.5** | **(35.7)** | **4.5** | **141.6** | **118.4** | **94.0** |
| Income taxes | (18.5) | 0.5 | 0.4 | (66.7) | (46.5) | (33.6) |
| Income (Loss) after tax from discontinued operations | 93.6 | 93.6 | — | (6.1) | 0.2 | 2.2 |
| **Profit for the period** | **118.6** | **58.4** | **4.9** | **68.7** | **72.1** | **62.7** |

**Summary Historical and Pro forma Balance Sheet**

| | **Pro Forma** | **Interim Financial Statements** | **Carve-Out Financial Statements** | | |
|---|---|---|---|---|---|
| | | | **As at December 31,** | | |
| | **As at June 30, 2019** | **As at June 30, 2019** | **2018** | **2017** | **2016** |
| | | **(in € millions)** | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 122.3 | 165.9 | 40.7 | 134.4 | 8.4 |
| Financial assets at fair value through profit or loss | — | — | 0.0 | 0.2 | 0.1 |
| Financial assets at fair value through OCI | 131.8 | 131.8 | 100.1 | 83.3 | 47.6 |
| Financial assets at amortized cost | 1803,4 | 1,803.4 | 1,668.5 | 3,112.4 | 2,877.8 |
| a) loans and receivables with banks | 414.0 | 414.0 | 561.2 | 333.0 | 329.5 |
| b) loans and receivables with financial entities and customers | 1,389.4 | 1,389.4 | 1,107.2 | 2,779.4 | 2,548.3 |
| Equity investments | 0.7 | 0.7 | 0.7 | 0.0 | 0.0 |
| Property and equipment | 191.9 | 191.9 | 156.2 | 156.9 | 109.8 |
| Investments property | 3.1 | 3.1 | 3.2 | 6.2 | 6.5 |
| Intangible assets | 2.660,2 | 2,660.2 | 2,668.3 | 2,607.6 | 1,906.5 |
| Of which goodwill | 2,097.4 | 2,097.4 | 2,097.4 | 2,071.7 | 1,500.6 |
| Tax assets | 84.3 | 84.3 | 62.9 | 54.1 | 46.1 |
| a) current | 51.6 | 51.6 | 29.3 | 28.0 | 23.2 |
| b) deferred | 32.7 | 32.7 | 33.6 | 26.1 | 22.9 |
| Non-current assets held for sale and discontinued operations | 8.1 | 8.1 | 80.5 | 66.1 | 53.9 |
| Other assets | 403.2 | 403.2 | 405.7 | 339.8 | 263.3 |
| **Total assets** | **5,409.0** | **5,452.6** | **5,186.7** | **6,560.8** | **5,320.0** |
| **Liabilities and net investment** | | | | | |
| Financial liabilities measured at amortized cost | 3,198,5 | 3,198.5 | 3,716.8 | 2,606.0 | 1,957.1 |
| a) due to banks | 1,590.6 | 1,590.7 | 792.9 | 2,492.6 | 1,858.8 |

| | | | | | |
|---|---|---|---|---|---|
| b) due to financial entities and customers | 385.3 | 385.3 | 354.2 | 113.5 | 98.3 |
| c) securities issued | 1,222.6 | 1,222.6 | 2,569.7 | — | — |
| Financial liabilities held for trading | 8.7 | 8.7 | 3.2 | 1.1 | — |
| Hedging derivatives | 45.8 | 45.8 | 16.6 | 5.5 | — |
| Tax liabilities | 140.6 | 140.6 | 163.2 | 133.9 | 146.4 |
| a) current | 5.3 | 5.3 | 31.1 | 3.2 | 16.9 |
| b) deferred | 135.3 | 135.3 | 132.1 | 130.7 | 129.5 |
| Liabilities associated with non-current assets held for sale and discontinued operations | 9.8 | 9.8 | 39.1 | 22.9 | 11.8 |
| Post-employment benefits | 15.1 | 15.1 | 14.1 | 18.0 | 15.8 |
| Provisions for risks and charges | 41.9 | 41.9 | 46.6 | 33.1 | 17.3 |
| Other liabilities | 732.0 | 732.0 | 716.4 | 720.5 | 474.4 |
| **Total liabilities** | **4,192.4** | **4,192.4** | **4,715.8** | **3,541.0** | **2,622.8** |
| **Net Investments** | **1,216.6** | **1,260.2** | **470.9** | **3,019.8** | **2,697.2** |
| **Total liabilities and net investment** | **5,409.0** | **5,452.6** | **5,186.7** | **6,560.8** | **5,320.0** |

**Summary Historical Cash Flow Statement Information**

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

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

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

### Overview

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

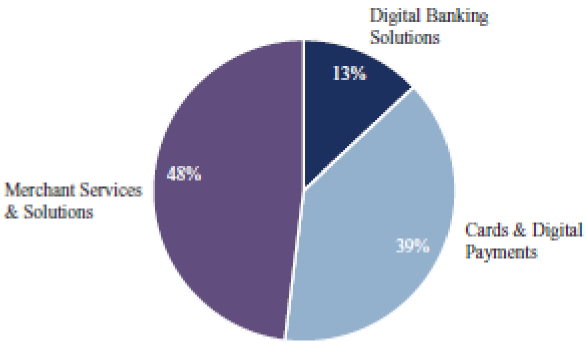
We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of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

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

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

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

**Operating Revenues by Business Unit**
**Total €956 million**




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

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

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

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

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

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

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

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

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

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

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

***Partner Banks***

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

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

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

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

| | 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%** |

***Settlement Obligations***

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

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

***Seasonality***

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

### *Information and Communications Technology*

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

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

### *Acquisitions*

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

### *Impact of Non-Recurring Items*

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

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

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

*Changes to Accounting Standards—IFRS 16*

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

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

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

*Financial and Operating Income*

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

*Personnel Expenses*

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

*Other Administrative Expenses*

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

*Impairment Losses and Net Accruals for Risks and Charges*

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

*Depreciation and Amortization*

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

*Income Taxes*

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

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

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

| | Six months ended June 30, | | Changes | |
|---|---|---|---|---|
| | 2019 | 2018 | H1 2019 v H1 2018 | % |
| | (in € millions, except for %) | | | |
| Fee for services rendered and commission income | 770.8 | 82.9 | 687.9 | n.a. |
| Fee for services received and commission expense | (300.5) | (1.0) | (299.5) | n.a. |
| **Net fee and commission income** | **470.3** | **81.9** | **388.4** | **n.a.** |
| Interest and similar income | 9.6 | 0.4 | 9.2 | n.a. |
| Interest and similar expense | (113.5) | (12.8) | (100.8) | n.a. |
| **Net interest income** | **(104.0)** | **(12.4)** | **(91.6)** | n.a. |
| Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss | (5.3) | (0.0) | (5.3) | n.a. |
| Dividends and profit / loss from investments and sale of assets at fair value through OCI | (4.4) | 0.5 | (4.9) | n.a. |
| **Financial and operating income** | **356.6** | **70.0** | **286.7** | **n.a.** |
| Personnel expenses | (129.8) | (9.2) | (120.6) | n.a. |
| Other administrative expenses | (188.4) | (35.4) | (153.1) | n.a. |
| **Total administrative expenses** | **(318.2)** | **(44.5)** | **(273.7)** | n.a. |
| Other operating income, net | (2.5) | 0.6 | (3.1) | n.a. |
| Net value adjustments on assets measured at amortized cost | (1.8) | 0.0 | (1.8) | n.a. |
| Net accruals to provisions for risks and charges | 0.6 | (0.2) | 0.8 | n.a. |
| Amortization depreciation and net impairment losses on tangible and intangible assets[(1)] | (70.3) | (21.3) | (49.0) | n.a. |
| **Operating margin** | **(35.6)** | **4.5** | **(40.1)** | **n.a.** |
| Profit (Loss) from equity investments and disposal of investments | (0.1) | 0.0 | (0.1) | 0% |
| **Pre-tax profit from continuing operations** | **(35.7)** | **4.5** | **(40.2)** | **n.a.** |
| Income taxes | 0.5 | 0.4 | 0.1 | 23% |
| Income (Loss) after tax from discontinued operations[(2)] | 93.6 | 0.0 | 93.6 | 0% |
| **Profit for the period** | **58.4** | **4.9** | **53.6** | **n.a.** |
| Profit for the period attributable to the owners of the parent | 58.4 | 4.9 | 53.5 | n.a. |
| Profit for the period attributable to non-controlling interests | 0.0 | 0.0 | 0.0 | 0% |

(1) Depreciation and amortization expense for the six months ended June 30, 2019 of Customer Contracts is equal to €18.4 million.

(2) Includes capital gains arising from the sale of Oasi (€102.4 million), partially offset by the loss from the sales of PayCare and Moneynet (€7.8 million and €1 million, respectively).

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

| | **Six months ended June 30,** | |
|---|---|---|
| | **2019** | **2018** |
| **Profit for the period** | **58.4** | **4.9** |
| Profit (loss) after tax from discontinued operations | (93.6) | — |
| Income taxes(1) | 0.0 | (0.4) |
| Profit (loss) from equity investments and disposal of investments | 0.1 | — |
| Net financial charges related to the Notes(2) | 101.6 | 12.1 |
| Amortization, depreciation and net impairment losses on tangible and intangible(3) | 71.2 | 21.3 |
| **EBITDA(4)** | **137.7** | **37.9** |
| **Total non-recurring expenses with impact on EBITDA** | 95.2 | 19.7 |
| **Normalized EBITDA** | **232.9** | **57.6** |

(1) For the six months ended June 30, 2019 it excludes tax benefits related to the acquisition of Sparkling for €0.5 million.

(2) For the six months ended June 30, 2019 it is included in the Net interest income.

(3) For the six months ended June 30, 2019 it includes the VAT related to the right of use assets for €0.8 million.

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

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

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

- Transformation costs of €26.4 million including costs for completion of the re-branding program and promotion of the new YAP application, costs for completion of Bassilichi integration program and for recruiting of new managers.
- Cost incurred in connection with the Listing of € 63.7 million of which €42.6 million relating to the stock grants and €21.1 million relating to one-off charges including consultancy costs incurred in the context of the Listing and bonuses recognized to management.
- Costs of €5.1 million mainly incurred in connection with the collar on the Visa shares.
- For the six months ended June 30, 2018, the non-recurring items relate to:
- Transformation costs of €9.3 million in connection with the Reorganization.
- Cost incurred in connection with the issuance of the Existing Notes of €10.4 million

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

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

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

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

***Operating Revenues***

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

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

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

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

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

***Personnel Expenses***

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

***Operating Costs***

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

***Normalized Total Costs***

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

***Normalized EBITDA***

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

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| Fee for services rendered and commission income | 1,575.9 | 1,417.0 | 1,078.7 | 158.9 | 11.2% | 338.3 | 31.4% |
| Fee for services received and commission expense | (620.9) | (582.5) | (559.3) | (38.4) | 6.6% | (23.2) | 4.1% |
| **Net fee and commission income** | **955.0** | **834.5** | **519.4** | **120.5** | **14.4%** | **315.1** | **60.7%** |
| Interest and similar income | 56.1 | 22.1 | 24.3 | 34.0 | n.a. | (2.2) | (9.1)% |
| Interest and similar expenses | (99.1) | (37.7) | (31.7) | (61.4) | n.a. | (6.0) | 18.9% |
| **Net Interest margin** | **(43.0)** | **(15.6)** | **(7.4)** | **(27.4)** | **n.a.** | **(8.2)** | **n.a.** |
| Profit / loss on trading activity/hedging on financial assets and liabilities designated at fair value through profit or loss | (2.3) | (0.5) | (0.6) | (1.8) | n.a. | 0.1 | (16.7)% |
| Dividends and profit/loss from investments and sale of assets at fair value through OCI | (5.2) | 0.3 | 0.4 | (5.5) | n.a. | (0.1) | (25.0)% |
| **Financial and operating income** | **904.5** | **818.7** | **511.8** | **85.8** | **10.5%** | **306.9** | **60.0%** |
| Personnel expenses | (178.8) | (183.6) | (103.7) | 4.8 | (2.6)% | (79.9) | 77.0% |
| Other administrative expenses | (458.4) | (427.0) | (276.9) | (31.4) | 7.4% | (150.1) | 54.2% |
| **Total administrative expenses** | **(637.3)** | **(610.6)** | **(380.6)** | **(26.7)** | **4.4%** | **(230.0)** | **60.4%** |
| Other operating income | 4.1 | (0.8) | (0.9) | 4.9 | n.a. | 0.1 | (11.1)% |
| Net value adjustments on assets at amortized cost | (2.2) | (2.8) | (2.2) | 0.6 | (21.4)% | (0.6) | 27.3% |
| Net accruals to provisions for risks and charges | (33.2) | 0.1 | (6.6) | (33.3) | n.a. | 6.7 | n.a. |
| Amortization, depreciation and net impairment losses on tangible and intangible assets | (114.9) | (88.6) | (27.4) | (26.3) | 29.7% | (61.2) | n.a. |
| **Operating margin** | **121.1** | **116.1** | **94.0** | **5.0** | **4.3%** | **22.1** | **23.5%** |
| Profit (loss) from equity investments and disposal of investments | 20.5 | 2.3 | — | 18.2 | n.a. | 2.3 | n.a. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Pre-tax Profit from continuing operations** | **141.6** | **118.4** | **94.0** | **23.2** | **19.6%** | **24.4** | **26.0%** |
| Income taxes | (66.7) | (46.5) | (33.6) | (20.2) | 43.4% | (13.0) | 38.7% |
| Income (Loss) after tax from discontinued operations | (6.1) | 0.2 | 2.2 | (5.9) | n.a. | (2.4) | n.a. |
| **Profit for the period** | **68.7** | **72.1** | **62.7** | **(3.4)** | **(4.7)%** | **9.4** | **15.0%** |

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

- Starting from the carve-out income statement for the years ended December 31, 2018, 2017 and 2016, we provide comments at the level of single income statement line item;

- For each income statement line item, we present different levels of information:

  a) First level: historical financial information referred to the Carve-out Financial Statements, which is based on IFRS and represents the starting point of the discussion of our results of operations.

  b) Second level: presentation of the normalization effect on the Carve-out Financial Statement information presented in the first level to exclude the effect of non-recurring items. Specific reconciliation tables also support this presentation.

  c) Third level: Items that have been normalized (up to Normalized EBITDA) are then presented on a like-for-like basis in order to provide results over the three-year period 2018, 2017 and 2016 on the basis of our Group structure as of December 31, 2018 ("2018 Perimeter"). This presentation has been prepared by adding to the normalized historical results the historical data of the entities/ business acquired during the three years under review, as if these had been included in the Group's perimeter since 2016. Specific reconciliation tables also support this presentation.

**Financial and Operating Income**

**Overview and Non-recurring Components**

***2018 vs. 2017***

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

For years ended December 31, 2018 and 2017, our financial and operating income included non-recurring negative components for €5.9 million and €3 million, respectively. In 2018, these expenses related mainly to commercial discounts on payment services recognized by Bassilichi Core in respect of MPS Acquiring under the framework Service Agreements that were in force until June 30, 2019 and due to the activation costs of factoring contracts. In 2017, non-recurring expenses related entirely to the aforementioned commercial discounts to MPS Acquiring. In 2018, the item also included net financial charges associated with the Existing Notes and the Redeemed Notes amounting to €32 million (determined as the amount of financial charges accrued on the Existing Notes and the Redeemed Notes amounting to €68 million, net of financial income deriving from the Intercompany Loan amounting to €36 million). Net of these non-recurring components and financial charges, our financial and operating income would have increased by €120.7 million (14.7%) from €821.8 million in 2017 to €942.5 million in 2018.

***2017 vs. 2016***

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

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

The table below shows our 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 Existing Notes and the Redeemed Notes.

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

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

The tables below show the data of our Normalized financial and operating 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 financial and operating income of the individual years for the three years in question include the historical data of the companies and/or business units acquired relating to each year of the three-year period for the period prior to the date on which the companies/business units were acquired by us.

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

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

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

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

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

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

| | Year ended December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Nexi Carve-out | Bassilichi “Core”[(1)] | MPS Acquiring[(2)] | Sparkling[(3)] | Carige Acquiring[(4)] | Infra-group transactions[(5)] | Total 2018 Perimeter[(6)] |
| | (in € millions) | | | | | | |
| Merchant Services & Solutions.................. | 352.5 | 23.4 | 39.1 | 1.4 | 3.1 | (19.1) | 400.4 |
| Cards & Digital Payment................... | 342.1 | — | — | — | — | — | 342.1 |
| Digital Banking Solutions.................. | 97.4 | 11.3 | — | — | — | — | 108.7 |
| Other services.............. | 29.8 | (14.6) | — | — | — | — | 15.2 |
| **Normalized financial and operating income ....................** | **821.8** | **20.1** | **39.1** | **1.4** | **3.1** | **(19.1)** | **866.4** |

(1) The data refers exclusively to the first half of the year, i.e. the period prior to the inclusion of the entity in our scope of consolidation and is derived from the financial statements for the year ended December 31, 2017 of 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.

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

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

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

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

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

| | Year ended December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Nexi Carve-out | Mercury Payment[(1)] | Bassilichi “Core”[(2)] | MPS Acquiring[(3)] | Sparkling[(4)] | Carige Acquiring[(5)] | Infra-group transactions[(6)] | Total 2018 Perimeter[(7)] |
| | (in € millions) | | | | | | | |
| Merchant Services & Solutions............ | 208.0 | 60.2 | 40.1 | 86.5 | 0.4 | 4.1 | (38.3) | 361.0 |
| Cards & Digital Payment............. | 234.8 | 80.1 | | — | — | — | — | 314.9 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Digital Banking Solutions............ | 60.1 | | 41.1 | — | — | — | — | 101.2 |
| Other services........ | 8.0 | (0.2) | 6.4 | — | — | — | — | 14.2 |
| **Normalized financial and operating income .............** | **510.9** | **140.1** | **87.5** | **86.5** | **0.4** | **4.1** | **(38.3)** | **791.3** |

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

(2) The data is derived from the financial statements for the year ended December 31, 2016 of 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.

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

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

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

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

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

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

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

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

***2018 vs. 2017***

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

The Normalized financial and operating income relating to the Merchant Services & Solutions business line, on the basis of the 2018 Perimeter, increased by €36.6 million (9.1%) from €400.4 million for the year ended December 31, 2017 to €436.9 million for the year ended December 31, 2018. This increase was mainly due to the increase in the number of merchant transactions and the negotiated value as well as the number of POS terminals managed, which was in line with the growth recorded by the relevant reference market, and the effects of some initiatives aimed at improvements for customers, mainly through the launch of commercial campaigns for the sale of additional services with high added value, the launch of new services for merchants and banks as well as the review of the economic conditions applied to merchant and partner banks. The new services included the Protection Plus program to support merchants for certification with respect to safety standards and the launch of the SmartPOS, i.e. the advanced payment terminal on Android technology. In 2018, the implicit "take-rate" for the Merchant Services & Solutions business line, calculated as the ratio between the Normalized financial and operating 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 financial and operating income relating to the Cards & Digital Payments business line, on the basis of the 2018 Perimeter, increased by €18.5 million (5.4%) from €342.1 million for the year ended December 31, 2017 to €360.6 million for the year ended December 31, 2018. This increase was mainly due to the increase in the number of transactions by card and the relative amounts spent in line with the growth recorded by the reference market. The increase also reflects the effects of our business expansion of the range of products that we offered through the introduction of advanced products such as international debit cards and mobile payment solutions, as well as the effects of some initiatives to restructure our financial obligations. In 2018, activities aimed at improvements, realized through promotional campaigns and loyalty programs (customer engagement through websites and mobile phone applications), helped increase both the volume of expenditure and the loyalty of cardholders. In 2018, the implicit "take-rate" for the Cards & Digital Payments business line, calculated as the ratio between Normalized financial and operating 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 financial and operating income relating to the Digital Banking Solutions business line, on the basis of the 2018 Perimeter, increased by €2.9 million (2.7%) from €108.7 million for the year ended December 31, 2017 to €111.5 million for the year ended December 31, 2018. This increase was mainly attributable to the effects of the activation, starting from July 2018, of contracts with DepoBank relating to the supply of ICT services and the distribution of DepoBank services to customers, including in particular the Check Image Truncation service. The increase was partially offset by the decrease in results generated by sales of ATM terminals, as well as the results generated by e-banking activities, mainly attributable to the decrease in volumes associated with the loss of two main customers following recent reorganizations in the Italian banking sector.

The Normalized financial and operating income relating to other services, which mainly include revenues for call center and help-desk services, decreased by €4.0 million (26.3%) from €15.2 million for the year ended December 31, 2017 to €11.2 million for the year ended December 31, 2018. This decrease was mainly attributable to the Normalized financial and operating 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 financial and operating income, on the basis of the 2018 Perimeter, increased by €75.0 million (9.5%), from €791.3 million for the year ended December 31, 2016 to €866.4 million for the year ended December 31, 2017 mainly due to the increase in the results of the business lines Merchant Services & Solutions and Cards & Digital Payments. Briefly described below are the most significant changes in the years under examination with reference to the Normalized financial and operating income, on the basis of the 2018 Perimeter, generated by each business line.

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

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

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

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

**Personnel Expenses**

| | | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2018** | **2017** | **2016** | **2018 vs. 2017** | **%** | **2017 vs. 2016** | **%** |
| | | (in € millions, except for %) | | | | | | |
| **1)** | **Employees** | | | | | | | |
| a) | wages and salaries | 119.7 | 136.9 | 73.8 | (17.2) | (12.6)% | 63.1 | 85.5% |
| b) | social security contributions | 31.6 | 27.1 | 18.5 | 4.5 | 16.6% | 8.6 | 46.5% |
| c) | employee severance indemnity | 4.1 | 2.3 | 0.6 | 1.8 | 78.3% | 1.7 | n.a. |
| d) | pensions | 0.0 | 0.1 | 0.0 | (0.1) | n.a. | 0.1 | n.a. |
| e) | provision for employee severance indemnity | 2.1 | 0.3 | 0.2 | 1.8 | n.a. | 0.1 | 50.0% |
| f) | contributions to external supplementary pension funds: | 5.6 | 4.8 | 5.8 | 0.8 | 16.7% | (1.0) | (17.2)% |
| | —defined contribution | 5.6 | 4.8 | 5.8 | 0.8 | 16.7% | (1.0) | (17.2)% |
| g) | other employee benefits | 14.0 | 11.9 | 4.0 | 2.1 | 17.6% | 7.9 | n.a. |
| **2)** | **Other personnel in activity** | **1.8** | **0.2** | **0.9** | **1.6** | **n.a.** | **(0.7)** | **(77.8)%** |
| **Total** | | **178.8** | **183.6** | **103.7** | **(4.8)** | **(2.6)%** | **79.9** | **77.0%** |

**Overview and Non-recurring Components**

***2018 vs. 2017***

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

*2017 vs. 2016*

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

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

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

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

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

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

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

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

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

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

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

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**Other Administrative Expenses**

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

**Overview and Non-recurring Components**

***2018 vs. 2017***

Other administrative expenses increased by €31.4 million (7.4%) from €427 million for the year ended December 31, 2017 to € 458.4 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017, other administrative expenses included non-recurring expenses amounting to €95.9 million and €84.5 million respectively. In 2018, these expenses mainly relate to: (i) € 62.1 million for consultancy costs incurred in the context of the Reorganization and the issuances of the Existing Notes and the Redeemed Notes; (ii) €12.8 million for the completion of the rebranding program and the promotional launch of some new products, including the new YAP application; (iii) €15.8 million for expenses related to the Reorganization and acquisitions, including related non-deductible tax expenses; (iv) €2.8 million for administrative costs accrued in previous years; and (v) €2 million for costs for the re-internalization of data centers. In 2017, non-recurring expenses mainly refer to the Reorganization, the rebranding process, the acquisitions of MPS Acquiring, DB Acquiring and Bassilichi, as well as the tax expenses associated with these transactions. Net of these non-recurring expenses, other administrative expenses would have increased by €20.0 million (5.8%) from €342.5 million for the year ended December 31, 2017 to €362.5 million for the year ended December 31, 2018.

***2017 vs. 2016***

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

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

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| **Other normalized administrative expenses** | **362.5** | **342.5** | **240.8** | **20.0** | **5.8%** | **101.8** | **42.2%** |
| Bassilichi Core[(1)] | (17.0) | 11.0 | 56.7 | (28.0) | n.a. | (45.7) | (80.6)% |
| MPS Acquiring[(2)] | — | 16.0 | 34.4 | (16.0) | (100.0)% | (18.4) | (53.4)% |
| Mercury Payment[(3)] | — | — | 35.1 | — | n.a. | (35.1) | (100.0)% |
| Sparkling[(4)] | 0.5 | 0.5 | 0.9 | 0.0 | 3.8% | (0.4) | (44.4)% |
| Carige Acquiring[(5)] | 0.3 | 0.4 | 0.4 | (0.1) | (28.5)% | 0.0 | 8.1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Infra-group transactions[6] | — | (19.1) | (38.3) | 19.1 | (100.0)% | 19.1 | (50.0)% |
| **Other normalized administrative expenses 2018 Perimeter[7]** | **346.3** | **351.3** | **329.9** | **(5.0)** | **(1.4)%** | **21.4** | **6.5%** |

(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 and was subject to audit.

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

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

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

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

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**Other Net Operating Expenses/Income**

**Overview and Non-recurring Components**

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**Net Value Adjustments on Assets Measured at Amortized Cost**

**Overview**

***2018 vs. 2017***

Net value adjustments on assets measured at amortized cost decreased by €0.6 million (21.4%), from €2.8 million for the year ended December 31, 2017 to €2.2 million for the year ended December 31, 2018. For the years ended December 31, 2018 and 2017 respectively, net impairment on assets measured at amortized cost included non-recurring expenses for €0.7 million and €1.3 million relating to the impairment losses on financial assets at amortized cost of Bassilichi Core. Net of these non-recurring expenses, net impairment of assets measured at amortized cost would have not increased from €1.5 million for the year ended December 31, 2017 to €1.5 million for the year ended December 31, 2018.

***2017 vs. 2016***

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018 vs. 2017** | **%** | **2017 vs. 2016** | **%** |
| | (in € millions, except for %) | | | | | | |
| Net value adjustments an assets measured at amortized cost | 2.2 | 2.8 | 2.2 | (0.6) | (21.4)% | 0.6 | 27.3% |
| Non-recurring expenses | (0.7) | (1.3) | — | (0.6) | (46.2)% | (1.3) | n.a. |
| **Normalized net value adjustments an assets measured at amortized cost** | **1.5** | **1.5** | **2.2** | **0.0** | **n.a.** | **(0.7)** | **(31.8)%** |

**Net Accruals to Provisions for Risks and Charges**

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | (in € millions, except for %) | | | | | | |
| Net accruals to provisions for risks and charges | (28.6) | 4.4 | (1.1) | (33.0) | n.a. | 5.5 | n.a. |
| Net provisions for fraud Nexi Payments | (4.6) | (4.3) | (5.5) | (0.3) | 7.0% | 1.2 | (20.7)% |
| **Total** | **(33.2)** | **0.1** | **(6.6)** | **(33.3)** | **n.a.** | **6.7** | **n.a.** |

### Overview and Non-recurring Components

***2018 vs. 2017***

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

***2017 vs. 2016***

Net accruals to provisions for risks and charges increased by €6.6 million, from a loss of €6.6 million for the year ended December 31, 2016 to €0.0 million for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016 respectively, net accruals to provisions for risks and charges included the non-recurring release of provisions for risks and charges relating to Bassilichi Core for €6 million and €1 million. Net of these non-recurring releases, net accruals to provisions for risks and charges increased by €1.6 million, from a loss of €7.6 million for the year ended December 31, 2016 to a loss of €6.0 million for the year ended December 31, 2017.

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| Net accruals to provisions for risks and charges | (33.2) | 0.0 | (6.6) | (33.2) | n.a. | 6.6 | n.a. |
| Non-recurring expenses/(income) | 27.7 | (6.0) | (1.0) | 33.7 | n.a. | (5.0) | n.a. |
| **Normalized net accruals to provisions for risks and charges** | **(5.5)** | **(6.0)** | **(7.6)** | **0.5** | **(6.8)%** | **1.6** | **(22.4)%** |

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| **Normalized net accruals to provisions for risks and charges** | **(5.5)** | **(6.0)** | **(7.6)** | **0.5** | **(6.8)%** | **1.7** | **(22.4)%** |
| Bassilichi Core(1) | — | — | (0.3) | — | n.a. | 0.3 | (100.0)% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| MPS Acquiring(2) | — | (0.4) | (0.7) | 0.4 | n.a. | 0.3 | (49.9)% |
| Mercury Payment(3) | — | — | (0.3) | — | n.a. | 0.3 | (100.0)% |
| Sparkling(4) | — | — | — | — | n.a. | — | n.a. |
| Carige Acquiring(5) | (0.2) | (0.2) | — | 0.1 | (24.9)% | (0.2) | n.a. |
| **Normalized net accruals to provisions for risks and charges 2018 Perimeter(6)** | **(5.6)** | **(6.5)** | **(8.9)** | **0.9** | **(13.8)%** | **2.4** | **(26.8)%** |

(1) The data for 2016 is derived from the financial statements for the year ended December 31, 2016 of Bassilichi S.p.A. and Consorzio Triveneto S.p.A., and was subject to audit.

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

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

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

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

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

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**EBITDA**

To monitor and evaluate our economic and financial performance, our management use—in addition to the items included in our income statement—EBITDA, defined as the profit for the period adjusted for the following items: (i) Profit/loss on discontinued operations after taxes; (ii) Income taxes; (iii) Profit (loss) from equity investments and disposal of investments; (iv) Net financial charges related to the Existing Notes and the Redeemed Notes (which are included in the net Interest income) and (v) Amortization, depreciation and net impairment losses on tangible and intangible assets. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered a substitute measure with respect to those provided by the financial statements for the assessment of our economic performance.

### Overview and Non-recurring Components

***2018 vs. 2017***

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

***2017 vs. 2016***

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

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

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

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| **Normalized EBITDA** | **419.1** | **338.2** | **171.2** | **80.9** | **23.9%** | **167.0** | **97.5%** |
| Bassilichi Core(1) | 3.3 | 6.6 | 5.9 | (3.3) | (50.1)% | 0.7 | 11.9% |
| MPS Acquiring(2) | — | 21.8 | 49.6 | (21.8) | (100.0)% | (27.8) | (56.1)% |
| Mercury Payment(3) | — | — | 88.1 | — | n.a. | (88.1) | (100.0)% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sparkling[4] | 0.1 | 0.0 | (0.9) | 0.0 | 23.9% | 0.9 | n.a. |
| Carige Acquiring[5] | 1.2 | 2.2 | 3.5 | (1.0) | (44.2)% | (1.3) | (36.9)% |
| **Normalized EBITDA 2018 Perimeter[6]** | **423.6** | **368.8** | **317.4** | **54.8** | **14.9%** | **51.4** | **16.2%** |

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

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

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

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

(5) The data for 2018 refers to the first nine months of the year, i.e. the period prior to the inclusion of the business unit Merchant Acquiring of Banca Carige S.p.A. in our scope of consolidation, is derived from calculations by our management as detailed above with reference to the individual economic items and was not subject to any audit activity. The data related to 2017 and 2016 refers to the entire financial year, is derived from calculations by our management as detailed above with reference to individual economic items and was not subject to any audit activity.

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

***2018 vs. 2017***

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

***2017 vs. 2016***

Normalized EBITDA, net of non-recurring effects, on the basis of the 2018 Perimeter, increased by €51.4 million (16.2%) from €317.4 million for the year ended December 31, 2016 to €368.8 million for the year ended December 31, 2017, mainly due to the increase in the Normalized financial and operating 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 Period*

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

| | Year ended December 31, 2018 |
|---|---|

| | Carve-out Financial Statements | Reconciliation | Normalized[5] |
|---|---|---|---|
| | | (in € millions) | |
| **EBITDA** | **268.0** | **151.1[1]** | **419.1** |
| Amortization, depreciation and net impairment losses tangible and intangible assets | (114.9) | 40.2[2] | (74.7) |
| Financial income related to intercompany loans related to the Notes | 36.0 | — | 36.0 |
| Financial charges related to the Notes | (68.1) | — | (68.1) |
| Profit (loss) from equity investments and disposal of investments | 20.5 | (20.5)[3] | — |
| Income taxes | (66.7) | (45.5)[4] | (112.3) |
| Income (loss) after tax from discontinued operations | (6.1) | — | (6.1) |
| **Profit for the period** | **68.7** | **125.2** | **193.9** |
| **Loss for the period attributable to non-controlling interests** | **(1.5)** | **(0.6)** | **(2.1)** |
| **Profit for the period attributable to the owners of the parent** | **67.2** | **124.6** | **191.8** |

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

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

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

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

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

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

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

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

### Amortization, Depreciation and Net Impairment Losses on Tangible and Intangible Assets

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| Amortization, depreciation and net impairment losses on tangible assets | 41.7 | 32.5 | 21.0 | 9.2 | 28.3% | 11.5 | 54.8% |
| Amortization, depreciation and net impairment losses on intangible assets | 73.2 | 56.1 | 6.4 | 17.1 | 30.5% | 49.7 | n.a. |
| **Total** | **114.9** | **88.6** | **27.4** | **26.3** | **29.7%** | **61.2** | **n.a.** |

### Overview and Non-recurring Components

***2018 vs. 2017***

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

***2017 vs. 2016***

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| Amortization, depreciation and net impairment losses on tangible and intangible assets | 114.9 | 88.6 | 27.4 | 26.3 | 29.7% | 61.2 | n.a. |
| Amortization related to Customer Contracts | (40.2) | (33.4) | — | (6.8) | 20.4% | (33.4) | n.a. |
| **Normalized amortization, depreciation and net impairment losses on tangible and intangible assets** | **74.7** | **55.1** | **27.4** | **19.6** | **35.6%** | **27.7** | **n.a.** |

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**Operating Margin**

**Overview and Non-recurring Components**

***2018 vs. 2017***

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

***2017 vs. 2016***

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

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 vs. 2017 | % | 2017 vs. 2016 | % |
| | (in € millions, except for %) | | | | | | |
| Operating Margin | 121.1 | 116.1 | 94.0 | 5.0 | 4.3% | 22.1 | 23.5% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Financial charges related to Notes | 32.0 | — | — | 32.0 | n.a. | — | n.a. |
| Non-recurring expenses with impact on the Operating Margin | 151.1 | 133.5 | 49.8 | 17.6 | 13.1% | 83.7 | n.a. |
| Amortization related to Customer Contracts | 40.2 | 33.4 | — | 6.8 | 20.4% | 33.4 | n.a. |
| **Normalized operating margin[(1)]** | **344.4** | **283.0** | **143.8** | **61.4** | **21.7%** | **139.2** | **96.8%** |

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

***2018 vs. 2017***

The increase in operating margin, net of non-recurring components, amortization related to Customer Contracts and net financial charges related to Existing Notes and the Redeemed Notes, amounting to €61.4 million (21.7%) from €283.1 million for the year ended December 31, 2017 to €344.4 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018 respectively (amounting to €0.2 million), of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €38.4 million and €25.9 million, respectively). Excluding the effects of the aforementioned acquisitions, the Normalized operating margin increased by €48.5 million from €257.2 million for the year ended December 31, 2017 to €305.7 million for the year ended December 31, 2018.

***2017 vs. 2016***

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

**Pre-tax Profit from Continuing Operations**

**Overview and Non-recurring Components**

***2018 vs. 2017***

Pre-tax profit from continuing operations increased by €23.2 million (19.6%), from €118.4 million for the year ended December 31, 2017 to €141.6 million for the year ended December 31, 2018. This increase was mainly due to the increase in EBITDA and profit (loss) from equity investments and disposal of investments commented above, partially offset by the increase in amortization, depreciation and net impairment losses on tangible and intangible assets. For the years ended December 31, 2018 and 2017, pre-tax profit from continuing operations included net non-recurring expenses of € 130.6 million and €133.5 million, respectively, mainly related to personnel expenses, Other administrative expenses and to amortization relating to Customer Contracts amounting to €40.2 million and € 33.4 million respectively. Net of the aforementioned expenses, pre-tax profit from continuing operations would have increased by €27.1 million from €285.3 million for the year ended December 31, 2017 to €312.4 million for the year ended December 31, 2018.

***2017 vs. 2016***

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

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

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

***2018 vs. 2017***

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

***2017 vs. 2016***

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

**Income Taxes**

**Overview and Non-recurring Components**

***2018 vs. 2017***

Income taxes increased by €20.2 million (43.4%), from €46.5 million for the year ended December 31, 2017 to €66.7 million for the year ended December 31, 2018. This increase was mainly due to the increase in pre-tax profit from continuing operations. For the years ended December 31, 2018 and 2017, income taxes included non-recurring expenses amounting to €32.2 million and €52.5 million respectively, mainly relating to the taxation associated with non-recurring income and expenses that impacted pre-tax profit from continuing operations. In 2018 and 2017, income taxes also included tax expenses associated with the amortization related to Customer Contracts, amounting to €13.3 million and €11.1 million, respectively. Net of the aforementioned expenses, ton income for the year from current operations would have increased by €2.2 million from €110.1 million for the year ended December 31, 2017 to €112.3 million for the year ended December 31, 2018.

*2017 vs. 2016*

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

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

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

*2018 vs. 2017*

The increase of €2.2 million (2.0%) in Normalized income taxes from €110.1 million for the year ended December 31, 2017 to €112.3 million for the year ended December 31, 2018 was mainly attributable to the effect of the contribution of Sparkling and Carige Acquiring, for the last nine months of 2018 and for the last quarter of 2018, respectively (amounting to €0.2 million), and of Bassilichi and MPS Acquiring for the full year 2018 and for the second half of 2017 (amounting to €16.7 million and €13.0 million, respectively). Excluding the effects of the aforementioned acquisitions, Normalized income taxes would have decreased by €1.7 million, from €97.1 million for the year ended December 31, 2017 to €95.4 million for the year ended December 31, 2018.

*2017 vs. 2016*

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

**Profit for the Period**

**Overview and Non-recurring Components**

*2018 vs. 2017*

Profit for the period decreased by €3.4 million (4.7%) from €72.1 million for the year ended December 31, 2017 to €68.7 million for the year ended December 31, 2018. This decrease was due to the increase in the profit from current activities before taxes (amounting to €23.2 million), more than offset by the combination of (i) the increase in income taxes (amounting to €20.2 million) and (ii) the decrease in profit/loss from discontinued operations after taxes (amounting to €6.3 million). For the years ended December 31, 2018 and 2017, profit for the period included non-recurring expenses amounting to €98.3 million and €81.0 million respectively and tax expenses related to the amortization of Customer Contracts amounting to €26.9 million and €22.4 million respectively. Net of the aforementioned expenses, profit for the period would have increased by €18.4 million from €175.6 million in the year ended December 31, 2017 to €193.9 million in 2018.

***2017 vs. 2016***

Profit for the period increased by €9.4 million (15.0%) from €62.7 million for the year ended December 31, 2016 to €72.1 million for the year ended December 31, 2017. This increase was mainly due to the increase in profit from current activities before taxes (amounting to €24.4 million), partially offset by the increase in income taxes (amounting to €13 million) and the decrease in profit/loss from discontinued operations after taxes (amounting to €2 million). For the years ended December 31, 2017 and 2016, profit for the period included non-recurring expenses amounting to €81.0 million and €32.1 million respectively and, only for the year ended December 31, 2017, tax expenses related to the amortization of Customer Contracts amounting to €22.4 million. Net of the aforementioned expenses, profit for the period would have increased by €80.7 million from €94.8 million for the year ended December 31, 2016 to €175.5 million for the year ended December 31, 2017.

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

| | Year ended December 31, | | | Changes | | | |
|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018 vs. 2017** | **%** | **2017 vs. 2016** | **%** |
| | (in € millions, except for %) | | | | | | |
| Profit for the period | 68.7 | 72.1 | 62.7 | (3.4) | (4.7)% | 9.4 | 15.0% |
| Non-recurring expenses with impact on the Profit for the period | 98.3 | 81.0 | 32.1 | 17.3 | 21.4% | 48.9 | n.a. |
| Amortization related to Customer Contracts | 26.9 | 22.4 | — | 4.5 | 20.1% | 22.4 | n.a. |
| **Normalized profit for the period[(1)]** | **193.9** | **175.5** | **94.8** | **18.4** | **10.5%** | **80.7** | **85.2%** |

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

***2018 vs. 2017***

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

***2017 vs. 2016***

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

## Liquidity and Capital Resources

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

Our ordinary course business activities involve settlement of card payments and the provision of short-term funding to both cardholders and merchants. Funding exposure in connection with charge cards are managed through the use of several factoring facilities under the Factoring Agreement. As of June 30, 2019, we had €100.4 million of obligations in respect of pass-through fee payments and settlement obligations. See "*Description of Certain Financing Arrangements—Settlement Obligations*."

## Cash Flow Information

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

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

## Net Cash Flows Generated (used) by Operating Activities

### *2018 vs. 2017*

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

- positive net cash flows from operations of €251.0 million for the year ended December 31, 2018, an increase of €44.8 million compared to the year ended December 31, 2017 (€206.2 million), mainly due to: (i) an increase in the item net impairment/reversal of impairment on tangible and intangible assets, from €88.6 million for the year ended December 31, 2017 to €114.9 million for the year ended December 31, 2018, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination and (ii) an increase in the item net accruals to provisions for risks and charges that amounted to a loss of €1.5 million for the year ended December 31, 2017 and €40.6 million for the year ended December 31, 2018. The 2018 balance includes non-recurring components including €27.5 million for expenses on supply agreements deriving from the completion of the integration of Bassilichi into Nexi Payments, estimated penalties and expenses for the closure of the liquidation of Bassnet amounting to €2.8 million and €4 million for contingent tax liabilities;

- net cash flow generated from financial assets amounted to €1,372.5 million for the year ended December 31, 2018 compared to a net cash flow absorbed by financial assets of €227.6 million for the year ended December 31, 2017 due mainly to the change in receivables from customers, which generated cash amounting to €1,672.1 million in 2018 and absorbed cash amounting to

€231.0 million in 2017. In 2018, following the completion of the Reorganization, we modified our operating funding model by opening factoring facilities pro-soluto and pro-solvendo for the transfer of credit from the credit cards as balance and financing lines provided by financial institutions. The decrease in this item at December 31, 2018 compared to December 31, 2017 was mainly attributable to the recourse of the transfer of credit pro-soluto through the activation of the Factoring Agreement entered into with Unicredit Factoring SpA in 2018 (see "*Business—Material Contracts*"); and

- net cash flow absorbed by financial liabilities amounting to €1,483.5 million for the year ended December 31, 2018 compared to net cash flow generated from financial liabilities of €717.7 million for the year ended December 31, 2017, the change was primarily attributable to the decrease in exposure to banks mainly due to the aforementioned process, starting from 2018, for the disposal of credit pro-soluto through the Factoring Agreement.

***2017 vs. 2016***

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

- positive cash flow from operations of €206.2 million for the year ended December 31, 2017, an increase of €80.6 million compared to the year ended December 31, 2016 (€125.6 million), mainly due to: (i) an increase in the item Net impairment/reversal of impairment on tangible and intangible assets, which increased from €27.4 million for the year ended December 31, 2016 to €88.6 million for the year ended December 31, 2017, due in particular to changes in our consolidation perimeter resulting from acquisitions completed during the two-year period under examination (see "*Business—Our History*"); and (ii) the increase in the item Taxes, duties and unpaid tax credits, which increased from €33.6 million for the year ended December 31, 2016 to €46.5 million for the year ended December 31, 2017 primarily due to the tax benefits attributable to ACE that we mainly used in 2016;

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

- net cash flow generated from financial liabilities amounting to €717.7 million for the year ended December 31, 2017 compared to net cash flow absorbed by financial liabilities amounting to €133.7 million for the year ended December 31, 2016 mainly due to the increase in payables to banks related to the acquisitions of the MPS and DB acquiring businesses in 2017 and funded through the use of credit lines with DepoBank.

**Net Cash Flows Generated (used) in Investing Activities**

***2018 vs. 2017***

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

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713.2 million and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;

- net cash flows used in investments in tangible assets amounting to €40.6 million and €41.7 million for the years ended December 31, 2018 and 2017, respectively; and

- net cash flows used in investments in intangible assets amounting to €110.0 million and €40.5 million for the years ended December 31, 2018 and 2017, respectively.

***2017 vs. 2016***

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

- net cash flows used in purchases of subsidiaries and business units in 2017, amounting to €713.2 million and mainly related to Bassilichi, MPS Acquiring and DB Acquiring;

- net cash flows used in purchases of subsidiaries and business units in 2016, amounting to €1,033.0 million and mainly related to Mercury Payment;

- net cash flows used in investments in tangible assets amounting to €41.7 million and €25.7 million for the years ended December 31, 2017 and 2016, respectively; and

- net cash flows used in investments in intangible assets amounting to €40.5 million and €26.2 million for the years ended December 31, 2017 and 2016, respectively.

**Net Cash Flows Generated (used) by Financing Activities**

***2018 vs. 2017***

Net cash flows generated (used) by financing activities amounted to €81.8 million for the year ended December 31, 2018, while net cash flows generated (used) by financing activities amounted to €223.4 million for the year ended December 31, 2017. With reference to 2018, the main cash flow relates to the issue of the Notes for €2,557.0 million. This available funding was mainly used to: (i) repay a loan of €380 million to Mercury included in the demerger compendium relating to the Reorganization; and (ii) to distribute, on December 20, 2018, to our shareholders an extraordinary dividend of €2,203.7 million.

***2017 vs. 2016***

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

**Contractual Obligations**

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

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

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

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

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

## Off-Balance Sheet Arrangements

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

## Qualitative Disclosure on Market Risk

### *Operational Risk*

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

### *Reputational Risk*

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

### *Credit Risk*

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

### *Interest Rate Risk*

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

### *Hedging Risk*

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

### *Currency Risk*

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

### Critical Accounting Policies

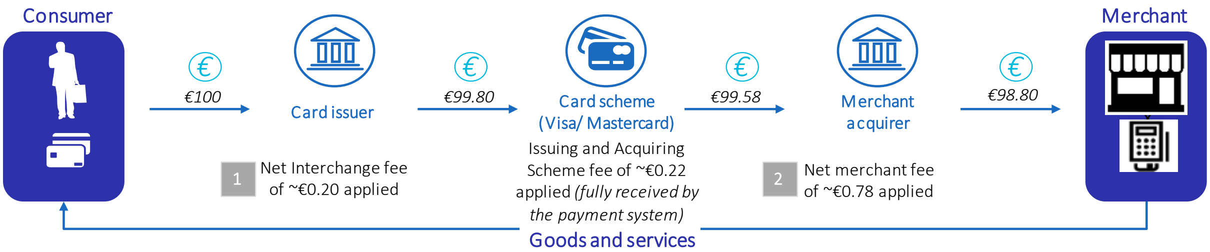
For a description of our accounting policies refer to the notes in our Financial Statements. See "*Risk Factors—Risks Related to Our Business—Our risk management policies and procedures may not be fully effective in mitigating our risk exposure*."

## 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 "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.

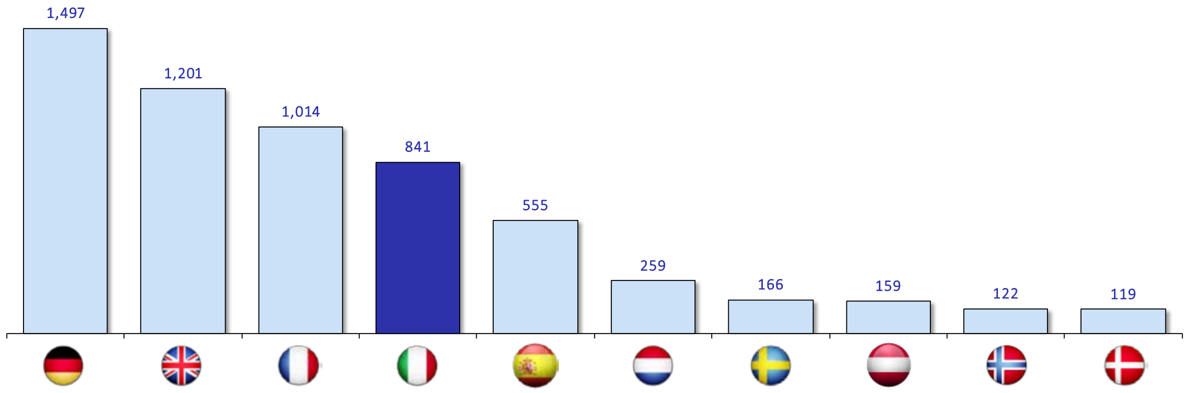
The development of the Italian digital payments market was as a result of:

- 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 Europe's fourth largest economy by total consumer spending, which was estimated at €841 billion in 2018, according to Euromonitor International, as shown in the chart below.

**Total Consumer Spending 2018, Selected European Countries (€ billions)[(1)]**

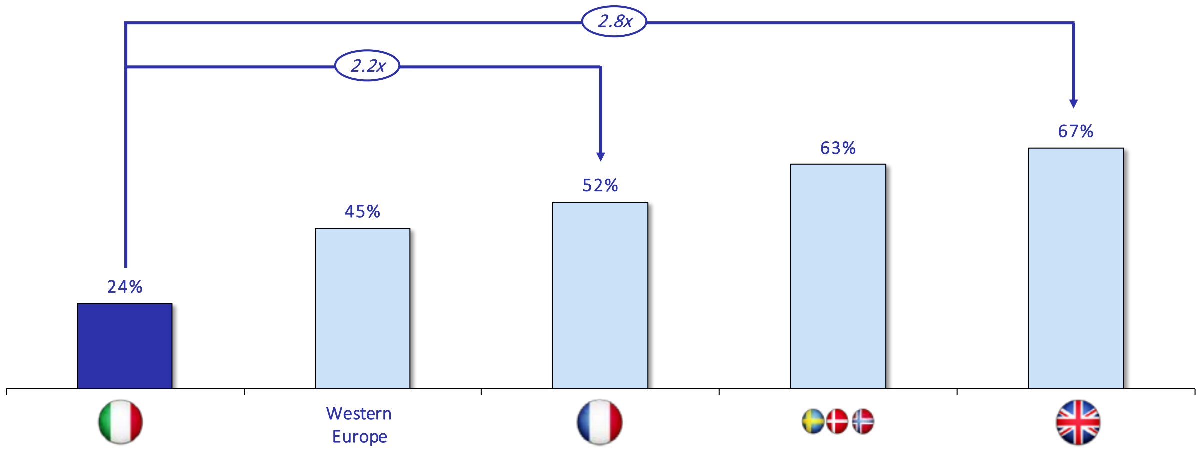



Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

Despite Italian payments infrastructure being well-developed, with an average number of payment cards per capita largely consistent with other major Western European economies, payments cards in Italy are used less frequently than on average in Western Europe, with card payments penetration of 24% compared to 45% in Western Europe. As illustrated by the chart below, Italy shows one of the lowest rates of card payments penetration in Europe.

**Consumer Card Payment Penetration, Selected Countries (% by value of transactions; 2018)[(1)]**

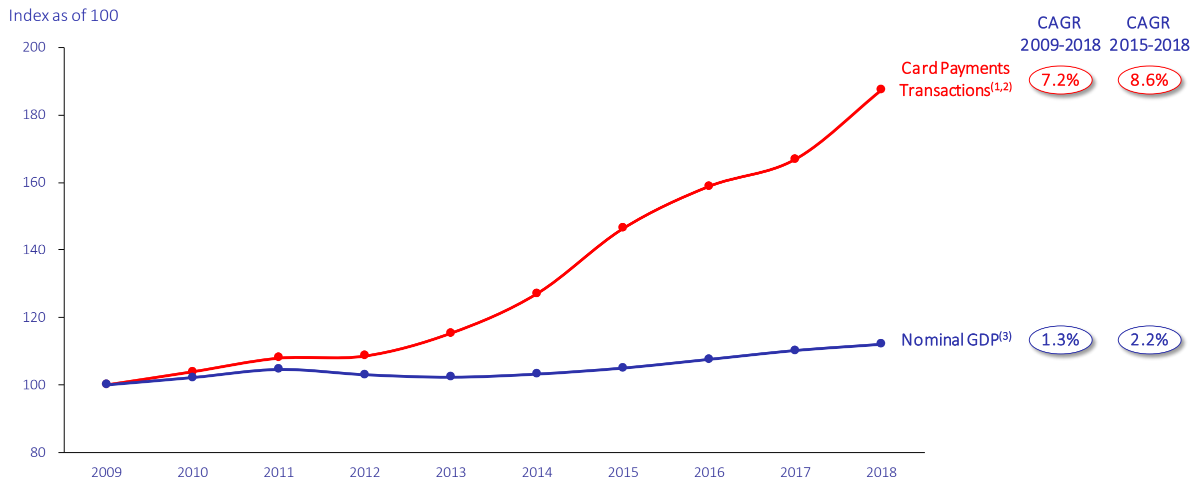



Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

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

**Growth of Italian Card Payments (in values) outperforming Italian nominal GDP Growth from 2009 to date (indexed at 100)(1)(2)(3)**




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

***Sustained Growth of Payments Generated by e/m-Commerce***

The Italian market for card payments grew at a CAGR of 8.6% between 2015 and 2018 in terms of transaction value (source: Bank of Italy—Appendix to the Annual Report as published in May 2019) reflecting the progressive move from cash to digital payments.

During the period from 2016 until 2018, we estimate that our Merchant Services & Solutions business unit grew 10.2% by number of transactions and our Cards & Digital Payments business unit grew by 9.8% by number of transactions (source: management data).

We expect card payments to continue to penetrate the payments market, in part based on the following factors:

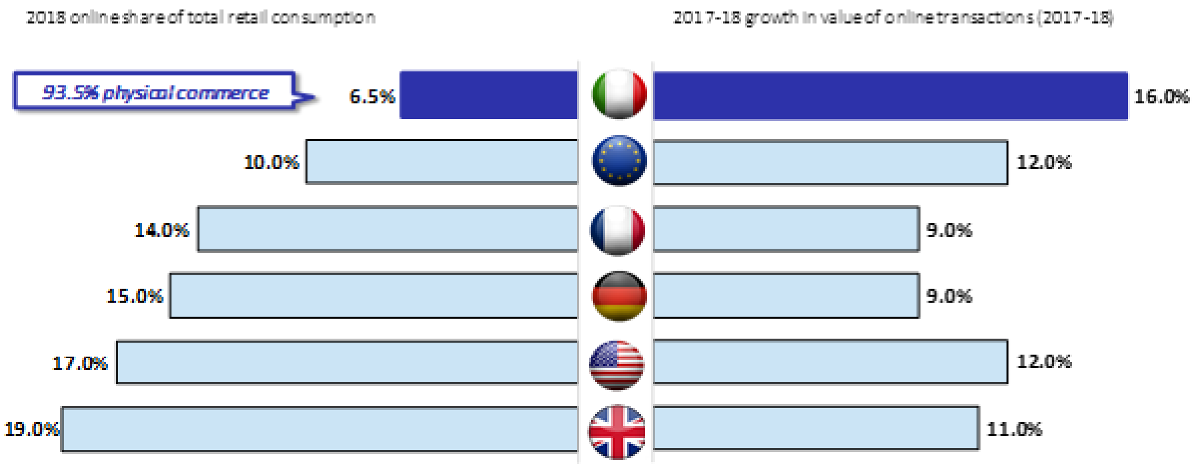
- the increased availability of POS terminals, which are necessary to accept card payments; and
- the substantial growth in penetration of card payments over the past several years.

Growth of the reference market could also be supported by regulatory interventions to increase the digitization of the country, as described in greater detail below.

Supported by the evolving needs of end consumers, online commerce, or e-commerce (which includes m-commerce, or commerce conducted over the internet via a mobile device), has grown significantly in recent years, due to increased ease and security of online payments. Payment cards represent a key tool in online commerce transactions since they provide the opportunity for consumers to pay remotely for purchased goods and services.

The expansion of e/m-commerce continued in 2018. The value of online purchases in the world exceeded €2,500 billion (+20% compared to 2017). In Europe, the countries in which e/m-commerce has relatively high penetration rates are Great Britain (€110 billion market in 2018 (+11% compared to 2017) and a 19% penetration rate), Germany (€82 billion (+9% compared to 2017) and a 15% penetration rate) and France (€ 65 billion (+9% compared to 2017) and a 14% penetration rate). There are also countries where e/m-commerce is under development, characterized by lower penetration rates, such as Italy (€27.4 billion (+16% from 2017) and a 6.5% penetration rate), and Spain (€21 billion (+13% from 2017) and a 6% penetration rate) (source: Politecnico of Milan, Osservatorio e-commerce B2c, October 2018).

**e-commerce penetration(1) and growth**




Source: Politecnico of Milan, Osservatorio e-commerce B2c, October 2018.

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

Online commerce is also facilitated by tools such as electronic wallets and as a result, providers of payment services to merchants are supporting electronic wallet technologies to guarantee that their merchants can accept these payment methods. We have developed, through the Nexi Pay App, what we believe to be one of the most complete mobile payment platforms in the Italian market, which will allow customers of our partner banks to use Apple Pay, Samsung pay and Google Pay for purchases through their smartphone.

It is expected that these innovative payment solutions will continue to increase their level of penetration among customers and transform the payment experience for customers and merchants. It is unlikely, however, that these payments solutions will lead to a radical change in the payment sector in the short term, since they are based on existing card schemes and payment systems. For example, Apple Pay and Samsung Pay users are required to associate their payment card to the Apple Pay system or the Samsung Pay system, as the case may be. As a result, each transaction is processed in the exact same way and through the exact same players of a purchase made with a traditional, plastic card. In addition, aside from a limited fee payable by the card issuer to Apple or Samsung, there is no significant change in the unitary revenues of the merchant acquirer and the card issuer.

***Evolution of End-customers***

*Individuals*

The first element of consumer evolution concerns the growing interest in online commerce, which includes both e-commerce and m-commerce and involves the exchange of products or services through computers and wireless devices such as smartphones and tablets. Consumers are interested in buying online for the flexibility offered, since the restrictions in terms of location and opening hours of brick-and-mortar stores are removed. In addition, online commerce allows consumers to purchase goods and services from other countries without the need to travel.

In addition, mobile communication tools are increasingly at the center of many consumers' daily lives, ultimately driving commerce through the mobile channel. As a result, consumers are showing an increased interest for omni-channel purchase experiences, characterized by an integration of all the interaction channels (physical, web and mobile channels).

Changes in consumer preferences have been further accelerated by demographic shifts, with 18-25 year olds tending to be more comfortable with, and adapting more quickly to, new technologies. In general, they are enthusiastic users of digital services, tend to be less attached to traditional banks and make significant use of their smart phones for acquisitions and transferring money between other individuals.

This behavioral shift in consumer preferences favors those merchants that are able to tailor their product offers to the specific, evolving needs of consumers, offering the possibility of leveraging data collected in electronic transactions to create loyalty programs and increase customer involvement.

Finally, immigration is gradually changing the composition of end consumers. Once foreign nationals have established themselves in Italy, their financial and payment needs tend to change, and they require dedicated products, services and distribution channels.

Consumers' needs regarding digital payment methods are also becoming polarized, with wealthy consumers demanding a higher level of service, while the mass market demands higher security, cost control, access to credit and digital services.

*Merchants*

Italy is a country dominated by small- and medium-sized enterprises ("SMEs"), with large companies representing only 0.1% of the total number of businesses (Eurostat). Based on managerial data and analysis, we estimate that, in 2018, our core market, composed of Italian SMEs and large national merchants operating physical stores or through multiple channels, represented 80% of the acquiring market (measured by value of payment card transactions).

Payment services offered to merchants are increasingly becoming a technological service that is disconnected from financial services. Merchants, beginning with large players, are adopting omni-channel service models, demanding solutions that are tailored to their specific vertical segment of reference and recognizing payments as the enabling factor for a service or a customer's experience. SMEs are following the same path, albeit at a slower pace, mainly to respond to their customers' new demands.

Within this new context, providers of payment solutions to merchants play a dual role. First, they provide solutions for accepting payments and corresponding ancillary products that allow merchants to meet their customers' current payment expectations including acceptance of payments, payment of balances, settlement of any payment dispute, compliance with PCI regulations, customer payment information storage, reports and data analytics. Second, they offer value added services to support the merchants' activity, developed both internally and by third parties, including management of orders and bookings, inventory, employees, marketing activities, loyalty programs and customer involvement.

As a result, the pairing of payment services with management software, accounting software and other functions that allow customers to make multi-channel purchases are becoming a key element of the large merchants' offer and are expected to become so for SMEs as well. Supported by these integrated services, software and payment system providers are evaluating the possibility of providing payment services for SMEs alongside banks, following a path that has already been followed in more mature markets.

Large merchants also need tailored solutions that can cover the whole range of payment services, including cards and digital payments services (for example, corporate cards) and digital banking solutions (for example, corporate digital banking).

*Corporate Clients*

In recent years, Italian companies (both large and medium-sized enterprises) have become more international, both by increasing the volume of products and services they export as well as by seeking out international suppliers that may be better performing or offer better pricing.

In parallel with these developments, businesses have begun to adopt more sophisticated supply-chain and inventory management systems to support their production and the provision of complex and de-localized services within supply chains that are increasingly based on just-in-time principles.

This increased organizational complexity has, in turn, increased these businesses' requirements for advanced payment services, including, for example, the need for cross-border and multi-currency payment capacity, as well as instant payments, financing of import or export commercial activities and centralized management of the liquidity.

Business customers are increasingly demanding flexible and more responsive solutions for clearing and settlement, and in particular, solutions that enable them to monitor and manage intra-day and within-day liquidity.

Moreover, businesses operating in multiple geographical areas and managing complex cross-border supply chains often require real-time payment settlement to be able to operate efficiently.

The current market for business-related payment services shows significant areas for improvement because:

- payment processes are fragmented, manual and often paper-based;
- payment flows are often decoupled from the accounting flows of the liability cycle; and
- e-invoicing is being introduced on a large scale.

In addition, there is potential for greater penetration of payment cards among our corporate clients.

***Technological Innovation***

Technological innovation is one of the key factors in the increasingly global sector of payment solutions. The possibility for end customers to choose from a wider range of solutions, resulting from innovative payment technologies, has driven a change in consumer preferences, with consumers becoming increasingly more exacting in the way they interact with commerce. With the increased number of payment options available, consumers have demanded payment solutions that are simpler, fast and secure.

Technological innovation, paired with consumers' expectations, is leading the development of new payment methods. Contactless payment methods, for example, have been forecast to grow in Italy at a CAGR of 40% over the 2017 - 2020 period, in line with the increase of contactless payments in similar economies in Western Europe. Payment system innovations have been numerous in recent years and have focused primarily on:

- the development of electronic portfolios, programs or web services that allow users to store and control online shopping information such as log-ins, passwords, shipping addresses and credit card details in one central location. Online wallets provide a quick and convenient method for consumers to purchase products from any person or store across the globe. Smartphones equipped with Near Field Communication (NFC) may be used to complete contactless transactions with compatible POS terminals, by interacting with the current players of the payment chain (including card scheme merchants, card issuers and merchant acquirers) to offer cardholders functions that are easy and secure to use even at brick-and-mortar stores. International companies that offer these services jointly with more traditional players in the payment chain, include, among others, Apple, Samsung and Google;
- increasing scalability and integration of merchant payment acceptance products as their customization, for example, to be able to accept payments in multiple currencies and with different payments tools;
- introducing next generation physical tools for accepting payments (SmartPOS), which pair the well-known payment functions of a traditional POS with next generation payment functions, including the possibility to download applications from a marketplace by offering to SMEs the possibility to access useful services for the management of their business; and
- on the development of instant payments platform that allows customers to instantly clear and settle account-based money transfers.

Following is a list of the main technological innovations of recent years that are likely to have an impact on the payment industry:

- Machine learning and artificial intelligence;
- Distributed ledger, also known as blockchain;
- Internet of Things, or IoT; and
- Biometry.

Artificial intelligence, machine learning and similar technologies will enable processing of very large amounts of data, analysis of internal processes and data analytics, ultimately creating opportunities in sectors like anti-fraud, automation of processes, designing of customers' digital experience, management of the relationship with clients and definition of prices. Some of the possible services that this new technology will introduce—such as benchmarking with competitors, customer profiling, antifraud, and dynamic reports—will soon become necessary elements in the development of an interesting commercial offer for large merchants and will ultimately increase SMEs' loyalty to their payment service supplier.

With regard to blockchain technology, which eliminates the individual broker by using algorithms to verify and safely authorize transactions, some occasional uses linked to payments are now turning into services to be offered to clients. For example, it is now possible to simplify the management of cross-border payments, which are currently dependent on the role played by the correspondent banks. However, some uncertainties still remain, especially with regard to blockchain's scalability and standardization.

It is likely that IoT, a network of "smart" and interconnected tools, will include the possibility to make payments, although in limited volumes, at least in the short and medium term. The diffusion of "smart objects" will extend the purchasing activity of end users to new contexts. For example:

- users will be able to make purchases in their cars, activating the related payments (e.g., for supplies, tolls, parking or fast-food chains);

- new-generation domestic appliances will be able to purchase goods autonomously, for example products needed to bring stocks back to a pre-established level, activating the relevant payments; and

- intelligent microphones will be able to execute purchase orders dictated to them, activating the relative payments.

Biometry enables identification of a customer by physical or behavioral features. It will simplify the user experience and represents an enabling factor that will further the spread of digital payments, by strengthening users' perception of their security.

***Regulatory Changes***

Changes to European regulations, and especially the enactment of the regulation on payment services, PSD2, are providing additional opportunities and promoting competition in the payment services industry.

EU Member States transposed PSD2 into national law by January 13, 2018. PSD2 represents a significant regulatory development that impacts the payments value chain in Europe and is aimed at promoting current account-based payments and supporting the creation of a level playing field for participants in the payment system infrastructure, including for new participants.

PSD2 has also expanded the scope and range of regulated services and has updated the conduct of business requirements for payment service providers. PSD2's main objectives are to contribute to a more integrated and efficient EU market, to make payments safer and more secure, to protect consumers and to encourage a reduction in the cost of payments.

PSD2 is creating a more collaborative environment between incumbents and new entrants, spurring innovation and driving competition with the aim of providing more diverse and technologically advanced payment offerings to customers. PSD2 furthers cooperation between banks and third-party providers ("TPPs"), by encouraging the safe and secure, scalable and accelerated mutual sharing of data between banks and TPPs.

PSD2 requires banks to provide, upon a customer's request, a significant amount of data related to the customer's bank account to TPPs, to allow the providers to proceed with payments or use such data to develop new personalized offers. This allows TPPs to develop new payment offers in specific market segments.

Another payment-integration initiative affecting the European payments industry is the implementation of the Single Euro Payments Area ("SEPA"). The objective of SEPA is to extend European integration to non-cash euro retail payments and foster efficiency and competition within the Eurozone.

SEPA has introduced uniform payment instruments across Europe, including SEPA credit transfers and SEPA direct debits, and it eliminates interbank fees for payment transactions within the Eurozone. As a consequence of the introduction of SEPA and increased competition, clearing and settlement margins are expected to decrease and prices are expected to stabilize at levels below those existing prior SEPA's introduction.

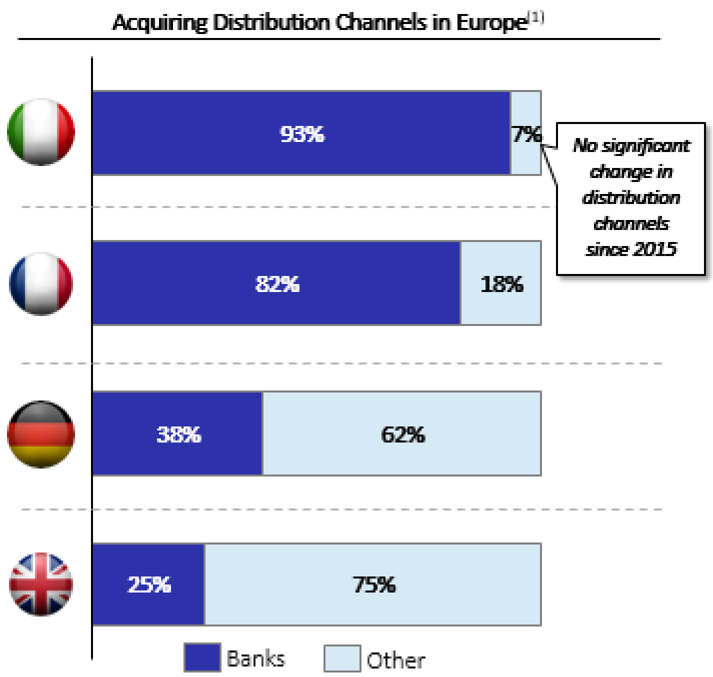
In addition to the PSD2 and SEPA changes, recent Italian governments have implemented other initiatives in recent years, with the aim of increasing the digitalization of the country. In particular:

- the Monti government (2011 - 2013) introduced a requirement for all operators and professionals to offer the possibility of paying by card;
- the Letta government (2013 - 2014) relaunched the digital agenda for Italy;
- the Renzi government (2014 - 2016) introduced a new system for the acceptance of digital payments by the public administration known as PagoPA and, beginning in January 2019, along with a requirement for electronic invoicing between certain categories of tax payers and a requirement that fuel be purchased digitally in order to benefit from tax exemptions; and
- the first Conte government introduced a citizens' income ("Reddito di Cittadinanza"), that it will distribute by way of prepaid cards.

***Evolution of Banking Partners***

The banking sector represents the largest distribution channel in Italy of payment solutions, for approximately 90% of all payment services to merchants. In addition, the Italian banking sector is substantially fragmented and characterized by a high number of branches in order to have a widespread presence in the territory, as shown in the following graph.

**Italian Banking System**




Source: (1) management data.

In recent years, the banking sector has been under considerable pressure, generated by four main elements:

- difficulties in increasing revenues due to low interest rates as a result of an uncertain economic recovery;

- cost pressures to try to sustain margins and shareholder returns;

- reduction in the cost of risk, due to a gradual improvement in the quality of lending and extraordinary operations to dispose of impaired assets; and

- potential requirements to improve their capital position, due to low asset quality and increasingly stringent regulation.

These elements will continue to apply pressure to Italian banking groups, leading to further consolidation of the banking system. However, the timing and direction of the consolidation trends are impossible to predict, considering the different factors affecting industry dynamics.

Regarding the possible development of our business as a result of the consolidation trends in the Italian banking sector, mergers and consolidation of financial institutions, depending on the entities involved, could reduce the number of customers (current and potential) and partner banks for the companies of our Group. As a result, the larger banks or financial institutions resulting from mergers or consolidation may have more bargaining power in negotiations with our Group.

In addition, in the event that customers or partner banks should go bankrupt, merge or be acquired by other entities that are not customers or distribution partners of our Group or that make less use of its services, there may be a negative impact on the scope of services offered by our Group. For example, the recent acquisition of the former Venetian banks (Veneto Banca and Banca Popolare di Vicenza) by Intesa Sanpaolo has led to a change in the scope of our business with them, with a consequent reduction of the same.

In the event of significant consolidation, it is possible that clients will be able to replicate our economies of scale autonomously, thus deciding to insource their payment services we currently provide for them. However, in this regard, it should be noted that, faced with increasingly stringent capital requirements and greater regulatory complexity, banks are increasingly interested in accelerating the outsourcing of many products and development of services, particularly when it comes to technologically-specialized products such as payment services. Even large banks have found it convenient to outsource payment activities to a specialized provider. In fact, insourcing payment activities is complex and characterized by significant investment with uncertain returns. The two main Italian banks, resulting from a long process of consolidation (Intesa Sanpaolo and UniCredit), do not handle their own payment services, but outsource them to specialized external companies.

Finally, regardless of future merger scenarios, all Italian banks have started to restructure their distribution networks and branches in order to reduce costs and make full use of available digital technologies (for example, the new self-banking services offered by advanced ATMs, which we also provide).

**Competitive Landscape**

Globally, the payment industry has become a more complex and innovative environment, where industry participants must become highly specialized and technologically advanced, in order to guarantee a product offer that includes all the different types of payment services.

The increased complexity of products and services, and the demand for efficient operating platforms, has led to industry consolidation, which is expected to continue into the near future. Set forth below are some of the main mergers and acquisitions that have taken place recently:

- Acquisition of Total System by Global Payments (May 2019);

- Acquisition of Worldpay by FIS (March 2019);

- Acquisition of First Data by Fiserv (January 2019);

- Acquisition of Bambora by Ingenico (July 2018);

- Merger between Nets A/S and Concardis Payment Group (June 2018);

- Acquisition of SIX Payments Services by Worldline (May 2018);

- Acquisition of iZettle by PayPal (May 2018); and

- Acquisition of BS PayOne by Ingenico Group (May 2018).

Notwithstanding this consolidation process, the European payment services market remains rather fragmented. The market includes international companies and national companies with a strong position in their domestic market. We do not expect the emergence of a single market leader on a European scale in the near future, in light of the long-term relationships existing between national payment companies and their partner banks.

We do not believe we have a single competitor for all of the businesses we carry out, since no other company in the industry has the same coverage in terms of products and services offered or customer segments served.

***Payment Services for Merchants (Acquiring and POS)***

The Italian market is relatively competitive. We have a stronghold in both the SME and the large merchant segment.

We and our partner banks mainly compete with other Italian non-partner operators.

The main competitors include:

UniCredit

UniCredit is an Italian banking and financial services group with one of the largest distribution networks and client bases;

Poste Italiane

Poste Italiane is the main provider of prepaid cards as a result of its Postepay prepaid card, which was launched in 2003 and among the first prepaid cards in Italy. Poste Italiane focuses on SMEs;

Gestpay

Gestpay is a payments gateway owned by Banca Sella. Gestpay focuses on e-commerce; and

BNL Positivity

BNL Positivity, a company in the BNL group, specializes in the management of electronic payment.

As of the date of this offering memorandum, 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 memorandum, 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.

## BUSINESS

### Overview

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

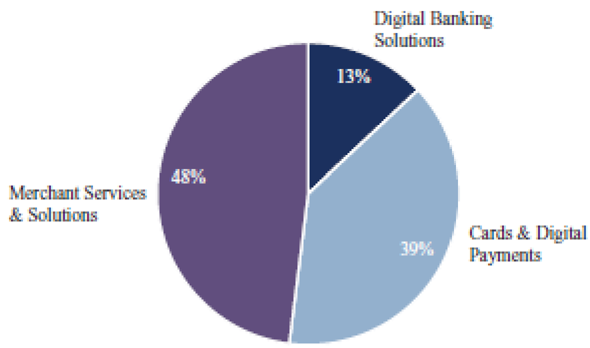
We have a history of growth based on both organic development and synergistic acquisitions. Our history began in 1939 with the incorporation of the company called ICBPI, which was founded by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of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

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

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

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

**Operating Revenues by Business Unit**
**Total €956 million**




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

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

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

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

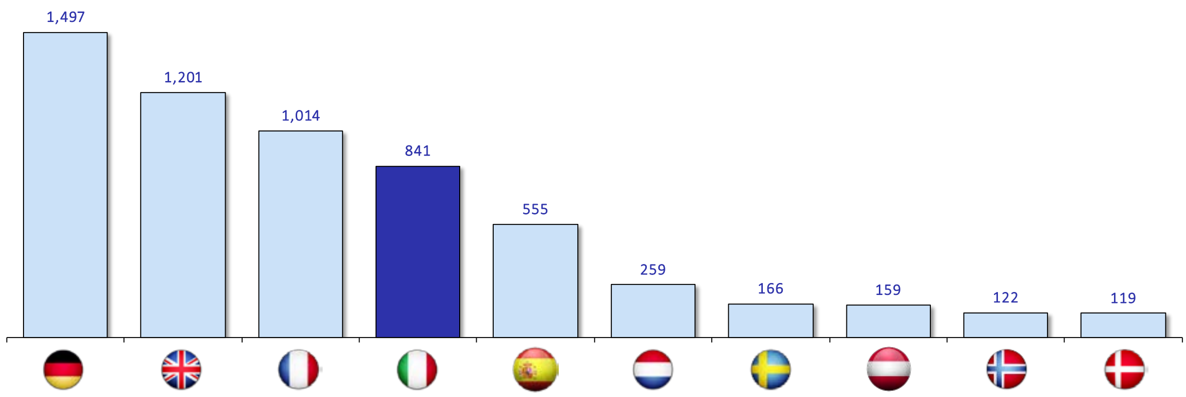
## Our Strengths

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

*Overview*

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

**Total Consumer Spending 2018, Selected European Countries (€ billions)(1)**



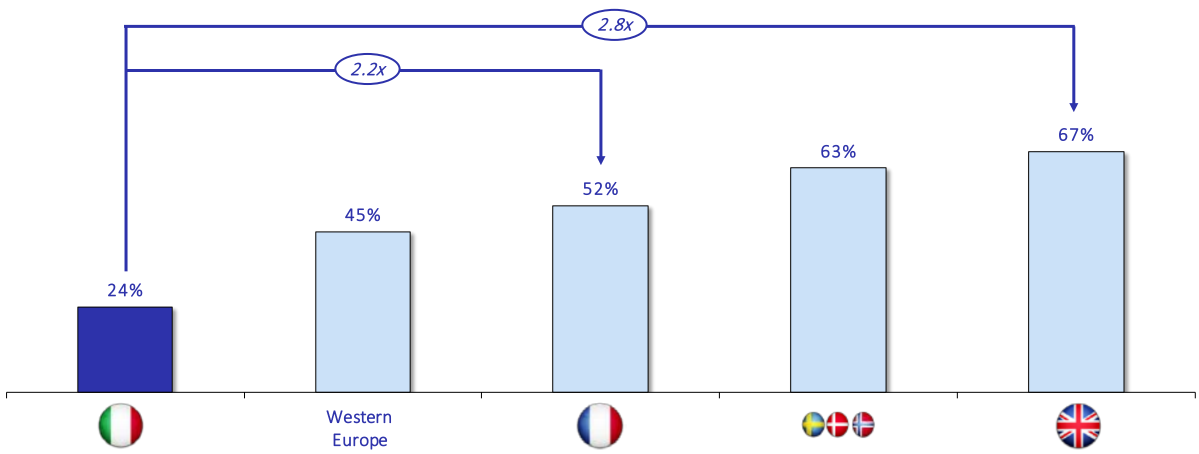

Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

*Card Payments Penetration*

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

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

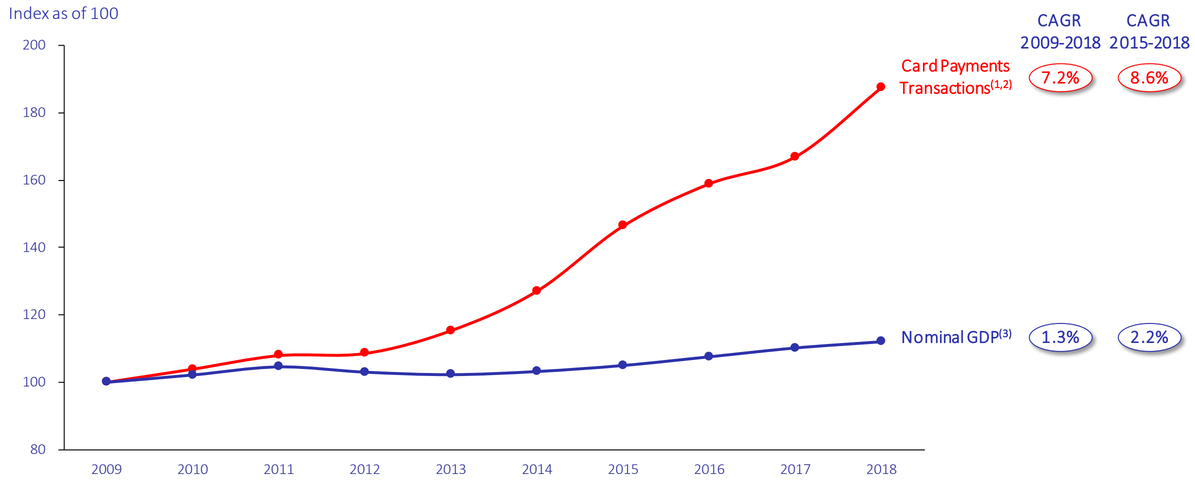



Source: (1) Euromonitor International Consumer Finance 2020 Edition.

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

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

**Growth of Italian Card Payments (in value) consistently outperforming Italian nominal GDP growth from 2009 to date indexed to 100(1)(2)(3)**




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

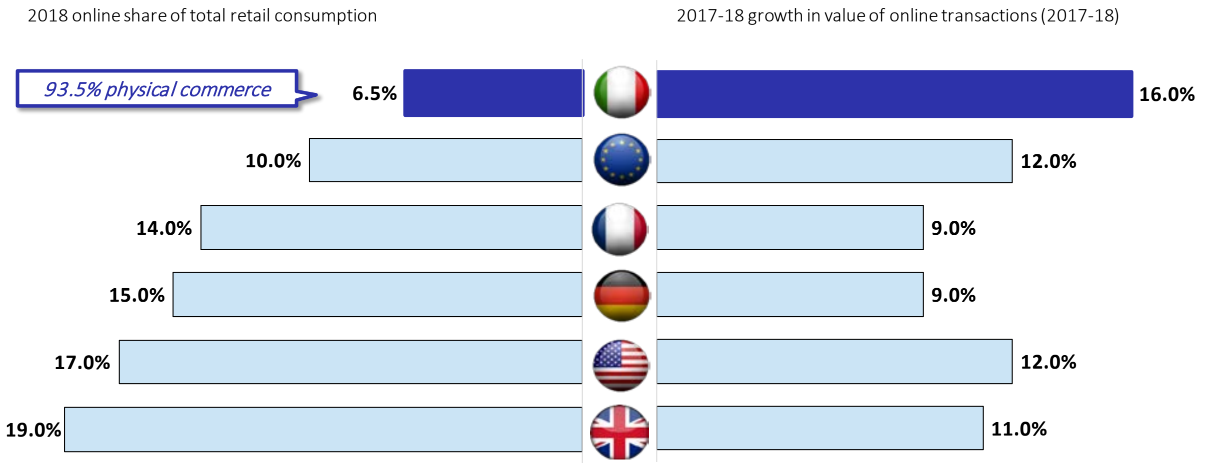
*SMEs*

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

*eCommerce and mCommerce*

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

**Statistics on e-commerce industry in Selected European Countries(1)**




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

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

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

*Regulatory Tailwinds*

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

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

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

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

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

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

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

In addition, we have developed the CBI Globe Open Banking Gateway to capture the opportunities from PSD2. CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents approximately 80% of the Italian banking market in terms of branches as of June 2019, increasing from approximately 80% in December 2018. The CBI Globe Open Banking Gateway is fully operational from June 2019.

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

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

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

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

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

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

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

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

- the combination of our know-how, business support activities, specialization and investment in innovation that allows us to deliver faster, highly integrated and technology-driven payment services, which are strategically important for banks; and

- our scale, which creates significant cost advantages across product development, processing and overhead that we believe no single partner bank could match on its own.

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

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

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

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

We believe that we maintain a significant competitive advantage in product innovation, having introduced in recent years a significant number of well-funded, highly innovative, and differentiating products and solutions that are driving near- and long-term growth. For example, our recent products include SmartPOS devices (including SmartPOS Mini), Xpay (a payment gateway solution) and the Nexi Business App, in our Merchant Services & Solutions business unit. We have enhanced our offering in the Cards and Digital Payments business unit, with the launch of our Black credit card, virtual card and our new national and international debit cards, and the offering of new, fully digital card management capabilities. We have also launched our next generation customer value management, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending, which led to a 9% increase in reactivated cards and the issue of 53% more new payment cards. In our Digital Banking Solutions business unit, we have also developed a new self-banking offering and an innovative Digital Corporate Banking solution for our business customers. Moreover, we are at the forefront of open banking both in terms of infrastructure and value added services, thanks to CBI Globe, one of the most comprehensive national gateways in Europe that connects approximately 80% of the Italian banking system as of June 2019 and has the potential to host cooperative services and TPPs.

***Resilient and Diversified Recurring Revenues***

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

**Revenue Drivers**

| | Selected Revenue Items | Volume Driven | Installed Base Driven | Selected Revenue Drivers |
|---|---|---|---|---|
| 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 |

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

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

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

| | Recurring Annual Contracts | 2025+ | 2024 | 2023 | 2022 | 2021 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|
| **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%** |

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

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

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

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

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

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

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

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

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

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

The combination of these key strategic additions to management and the expansion of our technological capabilities has enabled us to simultaneously implement substantial strategic initiatives since 2016. During the 2016-2018 period, we grew significantly through both organic development and synergistic acquisitions. On the basis of the 2018 Perimeter, our Normalized EBITDA increased at a CAGR of 15.5% for the period. Since 2016, we successfully completed six acquisitions (Mercury Payment, Bassilichi, Sparkling, and the acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), while making our business more focused by selectively streamlining non-core and marginal operations. Our recent acquisitions served different strategic purposes, ranging from increasing our customer base and expanding our business coverage (e.g., Mercury Payment and the acquiring businesses of Banca Monte dei Paschi di Siena, Deutsche Bank and Banca Carige), increasing our technological capabilities, for example through the acquisition of Sparkling18, and adding new synergistic and strategic business lines (e.g., Bassilichi). In addition to the expected financial benefits and synergies, these acquisitions have strengthened our customer relationships, added significant scale to our issuing, acquiring and POS management capabilities and expanded our customer base. The disposal of certain non-core businesses generated proceeds of €381 million between 2017 to the date of this offering memorandum, more than the extraordinary costs relating to the Transformation Program and the Reorganization.

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

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

## Our Strategy

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

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

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

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

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

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

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

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

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

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

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

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

- domestic consolidation, increasing our scale, for example by acquiring merchant books. The acquisitions of Mercury Payments, MPS Acquiring, DB Acquiring and Banca Carige that have increased our operational scale;

- enhancing our technological capabilities in selected high-growth products (such as with the acquisition of Sparkling); and

- acquiring new synergistic and strategic business lines (such as with the acquisition of 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. We remain well positioned to potentially consider future international expansion or to participate in the potential future consolidation of the international payment industry.

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

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

**Our History**

Nexi S.p.A. was incorporated on April 21, 2016, and the Group's current scope is the result of the Reorganization that was completed in 2018 and described below. We were founded in 1939 by six Italian banks as a joint undertaking to provide essential banking infrastructure to the entire network of Italy's cooperative banks called the Istituto Centrale delle Banche Popolari Italiane S.p.A. or ICBPI. In keeping with this objective, we gradually expanded our service offering, both organically and through a series of synergistic acquisitions. Our expansion positioned us at the forefront of developments in payment technology and enabled us to drive innovation in the Italian market over the course of the following decades. Set forth below are the key acquisitions and events that have contributed to our leading position in the Italian payments sector:

- In 2004, we acquired the payments business and debit card activities of *Banca Popolare di Lodi*, which widened our network of partner banks to include the *Casse di Risparmio* bank.

- In 2008, we started to expand our POS management business through the acquisition of Cim Italia.

- In 2009, we acquired Nexi Payments (formerly, CartaSi), the leading Italian provider of digital payment services, with a strong presence in issuing, acquiring, POS and ATM management.

- In 2014, we further expanded our Cards & Digital Payments business unit through the acquisitions of C-Card and Unicard, which we subsequently merged with Nexi Payments.

- In 2015, we were acquired by the Advent, Bain and Clessidra, which provided us with insights into operational excellence gained from these sponsors' investments in other leading payments companies such as Worldpay, Nets and Vantiv and provided us with the financial resources to consolidate the Italian payments sector. Following that acquisition, we undertook several strategic initiatives that form the basis of our Transformation Program, which include: (i) investment in our technology infrastructure, including in application-based services and IT control; (ii) selective acquisitions in the payments sector, including Mercury Payment, MPS Acquiring, Bassilichi and DB Acquiring; (iii) promoting significant recurring cost savings and operational efficiencies; (iv) our rebranding as Nexi; and (v) enhancements to our senior management.

- In 2016, we acquired Mercury Payment, which provides payment services to Intesa Sanpaolo, one of the largest banking groups in Italy. Apart from strengthening this key relationship, the acquisition also added significant scale to our issuing, acquiring and POS management capabilities.

- In 2017, we completed the acquisition of three additional businesses; MPS Acquiring, Bassilichi and DB Acquiring. MPS Acquiring provides acquiring and POS management services to BMPS, Italy's fourth-largest bank, and its customers. The acquisition provided us with direct access to BMPS customers and improved our monetization of our BMPS relationship. Bassilichi is a complementary business that likewise provides POS management and ancillary services via BMPS. Our investment in DB Acquiring, Deutsche Bank's Italian merchant acquiring business, further increased the number of our merchant customers.

- At the end of 2017, we commenced a review of our corporate structure (the "Reorganization") to align it more closely with our core business. In November 2017, we changed our name to Nexi S.p.A. and adopted the Nexi brand. In addition, as part of the Reorganization, which was completed in July 2018, we spun off Depobank S.p.A., which contained our banking activities, to focus on our core payments activities and driving innovation in our industry. The Reorganization was approved by the Bank of Italy on April 11, 2018 and by the ECB on April 27, 2018. The Bank of Italy permitted the non-consolidation of the two spun-off entities (Depobank and Nexi) based on the interpretation of European sector regulations. Following the Reorganization, the relevant commercial registers were updated to remove Nexi as a banking group and therefore, as a result of the Reorganization, the Group is not subject to prudential supervision at consolidated level, while its subsidiaries Nexi Payments, Mercury Payment and Moneynet remain subject to supervision by the Bank of Italy.

- In 2018, we expanded our leading Merchant Services & Solutions business unit capabilities by acquiring Carige Acquiring for a consideration of approximately €23 million, effective September 30, 2018, and by acquiring the start-up company, Sparkling, one of the most innovative companies in the new digital payments industry and one of the seven companies in the world that Mastercard has included among its "platinum digital vendors." Sparkling has developed solutions for innovative and entirely digital purchasing experiences for brands such as Eataly, Auchan, Rosso Pomodoro and Roadhouse.

- In January 2019, we entered into an agreement to dispose of our entire stake in Oasi S.p.A. to Cedacri S.p.A., which closed on February 25, 2019.

- In April 2019, Nexi was listed on the MTA organized and managed by Borsa Italiana. Mercury UK retained a controlling interest in Nexi. See "*Principal Shareholders*."

**Our Services**

We are the leader in the Italian payments sector. Our service offering encompasses virtually every aspect of digital payment acceptance, including issuing, acquiring, POS and ATM management, data analytics and other value-added services, clearing and settlement services, corporate banking, as well as Help Line, support and security services. The underlying arrangements with our partner banks, in which the partner banks assume the cardholders' credit risk, ensure that we engage in low-risk businesses despite the associated funding activity. We have four business units:

- *Merchant Services & Solutions*, through which we and our partner banks supply merchants with the necessary infrastructure to enable digital payment acceptance and execute card payments on the merchant's behalf.

- *Cards & Digital Payments*, through which we and our partner banks provide a wide spectrum of services in connection with the issuance of payment cards to cardholders, prefunding of cardholder receivables and fast, reliable and secure authentication and execution of payment transactions.

- *Digital Banking Solutions*, through which we provide clearing and related services, digital corporate banking services and ATM management services.

The table below shows our operating revenues by business unit for the periods indicated.

| | | **Six months ended June 30,** | | **Year ended December 31,** |
|---|---|---|---|---|
| | **Twelve months ended June 30, 2019** | **2019[(1)]** | **2018** | **2018** |
| | | **(in € millions)** | | |
| Merchant Services & Solutions | 461.6 | 223.6 | 210.0 | 448.0 |
| Cards & Digital Payments | 374.2 | 187.9 | 174.3 | 360.6 |
| Digital Banking Solutions | 120.0 | 55.9 | 57.8 | 121.9 |
| **Operating revenues** | **955.8** | **467.3** | **442.1** | **930.6** |

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

Set forth below is a more detailed description of our principal business activities.

***Merchant Services & Solutions***

*Overview*

A merchant acquirer is a bank or other service provider such as the Group that provides a merchant with the infrastructure necessary to enable digital payment acceptance and that executes card payments on the merchant's behalf. Through business relationships with partner banks, we provide a full range of innovative services for merchants, which allow them to accept digital payments for transactions carried out at retail outlets as well as digital transactions conducted over the Internet, known as e-commerce. In addition, we provide administrative services such as tracking merchant payments, producing monthly reports, data analysis services for merchants and banks, customer care services and dispute management and communication and support services through promotional campaigns. To provide this wide range of services, the Merchant Services & Solutions business unit makes use of approximately 302 dedicated professionals (belonging to different units, such as: marketing, sales, ICT and operations, as well as an internal "digital factory" dedicated to the development of applications for merchants).

The Merchant Services & Solutions business unit generated € 461.6 million, or 48%, of our operating revenues for the twelve months ended June 30, 2019. The services provided by this operating unit can be divided into payment acceptance services, also referred to as acquiring services, and POS management. We operate with different service models, characterized by a different relationship with the partner banks and thus a different coverage of the value chain.

POS management involves the configuration, activation and maintenance of POS, its integration into the merchant's accounting software, and the provision of fraud, dispute management and customer assistance through a dedicated call center. POS comprises two categories:

(i) physical POS: electronic devices enabling payments to be made by electronic money (i.e., by credit, debit or prepaid cards) that are installed at most retail outlets (such as large-scale retail trade, apparel stores, drug stores, grocery stores, electronics stores, restaurants and hotels, etc.); and

(ii) e-commerce POS: payment interfaces on websites or mobile applications that allow online shopping.

Depending on the service model, we manage different aspects of the value chain:

(i) in the Direct and Referral models, we directly serve certain operators. In these cases, we independently define the commercial policies and pricing that apply to merchants. We primarily sell our acquiring and POS as a bundle, although we do also sell individual service components to certain of our customers; and

(ii) in models based on partnerships—Licensing, Associates and Servicing—we cooperate with partner banks in the provision of our acquiring services and POS management, using their branch networks and existing relationships for the acquisition and management of customers, while at the same time making our expertise and know-how available on all technological and service aspects. See "*—Partnership-Based Acquiring and POS Management*."

The following paragraphs provide a more detailed description of each business model.

*Direct and Referral Acquiring and POS Management*

In the direct acquiring model, we serve certain large merchants directly without the involvement of a partner bank. These merchants include insurance companies, companies operating in the large-scale retail industry, telecommunications companies (to which we provide acquiring services for the domiciliation of payments, for example) and luxury goods companies. Following our acquisition of DB Acquiring and MPS Acquiring's merchant acquiring and POS contracts on June 1 and July 1, 2017, respectively, and of Banca Carige's acquiring business in September 2018, we expanded the pool of merchants that we manage directly. Under the direct acquiring model, we contract with the merchant directly, while the referral banks provide services and sales support on our behalf *vis-à-vis* merchants. The referral banks' remuneration is negotiated on a case-by-case basis and governed by specific contractual agreements.

As of June 30, 2019, we served approximately 550,000 merchants through the direct and referral licensing models.

*Partnership-Based Acquiring and POS Management*

In service models based on partnerships, the services carried out in favor of merchants are divided between us and our partner banks. We are generally responsible for the production of account statements, dispute management, credit collection, fraud management and customer service through our dedicated call center, whereas the computer processing part of acquiring transactions is outsourced to certain of our suppliers. The scope of the services that we provide depends on whether our partner bank has entered into a license agreement or servicing agreement with us. With regard to POS management services, regardless of the type of acquiring service provided, our partnerships with our partner banks for acquiring can take the form of a bilateral or trilateral contract. In the bilateral contract, we invoice services through the partner bank, which is exclusively responsible for contracting with the merchant for this type of service. In the trilateral contract, we invoice the POS management services directly to the merchants, transferring part of the revenues generated to the relevant partner banks.

*Licensing Model*

- Traditional Licensing Model

Under the traditional licensing model, we act as the acquirer. We enter directly into the contractual relationship with each merchant referred to us by a partner bank and manage credit, charge, debit and prepaid card payment for merchants. We have different forms of standard contracts for specific market sectors, such as online sales, sales in currencies other than Euro, and sales in the hotel and car rental sectors. We are therefore responsible for concluding merchant-customer agreements and process the transactions they originate. In addition, we provide fraud detection services as well as dispute, support and call center functions.

The licensing agreement sets forth the terms and conditions with which the merchant must comply regarding acceptance of payment cards for the payment of goods or services, as well as the service that we provide to the merchant.

We may terminate or modify the traditional agreement by giving two months' written notice; the merchant may terminate the contract without notice, in which case the merchant must cease to manage transactions with payment cardholders. In such cases, if a merchant terminates the contract, it must pay us any amounts due and must return all the related products we provided under the contract.

The licensing model is typically utilized by partner banks that seek to derive the full benefit from the economies of scale associated with our size in the Italian acquiring industry, the broad range of services we offer, our business know-how and specific knowledge of the industry.

The primary banks with whom we partner on a traditional licensing model are Banco BPM, BPER and Crédit Agricole.

Under a traditional licensing agreement, we obtain our revenue directly from merchants by charging a service fee for the acceptance of payment transactions (a "merchant fee") and service fees for POS management (rental, maintenance and management fee and one-off fees for technical assistance). The license agreements provide for a defined portion of these fees to be passed on to the partner banks. We must also pay fees to the issuer of the payment card ("interchange fees"), to the international and national card scheme operators ("scheme fees") and any interest accrued in connection with the advance of liquidity to merchants.

- Associate Licensing Model

Under our associate licensing model, we act as co-acquirer and manage the relationship with the card scheme operators on behalf of a partner bank, in addition to all POS management services. The partner bank then manages, unlike in the traditional licensing model, the relationship with the merchant (for instance with respect to commission collection). We receive a transaction fee from the partner bank for each transaction we process, which covers the costs we incur in connection with the transaction.

*Servicing Model*

Under the servicing model, we provide a more limited range of acquiring services compared to licensing models. We provide all POS management services, which mainly relate to the set-up and maintenance of the merchant's payment acceptance hardware and software, while the partner bank enters into the contractual relationship with the merchant and also maintains its own contractual relationship with the card scheme operators. Partner banks typically use the servicing model when they prefer to maintain an exclusive relationship with the merchant. Our primary customers with whom we partner under a servicing agreement are ICCREA and Intesa Sanpaolo.

While the terms of our servicing agreements are customized and thus vary, servicing agreements often generate lower fees and lower revenues compared to licensing agreements. For every merchant acquiring transaction under a servicing agreement, we receive a flat fee from the partner bank which covers the costs we incur in connection with the transaction.

*Market Position*

As of December 31, 2018, we estimate that the aggregate value of transactions managed by us through the Merchant Services & Solutions business unit amounted to €249 billion (CAGR of 6.1% for the 2016 - 2018 period), including acquiring transactions on ATM withdrawals, with the total number of transactions amounting to 3.2 billion (CAGR of 10.2% in the period 2016 - 2018). Between our licensing, servicing, direct acquiring and referral activities, we serve approximately 900,000 merchants, and manage 1.4 million POS terminals. In the six months ended June 30, 2019, we estimate that the aggregate value of transactions managed by us through the Merchant Services & Solutions business unit amounted to €123 billion, an increase of 5.1% compared to the six months ended June 30, 2018, with the total number of transactions amounting to 1.7 billion, an increase of 11.8% compared to the six months ended June 30, 2018.

According to our estimates, our market share of the total volume traded through international card scheme operators, including cash advances from ATMs, was 72% for the year ended December 31, 2018 (or 53% including national card scheme operators); the remaining 28% is mainly covered by international acquirers and other Italian operators (14% each).

Our market share of online payments was approximately 21% by value for the year ended December 31, 2018.

***Cards & Digital Payments***

*Overview*

Through this unit, we provide, in cooperation with its partner banks, a wide range of issuing services, relating to the supply, issue and management of payment cards for individuals and businesses with advanced anti-fraud systems to ensure the speed, reliability and security of user authentication systems and the execution speed of payment transactions. We also provide administrative services such as payment tracking, production of monthly statements, as well as data analytics services and pricing services, as well as customer service and dispute management, communication services and customer development through promotional campaigns and loyalty programs (for example, by customer engagement through websites and applications for mobile phones). Lastly, in the issue and management of payment cards, depending on the type of service agreement in place, we and our partner banks provide credit line banking services and related credit assessment services, as well as financial services to hedge the exposure generated by credit card payments. To provide this wide range of services, the Cards & Digital Payments business unit makes use of approximately 370 dedicated professionals, belonging to different units, such as marketing, sales, ICT and operations, supported by approximately 430 contact center staff.

Our Cards & Digital Payments business unit generated €374.2 million, or 39%, of our operating revenues for the twelve months ended June 30, 2019. In the same period, we produced, personalized and dispatched approximately 10 million cards.

Our Cards & Digital Payments business unit primarily acts alongside our partner banks to satisfy the majority of their card-issuing needs (partnership-based issuing). To a far lesser extent, this business unit also issues payment cards directly to retail customers and large corporate customers without the involvement of partner banks.

Most of the cards issued are of the “balance” type, i.e., that require cardholders to pay off their balance on a monthly basis. We issue revolving cards, which allow the cardholder to pay off the balance in instalments, only in partnership with banks, which bear the risk of the insolvency of cardholders and thus all related credit risk.

Below is a description of both business models.

*Direct Issuing*

We issue deferred and prepaid cards directly without the involvement of partner banks. Our customers are primarily companies that retain our services to manage their employees’ expenses or retail customers. As of June 30, 2019, we had issued approximately 583,000 cards directly, representing approximately 1.4% of the total stock of payment cards. Of these, approximately 47,000 (i.e., 0.1% of the total stock of payment cards) were credit cards associated with credit risk, and approximately 536,000 were prepaid cards.

With respect to cards directly issued by us and not subject to factoring under the Factoring Agreement, the credit risk is assumed directly by us vis-à-vis the cardholders. The related working capital of cards issued directly by us and not subject to factoring under the Factoring Agreement as of December 31, 2018 represented approximately 1.5% of the total working capital generated by our issue activities. Lending by direct customers is subject to an assessment and credit scoring process, with possible requests for additional guarantees (e.g., bank guarantees).

Under direct issuing arrangements, we receive all the issuing fees generated by payment cards but also retain the ultimate credit risk associated with them. The credit exposure generated by our direct issuing business only accounts for approximately 2% of the aggregate credit exposure from all of our issuing activities.

*Partnership-Based Issuing*

In this context, both the issuing activities and the associated commission income are divided between us and the relevant partner bank. Our partner banks originate the business relationship with cardholders, relying on their branch networks and existing relationships with cardholders, while we handle the authentication and execution of card payments. As with the Merchant Services & Solutions business unit, the allocation of additional services depends on the specific agreement with each partner bank, although our agreements can be mainly classified as either licensing or servicing agreements. A key determinant of whether the licensing or servicing model is the best fit for any partner bank is whether it has the necessary scale and strategic rationale to acquire its own BIN (*bank identification number*) from card scheme operators.

*Licensing Model*

Under the licensing model, we handle all card issuing functions. We operate the licensing business through our traditional licensing and associate licensing models.

*Traditional licensing model.* Under the traditional licensing model, we act as the issuer of the payment card. We directly enter into a contractual relationship with each cardholder customer referred to us by a partner bank, manage the entire stock of cards for such partner bank, provide and manage the relationship with the card scheme operator and license our BIN to the partner bank. Additionally, we undertake the product development and marketing, customer care, fraud management and commission collection activities associated with the payment card.

Most of the payment cards issued pursuant to a licensing agreement are co-branded with both the Nexi logo and the partner bank’s logo. Credit risk management, credit scoring, distribution and pricing is entirely managed by the co-issuing partner bank. Among our main customers adopting this solution are Banco BPM, Crédit Agricole-Cariparma, Mediolanum, Banca Popolare Sondrio and Unipol Gruppo Finanziario.

Under the traditional licensing agreement model, we collect revenue directly from customers holding payment cards, in the form of card management fees for certain services (e.g., for cash withdrawals and loyalty program membership) and from merchant acquirers through international card scheme operators (interchange fees). The license agreements provide for a portion of these revenues to be passed on to the partner banks. We also pay a fee to international card scheme operators (scheme fees) and interest in connection with the deferment of payments owed by cardholders.

We may amend the contract by giving cardholders two months' notice; however, where the amendment concerns tariffs, prices, conditions governed by consumer protection laws and legislation on transparency of payment services, amendments must be justified. We have the right to terminate such contracts for cause without notice or, in the absence of cause, by giving two months' notice. The circumstances in which it is possible for us to terminate a contract are numerous and include cardholder default.

Cardholders may also terminate at any time without penalty.

*Associate Licensing Model.* Under an associate licensing agreement, we act as co-issuer and manage the relationship with the card scheme operator on behalf of a partner bank which, in contrast to the traditional licensing model, manages the relationship with the cardholder (for instance, with respect to revenue collection). UBI Banca S.p.A and MPS are two examples of our customers who chose this associate licensing model.

Under the associate licensing model, we receive service fees from the relevant partner bank, to whom we charge a fixed fee based on the volumes of card stocks, number of transactions and transaction value.

We review the pricing of the commission components under the associate licensing model described above on an annual basis or whenever needed (for example, in the event of regulatory changes). Each year, we distribute a notice setting out the proposed pricing terms for the following year to each of our partner banks. The underlying contract entitles the partner bank to object to the proposed changes in pricing within 60 days, failing which the contract will automatically renew under the new terms for another one-year period. Revisions to service fees are generally accepted as changes that result from a variation to services offered or general cost structure changes. Each of our existing partner banks under an associate licensing model has been a partner bank for more than 15 years.

*Servicing Model*

Under the servicing model, we provide a more limited range of card issuing services and also collect lower fees. Under this model, our partner banks are responsible for and handle product development, customer care, marketing, distribution, price setting and fee collection but rely upon us for operational processing services and other specific services in the value chain (e.g., card supply and claims management). Under the servicing model, the partner bank (rather than us) enters into the contractual relationship with each cardholder customer and relies on its own BIN and relationship with the card scheme operators.

This model is typically used by financial institutions that have sufficient scale and strategic rationale to insource part of their payment card issuing business. Among our customers who cooperate with us under a servicing agreement are Intesa Sanpaolo S.p.A., Deutsche Bank, Banco BPM (with respect to the relationship with former Banco Popolare), BPER and ICCREA.

While our servicing contracts are customized and thus their duration and renewal terms vary, on average our servicing contracts have a duration of at least three years. Under this model, we receive a servicing fee from the partner bank that is based on the volumes of cards stock, number of transactions and transaction value.

*Market Position*

Through our Cards & Digital Payments business unit we are the leading card issuer in Italy with an aggregate value of managed card transactions of €197 billion as of December 31, 2018 (CAGR of 55% for the 2016 - 2018 period). In 2018, we managed more than 41 million payment cards, including 11.6 million credit and revolving cards, million prepaid cards and 23 million debit cards on national and international card schemes. According to our estimates, in 2018 we had a 60% market share of the total transaction volume on the international Visa, Mastercard and Amex schemes, excluding the national Bancomat scheme, or 44% including the national Bancomat scheme.

*Digital Banking Solutions*

Through this business unit, we provide three types of services: ATM Management, Clearing Services and Digital Corporate Banking Services. To provide this range of services, this unit makes use of more than 300 dedicated professionals belonging to different units, such as marketing, sales, ICT and operations, as well as three internal "digital factories" dedicated to the development of applications. Our Digital Banking Solutions business unit generated €120.0 million, or 13%, of our operating revenues for the twelve months ended June 30, 2019.

*ATM Management*

We set up and maintain ATMs in Italy on behalf of our bank customers. ATMs are a key component of banks' multichannel strategies, where the digital experience is becoming increasingly important. As of December 31, 2018, we managed approximately 13,400 ATMs on behalf of 15 partner banks and had a 29% market share, according to RBR, 2017.

The management of ATMs takes various forms and is subject to customer-specific requirements. The service may provide the complete management of the ATM machines ("full fleet"), which comprises purchasing, development of computer applications, processing, function monitoring and maintenance or may cover only parts of the listed services (e.g., only the management of processing services). Our commissions are typically dependent on the breadth of the service provided for each ATM machine, the number of ATMs managed and/or transactions executed.

*Clearing Services*

Within the Italian market, we operate as a clearing house (ACH—Automated Clearing House) for domestic and international payments in compliance with standard interbanking schemes. Through a dedicated platform, we process collection and payment orders for our partner banks and provide for the calculation of bilateral and multilateral balances that have to be settled on a later date. Clearing services are provided both directly and through partner banks. The latter is typically the case for smaller banks that do not have an order volume significant enough to justify the costs of membership. We recently launched ACH Instant Payments focused on the management of instant transfers. The service differs from traditional clearing for the speed of execution and the continuous availability of the service.

In 2017, we executed 915 million clearing transactions, giving us a market share of 16%. In 2018, we executed 936 million clearing transactions (with a CAGR of 3.8% in the period 2016 - 2018) on behalf of approximately 130 bank clients. Revenue for the provision of our clearing services is generated from commissions based on the number of offsetting operations or fixed commissions charged for recurring services.

*Digital Corporate Banking Services*

We provide digital solutions that help corporate clients of our partner banks manage their bank (so called corporate customers) accounts and payments, as follows:

- *Electronic/mobile banking:* We provide white label digital solutions allowing banks and corporate customers to establish their own branded corporate e-banking platform. In 2018, we granted approximately 420,000 licenses for our e-banking platform, according to CBI Statistical Report, corresponding to a market share of 25%, through 18 partner banks, and more than 3 billion transactions were carried out, representing an increase of 9.2% compared to 2017. As of June 30, 2019, we granted 445,000 licenses for our e-banking platform.

- *CBI Gateway, pensions and collections:* We create, market and install specialized payment platforms providing group-wide bank accounts and payment management systems to banks and corporate customers. This business unit also provides our market-leading CBI Gateway services. The CBI Gateway is an Italian multi-bank payment platform that was initially designed to facilitate interbank payments and communication. CBI Gateway was subsequently integrated into a payment hub connected with public authorities allowing for direct payment collection and delivery of supporting documentation.

- *CBI Globe—Open Banking Gateway:* CBI Globe is the service that allows the interconnection between banks and third parties through dedicated platforms. The service aims to simplify account management for customers by offering both information and device services, taking advantage of the business opportunities introduced by the PSD2 directive. The PSD2 directive provides that, by September 2019, banks and payment institutions must provide access to their payment accounts to third parties registered as payment institutions. The CBI consortium, set up by the ABI (the Italian Banking Association), put out a tender for the supply of the national gateway to which Italian banks can be connected. We won the tender in February 2018 and we developed the CBI Globe infrastructure, to which more than 100 banks have already subscribed and which represents approximately 80% of the Italian banking market in terms of branches as of June 2019, increasing from approximately 70% in December 2018. The CBI Globe Open Banking Gateway is fully operational from June 2019.

- *Services for digital and multichannel payments:* We provide banks or companies with service, white label applications for electronic invoice management and storage and other financial supply chain products, enabling prepaid card recharging, payment of bills, payment of postal orders and other services via the internet, mobile phones or ATMs.

Revenue in our digital corporate banking services unit is generated from commissions based on the number of e-banking licenses, fixed commissions charged for recurring services and service commissions for projects of realization and customization of platforms.

**Customers**

As of June 30, 2019, we managed directly or through approximately 150 partner banks over 41 million payment cards and served more than 900,000 merchants.

Our customer base is built on referral relationships with approximately 150 partner banks, including two of the largest banking groups in Italy, Intesa Sanpaolo and BMPS. As of December 31, 2018, our partner banks account for more than 80% of the Italian banking sector by number of branches. Our top five and top 10 partner banks represented approximately 44.5% and 58.5% of our total revenues for the year ended December 31, 2018, on the basis of the 2018 Perimeter. As such, our activities and prospects are dependent on us maintaining and growing our relationships with our partner banks. Because we have partnerships with the majority of Italian banks, customer churn between banks does not usually affect us in a material way. However, because our distribution strategy is built on referral partnerships in which we rely on our partner banks' large branch networks and customer relationships for the marketing of our products, we depend on the continued success of these mutually beneficial partnerships.

We believe our industry is characterized by a significant degree of customer loyalty which deters our customers from insourcing their payment activities or switching supplier. Among the reasons for this tendency is our unique scale, which creates a significant cost advantage across production, processing and oversight that no single partner bank could match on its own. Another driver is the requirement to obtain a BIN from card scheme operators, which is a time-consuming process and requires sufficient capitalization and compliance with complex regulatory requirements. In addition, our business benefits from long-lasting and deeply-entrenched customer relationships with our partner banks, some of which date back to our formation in 1939, which are bolstered by the fact that a significant portion of our issuing and acquiring contracts renew automatically, including the contracts with Intesa Sanpaolo and BMPS. Our business also benefits from our long-standing experience and expertise in the industry and our deep understanding of the customer base in the Italian. For instance, because our co-issued payment cards are co-branded with our Nexi logo, a partner bank would incur costs when switching co-issuer as it would have to replace its existing card stock. Moreover, in connection with our acquisitions we have entered into agreements with our Former Shareholder Banks. The sellers in our original acquisition by Advent, Bain and Clessidra in 2015 agreed to extend the terms of their contracts with us until five years after closing of the acquisition, subject to the right to renegotiate terms after six months and the right of the selling banks to terminate after three years, and to maintain their level of business with us for a certain period of time. MPS Acquiring's acquiring contract with BMPS and Mercury Payment's card issuing and POS contracts with Intesa Sanpaolo each have terms of ten years as of acquisition closing in December 2016 and during 2017, respectively. Finally, under our cardholder and merchant agreements, the termination of our relationships with the end user could not be effected by the partner bank alone but would require the end user's consent.

As a result, our business benefits from high rates of customer retention. Each of our top ten partner banks has been a customer for more than 15 years, which we believe illustrates our customers' satisfaction with our services.

***Key Features of the Relationships with our Partner Banks***

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

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

| | 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%** |

## Our New Products and Services

We have introduced significant new products and services. Since 2016, we have been renewing our commercial offer for our various business lines. In particular, the most significant products launched since 2016 include:

### *Cards & Digital Payments Business*

New products and services in our Cards & Digital Payments business line include:

- *Nexi Pay App.* The Nexi Pay App offers innovative tools for interaction with cardholders through a new smartphone app, the first version of which was launched in November 2017 (when we introduced the Nexi logo) and renewed in 2018.

- *Bancomat C-less.* Bancomat C-less is a card that allows holders of Bancomat payment cards to pay in contactless mode using NFC technology launched during 2018.

- *Prepaid Cards.* We renewed our offering of prepaid cards directed at non-bank customers during 2018, including cards for non-resident citizens and cards for teenagers between 12 and 18.

- *International Debit.* We also have a new international debit card, available also as a corporate card for micro-entrepreneurs and independent professionals, that allows for online purchases, mobile payments and international payments, currently not possible with Italian debit cards and therefore driving higher card usage domestically as a result of its superior product characteristics. This product allows for use of a debit card worldwide and online in complete security.

- *Instalment payment optionality.* We launched a service that allows for payment in instalments for single purchases.

- *Black Card.* We have developed and already commercialized a differentiating product with the Black credit card, the first contactless, metal-veneer card with dedicated services in Europe, exclusively designed for high net-worth individuals.

- *Spending Control.* This service allows customers to manage and control the use of the card by setting spending limits.

- *#iosi Engagement Program.* *#iosi* is a free service for all customers, consisting of a wide range of services dedicated to Nexi cardholders, including an assistant to remind customers of deadlines, book travel at exclusive conditions and book tickets for events; also exists in a paying version for premium customers. *#iosi* is a points collection program that rewards expenses made with the card.

- *Mobile Payment services.* We expanded our services with the launch of several mobile payment solutions such as Apple Pay, Samsung Pay, Google Pay and YAP (mobile pay solution dedicated to Millennials, launched during 2018).

- *Corporate Cards.* We expanded this product line with the renewal of business and corporate offers for companies that need to provide their employees with a payment instrument at favorable conditions for the company and for the employee. Our current range of corporate cards include the following:

    - corporate credit cards with centralized or individual debit;

    - credit cards for SMEs and VAT numbers; and

    - debit cards for SMEs and VAT numbers.

- *National Debit Card Business.* We are developing our national debit card business, where we already provide several core services along the value chain, aimed at enabling Bancomat innovation through product characteristics such as virtualization, e-commerce usage and selected mobile payment use cases, which in turn will contribute to driving more card usage.

- *Credit.* We are developing our core credit products to drive digitalization, usage and penetration. As an example, at the end of 2017 we launched a feature allowing repayment in instalments, and are working to introduce a dynamic credit limit extension that would bring potentially significant commission inflows while not absorbing capital;

- *Customer Value Management.* We have a next generation customer value management, or CVM, services, with 200 campaigns focused on behavior and an engagement program designed to drive frequency of usage and card spending. For example, our digital instant-win lottery, called "*#iovinco*" (or "*#iwin*"), was launched specifically to increase card usage and downloads of our Nexi Pay app.

During 2019, we have developed the following advanced functionalities to support our corporate offering:

- services for the creation and management of virtual cards to be used for specific purposes payments; and

- services for the creation and management of centralized virtual card for the management of employee travel and the purchase of goods and services for the companies.

***Merchant Services & Solutions Business Line***

New products and services in our Merchant Services & Solutions business line include:

- *New e-commerce payment gateway:* We have launched and renewed many of the functions of our online and mobile payment acceptance platform including the acceptance of alternative payment methods (e.g., PayPal, Alipay).

- *Merchant App—Nexi Business:* This app gives merchants the opportunity to manage their business independently and receive regular updates on the progress of their business. We offer the Nexi Business App, a data-centric mobile application that allows smart tracking of a merchant's business in real time (card payments, cash etc.), and through self-care activities and access to a business insights dashboard, powered by advanced analytics, where merchants can compare key performance indicators of their business versus their industry as well as against businesses of varying sizes, both at the local and national level, and gain insights on their customer profile. We believe that the Nexi Business App will contribute to merchants' increased willingness to accept cashless forms of payment, given the possibility to access valued-add ancillary services such as business critical data.

- *Micropayments:* This is an offer that we launched to encourage the acceptance of micropayments by merchants by providing for the reimbursement of all commissions on digital payments of up to €10.

- *SmartPOS.* In order to drive digitalization and expand our merchant services portfolio from traditional acquiring further into value added and software services, we were the first in Italy to introduce SmartPOS devices, targeting both SMEs and innovative retail chains. Developed through an exclusive, multi-year strategic partnership with Poynt, a Silicon Valley-based company and leading player in developing smart terminals, the SmartPOS offering consists of advanced smart terminals and a powerful and flexible Android-based operating system. Beyond omni-acceptance traditional payment features, the SmartPOS proposition includes a proprietary app store onboard, which merchants can use to download apps and combine a variety of value-added services and software (with over 40 apps available) to help our merchants run their business more efficiently and in a more integrated way. Due to exclusive software partnerships with selected cash register providers, the SmartPOS (including SmartPOS Mini) can become an all-in-one device for SMEs, acting as an electronic cash register. Given its value-added features and convenience for merchants, we believe that the SmartPOS could contribute to increased merchant willingness to accept digital payments, thereby driving cashless penetration in Italy.

- *Other POS innovations:*

  - New portfolio of available terminals, launched during 2018;

  - Premium service to guarantee assistance within four hours; and

  - SmartPOS (including SmartPOS Mini): This is a POS terminal launched during 2018 based on Android technology with a marketplace of services available to the merchant.

- *Protection Plus.* PCI merchant services to ensure consumer data protection. The Protection Plus service is a program to support and assist merchants with the certification against PCI-DSS (Payment Card Industry Data Security Standards) made mandatory by international circuits.

- *Omni-acceptance.* Extension of the offer of acceptance of payments by circuits alternative (e.g., meal vouchers and minor issuer circuits, such as UPI, JCB, American Express).

- *LAKA.* In the LAKA (Large and Key Accounts) segment, which includes our most sophisticated customers, we are investing to deploy omni-channel payments solutions to provide a seamless purchasing experience to end customers and building a specialized team of approximately 120 employees, comprising sales engineers, and industry product specialists to serve more sophisticated end-users operating under a multi-channel and, in some instances, multi-country model. In addition, through the acquisition of Sparkling, we provide large merchants with integrated apps or software components for omni-channel mobile payments solutions, with specific offers for industry niches. We serve most sectors, with a comprehensive offer for large retailers (such as Auchan, Carrefour, Coin and Esselunga), established restaurants (such as Roadhouse, Rosso Pomodoro and Eataly), some of the main telephone operators (such as Vodafone and Tim), international and national insurance companies (such as Allianz, Generali, Genialloyd, Linear and UnipolSai), companies in the wellness sector (such as Virgin Active), and transport companies (like ATM Milan).

- *Xpay.* In the eCommerce space, we offer a comprehensive, easy-to-deploy payment gateway solution, Xpay. Xpay gateway, serving a wide range of customers, from SMEs and mid-sized merchants to large merchants, offers a broad array of payment methods and is capable of accepting over 400 payment methods. A merchant can enroll with a streamlined, fully digital process and be live in 24 hours. In addition, Xpay offers plug-ins for many cart and shop management platforms such as Woo, Magento e PrestaShop. Given its many features, through our Xpay offering we have the ability to cross-sell our e-commerce proposition to our physical SMEs merchant clients.

- *Internet of Things.* We believe that we are well-positioned to capture the opportunities arising from invisible payments and the rise of Internet of Things, or IoT, payments. Xpay Invisible is our offering, for the app economy and for invisible payments which eliminates explicit exchange of credentials during each payment, therefore increasing efficiency of the payment experience and driving digital penetration domestically. We already serve important players in Italy such as Enjoy (car sharing), MiMoto (motorbike sharing), Enistation (fuel pumps) and many others via a wide and granular set of payment APIs.

***Digital Banking Solutions Business Line***

- *Check Image Truncation.* This allows for the electronic payment of checks through image exchange.

- *Instant Payments.* This is a platform for the interbank management of real time IBAN-based payments (average transaction execution time of 1.5 seconds). Our instant payments platform allows users to carry out instant clearing and manage real-time, IBAN-based, interbank payments with pan-European interoperability thanks to the agreement with the other major European instant ACH (EBA clearing) and the connection, which started in August 2019, with the ECB Tips infrastructure. In this segment, we provide important ACH VAS (e.g., anti-fraud) and support banks with co-marketing activities and in developing innovative use cases that can drive growth of the market. We currently offer instant payment gateway services to four banking groups that represent approximately 14% of the Italian banking sector by number of branches.

- *Digital Corporate Banking.* We are well-positioned in the B2B Corporate digital payments market, being the largest Italian corporate front-end/digital banking solutions provider, already helping a number of banks and corporates, with over 420,000 workstations installed, to simplify their daily business, ensure easy, efficient payment operations and optimize finance management. We are evolving our product proposition with a completely revamped Digital Corporate Banking solution, including a new state-of-the-art e-invoice management platform, fully integrated with payment and collection services, a dedicated mobile app for CFOs, and a digital signature document exchange platform, to become the main one-stop-provider of advanced digital payments solutions for business customers.

- *ATM Revolution.* We are undertaking a renewal of our ATM systems, with market launch planned for 2019. This will enable us to provide a 360° offer to our customers, starting from the development of the physical interface with the customer to increased speed of replacement of the ATM fleet (more than 1,200 ATMs replaced in the last twelve months) and speed of withdrawal (less than 30 seconds). In addition, we have completely modified the ATM monitoring and maintenance service, which has helped reduce the number of maintenance interventions by approximately 5 - 15% compared to the fleet of ATMs not subject to this modified service, through the implementation of advanced systems including automatic terminal recovery (approximately 95% of the cases resolved in 2018) and remote assistance, as well as dedicated on-site personnel, coordinated by about 20 staff members.

### *Other Business Opportunities*

As we deploy these products and services, we continue to invest and seek out new business opportunities to support our long-term growth prospects. Such opportunities include the following:

- *Corporate Digital Payments.* We see significant future potential for corporate digital payments and we are well positioned to have a central role, thanks to our digital corporate solutions in Digital Corporate Banking, Collections and Commercial Cards. We are working on a new comprehensive and integrated offering, in order to best position ourselves to address the rise of B2B payments, which combines different businesses including corporate cards, virtual payment accounts, instant payments and electronic invoice management.

- *PSD2.* We have already made important steps toward capturing the opportunities created by the introduction of PSD2. We won the tender held by the consortium CBI (the consortium that is managing Italian corporate banking interoperability infrastructure) to build the pan-Italian open banking gateway, CBI Globe, which we launched in June 2019. The CBI Globe PSD2 gateway is the first PSD2-compliant platform in Europe and it not only allows Italian banks to comply with PSD2 requirements, but it also represents the key infrastructure needed to fully capture the wide range of open banking opportunities. Despite our favorable position in the open banking sector, as already mentioned, in the medium-/long-term open banking could lead to further market opening, higher competitive pressure from both domestic and foreign operators and partial disintermediation or cannibalization of the traditional value chain of digital payments in which we mainly operate.

- *YAP.* In the second half of 2018, we launched YAP, our mobile-centric payments platform (P2P and P2B) that has a fully digital onboarding process, is virtual card-based and was specifically designed for the Millennials (approximately six million Italians). As of June 30, 2019, the YAP platform has already been used by more than 500,000 customers (70% of whom are under 30), with 92% of registered customers with at least one transaction, and who gave a rating above 4.8 in the App Store. YAP allows payments to other users (i.e. peer-to-peer or P2P) or to merchants, either online or in physical stores via POS contactless (peer-to-business or P2B). Yap represents an additional element of competitive diversification towards the entry and diffusion of payment instruments based on “rails” other than cards or disintermediation by new entrants (e.g. large digital players), which could still pose a threat to our future development considering that we could not be able to neutralize the effects of the entry of these technological players into the Italian market.

- *Big Data.* We are harnessing new data-enabled products, such as customer consumption analysis for large merchants, enhanced customer experience features for our consumers, developing existing bank tools and deploying dynamic real-time predictive tools enabling in-depth monitoring of activities and fraud prevention. Although we have sophisticated control and detection systems in place to alert our competent offices for the control of operations and risk of potential fraud, these may not be able to prevent all cases of fraud or be subject to technical malfunctions, causing increases in recharges (so-called chargebacks) or other liabilities associated with such events.

## Suppliers

### *Overview*

We believe that we are not dependent on any single source supplier for any material part of our business, except that our business is dependent on our continued membership in the leading card schemes provided by Visa, MasterCard and Bancomat. We have a long-standing partnership with these card scheme providers which we expect to continue.

Our key suppliers include (i) equensWorldline and SIA for processing of payments as well as providers of mass printing and delivery services in relation to account statements and credit cards, (ii) suppliers of smart cards that comply with the EMV (Europay MasterCard Visa) technical standard and related personalization services, including Idemia (formerly, Oberthur), an Advent portfolio company, (iii) Poynt, our SmartPOS supplier, for advanced terminals characterized by a powerful and flexible operating system based on Android

(iv) suppliers of POS terminals for our Merchant Services & Solutions (such as, Ingenico Italia and Verifone Italia), (v) suppliers of ATMs for our ATM management services and (vi) suppliers of certain outsourced services related to banking delivery services, check, cash letter and internet banking services. For a description of our contractual relationships with some of these suppliers, see "*—Material Contracts—Agreements with ICT Providers.*"

***Card Scheme Operators***

Card scheme operators primarily include Visa, MasterCard and Bancomat, American Express, Diners Club, JCB and others. Card schemes are payment networks linked to payment cards (such as debit, charge or credit cards) of which banks or other eligible financial institutions can become members. See "*—Material Contracts—Agreements with Card Scheme Operators.*" By becoming a member of the scheme, the bank has the ability to issue or acquire payment cards operating on the network of that card scheme and to charge fees in respect thereof. The card scheme operator charges a scheme fee for such access.

The number of card scheme operators is limited, and Visa and MasterCard have significant scale, such that our business depends on our continuing relationship with these card scheme operators. See "*Risk Factors—Risks Related to Our Business—Changes in, or our failure to comply, with payment network rules or standards could adversely affect our business, financial condition and results of operations*."

We primarily transact with Visa Inc., MasterCard Worldwide and Bancomat. For a description of our contractual relationships with these card scheme operators, see "*—Material Contracts—Agreements with Card Scheme Operators.*"

**Material Contracts**

***Agreements with End-Users***

*Merchant Services & Solutions Agreements (Traditional Licensing)*

When operating under the traditional licensing model for our Merchant Services & Solutions, the partner bank originates the relationship with a merchant customer but we have the contractual relationship with the merchant.

Our relationships with the majority of the merchants that use our payment processing systems are governed by a standard-form, Italian law merchant agreement which allows merchants to accept payment cards. The agreement contains the terms and conditions of (i) the merchant's rights and obligations regarding the acceptance of our payment cards for payment of goods or services and (ii) the service we provide to the merchant. In particular, under the terms of the merchant agreement, the merchant agrees to provide our cardholders with goods or services, and we agree to pay the merchant the amount which we collect in connection with the purchase of those goods or services. We may withdraw from or amend the merchant agreement by providing two months' written notice. The merchant may withdraw from the agreement without advance notice, at which point the merchant is required to cease carrying out transactions with our cardholders. If it withdraws from the agreement, it must pay all amounts due and return to us all relevant materials. There are a number of variations to the standard merchant agreement which apply to specific industries and markets, such as those merchants engaged in electronic (internet) sales, mail and telephone sales, sales in a currency other than euro, hotel sales, and car rentals.

For a description of the credit risk we incur in connection with its card issuing agreements, see "*Description of Certain Financing Arrangements—Settlement Obligations.*"

*Card Issuing Cardholder Agreements (Traditional Licensing)*

When operating under the traditional licensing model in our Cards & Digital Payments business unit, we act as a co-issuer alongside a partner bank and enter into a contractual relationship with each cardholder customer referred to us by the partner bank.

Our relationship with cardholders is governed by a standard-form Italian law-governed cardholder agreement. Under the terms of this agreement, we agree to issue the cardholder with a payment card and provide relevant support services. Cardholders may purchase goods and services and withdraw cash using the Nexi payment card. In exchange, the cardholder agrees to pay us the amounts due under the payment card's account statement, and authorizes us to automatically deduct these amounts from a nominated bank account. We may amend the agreement by giving two months' notice to the cardholder. However, where the amendment relates to rates, prices, conditions that are governed by Italian consumer laws, or other contractual conditions, amendments may only be made for justified reasons (*giustificato motivo*). We may withdraw from the agreement with no notice where there is a justified reason, or otherwise by giving two months' notice. We may terminate the agreement in a number of circumstances, including under circumstances in which the cardholder fails to comply with its payment obligations. The cardholder may withdraw from the agreement without penalty at any time. There are a number of variations to the standard cardholder agreement which take into account certain specific circumstances. For example, a variation of the cardholder agreement exists to allow for the issuance of company cards to employees, and for the issuance of cards to prepaid cardholders.

We also adopt the traditional licensing model when we issue credit and prepaid cards directly, without the involvement of a partner bank.

For a description of the credit risk we incur in connection with its card issuing agreements, see "*Description of Certain Financing Arrangements—Settlement Obligations.*"

***Agreements with Partner Banks***

*Traditional Licensing (Merchant Services & Solutions and Cards & Digital Payments)*

A partner bank acts as an intermediary in most of our relationships with merchants (for Merchant Services & Solutions) and cardholders (for Cards & Digital Payments). We use a standard-form agreement with most of these banks to provide for cooperation between the two parties in connection with our Merchant Services & Solutions and Cards & Digital Payments business units. Under these agreements, we agree to notify the bank of anomalous circumstances or transactions surrounding the use of our credit cards, send monthly statements and an annual summary of terms and conditions to customers, process payment authorizations, and handle claims and disputes with cardholders. Under our Merchant Services & Solutions agreements we agree to manage the merchant network, send invoices and an annual summary of terms and conditions to merchants, and handle claims and disputes with merchants. In the course of providing both our Merchant Services & Solutions and Cards & Digital Payments services, we agree to notify the *Centrale d'Allarme Interbancaria* and the international card scheme operators of revoked, lost and stolen credit cards, provide any other notices or reports required under law, and provide the bank with customer documentation and data necessary to fulfill its legal disclosure obligations. The partner bank makes a number of undertakings to Nexi. In relation to our Merchant Services & Solutions business units, the partner bank agrees to process merchants' requests to be provided with our services, cooperate with us in supplying these merchants with the necessary materials and documentation, and pay us the amounts owed us by these merchants. In relation to our Cards & Digital Payments business unit, the partner banks agree to select eligible potential cardholders (in light of their creditworthiness), process requests for and delivery of payment cards to the cardholders and deduct payment amounts from cardholders' accounts and credit our account with the corresponding amount, which means that the partner bank, and not Nexi, is responsible for payments made under a payment card. In relation to both our Cards & Digital Payments and Merchant Services & Solutions business units, the partner bank agrees to ensure that relevant legal and regulatory regimes (including anti-money laundering and know-your-customer ("KYC" procedures)) are complied with, provide us with the necessary personal and economic data for each cardholder and merchant, maintain its ATM and POS terminals at the merchant's site in compliance with the networks rules established by the card scheme operators, and retain customer data for a certain minimum period.

Under the agreement, the partner bank is liable for damages arising from its failure to comply with the provisions of the agreement. We are liable: (i) except in the case of fraud by the cardholder, for losses arising from the use of lost or stolen payment cards or misuse of payment cards if the transaction occurred after the cardholder notified us of such a loss or theft (in accordance with the agreement and Italian law); (ii) for losses arising from fraud by merchants; (iii) for cardholder insolvencies arising from our failure to comply with the agreement; and (iv) cardholder insolvencies arising from unauthorized payment card use.

Either party may terminate the agreement by giving three months' notice. We may unilaterally amend the terms and conditions of the agreement and the bank documents we prepared in connection with the execution of the agreement (*Circolari Banche*) by giving 60 days' notice, during the first 30 days of which the bank may withdraw from the agreement. Where the bank withdraws from the agreement, we will continue to manage existing payment cards and the bank will continue to bear the risk of cardholder insolvencies until the relevant payment cards have expired.

*Associate Licensing and Servicing (Merchant Services & Solutions and Cards & Digital Payments), and Digital Banking Solutions*

The associate licensing and servicing agreements for our Merchant Services & Solutions and Cards & Digital Payments business units as well as the agreements in our Digital Banking Solutions business unit, all of which are entered into with partner banks, are customized and thus vary on a case by case basis.

For a description of the credit risk we incur in connection with our Cards & Digital Payments business unit agreements, see "*Description of Certain Financing Arrangements—Settlement Obligations.*"

*Agreements with Former Shareholder Banks*

We have entered into several agreements with our Former Shareholder Banks pursuant to which we undertook to provide the Former Shareholder Banks with several services related to our Merchant Services & Solutions and Cards & Digital Payments business units, including management of credit card transactions and ATM terminals, as well as the management of the relationships with certain card scheme operators. In exchange, the Former Shareholders Banks have agreed to pay us certain agreed fees and maintain their level of business with the Group for a certain period of time. These agreements expire in 2020.

*Agreements with Intesa Sanpaolo*

We have entered into three core contracts with Intesa Sanpaolo, through our subsidiary Mercury Payment, pursuant to which we undertook to provide Intesa Sanpaolo with card management, ATM and POS services (the "ISP Agreements"). In particular, we have undertaken to provide to Intesa Sanpaolo (i) management of credit, debit and prepaid cards issued by Intesa Sanpaolo, including management of cards' authorization process, clearing activity with the operators of the payment networks and all ancillary activities connected with the performance of the services under the agreement, (ii) POS processing and servicing, including the procurement of POS terminals, management of the authorization process of the electronic transaction, transaction monitoring and fraud prevention and management of financial flows, and (iii) ATM services, ATM withdrawals and card payment advances and settlement of financial flows. In exchange, Intesa Sanpaolo has agreed to pay us certain agreed fees. The ISP Agreements expire in December 2026, subject to tacit renewal for another two-year period. Either party may withdraw from the ISP Agreements by providing two years' written notice.

*Agreements with BMPS*

- BMPS Issuing and Acquiring Agreement

We entered into a commercial agreement with BMPS (in 2016) pursuant to which we undertook to provide BMPS with several services related to our Merchant Services & Solutions and Cards & Digital Payments business units, including management of credit card transactions and ATM terminals, as well as the management of relationships with certain card scheme operators (the "BMPS Issuing and Acquiring Agreement"). However, as of July 2017 and as a result of the acquisition of the MPS Acquiring business, the BMPS Issuing and Acquiring Agreement no longer governs our Merchant Services & Solutions business unit. In exchange for the provision of card issuing services, BMPS has agreed to pay us certain fees. The BMPS Issuing and Acquiring Agreement expires in May 2023 subject to tacit renewal for another two-year period. Both parties have agreed to waive their respective termination rights during this period.

- BMPS Marketing and Distribution Agreement

We have entered into a marketing and distribution agreement with BMPS, pursuant to which BMPS will make available and promote, market and distribute our products and services to its merchant customers, on an exclusive basis for five years starting from June 2017, and will refer its customers interested in such products and services to Nexi (the "BMPS Marketing and Distribution Agreement"). In exchange, we have agreed to provide BMPS with our merchant products and services, meeting specific quality standards, and to pay BMPS certain agreed fees. The BMPS Marketing and Distribution Agreement expires in 2027, subject to tacit renewal for another five-year period. Both parties may withdraw from the BMPS Marketing and Distribution Agreement by providing one-year written notice.

- BMPS POS, ATM and Corporate Banking Agreement

We entered into a framework agreement with BMPS (in 2016), through our subsidiary Bassilichi, which now merged into Nexi Payments, pursuant to which BMPS undertook to assign certain POS, ATM and CBI Gateway services to our subsidiary Bassilichi for agreed per annum fees and subject to a minimum turnover guarantee (the "BMPS Framework Agreement"). In addition, BMPS has the right to assign additional services (such as BMPS's debit cards issuing platform, services related to corporate banking, and value-added services on POS terminals) to Bassilichi outside of the fixed fee arrangements, and Bassilichi is entitled to approach BMPS with offers for other services. As of July 2017, the POS services are no longer governed by the BMPS Framework Agreement as a result of the acquisition of the MPS Acquiring business. An intercompany agreement is in place for the provision of POS services between Nexi and Bassilichi. The BMPS Framework Agreement expires in 2023, subject to tacit renewal for another two-year period.

Pursuant to the terms of the BMPS Framework Agreement, our subsidiary Bassilichi has entered into three commercial agreements with a subsidiary of BMPS, under which Bassilichi undertook to provide BMPS with (i) services related to ATM management, including help desk, hardware assistance and installation, (ii) services related to the POS management, including help desk, hardware assistance, eCommerce and POS rental, and (iii) services related to interbanking corporate payments service, including services related to the CBI Gateway.

*Agreement with Deutsche Bank S.p.A.*

- Deutsche Bank S.p.A. Marketing and Distribution Agreement

We have entered into a marketing and distribution agreement with Deutsche Bank S.p.A., pursuant to which Deutsche Bank S.p.A. will make available and promote, market and distribute our products and services through its network, on an exclusive basis for five years starting from June 2017, and will refer its customers interested in such products and services to Nexi (the "DB Marketing and Distribution Agreement"). In exchange, we have agreed to provide Deutsche Bank S.p.A. with our merchant products and services, meeting specific quality standards, and to pay Deutsche Bank S.p.A. certain agreed fees. The DB Marketing and Distribution Agreement expires in 2022 subject to tacit renewal for another five-year period. Both parties may withdraw from the DB Marketing and Distribution Agreement by providing six months' written notice.

***Agreements with Card Scheme Operators***

*Visa Inc. Agreement*

- Visa Inc. and Visa Europe Limited

Visa Europe is a leading European card scheme operator, providing the brand, systems, electronic money services and operating rules that govern its European payments business and infrastructure. Visa Europe was spun off from the joint predecessor of Visa Europe and Visa Inc. in October 2007 in preparation of Visa Inc.'s initial public offering on the New York Stock Exchange in 2008. When Visa Europe was spun-off, it was restructured as a not-for-profit membership association and cooperative and became owned by those banks and other service provider members who, as members of Visa Europe, issue payment cards or who provide card acquiring services (such as Nexi Payments). Visa Europe determines certain cardholder and related fees. At the time of spin-off, Visa Europe was owned by the approximately 3,700 European banks and other payment service providers that operate Visa branded products and services within Europe. See "*—Acquisition of Visa Europe by Visa Inc.*"

- Visa Membership Deed

We became a member of Visa Europe on September 10, 2009. At that time, each member of Visa Europe owned one redeemable ordinary share in Visa Europe. These shares have limited economic value and their voting and economic rights are mainly based on sales volumes of the particular member or group of members. We also own €83.1 million Class C shares in Visa Europe, which will be converted into ordinary shares of Visa Inc. at the end of the lock-up period. The conversion into ordinary shares will occur on the basis of a conversion factor determined by Visa on the basis of the status of the Visa Europe litigation. See "*Risk Factors—Risks Related to Our Business—We are subject to the risk of litigation and other claims.*"

Under the membership deed we have been granted certain rights of membership and given participation entitlements as permitted by the Visa membership regulations. Under the membership deed, Visa Europe agreed to grant us the right to use certain intellectual property of Visa Europe (which grant of rights is set out in a separate

Trade Mark Agreement and Technology License Agreement). In exchange, we agreed to comply with the obligations imposed on us by various membership documents and to comply with Article 30 of the articles of association of Visa Europe, which is described below. Visa Europe had the right to change our participation entitlements at any time. We may terminate our membership by giving 180 days' notice, while Visa Europe may terminate our membership for good cause, or for a termination event as defined in the Visa membership regulations.

By virtue of our former membership in Visa Europe, we have potential joint and several liability that is unlimited in terms of both time and amount under the terms of the Visa Europe operating regulations, along with all other members of Visa Europe in respect of actual losses incurred by Visa Europe in Visa Europe's operation of the card scheme. See "*Forward-Looking Statements*."

- Rebates

Historically, the Group received certain benefits of membership, including periodic and one-off rebates of a certain proportion of the scheme fees paid to Visa Europe. Through our membership in Visa Europe, we received a rebate on our scheme fees, calculated by reference to the volume of transactions we process through Visa Europe. Subsequent to Visa Europe's incorporation into Visa Inc. in 2016, we have ceased to be a member of Visa Europe, and since October 2016 have been in the process of renegotiating the terms of our business relationship with the Visa card scheme. There can be no assurance that this will lead to us being able to negotiate and establish new terms that are equally commercially attractive as our previous terms. See "*Forward-Looking Statements*."

- Acquisition of Visa Europe by Visa Inc.

On November 3, 2015, Visa Inc. announced that it had entered into a transaction agreement with Visa Europe of which we were a shareholder, pursuant to which Visa Inc. agreed to acquire 100% of the share capital of Visa Europe for a total consideration of up to €21.2 billion. On June 21, 2016, Visa Inc. closed its acquisition of Visa Europe for a total consideration of up-front cash consideration of €12.2 billion ($13.9 billion) and preferred stock convertible upon certain conditions into class A common stock or class A equivalent preferred stock of Visa Inc., equivalent to a value of €5.3 billion ($6.1 billion) at Visa Inc.'s closing stock price of $77.33 on June 21, 2016, and following the third anniversary of the closing, an additional €1.0 billion, plus 4% compound annual interest. Because we were a shareholder of Visa Europe at the time, we participated in the sale proceeds and received upfront consideration in an amount equivalent, net of non-controlling interests and taxes, to €219.7 million.

*MasterCard Agreement*

On January 1, 1986, Servizi Interbancari, S.p.A. (Nexi's predecessor) entered into a card member license agreement with MasterCard, which is the only material agreement governing our relationship with MasterCard. Under this agreement, MasterCard granted Servizi Interbancari S.p.A. a perpetual license to use MasterCard's marks. Servizi Interbancari agreed to cause those merchants with whom Servizi Interbancari had an agreement to honor all MasterCard payment cards, and to disburse cash advances at its non-U.S. offices to MasterCard holders. MasterCard has the right to terminate the agreement if Servizi Interbancari ceases to be a card member of MasterCard, fails to comply with the standards for use of MasterCard's marks, or discontinues use of MasterCard's marks for a period of one year. Servizi Interbancari has the right to terminate the agreement by giving 30 days' written notice.

*Bancomat/PagoBancomat Agreements*

In 1999, Nexi Payments entered into a card member license agreements with CO.GE.BAN., which was the licensee of the Bancomat and PagoBancomat trademarks. Following the conversion of CO.GE.BAN. into the Bancomat consortium in 2008, and the acquisition by the latter of the ownership of the PagoBancomat trademarks, Nexi Payments has become a member of the Bancomat consortium entitled to use the Bancomat and PagoBancomat trademarks. Under these agreements, the Bancomat consortium granted Nexi Payments a license to use Bancomat and PagoBancomat's trademarks both in our Merchant Services & Solutions and Cards & Digital Payments business units. In exchange, Nexi Payments agreed to pay certain membership fees. The Bancomat consortium has the right to terminate the agreements if Nexi Payments fails to pay membership fees or if Nexi Payments is expelled from the consortium. The license agreements have a duration of one year and are subject to automatic renewal, unless Nexi Payments serves a three-month written notice of termination or Nexi Payments is subject to merger or demerger transactions.

***Agreements with ICT Providers***

*equensWorldline and SIA Agreements*

Below is a description of the key terms and conditions of the agreements between us and, respectively, SIA and equensWorldline.

*SIA Agreements*

On December 28, 2005, SIA (formerly known as *Società per i Servizi Bancari S.p.A.*) and Nexi Payments entered into an agreement, subsequently amended, regulating the provision of certain services from SIA (in compliance with specific quality standards referring, among others, to SIA's processing activity in the following areas: Cards & Digital Payments, Merchant Services & Solutions and Payments Services. The agreement, with an original expiration date of December 31, 2011, is subject to automatic annual renewal. The parties can indicate an intention not to renew the agreement with at least twelve months' written notice before the expiration date. In the event that SIA exercises its right to withdraw from the agreement, Nexi Payments can request, and obtain, that SIA (by means of a notice sent by Nexi Payments within 180 calendar days prior to the termination date) continues to provide the services for up to 24 months from the effective date of termination. The agreement also prohibits Nexi Payments from soliciting SIA employees for the entire duration of the agreement (including any renewal thereof).

*equensWorldline Agreement*

On November 3, 2015, we, Equens SE and Worldline SA signed a term sheet that sets forth the principal terms and conditions to be reflected in any new and future service supply agreement for processing activity within the merchant acquiring value chain (each, a "New Supply Agreement"). This term sheet provides that each New Supply Agreement shall have a duration that varies according to the successful completion of Worldline SA's acquisition of Equens SE (the term sheet provides that the duration of each New Supply Agreement is five years from the closing of the corporate transaction mentioned above, completed in 2016, with the establishment of equensWorldline). The term sheet provides that neither it nor any New Supply Agreement shall be interpreted as implying a commitment by us to acquire a minimum level of services from equensWorldline and/or to maintain a minimum level of expenditure in equensWorldline's favor.

With respect to intellectual property rights, we acknowledge that the intellectual property rights in the software relating to the IT platform operated and/or used by Equens SE for the provision of the services remain with Equens SE or any of its suppliers. We shall have ownership rights in any software which, in agreement with Equens SE, Equens SE will develop specifically for us. Such software shall be entirely and exclusively funded by us. Finally, the term sheet provides that Equens SE is not our exclusive supplier of the services detailed in (i) the New Supply Agreements and (ii) the two service agreements signed on November 1, 2008 between ICBPI and Equens Italia S.p.A. and between Nexi Payments and Equens Italia S.p.A. In addition, on November 3, 2015, ICBPI and Equens SE entered into an agreement to establish an exclusive distribution relationship relating to the services offered by ICBPI to banks and customers active in the Italian market, on the basis of the above-mentioned term sheet expires in 2024 and may be terminated before then in the event of any material deviations from the key financial terms set forth in the term sheet.

**Sales and Marketing**

In our Merchant Services & Solutions business unit we typically pair with partner banks. Our partner banks' branch networks have deep local roots and are present across all of Italy. Leveraging these capabilities and relationships with existing and new customers, the partner banks make referrals of both eligible, potential cardholders (for Cards & Digital Payments) and merchants (for Merchant Services & Solutions). Since we are the leading card issuer and merchant acquirer in Italy, this creates a mutually dependent relationship between ourselves and our partner banks.

In the Digital Banking Solutions business unit we employ a direct sales model to market our services to bank, corporate and public sector customers. We generally rely on a wide range of marketing channels including traditional advertising channels and materials, as well as online content management and direct marketing.

**Information and Communications Technology**

Information and communications technology ("ICT") is a critical part of our business. We rely on an IT system which, through an integrated architecture encompassing the whole Group, allows us to manage our IT processes centrally. More specifically, the entire value chain associated with software development and implementation is controlled through this system. We utilize a broad portfolio of software applications and technical infrastructures, both for internal purposes and to provide services to our customers. We have developed a sophisticated matrix to decide which ICT systems we outsource and which ones we develop in-house.

The IT processing platform of our Group consists of the following application components: (i) Physical Digital Channels and Connection Layers, (ii) Transaction Processing Hub, (iii) Customer Management and (iv) Technology and Security Infrastructure.

- *Physical Digital Channels and Connection Layers.* The architectural component consists of the set of software programs and hardware infrastructures suitable for creating and managing the interface between the physical access channels and our Information System. The following elements form this component:

- the systems that produce and manage the user interface and that guarantee an efficient information management by users of our systems;

- the software layers that guarantee an interchangeability of the protocols of communication with external bodies, such as payment platforms;

- the publication of APIs (Application Programming Interfaces), including those that comply with current standards (PSD2); and

- the specific application systems referring to the access channel, such as, for example, the life cycle management of ATM and POS channel devices.

- *Transaction Processing Hub.* The structural component consists of the software programs and hardware infrastructures designed to manage various aspects of a payment transaction, ensuring its integrity, security and speed of execution. This architectural component specifically and separately manages the transactions related to:

- the management of payment cards according to the different models of service of licensing and servicing, and divided into issuing and acquiring components;

- the management of payment transactions relating to e-commerce and digital corporate banking; and

- the parametric access to international card scheme operators such as example VISA, Mastercard and American Express.

- *Customer Management.* The structural component is made up of the whole of the software programs and hardware infrastructure suitable for connecting in a parametric access flows from the physical channels with the processing systems of the transactions, so as to allow efficient customer management.

- *Technology and Security Infrastructure.* The structural component consists of the set of software programs and hardware infrastructures, aimed at providing the IT service as a whole, i.e.,:

- to ensure the continuity of operation of the IT service;

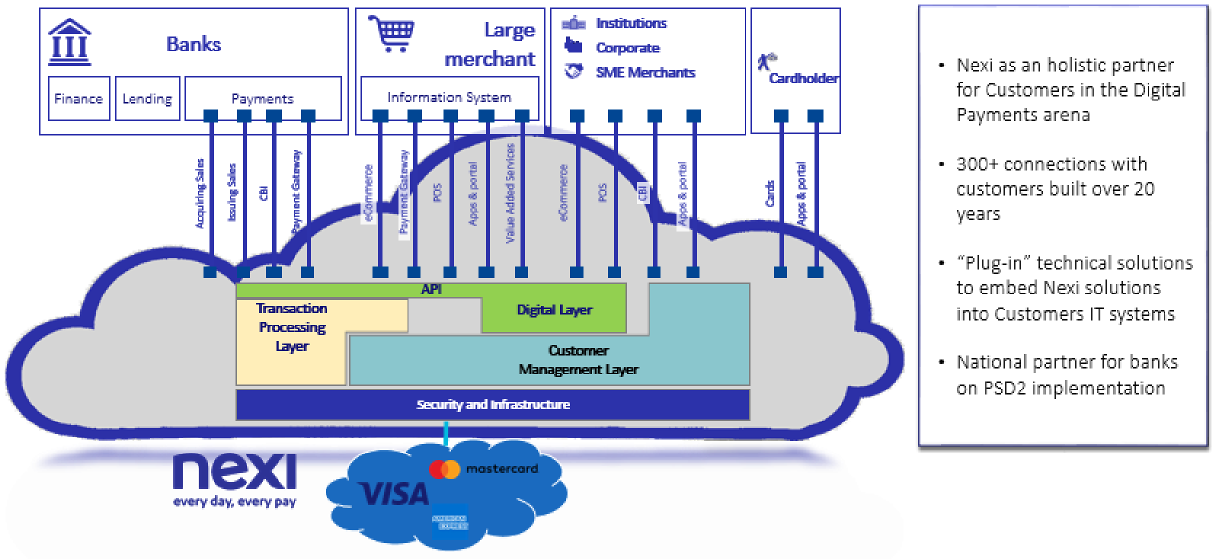
- to provide adequate performance in terms of quality, reliability and speed of the transactions; and

- to ensure the security, confidentiality and protection of the IT system with respect to access, use and integrity of the information contained therein.

Our IT solutions allow us to be a reference partner for our customers in the field of digital payments. Our ecosystem boasts more than 300 connections with our customers, developed over the last 20 years, which are the basis of long-standing relationships with our customers.

We have further strengthened our relationships with our customers through the development of plug-in solutions that supplement our product offering within our customers' IT systems. Our technological skills enjoy considerable recognition at national level, as shown by our selection as national partner of Italian banks for the implementation of PSD2. We expect that in the coming years, the CBI Globe initiative (i.e., the development of the pan-Italian open-banking gateway) will strengthen our strategic positioning in the field of digital payments.

***Our Digital Architecture***




Source: Management data.

***Cloud Architecture and Customer Service Management***

We have benefited from our cloud architecture and Customer Management Service systems to increase commercial effectiveness and improve our customer service. We have developed a sales tool that provides a 360-degree view of the customer, from sales reporting to customer management and marketing campaigns. This tool will be integrated into the customers' banking systems, thereby strengthening the technological partnership between us and our customers.

***Use of Strategic Partnerships or Internal Capabilities to Manage Processing Activities***

We use a combination of internal capabilities and strategic partnerships. For example, some payment features are managed in cooperation with our strategic partners, while we manage the gateway connections and technology. In particular, we have relationships with SIA and equensWorldline for the supply of services of processing.

Robust technology infrastructure that includes security technologies and a hybrid cloud data center for reliability, scalability and rapid deployment

Our data center and IT infrastructure are built and optimized to support the digital transformation. We use hybrid technology that combines an in-house data center with public cloud service providers such as AWS and Azure. We also maintain a higher level of service by operating our data centers in active-active mode. The applications are divided between two main sites ensuring reliability in the event of any failure, including the malfunction of an entire data center.

In the financial years from December 31, 2016 to December 31, 2018, we invested over €325 million (including capex and operating expenses in the 2016-2018 period) in the technological infrastructure, starting a process of efficiency and cost reduction, with the completion of more than 50 transformation projects.

**Employees**

***Overview***

As of June 30, 2019, we had a total of 1,838 full-time equivalent employees, excluding temporary workers. Our total number of employees included 96 top managers, 967 middle managers and 947 white collar employees.

***Stock Options***

We currently have in place a stock option plan under which Mercury UK has granted 59 Group employees (the "Beneficiaries") the right to the free assignment by Mercury UK of our shares, vested over 24 months, under the circumstances set out in the plan documentation (the "Mercury UK Grant Plan"). The purpose of the Mercury UK Grant Plan, the full cost of which is borne by Mercury UK, is to further align the interests of the Beneficiaries, whose contribution is deemed to be of significant strategic importance, with the objectives of the shareholders.

***Unionization***

Our employees are subject to the following Italian national collective bargaining agreement (*Contratto Collettivo Nazionale del Lavoro or CCNL*): (i) the "*CCNL*" for employees of credit companies (*Contratto Collettivo Nazionale di Lavoro per le Imprese Creditizie*); (ii) the "*CCNL*" for managers of credit companies (*Contratto Collettivo Nazionale di Lavoro per i Dirigenti delle Imprese Creditizie*), applicable to our top managers; (iii) the "*CCNL*" for employees of commercial companies (*Contratto Collettivo Nazionale di Lavoro del Commercio*); (iv) the "*CCNL*" for employees of industrial telecommunication companies (*Contratto Collettivo Nazionale Metalmeccanico*); and (v) additional collective bargaining agreements that govern working hours, bonus payments, contributions to pension funds and other benefits.

***Pensions***

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, the duration of their employment and the rate of inflation. We make pension contributions on behalf of our employees as required by applicable Italian law. In addition, we have pension commitments in respect of former executives and their relatives. Other than increases in contributions required by law, we do not expect significant pension liabilities going forward. As of June 30, 2019, the amount set aside under our severance indemnities under employees' contracts of employment amounted to €15.1 million.

There is no central works council for the entire Group. However, all of its employees are represented by works councils at the company level. We consider our relations with employees, works councils and unions to be satisfactory and has not had any significant labor issues during the past three years.

**Intellectual Property**

***Brands***

We operate a broad business portfolio and use a number of recognizable brands across our businesses and business units. We use the Nexi brand to market our services in our Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions business units. Since most of our payment cards are co-branded with the Nexi brand appearing alongside the partner bank's logo, the Nexi brand is well established in the marketplace, with strong growth since its launch in November 2017. We use the Help Line trademark in our Digital Banking Solutions business unit. We use the Nexi brand to market our services in our Cards & Digital Payments business unit. In our Cards & Digital Payments business unit we also use the FastInvoice brand for products and services in connection with e-invoicing. Additionally, we leverage our Papen brand for the management and collection of pension payments for our bank customers. We expect to register additional brands and trademarks in the future.

***Trademarks, Domains and Patents***

As of the date of this offering memorandum, we hold numerous trademark registrations in Italy and Europe including Nexi, Help Line, GIANOS, Moneynet, Mercury Payment, Mercury Payment Services, Moneta & Figura and others. We hold numerous internet domains relating to each of our brands and business units, and we believe that we hold all internet domains that are material to our businesses. We do not hold any patents that are material to our businesses.

We aim to protect our domain names through a strategy aimed at preventing misuse of domain names lexically identical or similar to the name Nexi. We have purchased numerous domain names resembling (even remotely) "Nexi" or goods, trademarks and/or our subsidiaries over a wide range of domains, so as to inhibit misuse of domains similar to our official domain names. Regular internet scans are also carried out by the relevant offices or by external companies to identify, for example, any cases of the misuse of the "Nexi" name and to take the necessary protective action. We also use an external service for the technical and orderly management of the registration and maintenance of domains and for their renewal. Two separate offices (IT and Marketing/Communication) independently supervise the management of our domain names in order to increase effectiveness and to prevent operational errors.

***Licenses***

We have obtained a license to perform payments services, under our Moneynet business. See "*Regulation*." In addition, we are dependent on the licenses we have obtained from each of Visa, MasterCard, Bancomat, PagoBancomat, American Express, Diners Club and JCB to participate in national and international card schemes, perform payments services and issue payment cards. The underlying license agreements include a change of control clause and can be terminated at any time, subject to notice periods of between three and twelve months. See "*—Material Contracts—Agreements with Card Scheme Operators.*"

**Property, Plant and Equipment**

As of the date of this offering memorandum our headquarters at Corso Sempione 55, 20149, Milan, is the only real estate asset that we consider to be a material part of our business.

**Insurance**

As part of our insurance program, we maintain liability and property/business interruption insurance policies, professional liability, cyber risk and electronic equipment insurance. We are not currently involved in any material claims under any of our insurances.

For the benefit of our directors and officers, we have entered into a global directors and officers ("D&O") insurance policies to cover our present, former and future directors and officers, general managers, authorized officers and senior staff. The D&O insurance policies cover financial losses resulting from liability of our directors and officers and we believe the limitations of the Group's coverage are in line with industry practice.

**Legal Proceedings**

As of the date of this offering memorandum, we are involved in legal proceedings in the ordinary course of our business. We have assessed the potential liabilities that may arise from pending litigation and have determined provisions on the basis of prudential criteria. As of June 30, 2019, we sit aside total provisions for disputes in an amount of € 4.2 million against aggregate claims of €14.6 million. In addition, we have included €0.8 million in "*Other Provisions*" for certain labor disputes. In this respect, we note that the outcome of legal proceedings can be extremely difficult to predict and we offer no assurances in this regard.

**Ongoing Disputes**

Ongoing disputes as of the date of the offering memorandum are set forth below.

*Disputes with Customers*

- BNL vs. Union Delta—BASE

On January 7, 2014, BNL commenced proceedings against Bassilichi, BASE and Union Delta before the Court of Rome, in which it sought payment of an amount found missing in a money counting room of Turin which was managed by Union Delta, on the basis of a transport and money counting agreement. The claim amounts to €5,000,000.00. Under the aforementioned agreement, BNL was acting as the client and Bassilichi as professional intermediary in accordance with Article 115 of the Consolidated Law on Public Security, which in turn availed itself of Base as a supplier in accordance with Article 115 of the Consolidated Law on Public Security, and Union Delta as local service provider by virtue of the license in accordance with Article 134 of the Consolidated Law on Public Security. Base and Union Delta requested the joinder of their insurance companies for indemnification purposes. On January 8, 2015, the Court of Rome declared the bankruptcy of Union Delta and, on March 31, 2015, the proceedings were interrupted and then timely resumed.

On November 7, 2018, the Court of Rome issued its first instance judgment against Bassilichi, dismissing the claims against Union Delta as unenforceable, and ordered Bassilichi, jointly and severally with Base, to pay the amount of the claim, as well as legal costs equal to €120,000. The Court of Rome, however, upheld the application of Bassilichi to be indemnified by Base in full from any sum to be paid to BNL as well as legal costs. This part of the judgment was not challenged by Base and, as such, is final. The Court of Rome also upheld Base's request to be held harmless by its insurer (Lloyd's) from all sums to be paid to BNL (except for an allowance of €100,000.00) including legal costs. This part of the judgment was appealed by Lloyd's. As of the date of the offering memorandum, the appeal proceedings have started. Based on the opinions received from our legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

- Be Think (formerly Bee Team) Litigation

On March 9, 2010, Be Think instigated proceedings against Bassilichi before the Court of Siena seeking €661,000 as consideration for services billed to Bassilichi but rendered in favor of the Consortium Monte Paschi Siena as end customer. The services in question are back-office services including processing of checks, bills of exchange and delegations of payment. Bassilichi has challenged these claims, asking that the above amounts be offset against penalties charged by the Consortium Monte Paschi di Siena to Bassilichi as contractor, equal to €556,221 as Bassilichi considers Be Think, as a sub-contractor, to be liable for the claimed non-performances. Be Think has challenged such claims, claiming not to be liable for these penalties and, in the alternative, asking the Court to equitably reduce the amount of the penalties.

As of date of this offering memorandum, the parties are trying to reach an amicable settlement based on an offer from Nexi to pay €290,000 to the consortium in addition to €475,000 to be paid to Be Think for a total reimbursement of €765,000. Given ongoing negotiations, on February 22, 2019 the court adjourned the hearing to file the final requests for relief (*precisazione conclusioni*) until June 25, 2019. Based on opinions received from legal advisors, the risk of a negative outcome of the proceedings is assessed as possible.

- Tourist Service vs. CartaSi

On October 1, 2010, Tourist Service commenced proceedings before the Court of Cagliari against Nexi Payments, as merchant acquirer, and Banco di Sardegna S.p.A., as banking institution where Tourist Service held a bank account, seeking approximately €400,000, relating to a payment blocked by CartaSi (and Banco di Sardegna S.p.A.) and returned to its owners that was considered by CartaSi to be the result of fraudulent transactions. In addition to the above, Tourist Service has sought damages against Nexi Payments and Banco di Sardegna S.p.A. equal to €3,000,000 (direct damage and loss of profit) due to the alleged economic repercussions and the damage to its reputation that Tourist Service has allegedly suffered due to the disputed facts.

Nexi has claimed that the Court of Cagliari lacks territorial jurisdiction and has requested that the opposing party's claims be dismissed as unfounded in fact and in law. The proceedings, which were commenced as summary proceedings, have been converted to ordinary proceedings. Following the filing of the submissions in the discovery stage, Nexi's case file, held at the Registry of the Court of First Instance of Cagliari, went missing. Nexi then refiled its case, and Tourist Service claimed that the new case file was different from the old one. Nexi then filed specific submissions to prove the conformity of the new case file with the previous file submitted. At the hearing for the filing of the final requests for relief, Tourist Service's lawyer renounced his engagement as lawyer for Tourist Service. Tourist Service failed to appoint a new lawyer, thereby binding the current lawyer to continue to represent it in the proceedings.

At the last hearing held in March 2018, the judge adjourned the hearing for the filing of the final requests for relief to October 16, 2019 to ensure that Tourist Service has sufficient time to appoint the new lawyer. Based on the opinions received from the legal advisors, the risk of a negative outcome of the proceedings is assessed as unlikely.

- Labor Law Disputes

As of the date of the offering memorandum, we are involved in a series of labor law disputes, both in the first instance and on appeal. Bassilichi is a defendant in 30 proceedings relating to unlawful use of third-party workers (*interposizione illecita di manodopera*) and the invalidity of a transfer of two employment contract (from Bassilichi to Pay Care). Bassnet S.r.l. is a defendant in eight proceedings relating to the same matters. Finally, Nexi Payments is the defendant in two proceedings, the first relating to a request to declare the transfer of an employment contract from Nexi S.p.A. to Nexi Payments S.p.A., which occurred in July 2018, with the ensuing re-employment within Depobank, and the second relating to unlawful use of third-party workers. As of June 30, 2019, the overall amount of these claims was €0.8 million. Based on opinions received from legal advisors, the risk of a negative outcome of the proceedings is assessed as possible for all of the above disputes.

*Intellectual Property Litigation*

Nexi Payments has received four complaints from third parties concerning its use and/or registration of certain trademarks. As of the date of this offering memorandum:

- two of these disputes (in August and October 2018) were not followed by administrative and/or legal proceedings against Nexi Payments;

- the opposition action (No 003018119) brought by Euronext N.V. (proprietor of the word and figurative mark “Next”) against the European trademark application “Nexi” No 17124793 was defined by an agreement signed by Nexi Payments on October 11, 2018, by which Nexi Payments undertook to amend the trademark application and the further trademark registrations concerning the term “Nexi” by specifically limiting the services for which protection is sought and Euronext N.V. undertook to waive the opposition and not to contest the validity of the other trademark registrations. Nexi Payments is waiting to receive the settlement agreement signed by Euronext N.V.; and

- the opposition (No. 003018762) to the European trademark application “Nexi” No 017124793 filed by Next Retail Limited (owner of certain trademark registrations (“Next”)) is pending. The parties are discussing the possibility of settling the matter and the proceedings have been suspended until January 16, 2020.

## 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 memorandum 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 of 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 Protection Code, harmonizing it with the GDPR and complementing the existing Privacy regulatory framework in Italy and (b) on October 8, 2018 the Data Protection Authority (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 memorandum, 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, as amended from time to time;
- CRR, as amended from time to time;
- Supervisory Provisions for Banks, as amended from time to time;
- 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

- measures taken by the Authority.

**Regulations Applicable to Electronic Money Institutions and Payment Institutions**

The subsidiaries Nexi Payments, an Electronic Money Institution (Istituto di Moneta Elettronica), and Mercury Payment, 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 EU 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.

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 (as defined below) 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 sent the Bank of Italy the required documentation and, on July 13, 2018, the Bank of Italy authorized Mercury Payment to continue to operate as a payment institution.

On July 23, 2019, the Bank of Italy issued a new version of the Supervisory Provisions, thus implementing the PSD2 directive and its implementing provisions. With the update of the Supervisory Provisions, the Bank of Italy has: (i) enriched and integrated the content of the programme of activities to be presented to the Bank of Italy and updated it in accordance with the new requirements introduced by the PSD2, (ii) extended the application, with certain specifications, of the definition of "own funds," (iii) provided that institutions must have a specific policy for the management of security risks, procedures for their management and control, systems for the prevention and monitoring of security incidents and fraud, as well as procedures for the storage, monitoring, traceability and limitation of access to sensitive data relating to payments, in order to ensure more effective risk management, (iv) updated and integrated the content of the information that the Italian institutions shall provide to the Bank of Italy if they intend to operate abroad, and (v) introduced detailed provisions in order to regulate the performance of the new payment services under PSD2.

***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 Supervisory Provisions provide for 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 CRR and the Supervisory Provisions for Banks, which permit adjustments and simplifications in order to duly take into account the different levels of complexity of these entities.

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 the 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 23, 2019 the Bank of Italy issued a new version of the Supervisory Provisions. The novelties contained in such provisions also concern, *inter alia*, the own funds providing for the application to institutions of the definition of "own funds" introduced for banks and investment firms by the CRR, with certain adaptations, with the aim of increasing their quality and minimum regulatory level, imposing stricter criteria for the inclusion of the various instruments in regulatory capital and harmonizing the treatment of deductions.

**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," as amended from time to time), 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.

**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 memorandum, the members of the administrative, control and management bodies of Nexi Payments and Mercury Payment 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, in addition to first-level controls aimed at ensuring the proper execution of transactions related to the provision of payment services and the issuance of electronic money carried out by operating structures, 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).

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, 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 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 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 EU 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 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 EU 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, EU 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 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 CartaSi, 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."*

*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."*

*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, 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 on March 27, 2019; (iii) the directive containing implementing provisions on adequate customer due diligence, adopted by the Bank of Italy, pursuant to Article 7(1) of the AML Decree, on July 30, 2019 and in force since January 1, 2020; and (iv) instructions on objective communications issued by the Financial Intelligence Unit ("FIU") on March 28, 2019; and (v) 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 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 ten 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. EU 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 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;

(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:

- the 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 discrepancies 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 dedicated 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 customer. 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 by the end 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 analyzing 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, summarized below, were highlighted for ICBPI and CartaSi 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 memorandum, 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.

## 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 Advent, Bain and Clessidra.

***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 memorandum:

| Name | Age | Position |
|---|---|---|
| Michaela Castelli | 49 | Chair of the Board of Directors |
| Luca Bassi | 49 | Director |
| Paolo Bertoluzzo | 53 | Chief Executive Officer and General Manager |
| Giuseppe Capponcelli | 62 | Vice-Chair of the Board of Directors |
| Francesco Casiraghi | 40 | Director |
| Simone Cucchetti | 43 | Director |
| Federico Ghizzoni | 63 | Director |
| Elisa Corghi | 47 | Director |
| Jeffrey David Paduch | 40 | Director |
| Antonio Patuelli | 68 | Director |
| Maurizio Mussi | 41 | Director |
| Marinella Soldi | 52 | Director |
| Luisa Torchia | 62 | 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 practiced 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 CartaSi 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; member of the boards of directors of VISA Europe, Oasi and Unione Fiduciaria. 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.

*Elisa Corghi* serves on the boards of DiaSorin, Pitti Immagine, Corneliani, BasicNet, Tinexta and Re Valuta. Until 2019, she served on the board of Recordati. From 2000 to 2013, Ms. Corghi was a senior financial analyst at Intermonte, an investment bank, in Milan. Prior to joining Intermonte, Ms. Corghi was also a senior brand manager for Kraft Foods and a brand manager for the Barilla Group. Ms. Corghi holds a degree in management from Bocconi University in Milan.

*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.

***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 | Position |
|---|---|---|
| Paolo Bertoluzzo | 53 | Chief Executive Officer and General Manager |
| Bernardo Mingrone | 45 | Chief Financial Officer |
| Enrico Trovati | 52 | BU Merchant Services & Solution Director |
| Andrea Mencarini | 48 | BU Card & Digital Payments Manager |
| Renato Martini | 51 | 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 position, 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.

*Executive Management Compensation*

The executive management team received aggregate compensation of €4.8 million, €12.5 million and €16.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

*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 memorandum, 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 | Position |
|---|---|---|
| Piero Alonzo | 54 | Standing Auditor, President |
| Marco Giuseppe Zanobio | 55 | Standing Auditor |
| Mariella Tagliabue | 49 | Standing Auditor |
| Tommaso Ghelfi | 46 | Alternate Auditor |
| Andrea Carlo Zonca | 53 | Alternate Auditor |

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 business management 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.

## Share Ownership

### *Long-term Incentive Plan*

On February 13, 2019, our Board of Directors approved a remuneration policy. The remuneration policy provides for a three-year variable incentive system (long-term incentive plan ("LTI")) that aims at (i) driving the company performance in the medium-/long-term by aligning management behavior with our strategy and risk management policies, and (ii) retaining key people, who hold high-impact roles within the organization and who have relevant skills, capable of representing a competitive advantage for us. In this context, the shareholders' meeting held on March 12, 2019, approved a stock grant LTI (the "LTIP"), which provides 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 certain criteria. The LTIP is 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 has a duration of three years and provides for the assignment of rights to receive our ordinary shares on an annual basis over the three-year period (2019-2021).

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we regularly enter into agreements with related parties. The agreements we enter into with these related parties may be material, and mainly relate to IT outsourcing services, commercial services and other consulting services.

### Transactions with Depobank

In the context of the Reorganization, we have entered into certain service agreements with Depobank. The terms and conditions described below reflect the current understanding of the parties, and we do not assume any obligation to update the description below.

#### *IT Outsourcing Agreement*

Pursuant to the outsourcing agreement (the "Outsourcing Agreement"), we will provide Depobank with certain IT services. In particular, we will manage the applications used by Depobank to provide its banking services as well as manage Depobank's technology services. These services will include application services (i.e., corporate systems and payments applications), application and remedial maintenance services, operational support services, data user administration, back-up and recovery services, data storage services and infrastructural services. In exchange, Depobank agrees to pay us approximately €10 million per year. We expect that the Outsourcing Agreement will have an indefinite duration and, starting from the end of the third year from the signing of the Outsourcing Agreement, both parties could withdraw from the Outsourcing Agreement by providing twelve-months' advance notice. In addition, we expect that the Outsourcing Agreement will provide for customary termination clauses in case of serious breaches by the relevant party, penalties in case of our failure to provide certain level of services, a limited indemnification provision as well as the undertaking from us to provide assistance in case of expiration, withdrawal or termination of the Outsourcing Agreement, at Depobank's request, for a period not exceeding a duration of twelve months.

#### *Commercial Services Agreement*

Pursuant to the commercial services agreement (the "Commercial Services Agreement"), we will (i) promote and market certain Depobank's products related to the payments business to its current and potential customers and manage the related commercial relations and (ii) undertake to evaluate the opportunity to develop, promote and market new Depobank's products, also at Depobank's request, which could be beneficial to Depobank's business. In exchange, Depobank will pay to us an annual fee based on the annual business volumes generated by Depobank from certain customers indicated in the Commercial Services Agreement, in relation to the activities described above. We expect that the Commercial Services Agreement will have an indefinite duration and, starting from the end of the fifth year from the signing of the Commercial Services Agreement, both parties could withdraw from the Commercial Services Agreement by providing twelve-months advance notice. In addition, we expect that the Commercial Services Agreement will provide for customary termination clauses in case of serious breaches by the relevant party, penalties in case of our failure to provide certain level of services and a limited indemnification provision.

#### *Custodian Bank Agreement*

We issue prepaid cards through our subsidiary Nexi Payment. 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 December 31, 2018, under the Custodian Bank Agreement was €50,000.

***Credit 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 the partner banks in accordance with the a servicing and/or processing agreement. In particular, the management of the above activities causes a mismatch between (i) Nexi Payment's cash flow settlement operations and (ii) the reimbursement, by the partner banks, of the amounts advanced by Nexi Payments. Following the Reorganization, Nexi Payments granted Depobank a credit mandate (the "Credit Mandate"), pursuant to Article 1958 et seq. of the Italian Civil Code, pursuant to which Depobank undertakes to make daily advances on behalf of its partner banks, as requested by Nexi Payments, up to a maximum amount of €500,000,000. As a result of the Credit Mandate, Nexi Payments guarantees Depobank full and timely fulfilment of all and each of the payment obligations of the partner banks, for an amount equal to the amounts advanced and up to a maximum amount of €500,000,000. The Credit Mandate has a duration of three years and has an automatic renewal clause. See also "*Certain Relationships and Related Party Transactions—Settlement Obligations—Credit Mandate.*"

# PRINCIPAL SHAREHOLDERS

## Shareholders of the Issuer

The Issuer, Nexi S.p.A., is a *società per azioni* incorporated under the laws of Italy on April 21, 2016. The Issuer is registered with the Italian stock exchange (*Borsa Italiana*) and has its registered office at Corso Sempione 55, Milan, 20149, Italy. The Issuer has an authorized and issued share capital of €57,070,707.00 divided into 627,777,777 fully paid shares with no par value.

The table below shows the current share capital of the Issuer as of the date of this offering memorandum.

| | No. of Shares | % Share capital |
|---|---|---|
| Mercury UK Holdco Limited | 377,608,333 | 60.096 |
| GIC PTE LTD | 20,001,000 | 3.196 |
| Other Shareholders | 230,168,444 | 36.708 |
| **Total** | **627,777,777** | **100** |

For an overview of our corporate structure see "*Summary—Summary Corporate and Financing Structure*."

## Our Principal Shareholders

Mercury UK Holdco Limited is a limited liability partnership formed under the laws of England and Wales. Following the Listing, Mercury UK retained 60.096% of the issued and outstanding shares capital of the Issuer. Advent, Bain Capital and Clessidra beneficially hold 41.14%, 41.14% and 14.55%, respectively, of Mercury UK's issued and outstanding share capital.

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

## Investors Agreement

Relations between Advent, Bain and Clessidra with respect to their rights and obligations in connection with their direct or indirect investment in, and governance of, Mercury UK and its subsidiaries, are governed by an investment and shareholders' agreement, governed by English law, entered in the context of the ICBPI Acquisition in 2015, and subsequently amended on March 11, 2019, and restated, amended and renewed for a period of three years starting from the date of Listing (the "Shareholders' Agreement"). The Shareholders' Agreement governs, *inter alia*, Mercury UK's and the Issuer's governance, and it includes certain limitations on the possible transfer of Mercury UK's and the Issuer's shares.

## Margin Loan

On April 10, 2019, Mercury UK, as borrower, along with certain financial institutions, as lenders, entered into a margin loan (the "Margin Loan") for an aggregate amount of €840 million. The Margin Loan is secured by a pledge on the majority of the shares of the Issuer owned by Mercury UK. If Mercury UK breaches the 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. See also "*Risk Factors—Risks Related to the Financial Profile of the Issuer—Mercury UK is a significant shareholder and may control or otherwise influence important actions we take, and its interests may conflict with yours.*"

# DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

## Facilities Agreement

### *Overview and Structure*

On March 20, 2019 the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment, entered into a facilities agreement (the "Facilities Agreement"), with certain banks, financial institutions and other persons, with respect to a €1,000 million term loan facility (the "Term Loan Facility") and a €350 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Credit Facilities"). The Facilities Agreement is governed by English law.

Pursuant to the Facilities Agreement, additional credit lines may be established, and auxiliary credit lines ("Ancillary Facilities") may be granted in lieu of all or part of the Revolving Credit Facility, up to the limits available under the Revolving Credit Facility.

The Issuer, Nexi Payments and Mercury Payment entered into the Facilities Agreement as original borrowers and original guarantors ("Original Guarantors"). See "*—Representations and Warranties*" below. In addition to these entities, the Facilities Agreement provides that other members of the Group may become parties to the Facilities Agreement as additional obligors and, in particular, as additional borrowers or additional guarantors ("Additional Guarantors").

### *Purpose*

The Issuer used the proceeds of the Term Loan Facility, together with the proceeds arising from the capital increase of the Issuer and the available cash, to reimburse the nominal value, the reimbursement premium and the interests accrued but not yet paid on the Redeemed Notes, as well as to pay related commissions, costs or expenses (including certain costs and commissions relating to the Listing process). The Revolving Credit Facility is available to finance or refinance working capital and/or for general corporate purposes of the Group.

### *Conditions of Utilization of the Credit Facilities*

The Term Loan Facility is fully drawn as at the Issue Date. The Revolving Credit Facility can be used for the entire availability period, from the first date of funding of the Term Loan Facility (the "Closing Date") to the last month prior to the final repayment date for the Revolving Credit Facility (as described below). The interest period of any utilization of the Term Loan Facility may be equal to three or six months, at the option of the borrower, depending on what is indicated in the relevant utilization request (in respect of the first interest period for such utilization) or selection notice (in respect of subsequent interest periods). The Revolving Credit Facility may be repaid and redrawn from time to time during its availability period. Any part of the Term Loan Facility which is repaid or prepaid may not be redrawn. The interest periods for a loan under the Revolving Credit Facility may be equal to one, two, three or six months, at the option of the Borrower (as defined in the Facilities Agreement), depending on what is indicated in the relevant utilization request. The Revolving Credit Facility can also be used in the form of letters of credit (subject to the accession of one or more issuing banks to the Facilities Agreement) or Ancillary Facilities, which could be either a bilateral or syndicated facility made availability in lieu of all or part of one or more Lenders' commitments under the Revolving Credit Facility.

### *Maturity and Prepayment*

The Facilities Agreement provides for a bullet repayment of the Term Loan Facility on May 31, 2024. The Facilities Agreement provides for the repayment of the Revolving Credit Facility by way of repayment of each utilization of such facility on the last day of the relevant interest period (subject to the right to redraw such amounts as described above and the customary ability to make rollover loans). The final repayment date for the Revolving Credit Facility is May 31, 2024.

The Facilities Agreement provides for a mandatory prepayment of the Credit Facilities in each case of: (i) change of control (i.e., if one person, or a group of parties acting in concert, (except for the Equity Investors (as defined in the Facilities Agreement) and any entity directly or indirectly controlled by them), which on the signing date of the Facilities Agreement (i.e. March 20, 2019) does not control the Issuer holds, directly or indirectly, more than 50% of the share capital with voting rights of the Issuer); and (ii) in case of sale of all or substantially all of the assets of the Group to third parties (whether through individual sales or a series of related transactions) (each, an "Exit Event").

In such cases, without prejudice to the rights and obligations of other lenders, each lender (i) is released from the obligation to finance additional utilization requests (or to issue new letters of credit) and (ii) may request the agent to terminate its obligations under the Facilities Agreement and immediately declare all outstanding amounts to be due and payable, in each case by notification to the agent within 30 days from the notification of the Exit Event of its intention to exercise the rights under (i) and (ii) above. If a lender fails to timely notify the agent, it will automatically waive the exit rights described above with respect to the specific Exit Event.

The Facilities Agreement also contains a standard mandatory prepayment provision in the event that it becomes illegal for a lender to fulfill any of its obligations under the Facilities Agreement. Subject to certain exceptions, the Facilities Agreement provides for voluntary prepayment of the Credit Facilities (i) at any time, with prior notice, and (ii) upon the occurrence of a change of control, without the requirement for prior notice, as described above. In any case of prepayment, the Issuer must also pay accrued interest on the prepaid amounts and, in the event of repayment on a date other than an interest payment date, market-standard breakage costs as set out in the Facilities Agreement.

***Interest***

Loans drawn under the Term Loan Facility accrue interest at a variable margin, equal to the Euribor for the relevant interest period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the relevant interest period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage. Utilization of the Revolving Credit Facility accrue interest rate, equal to the Euribor for the relevant interest period (with a zero floor) or, with reference to amounts used in currencies other than Euro, to the Libor for the relevant interest period (or other Libor replacement rate) plus a spread, subject to mechanisms of increase or decrease depending on the Group's leverage. In the event of a delay by the Issuer in making any payment (of principal, interest or fees) due under the Facilities Agreement, default interests will accrue on the overdue amount at a rate higher than the above-mentioned interest rates.

***Main Undertakings Under the Facilities Agreement***

As customary for financing transactions of similar complexity and nature, the Facilities Agreement sets forth certain obligations of the Issuer, Nexi Payments and Mercury Payment (each, an "Obligor"). Failure to comply with any of these obligations would result in a default, remediable within customary periods varying with the type of default, from the date of the default. The Facilities Agreement provides for the following obligations, among others:

(i) with respect to the Issuer only, reporting obligations, through the delivery of annual and semi-annual consolidated financial statements and compliance certificates (to verify compliance with the financial covenant described in point (ii) below);

(ii) on each test date (i.e., June 30 and December 31 of each year), starting from June 30, 2020, compliance with a leverage ratio (the "leverage ratio," i.e., ratio between total net debt and consolidated pro forma EBITDA) to be verified in the annual and semi-annual consolidated financial statements and which will have to comply with the specified ratios;

(iii) prohibition of substantial change in the business of the Group (i.e., the Issuer must ensure that there is no material change to the nature of the Group's business (considered as a whole) from that carried on at the date of the Facilities Agreement);

(iv) obligation to promptly obtain, comply with and do all that is necessary to maintain in full force and effect any authorization required under any law or regulation, to enable to enter into and perform the finance documents;

(v) obligation to comply in all respects with all applicable laws, if failure so to comply would have a material adverse change for the Issuer;

(vi) negative pledge: no Obligor shall create or permit to subsist (and the Issuer shall make that no other Group company creates or subsists) any security on their assets, except for securities and restrictions expressly permitted pursuant to the Facilities Agreement, including:

   (a) any security existing on the Closing Date;

(b) netting or set-off arrangements entered into by any member of the Group in the ordinary course of its business for the purpose of netting its debit and credit balances;

(c) any security over or affecting any asset acquired by a member of the Group after the date of the Facilities Agreement if:

(i) the security was not created in contemplation of the acquisition of that asset; and

(ii) the principal amount secured has not increased in contemplation of or since the date of the acquisition of that asset by a member of the Group;

(d) any security or quasi-security with respect to capital stock of any joint venture to secure obligations of such joint venture or other joint venture partners;

(e) restrictions with respect to cash pooling agreements between members of the Group;

(f) restrictions arising out of a legal proceeding which are contested in good faith;

(g) restrictions arising out of any sale, lease, sublease, license, transfer or other disposal or similar arrangements incurred in the ordinary course of business;

(h) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of, or assets owned by, any joint venture;

(i) any restriction over any asset to secure indebtedness incurred to finance the purchase, improvement or construction of such asset provided that (x) the only recourse the creditor of such indebtedness has is to that asset and (y) the total principal amount of indebtedness secured does not exceed €150,000,000 or, if higher, an amount equal to 30% of LTM EBITDA (as such term is defined in the Facilities Agreement) outstanding at any time;

(j) any restriction arising out of or entered into pursuant to any finance document including cash collateral;

(k) any restriction arising out of or in connection with any sale, lease, sublease, license, transfer or other disposal which is permitted pursuant to the Facilities Agreement;

(l) any restriction over any rental deposit in respect of any property leased or licensed by a member of the Group or on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(m) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which any member of the Group has easement rights or any leased property and subordination or similar arrangements relating thereto; and (ii) any condemnation or eminent domain proceedings affecting any real property;

(n) any restriction in respect of taxes or other charges which are not yet due or the liability in respect of which is being contested by the relevant member of the Group in good faith by appropriate proceedings;

(o) any restriction which constitutes, is part of or is made under or in connection with any indebtedness borrowed or incurred by a member of the Group which is not expressly prohibited under the terms of the Facility Agreement;

(p) any cash collateral provided in respect of letters of credit or bank guarantees to the Issuer of those letters of credit or bank guarantees;

(q) deposit to secure the performance of bids, tenders, trade contracts, governmental contract completion guarantees, surety, indemnity, customs, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), pledges, deposits or liens or securities under workers compensation laws or insurance related obligations;

(r) any restriction granted or arising over any shares or other ownership interests issued in connection with any employee or management incentive scheme or similar arrangements operated by or on behalf of any member of the Group which is not a member of the Group as at the date of the Facility Agreement;

(s) any restriction granted in the ordinary course of business on arms' length or better terms relating to office equipment held under operating leases;

(t) any restriction granted over the shares of Visa Inc. held by a member of the Group;

(u) any restriction to which the majority of the lenders shall have given their prior written consent; and

(v) any restriction securing indebtedness the outstanding principal amount of which does not exceeds €103,800,000 (or its equivalent in other currencies) or, if higher, an amount equal to 20% of LTM EBITDA outstanding at any time;

(vii) prohibition to carry out disposals (sales, leases, transfers or other deeds), except as expressly permitted under the Facilities Agreement, including the following disposals:

(a) of assets by any member of the Group made in the ordinary course of business and at arms' length or better terms;

(b) of assets in exchange or replacement for other assets which are useful towards the ordinary business of the Group;

(c) of assets between members of the Group;

(d) of assets which are obsolete, damaged or no longer useful for the purpose of the business of the relevant persons;

(e) of cash, cash equivalent investments or investments grade securities where that disposal is not prohibited by the finance documents;

(f) constituted by a license or sub-license of intellectual property rights or other general intangibles (in the case of any exclusive license or sale to a person which is not a member of the Group) if such intellectual property or other general intangibles are not required for the operation of the business of the Group;

(g) of assets which are required by law or regulation or are seized, expropriated or acquired by compulsory purchase by (or by the order of) any central or local governmental agency or authority or other regulatory body;

(h) of any asset (including shares in any subsidiary) provided that the asset(s) being sold had not contributed more than €25,950,000 (or its equivalent in other currencies) of consolidated EBITDA, or if higher, an amount equal to 5% of consolidated EBITDA;

(i) pursuant to the grant or termination of leasehold interests in, or licenses or sub-licenses of, property provided that (in the case of any exclusive lease or license to a person which is not a member of the Group) such property is not required for the operation of the business of the Group;

(j) pursuant to the terms of any agreement or contractual arrangement in existence on the Closing Date or of any assets (including any person which has become a member of the Group) acquired by a member of the Group after the Closing Date pursuant to the terms of any agreement or contractual arrangement in existence at the date on which it was acquired, in each case as any such contractual commitment may be replaced, renewed or extended from time to time;

(k) of any shares of the Issuer or any other member of the Group (including any treasury shares in connection with share incentive schemes) or which constitutes the making of a lawful distribution by a member of the Group;

(l) of assets under finance lease, hire purchase, capital lease, conditional sale agreements, retention of title or other agreements for the acquisition of assets on deferred payment terms;

(m) of assets arising as a result of any security or right of set-off or netting permitted and not expressly prohibited under the terms of the Facilities Agreement;

(n) of assets pursuant to:

(1) any sale and leaseback, asset securitization or other similar arrangements entered into on arms' length or better terms (including any disposal of assets to another member of the Group (or a partnership or other entity owned by members of the Group)) in order to facilitate such a transaction and any disposal of a member of the Group whose only material assets are subject of such sale and leaseback arrangements;

(2) any sale and leaseback, asset securitization or other similar arrangements which are outstanding or is committed on the closing date (i.e. the date on which the first utilization of the term loan facility made available under the Facilities Agreement occurs) or is an amendment extension, renewal, refinancing of any of the foregoing; and

(3) to the extent not permitted by sub-paragraph (1) and (2) above, any other sale and leaseback, asset securitization or other similar arrangements provided that in the case of such arrangements with a person who is not a member of the Group, the net proceeds of all such disposal does not exceed €77,850,000 (or its equivalent in other currencies) or, if higher, an amount equal to fifteen (15) per cent of LTM EBITDA (as such term is defined in the Facilities Agreement) over the life of the Credit Facilities;

(o) of assets which become subject to vendor financing, deferred consideration or payment or other similar arrangement not expressly prohibited under the terms of the Facilities Agreement;

(p) of a loan, credit or any other indebtedness outstanding as a result of, or in connection with, the conversion of such loan, credit or any other indebtedness outstanding into distributable reserves or share capital of any member of the Group or any other capitalization, forgiveness, waiver, release or other discharge of that loan, credit or indebtedness;

(q) of assets to a joint venture;

(r) which is a use of cash for purposes not otherwise prohibited by the terms of the finance documents;

(s) of capital stock as part of or pursuant to equity incentive or compensation plan approved or ratified by our Board of Directors or such other member of the Group;

(t) of all or part of the shares in Visa Inc. held by the Issuer or a member of the Group;

(u) (1) any dividend, distribution, payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or other similar transaction (however described) (a "Permitted Payment") or (2) asset sales, leases, transfers or other dispositions to the extent the proceeds thereof are used to make any Permitted Payment provided that such Permitted Payment is made within 180 days of such asset sale, lease, transfer, issuance or other disposition;

(v) of assets in connection with enforcement, foreclosure, condemnation, taking by eminent domain or any similar action with respect to any such assets;

(w) of contract rights (including by way of surrender or waiver of such rights) or the settlement, release, surrender or waiver of contract, tort or other claims of any kind;

(x) of assets to a person who is providing services related to such assets, the provision of which have been or are to be outsourced by a member of the Group to such person provided that the Board of Directors of the Issuer or relevant member of the Group shall certify that, in the opinion of such Board of Directors, the outsourcing transaction will be economically beneficial to the relevant member of the Group (considered as a whole);

(y) of preferred stock or redeemable capital stock; and

(z) disposals of assets which are permitted to be disposed of under any of the preceding paragraphs above to a special purpose vehicle which is a member of the Group and the subsequent disposal of that special purpose vehicle provided that the assets transferred to the special purpose vehicle are the only material assets of that special purpose vehicle and such assets are similarly able to be disposed of in accordance with the preceding paragraphs above;

(viii) the Issuer shall ensure that, for the entire duration of the Facilities Agreement, members of the Group that are not parties to the Facilities Agreement will not incur indebtedness towards entities that are not members of the Group in an amount which exceeds €348,000,000 or, if higher, an amount equal to 20% of the total net indebtedness of the Group (as determined on the basis of the last consolidated financial statements);

(ix) prohibition on granting guarantees to any member of the Group, except for the guarantees expressly permitted under the Facilities Agreement;

(x) requirement to conduct business in compliance with applicable anti-corruption laws;

(xi) obligation of all members of the Group to ensure that:

a. its payment obligations under any hedging, derivative or other financial instrument or transaction entered into in connection with protection against or benefit from fluctuation in any rate or price ("Treasury Transaction") which it enters into shall rank pari passu with or junior to the facilities;

b. each hedging agreement is based on either a 1992 ISDA Master Agreement or 2002 ISDA Master Agreement (or any such replacement) or another framework agreement which is similar in effect to such ISDA Master Agreement; and

c. it does not enter into any Treasury Transaction for speculative purposes;

(xii) requirement of all members of the Group to promptly do all such acts or execute all such documents as the security agent or the agent may reasonably specify;

a. to complete the perfection requirements in relation to the securities created under the finance documents or for the exercise of any rights, powers and remedies of the security agent provided by or pursuant to the finance document or by law; and

b. in case of default, to facilitate the realization of the assets which are, or are intended to be, the subject of the security documents;

(xiii) prohibition of any member of the Group to incur or permit to subsist any super senior liabilities, until the occurrence of the release date (i.e. the earlier to occur of the date on which the Notes achieve the investment grade status or the Notes are repaid or redeemed in full);

(xiv) obligation of the Issuer to ensure that each member of the Group shall, within ten (10) business days of the Closing Date (excluded), provide copies, executed and delivered, to the securities agent of the documents listed in the Facilities Agreement; and

(xv) prohibition on undertaking any merger or restructuring or other transactions, excepts for those transactions expressly permitted under the Facilities Agreement.

***Borrowers, Guarantors and Third-party Guarantors***

The Issuer, Nexi Payments and Mercury Payment are borrowers and guarantors pursuant to the Facilities Agreement. The Facilities Agreement provides mechanisms through which other members of the Group can become borrowers or guarantors (in compliance with certain agreed securities principles). If a member of the Group becomes an Additional Borrower (as defined in the Facilities Agreement), this company must also be a guarantor.

Pursuant to the Facilities Agreement, the Issuer agreed to ensure that EBITDA (calculated on the same basis as the "Consolidated EBITDA" (as defined in the Facilities Agreement) but considering each entity on an unconsolidated basis and excluding, *inter alia*, goodwill and any infragroup entry) of the members of the Group who are guarantors is equal to at least 80%, respectively, of the consolidated EBITDA of the Group (the "Guarantor Coverage Test");

Pursuant to the Facilities Agreement, the Guarantor Coverage Test was first tested on the date falling 90 days from (and excluding) the Closing Date (all parties necessary to comply with this obligation will be Original Guarantors, party to the Facilities Agreement on the signing date) and is tested thereafter by reference to the audited consolidated annual financial statements of the Group (commencing with the audited consolidated annual financial statements for the financial year ending December 31, 2018).

With respect to the Italian guarantors (all the guarantors are currently Italian guarantors, i.e., the Issuer, Nexi Payments and Mercury Payment), pursuant to the Facilities Agreement, the obligations and liabilities of each guarantor shall not exceed, *inter alia*, the sum of:

(i) the aggregate amount of any facility made available to the such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) as borrower under the Facilities Agreement and outstanding as at the date of enforcement of the guarantee; and

(ii) the aggregate amount of any intercompany loans or other financial support in any form (not including equity contributions) made available to such Italian guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by any Obligor (whether directly or indirectly) out of the proceeds of any utilization under the Facilities Agreement and outstanding as at the date of enforcement of the guarantee,

provided that the maximum liability of any Italian guarantor under its guarantee may not exceed 120% of the amounts under the Credit Facilities.

***Representations and Warranties***

In addition to the undertakings listed above, the Issuer, together with Nexi Payments and Mercury Payment, will provide (a) customary representations and warranties on the Closing Date and a sub-set of such representations are repeated on the first day of any interest period (subject to default, remediable within 30 business days from the default), which are in certain cases subject to materiality and relevance (such as the occurrence of an event that is prejudicial to the activity of the Issuer) thresholds. These representations and warranties include: (i) the absence of litigation, arbitration and administrative proceedings; (ii) lack of misleading information provided to the lenders; (iii) the correctness and truthfulness of the financial statements; (iv) compliance with relevant laws; (v) validity and incorporation of the Issuer; (vi) validity and effectiveness of the obligations assumed pursuant to the financial documents; (vii) absence of conflicts between the stipulation of the Facilities Agreement and the constitutional documents, laws or other applicable obligations; (viii) possession of the necessary powers and authorizations; (ix) choice of the applicable law; (x) absence of defaults and, to the Issuer's knowledge, the absence of events that would constitute a default; and (xi) *pari passu* ranking of the obligations deriving from the financial documents with any other unsecured and unsubordinated debt (present and future).

***Fees***

Pursuant to the Facilities Agreement, the Issuer shall pay the following fees:

(i) a commitment fee equal to a percentage of the applicable margin on the undrawn amounts under the Revolving Credit Facility for the period commencing on the Closing Date and during the entire duration of the Facilities Agreement;

(ii) a utilization fee with respect to the Revolving Credit Facility, increasing for each day on which the aggregate amount of the Revolving Credit Facility which has not been repaid (A) exceeds $33^{1}/_{3}$% but is less than or equal to $66^{2}/_{3}$% of the total commitments available under the Revolving Credit Facility or (B) exceeds $66^{2}/_{3}$% of the total commitments available under the Revolving Credit Facility; and

(iii) an agency fee (as governed by a fee letter) and a security agency fee (as governed by a fee letter).

***Guarantees***

The Credit Facilities are guaranteed by guarantees from the Guarantors, as defined in the Facilities Agreement (i.e., the Issuer, Nexi Payments and Mercury Payment). The undertakings of the Issuer pursuant to these guarantees are joint and several with the other financial counterparties of the Facilities Agreement (including, among others, the agent, the security agent, the Mandated Lead Arranger, and each of the financing parties), subject to certain customary limitations (including as described above).

***Security***

The Credit Facilities are currently secured by a security package granted by the Issuer and certain other members of the Group in favor of the creditors under the Credit Facilities (the "Existing Security Package"). However, following the Refinancing, the Existing Security Package will be released and the Credit Facilities will continue on an unsecured basis provided that the Facilities Agreement contains a provision (similar to that governing the Notes) pursuant to which equal and rateable security is required to be granted in certain circumstances.

***Collateral***

The Credit Facilities are secured by certain collateral that already secures the Existing Notes. Upon completion of the Refinancing, the security in favor of the Credit Facilities shall be released, and the Credit Facilities will be unsecured.

***Events of Default***

The Facilities Agreement also sets forth, in line with market practice, a series of events of default, including:

(i) payment default of the principal and interest under the Credit Facilities (including principal and interest, unless such non-payment is made within ten business days of its due date);

(ii) failure to comply with the financial covenant (deemed cured if complied with in the next testing period and the Credit Facilities have not been accelerated);

(iii) the occurrence of an insolvency, even if not judicially ascertained (for example, mere financial difficulties of the applicable borrower or guarantor in fulfilling its payment obligations when due) or the commencement of insolvency proceedings;

(iv) untruthfulness of any of the representations and warranties;

(v) cross acceleration with other indebtedness of the Issuer, Nexi Payments and Mercury Payment (subject to a customary *de minimis* exception);

(vi) failure to comply with other obligations under the finance documents; and

(vii) unlawfulness or repudiation of a financing document.

Pursuant to the Facilities Agreement, the occurrence of an event of default would allow the Majority Lenders (as defined below), acting through the agent, to, among other things, accelerate all or part of the outstanding loans and/or cancel the commitments and/or declare all or part of the loans payable on demand.

***Lenders' Decisions***

The Facilities Agreement provides that lenders' decisions concerning their rights pursuant to the Facilities Agreement are taken collectively and, depending on the subject matter of the decision; (i) by majority of the lenders whose commitments aggregate $66^2/_3$% of the total commitments under the Facilities Agreement (the "Majority Lenders") (ii) 80% of the total commitments under the Facilities Agreement depending on the subject matter of the decision or (iii) in some circumstances specified in the Facilities Agreement, unanimously.

**Intercreditor Agreement**

On May 18, 2018, the Issuer and certain other parties entered into an intercreditor agreement (the "Intercreditor Agreement") to govern the relative rights of the Issuer's creditors under certain of its financing arrangements. Following the Refinancing, the Existing Security Package securing the Credit Facilities will be released and the Credit Facilities will thereafter continue on an unsecured basis. However, the Intercreditor Agreement will not be terminated and will continue to subordinate the intra-group liabilities of certain members of the Group to the liabilities under the Credit Facilities. The Trustee will not be required to enter into the Intercreditor Agreement on the Issue Date and the liabilities under the Notes will not be governed by the Intercreditor Agreement. However, the Intercreditor Agreement could provide a framework agreement to govern the relative rights of any secured indebtedness granted by the Issuer in the future (including pursuant the requirement governing the Notes to grant equal and rateable security in certain circumstances).

**Settlement Obligations**

As of June 30, 2019, after giving effect to the Refinancing, we had €1,218 million of settlement obligations and pass-through fee payments. A description of our settlement obligations is set forth below.

***Funding Requirements***

Our business revolves around the settlement of card payments and the provision of short-term funding to both cardholders and merchants. In the context of card payments, funds are routed from the cardholder's account bank via the card scheme's network to the merchant's account bank, with payment processors such as Nexi acting as pure intermediaries in the funds flow. See "*Risk Factors—Risks Related to Our Business—Our business requires funding to manage our settlement needs*."

In our licensing business, we have direct relationships with cardholders and merchants:

- *Issuing licensing:* When acting for a charge cardholder in its issuing licensing business, we settle the payable owed by the cardholder to the card schemes one day after the card purchase is made but receive payment from the cardholder only on a monthly basis when the balance shown in the cardholder's account statement becomes due. As a result, we provide funding to our customers for between 15 and 45 days in average, because the first day in each billing period is the first day of a given month, whereas the outstanding balance for that period covers the entire month and generally only becomes due on the 15th day of the next subsequent month. Our partner banks provide collection guarantees in respect of the receivables outstanding from those cardholders who fall into remit. In the twelve months ended June 30, 2019, our monthly balance of accounts receivable outstanding from charge cardholders averaged approximately €1,800 million and peaked at approximately €2,900 million. We also provide funding to holders of credit cards, who can elect to pay their outstanding balance in instalments or roll it over from month to month. The underlying contracts provide that partner banks fund the full amount of the outstanding balance on a monthly basis by way of an overdraft facility made available to us, regardless of the proportion of the balance that the credit cardholder decides to roll over. When we receive payment on receivables outstanding from credit cardholders, we use such funds to reduce the outstanding balance under the relevant partner bank's overdraft facility. Because the number of our managed credit cards has historically been substantially smaller than the number of our managed charge cards, during the twelve months ended June 30, 2019, the monthly average balance of accounts receivable outstanding from partner banks in relation to credit cards was only €190 million, with peaks reaching up to €219 million.

- *Acquiring licensing:* When acting for a merchant customer in its acquiring licensing business, we settle the payable owed by the card scheme to the merchant one day after the card purchase is made, thereby acquiring the merchant's corresponding receivable against the card scheme which is settled only on the next subsequent business day. Pursuant to the clearing and authentication process the card scheme will only authorize the attempted card purchase if sufficient funds are available. As a result, we have virtual certainty that our back-to-back receivable against the card scheme will be settled on the next business day, without incurring any material credit risk. However, due to the one-business day funding gap, we incur a negative settlement balance. In the twelve months ended June 30, 2019, our daily negative settlement balance from these activities averaged approximately €211 million and peaked at approximately €588 million.

In our servicing business, we service the issuing and acquiring needs of our partner banks but have no direct relationship with cardholders or merchants:

- *Issuing servicing:* When acting for a partner bank in its issuing servicing business, we settle the payable owed by such partner bank's cardholder to the card schemes one day after the card purchase is made and receive payment from our partner bank on the next subsequent business day. As a result, we have a back-to-back receivable against the partner bank during the period between settling the payable and receiving payment from the partner bank. Due to the one-business day funding gap, we incur a negative settlement balance from these activities.

- *Acquiring servicing:* When acting for a partner bank in its acquiring servicing business, we settle the payable owed by the card scheme to the partner bank's merchant one day after the card purchase is made, but receive payment from the card scheme only on the next subsequent business day. As a result, we have a back-to-back receivable against the card scheme during the period between settling the payable and receiving payment from the card scheme. Due to the one-business day funding gap, we incur a negative settlement balance from these activities.

Our daily negative settlement balance from servicing activities in the twelve months ended June 30, 2019, averaged approximately €114 million and peaked at approximately €469 million. Such balance is directly managed by Depobank under the Credit Mandate and is not recorded in our balance sheet.

Licensing agreements generate higher settlement requirements than servicing agreements, whose funding requirements are directly covered by Depobank, pursuant to the terms of the Credit Mandate. As far as our issuing licensing activity is concerned, which accounts for the large majority of our settlement obligations generated by the licensing agreements, the underlying agreements with our partner banks provide that the funding costs generated by the settlement lines dedicated to the issuing licensing activity are passed through to them.

***Funding Sources***

We continually review our funding sources to ensure we manage our funding requirements in the most efficient manner for our customers. Set forth below is a description of our funding sources for the card issuing and merchant acquiring settlement. We manage funding exposure associated with credit cards through drawings on our partner banks' overdraft facilities. Our funding exposure in connection with cards issued under the licensing scheme is managed mainly through the use of two revolving credit lines and a bridge facility under the Factoring Agreement, the material terms of which are described below, as well as through bilateral bank credit lines. With respect to merchant acquiring settlement exposure, we fund acquiring licensing activities directly, drawing on bank lines or overdrafts sourced from other banks. With respect to our issuing and acquiring servicing activities, Depobank acts as settlement bank on the partner banks' behalf pursuant to the Credit Mandate described below without funding us. In addition, Mercury Payment utilizes capacity available under the Mercury Funding Facility, which is also described below.

Finally, the Revolving Credit Facility is also available to finance or refinance our settlement obligations and/or for general corporate purposes. See also "—*Facilities Agreement*."

### *Credit Risk*

Based on our historical data, we believe that our issuing and acquiring business involves only an immaterial amount of credit risk. In the issuing licensing business, under our agreements with partner banks, such partner banks assume the credit risk of their cardholders. As a result, we have recourse in our issuing licensing business both against the cardholder (whose deposits are generally covered by deposit insurance in case of bank failure, up to a cap of €100,000) and the relevant partner bank in case we fail to collect payment on a receivable. The agreements further provide that our partner bank is obliged to notify us of a payment default of its cardholder customer, which is when we would normally stop funding receivables of such cardholder. The partner bank's guarantee only ceases to be effective five days after our receipt of their notification. In our issuing servicing business, we have recourse to the issuing partner bank only. In our acquiring business, each transaction is only cleared and executed when the card scheme has irrevocably confirmed that it can be executed, which means that all settlement participants (including the card scheme, card issuer and merchant acquirer) have approved and guaranteed execution. As a result, we have virtual certainty that we will collect payment on the next following business day. See "*Risk Factors—Risks Related to Our Business—We are subject to potential credit risk from our customers, as well as short-term credit risk from our partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, we could experience material losses*."

### *Factoring Agreement*

On June 26, 2018, Nexi Payments and UniCredit Factoring S.p.A. ("UniCredit Factoring") entered into a factoring agreement, as subsequently amended on July 3, 2018 and August 3, 2018 (the "Factoring Agreement") governing the terms of the transfer by Nexi Payments ("Transferor") to Unicredit Factoring (the "Factor"), on an ongoing basis, of its present and future accounts receivable: (i) deriving from the use of balance credit cards (i.e., cards that require cardholders to pay off their balance on a monthly basis) issued by the Transferor and inclusive of the service fee applied by Nexi (and, therefore, excluding revolving credit cards, which allow the cardholder to pay the balance in instalments) (the "Nexi Credit Cards"); (ii) owed by the Transferor to cardholders of the covered Nexi credit cards (the "Debtors") who are also customers of the partner banks distributing the Nexi credit cards where the accounts underlying such cards were opened; and (iii) backed by the undertaking of the partner banks arising out of the agreements in force with Nexi Payments concerning the Nexi credit cards, which can be traced back to the predefined contractual schemes included in the Factoring Agreement (the "Bank's Framework Agreement"), concerning the amounts resulting from the monthly records prepared and issued by such partner banks (hereinafter the "Receivables").

Receivables with one or more of the following characteristics are expressly excluded from the Factoring Agreement: (i) whose risk of insolvency of the Debtors is not guaranteed by the relevant partner banks pursuant to the Bank's Framework Agreement; (ii) which are subject to repayment postponements arising from the use of both balance and revolving credit cards or in respect of which cardholders are allowed to pay the balance in instalments; (iii) which refer to a Bank's Framework Agreement that has become ineffective and/or is substantially different from the relevant scheme included in the Factoring Agreement (where such difference may have a detrimental effect on the Guarantee (as defined below)); (iv) arising from the use of Nexi credit cards not settled through the SDDs or for which Nexi has recalled the SDDs; (v) arising from the use of cards issued by the Transferor for which customers have requested repayment or revocation of the SDD; and (vi) relating to Debtors' credit positions.

The relationship between the Transferor and the partner banks in relation to the Receivables are governed by the Bank's Framework Agreement, which includes an undertaking by the partner banks to guarantee the insolvency risk of its customer's Debtors (the "Guarantee") whose benefit is assigned to the Factor.

To enable the transfer of the Receivables, the Factor has made available to the Transferor the following credit lines for the duration of the Factoring Agreement and for a total amount of outstanding factored receivables not exceeding €3,200,000,000 (together the "Credit Facilities"):

(a) a non-recourse, revolving credit line for up to €2,899,230,000 intended for non-recourse (i.e., pro-soluto) final purchase of Receivables with a maximum duration of three months falling within the pro-soluto limit (i.e., the maximum amount granted to each partner bank (other than those with a recourse limit) which applies to non-recourse factoring (the "Non-Recourse Credit Facility")). These Receivables are transferred on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed ceiling for: (i) the Non-Recourse Credit Facility; and (ii) the recourse ceiling granted to each partner bank concerned, with the

Factor undertaking the risk of Debtor insolvency and bearing the loss if the Debtor does not pay the amount of the related Receivables;

(b) a recourse, revolving credit line for up to €300,470,000 intended for the advance with recourse of Receivables with a maximum duration of three months up to the recourse ceiling (i.e., the maximum amount granted to each partner bank (other than those with a non-recourse ceiling) which applies to recourse factoring (the "Recourse Credit Facility")). These Receivables are thus on a daily basis (at the same time as they come into existence) and purchased by the Factor up to the agreed limit: (i) the Recourse Credit Facility; and (ii) the recourse provided for each partner bank concerned. The advances paid by the Factor to the Transferor to allow the transfer of the Receivables included in the recourse ceiling is thus made within the thresholds available under (i) the Recourse Credit Facility and (ii) the ceiling granted to each partner bank with the Factor being excluded from the risk of insolvency of the assigned Debtors and relating to failures by them to pay the amount of the related Receivables; and

(c) a bridge facility of €200,000,000, aimed at obtaining financing through an advance on Receivables that have come into existence and are transferred on the same business day on which the Recourse Credit Facility is provided (or, as the case may be, on the following non-business day as identified in the Factoring Agreement). Such Receivables are identified by the Transferor to the Factor, on the business day following their transfer, through a notice providing the relevant data on an aggregate basis (the "Bridge Facility"). The draw-down period of the Bridge Facility is normally one working day and, in any case, may not exceed seven calendar days.

With respect to the non-recourse ceiling granted to each partner bank referred to in paragraph (a) above, the Factor has the right to revoke the credit lines in the following cases:

(a) a partner bank does not comply with the capital requirements provided for by law, regulations or guidelines of the relevant regulatory bodies concerning (a) the minimum CET1 ratio requirement or (b) the total capital ratio;

(b) the 20% risk weight does not apply in the calculation of the risk-weighted assets in respect of the relevant partner bank; or

(c) in the event of the partner bank's insolvency (without prejudice to the validity and effectiveness of any transfer of the Receivables already effected, even if not yet collected).

In the event of revocation under paragraphs (a) and (b) above, the Factor shall be required to grant a Recourse Credit Facility in the same amount following the revocation of the Non-Recourse Credit Facility.

The Transferor may, starting from January 1, 2019, and for no more than twice a year, request an increase of the non-recourse ceiling with reference to one or more partner banks.

If the Factor refuses to accept the request to raise the ceiling submitted by the Transferor, the Transferor will be released from its obligation to transfer additional Receivables owed to the Debtors of the partner bank having a ceiling in relation to which the request to increase the ceiling has been rejected (the "Additional Receivables without Recourse") and shall have the right to transfer the Additional Receivables without Recourse to other parties.

With regard to the recourse ceiling granted to each partner bank under paragraph (b) above, the Factor is entitled to revoke such plafond if the partner bank is insolvent and, concurrently, the Transferor is released from the obligation to transfer other Receivables relating to that partner bank (without prejudice to the validity and effectiveness of the transfer in relation to the Receivables already assigned, even if not collected). The Transferor has also the right, starting from January 1, 2019 and for no more than twice a year, to request an increase of the recourse ceiling with reference to one or more partner banks. If the Factor refuses to accept the request to increase the recourse ceiling submitted by the Transferor, the Transferor will be released from the obligation to transfer additional receivables owed to the Debtors of the partner bank granted with a recourse ceiling in relation to which the request to increase the plafond has been rejected (the "Additional Receivables with Recourse") and will have the right to assign the Additional Receivables with Recourse to other parties.

The Transferor, in exchange for the provision of the Credit Facilities by the Factor, transfers to the Factor on an ongoing basis from the date of the first transfer (i.e., July 1, 2018) all the Receivables due from the Debtors. The Factor purchases the Receivables undertaking to pay, as the case may be: (i) the transfer price, for the Receivables included in the non-recourse ceiling; or (ii) the advances for the Receivables within the non-recourse ceiling. Payments made by the Debtors through the partner banks relating to the Receivables are collected by the Transferor on a pledged account and subsequently transferred, on a daily basis, to the Factor.

In line with market practice, the Factoring Agreement provides for the issuance by Nexi Payments of customary representations and warranties to the Factor. In addition, the Factoring Agreement contains a cross default clause under which Nexi Payments has undertaken not to breach any provision contained in any financing agreement other than the Factoring Agreement which may result in the request for a payment (in advance of the original due date) in excess of €100,000,000.

The Factoring Agreement has a duration of three years, expiring on June 30, 2021. The Factor has undertaken to negotiate in good faith the agreement's renewal upon the Transferor's request at least twelve months prior to its expiration. Should Nexi Payments receive, at least two years after the signing of the Factoring Agreement, offers from other parties for the structuring of a factoring transaction involving the provisions of credit lines having similar characteristics to the Credit Facilities, the Transferor has agreed, on equal terms, to prefer the Factor (so-called "right to match").

Nexi Payments may terminate the Factoring Agreement at any time, without justification or cause, by giving at least five working days' notice to the Factor and paying the Factor a variable penalty to be calculated according to the date of exercise of the right of withdrawal (the "Penalty Fee"). In addition to the above, Nexi Payments may withdraw in the following cases: (i) if, as a result of the change in the 20% risk weighting for the purposes of calculating risk-weighted assets (RWA), the Factor revokes, in respect of one or more partner banks, the non-recourse ceiling; and (ii) if, for whatever reason, the portion of the advances with recourse is equal or exceeds the portion of the Receivables acquired within the non-recourse ceiling (to be calculated gross of the deleted receivables, i.e., credits excluded from the transfer since directly financed by the partner banks (the "Deleted Receivables")). In the event of withdrawal under (i) and (ii) above, Nexi Payments must pay the Factor a one-off all-inclusive amount, regardless of the date of exercise of the right of withdrawal and will not be compelled to pay the Penalty Fee. In any case, Nexi Payments will be entitled to withdraw from the Factoring Agreement at any time and without any penalty or charge in the event of a breach by the Factor of its confidentiality obligations under the Factoring Agreement.

Deleted Receivables and Additional Receivables without and with Recourse (where existing) result in a corresponding reduction in the Credit Facilities by an amount corresponding to the non-recourse ceiling or the recourse ceiling granted to the partner bank concerned by the aforesaid deletion/exclusions. This reduction does not entail charges to be borne by Nexi Payments where it does not exceed the total amount of €800 million. If, as a result of exceeding the above threshold, the weighted average of the probability of default of a partner bank (whose Receivables are still being transferred under the Factoring Agreement) worsens, the Factor may request an increase (up to a maximum of 20 bps) in the spread applicable to the non-recourse ceiling. If Nexi Payments and the Factor do not reach an agreement on the new financial terms within 45 days from the first day of trading, Nexi Payments may withdraw by paying a one-off all-inclusive amount and will not be compelled to pay the Penalty Fee.

The Factor has the right to terminate in the event that the Transferor, among others: (i) is no longer registered with the register of electronic currency institute or does not comply with the capital requirements required by the regulations; (ii) defaults on a payment under the Factoring Agreement and such failure is not remedied within 15 days; (iii) does not transmit the information flows in accordance with the contractual provisions; (iv) does not fulfill one of the contractual obligations set forth in the Factoring Agreement and such failure is not remedied within 15 days; (v) is subject to monitoring or emergency, or executive or precautionary measures for an amount exceeding €50,000,000; (vi) receives a judicial conviction for an amount exceeding €25,000,000 or a judicial or legal mortgage is registered on assets owned by the Transferor; (vii) is subject to an insolvency procedure, including voluntary ones; (viii) receives notices of assessment, tax files and/or registration for the payment of taxes, unless the payment of the related debt is discharged within 30 days or documents are provided within the same period proving (a) that the claim is groundless, or (b) that the amount has been paid in instalments. Finally, the Factor may terminate the Factoring Contract in the event that the board of directors of the Transferor is dismissed, in whole or in part, as a result of a measure of the administrative judicial authority, or a measure is issued by the administrative judicial authority that prevents the latter from carrying out its activity or limits its performance.

### *Credit Mandate*

Nexi Payments provides some of its partner banks with the support needed in order to meet their issuing and acquiring exposures, respectively, to international circuits (mainly Visa and Mastercard) and affiliated merchants. These activities, including the settlement, are carried out by Nexi Payments on behalf of and/or in the interest of the partner banks in accordance with the servicing and/or processing agreements agreed. In particular, the management of the above issuing and acquiring activities causes a mismatch between (i) the cash flow settlement operations carried out by Nexi Payments, on behalf and/or in the interest of the partner banks, with the international circuits and with the affiliated merchants (settlement activities) and (ii) the reimbursement, by the partner banks, of the amounts advanced by Nexi Payments in the context of the cash flow settlement.

In order to allow for continuation of the above servicing activities following the redefinition of the existing relationships with Depobank resulting from the Reorganization, on June 29, 2018, Nexi Payments has therefore granted Depobank a credit mandate (the "Credit Mandate"), pursuant to Article 1958 et seq. of the Italian Civil Code, pursuant to which Depobank undertakes to make daily advances on behalf of or in the interest of its partner banks, as requested from time to time by Nexi Payments, up to a maximum daily amount of €500,000,000.

As a result of the granting of the Credit Mandate, pursuant to Article 1958, first paragraph, of the Italian Civil Code, Nexi Payments guarantees Depobank full and timely fulfilment of all and each of the payment obligations of the partner banks, which will arise for the latter from the advances made in their favor by Depobank and for an amount equal to the amounts from time to time advanced and in any case up to a maximum amount of €500,000,000 (the "Guarantee").

Following the failure of any of the partner banks to reimburse in full: (i) amounts overdue by at least ten working days; or (ii) amounts overdue in excess of €25,000,000, Depobank has the right to enforce the bank guarantee, up to the amounts outstanding, by written notice to Nexi Payments, following receipt of which Nexi Payments must pay Depobank the amount requested within five working days, without prejudice to Nexi Payments' right to contest the validity of the request. Following Nexi Payments' fulfilment of the Guarantee, it assumes Depobank's rights as creditor of the partner banks whose fulfilment triggered the Guarantee.

The Credit Mandate has a duration of three years, with tacit renewal for a period of the same duration, unless Depobank communicates in writing its intention to withdraw within twelve months of the expiry of this period.

Nexi Payments may revoke the Credit Mandate by written notice to Depobank, received with at least 30 working days' notice, holding Depobank harmless and indemnified against all costs, expenses, damages or liabilities arising from such revocation.

Each party may terminate the Credit Mandate, following six months' written notice, where: (i) the execution of the Credit Mandate becomes impossible and/or excessively burdensome as a result of recommendations issued by the relevant regulator; (ii) the parties do not reach an agreement on the new fee (as indicated below) to be applied to the portfolio of new client banks; and (iii) the parties do not reach an agreement on the portfolio of new partner banks, on the maximum amount, or on the subject of the Credit Mandate.

The Credit Mandate provides for a yearly flat fee in favor of Depobank. The amount paid in the financial year ended December 31, 2018 under the Credit Mandate amounted to €1.4 million on a pro forma basis.

### *Bilateral Credit Facilities*

We have entered into a number of bilateral credit facilities with an aggregate available amount of €910.0 million as of the date of this offering memorandum, in place at Nexi Payments, which are utilized to cover acquiring activities, receivables from issuing activity not covered by the Factoring Agreement or by revolving credit facilities and other potential short-run operational funding needs.

### *Mercury Funding Facility*

On December 15, 2016, Intesa Sanpaolo, as lender, and Mercury Payment, as borrower, entered into a master credit agreement and a supplement thereto (together, the "Mercury Funding and Settlement Agreement"), providing for unsecured, unguaranteed borrowings in an aggregate principal amount of up to €365 million. The Mercury Funding and Settlement Agreement provides for a current account credit facility in an available amount of up € 365 million which bears interest at a floating rate per annum. The proceeds of such facility must be used in connection with the settlement and collection of payments. When used for this purpose, we categorize the facilities under the Mercury Funding and Settlement Agreement as settlement obligations of Mercury Payment. In addition, up to €15 million of the amount available can be utilized for receivables factoring (other than settlement obligations) and €20 million may be utilized for other working capital obligations (such as payment of salaries, taxes, social security contributions and purchases from suppliers). The Mercury Funding and Settlement Agreement provides for customary representations, warranties and covenants for the Italian funding market. Mercury Payment is required to ensure that all payments received from the card schemes or Intesa Sanpaolo (in its capacity as partner bank), as well as any payments of invoices factored to Intesa Sanpaolo under the Mercury Funding and Settlement Agreement, are transferred to a designated account of Mercury Payment with Intesa Sanpaolo. The term of the Mercury Funding and Settlement Agreement is indefinite.

**Other Liabilities**

In addition to the above, we have (i) credit lines with an aggregate principle amount of €1.3 million in place at Nexi Payment, which can be utilized for general corporate purposes, and (ii) €31.3 million of other financial liabilities, mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Comparability of our Results of Operations—Changes to Accounting Standards—IFRS 16*." On a pro forma basis as of June 30, 2019, we had debt in an amount equal to €32.6 million outstanding under these financial liabilities.

## DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this description under the subheading "*Certain Definitions.*" In this description, the word "*Issuer*" refers only to Nexi S.p.A. and not to any of its subsidiaries.

The Issuer will issue €825.0 million in aggregate principal amount of 1.75% Senior Notes due 2024 (the "*Notes*") under an indenture (the "*Indenture*"), to be dated on or about October 21, 2019, among itself, U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), and Elavon Financial Services DAC, as paying agent, transfer agent and registrar, in a private transaction that is not subject to the registration requirements of the Securities Act. See "*Transfer Restrictions.*" The Indenture is not required to be, nor will it be, qualified under or subject to, and it will not incorporate provisions of, the United States Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture and the Notes because they, and not this description, define your rights as Holders of the Notes. Copies of the Indenture and the Notes are available as set forth below under "*Additional Information.*" Certain defined terms used in this description but not defined below under "*Certain Definitions*" have the meanings assigned to them in the Indenture.

**Brief Description of the Notes**

The Notes will:

- be senior unsecured obligations of the Issuer;
- rank *pari passu* in right of payment with all of the Issuer's existing and future senior unsecured obligations that are not subordinated in right of payment to the Notes, including obligations under the Facilities Agreement;
- rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the Notes, if any;
- be effectively subordinated to any existing and future secured obligations of the Issuer and the Subsidiaries of the Issuer to the extent of the value of the property and assets securing such obligations; and
- be structurally subordinated to all obligations of the Issuer's Subsidiaries that do not guarantee the Notes, including guarantees of the Facilities Agreement by certain Subsidiaries of the Issuer.

As of the Issue Date, none of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to their parent entity, the Issuer. The Issuer is a holding company with no material assets, revenues or cash flows, other than those resulting from its holdings in its Subsidiaries and its cash on balance sheet.

The operations of the Issuer are conducted through the operating Subsidiaries of the Issuer and, therefore, the Issuer depends on the cash flow of the Issuer's Subsidiaries to meet its obligations, including obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries that do not guarantee the Notes. Any right of the Issuer to receive assets of any non-guarantor Subsidiary upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the Holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors (including their trade creditors), except to the extent that the Issuer is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer, as the case may be, would still be subordinate in right of payment to any obligations secured on the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer. After giving effect to the offering of the Notes and the use of proceeds therefrom, the Subsidiaries of the Issuer (none of which will guarantee the Notes) owed an aggregate principal amount of €1.3 million of the total Indebtedness of the Issuer and its Subsidiaries on a consolidated basis (which excludes €31.3 million of other financial liabilities mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16, unamortized debt issuance costs, Lease Obligations, Settlement Obligations and accruals in respect of pass-through fee payments) as of June 30, 2019, all of which would have ranked structurally senior to the Notes. Settlement Obligations consist of €219 million in respect of the recourse component of our Factoring Agreement relating to the settlement of payments with charge cards, €183 million in respect of overdraft facilities made available by partner banks to settle payments with credit cards, €386 million in respect of bilateral bank lines or overdraft sourced by other banks to mainly fund the merchant acquiring settlement exposure, and €330 million of obligations under the Mercury Funding Facility used in connection with the settlement and collection of payments. Pass-through fee payments consist of €100 million of obligations due to partner banks in respect of their share of card payment fees.

**Principal, Maturity and Interest**

The Issuer will issue €825.0 million in aggregate principal amount of Notes due 2024 under the Indenture on the Issue Date. The Issuer may issue additional Notes having identical terms and conditions as any series of the Notes (the "*Additional Notes*") under the Indenture from time to time after this offering; *provided* that such Additional Notes will not be fungible and will not form a single series with the outstanding Notes of the relevant series or have the same ISIN or common code, unless such additional Notes are fungible with the outstanding Notes of that series for U.S. federal income tax purposes. Notwithstanding the foregoing, the Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture. For all purposes herein unless expressly stated otherwise, the term "Notes" shall include references to any Additional Notes.

The Issuer will issue the Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest on the Notes will accrue at the rate of 1.75% per annum. Interest on the Notes will:

- be payable semi-annually in arrears on April 30 and October 31, in each year, commencing on April 30, 2020;
- be payable to the Holders of record of the Notes on the Business Day immediately preceding such respective interest payment dates;
- be payable on the aggregate principal amount of the Notes outstanding;
- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be payable at 100% of their face amount at maturity. The Notes will mature on October 31, 2024.

**Methods of Receiving Payments on the Notes**

Methods of receiving payments on global Notes are described under "*Book Entry, Delivery and Form—Payments on Global Note.*" In the case of certificated Notes, if a Holder has given wire transfer instructions to the Issuer, the Issuer will pay all interest, premium, if any, and Additional Amounts, if any, on that Holder's Note in accordance with those instructions. In all other cases, the Issuer may elect to make payment of interest, premium, if any, and Additional Amounts, if any, by check mailed to the Holders at their addresses set forth in the register of Holders. Payments on Notes will be made through the office or agency of one or more paying agents maintained for such purposes in London, United Kingdom, as described under "*Paying Agent and Registrar for the Notes*."

**Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes, including one Paying Agent (the "*Principal Paying Agent*") in London, United Kingdom or Dublin, Ireland. Elavon Financial Services DAC will initially act as the Principal Paying Agent for the Notes.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") for so long as the Notes are listed on the Luxembourg Stock Exchange, Elavon Financial Services DAC will act as Registrar for the Notes. The Issuer will also maintain a transfer agent (the "*Transfer Agent*") in Dublin, Ireland. Elavon Financial Services DAC will initially act as the Transfer Agent for the Notes.

The Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior notice to the Holders of the Notes. The Issuer or any of its subsidiaries may act as Paying Agent, Registrar or Transfer Agent in respect of the Notes; *provided*, *however*, that for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be *De Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

**Transfer and Exchange**

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar, the Trustee and any Paying Agent may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. The Issuer is not required to transfer or exchange any Note selected for redemption. No service charge will be made for any registration of transfer or exchange of the Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange.

The Holder of a Note will be treated as the owner of it for all purposes.

The Notes will not initially be guaranteed by any Subsidiary of the Issuer or any other Person.

**Further Note Guarantees**

As of the Issue Date, the Notes will not be guaranteed by any Subsidiary of the Issuer or any other Person. Subject to certain limitations under applicable law, including limitations that may result in such future guarantees being unable to be granted, invalid or having no value, each existing and future Subsidiary of the Issuer that thereafter guarantees any Indebtedness of the Issuer under the Facilities Agreement or any Public Indebtedness will be required, to the extent it may legally be granted, to provide a guarantee of the Notes in accordance with the covenant described under "*Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries.*"

The Indenture will include significant limitations on the obligation to grant guarantees in favor of obligations under the Notes. The Indenture will include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, thin capitalization rules, retention of title claims and similar principles. The obligations of any future guarantor of the Notes, to the extent it may legally be granted, will be contractually limited under the applicable future Note guarantee to reflect these limitations and other legal restrictions applicable to such future guarantors of the Notes and their respective shareholders, directors and general partners. As a result of such limitations and the effects of Italian corporate benefit laws, it is likely that no Subsidiary of the Issuer organized in Italy, where substantially all of the assets of the Issuer and its Subsidiaries are located, will ever be required to guarantee the Notes. See "*Risk Factors—Risks Related to the Notes—The Notes will not be guaranteed and any future guarantee of the Notes (if any) is likely to be subject to significant limitations or may not be permitted at all.*"

**Optional Redemption**

At any time prior to July 31, 2024, the Issuer may redeem the Notes in whole or in part on any one or more occasions, upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes, at a redemption price equal to the greater of (a) 100% of the principal amount thereof and (b) the present value as of such date of redemption of (i) the redemption price of 100% of the principal amount of such Note on July 31, 2024, *plus* (ii) all required interest payments due on such Note through July 31, 2024 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Bund Rate (or, if greater than such Bund Rate, zero) as of such date of redemption *plus* 50 basis points calculated by the Issuer, *plus* accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time on or after July 31, 2024, the Issuer may redeem the Notes in whole or in part on any one or more occasions, upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes, at a redemption price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest and Additional Amounts, if any, thereon, to the redemption date.

***General***

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, and such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied.

Except pursuant to the preceding paragraphs and except as described below under "*Redemption for Taxation Reasons*," none of the Notes will be redeemable at the Issuer's option. Nothing in the Indenture prohibits the Issuer or any Subsidiary of the Issuer from acquiring the Notes by means other than a redemption, whether pursuant to an issuer tender offer or otherwise, assuming such acquisition does not otherwise violate the terms of the Indenture.

**Selection and Notice**

If less than all of the Notes of a series of Notes are to be redeemed at any time, the Trustee, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, as applicable, or if such Notes are not so listed or such exchange prescribes no method of selection and such Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a pro rata basis; *provided, however*, that no Note of €100,000 in aggregate principal amount or less, or other than in an integral multiple of €1,000 in excess thereof, shall be redeemed in part. The Trustee, the Paying Agent and the Registrar shall not be liable for selections of Notes made in accordance with this paragraph.

If the Issuer elects to redeem the Notes or portions thereof and requests the Trustee to distribute to the Holders any amounts deposited in trust (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption in accordance with the provisions set forth under "*Satisfaction and Discharge*," the applicable redemption notice will state that Holders will receive such amounts deposited in trust prior to the date fixed for redemption and mention the payment date.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and the rules of the Luxembourg Stock Exchange so require, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will, if the Notes are in certificated form, mail notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

For Notes which are represented by global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and the rules of the Luxembourg Stock Exchange so require, any such notice to the Holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be *De Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a certificated Note, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, unless the Issuer defaults in the payment of the redemption price, interest ceases to accrue on Notes or portions of them called for redemption.

**Redemption for Taxation Reasons**

The Issuer may, at its option, redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record of certificated Notes on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer or a successor of the Issuer (a "*Payor*") reasonably determines that, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in administrative practice) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Payor or any Note Guarantor is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts, and the Payor or any Note Guarantor cannot avoid such obligation by taking reasonable measures available to it and *provided* that at the time such notice is given such obligation to pay Additional Amounts remains in effect, and *provided* further in the case of any Note Guarantor that such payment cannot be made by the Payor or another Note Guarantor without the obligation to pay Additional Amounts. In the case of the Issuer or any Note Guarantor as of the Issue Date, the Change in Tax Law must become effective on, or after the date and must not have been formally announced as formally proposed before the date, of this Offering Memorandum. Notice of redemption for taxation reasons will be published in accordance with the procedures under "*Notices*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor or Note Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Payor will deliver to the Trustee (a) an Officers' Certificate stating that it is entitled to effect such redemption and setting forth a statement of fact showing that the conditions precedent to its right to redeem have been satisfied and that the Payor or Note Guarantor (but only, in the case of a Note Guarantor, if the payment giving rise to the requirement cannot be made by the Payor or another Note Guarantor without the obligation to pay Additional Amounts) cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely absolutely and without further inquiry on such Officers' Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders of the Notes.

**Mandatory Redemption**

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

**Withholding Taxes**

All payments made by or on behalf of the Payor under or with respect to the Notes or by any Note Guarantor or successor Note Guarantor (as applicable) under or with respect to its Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, levies, imposts, assessments or other governmental charges of whatever nature including penalties, interest and any other collection duties/charges and additions thereto ("*Taxes*"), unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Payor or any Note Guarantor or successor Note Guarantor is incorporated, organized, engaged in business or otherwise considered resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax, or (2) any jurisdiction from or through which payment under or with respect to the Notes or any of the Note Guarantees is made by or on behalf of the Payor or any Note Guarantor or successor Note Guarantor (as applicable) or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*") will at any time be required by law from any payments made by or on behalf of the Payor under or with respect to the Notes or any Note Guarantor under or with respect to the Note Guarantees, including, without limitation, payments of principal, redemption price, interest or premium, if any, the Payor or the relevant Note Guarantor or successor Note Guarantor, as applicable, will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders of the Notes after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) will be not less than the amounts which would have been received in respect of such payments in the absence of such withholding or deduction and the Payor or any Note Guarantor shall (within three Business Days of demand by the relevant Holder) pay to the relevant Holder an amount equal to the loss, liability or cost which that relevant Holder determines will be or has been (directly or indirectly) suffered for or on account of a withholding or deduction for, or on account of, any Taxes in respect of all payments made by or on behalf of the Payor in respect of the Notes and by any Note Guarantor or successor Note Guarantor (as applicable) under or with respect to its Note Guarantee; *provided*, *however*, that no such Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the Holder (or a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over, the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) or beneficial owner having any actual or deemed present or former connection with such Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, such Relevant Taxing Jurisdiction) other than a connection arising solely from the acquisition, ownership or holding of such Note or enforcement of rights thereunder or the receipt of payments in respect of the Notes or with respect to any Note Guarantee;

(2) any amount of Taxes that would not have been imposed if the Holder or beneficial owner had provided information, documents or other evidence concerning the nationality or residence of the Holder or beneficial owner or had made a declaration of non-residence or any other certification, claim or filing for exemption which, in each case, it is legally entitled to provide (*provided* that (x) such declaration of non-residence or other certification, claim or filing for exemption is required by the applicable law of the applicable Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other certification, claim or filing for exemption is required under the applicable law of the applicable Relevant Taxing Jurisdiction, the relevant Holder has been notified in writing by the Payor or any other person through whom payment may be made that such declaration of non-residence or other certification, claim or filing for exemption is required to be made);

(3) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("*Legislative Decree No. 239*") and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("*Legislative Decree No. 461*") and any related implementing regulations)) and any related implementing regulations; provided that Additional Amounts shall be payable in circumstances where the procedures required under Legislative Decree No. 239 or Legislative Decree No. 461 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due solely to the actions or omissions of the Payor or the Note Guarantors or their agents;

(4) any Taxes imposed as a result of the presentation of any Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(5) any Taxes that are payable otherwise than by deduction or withholding from payments made under or with respect to the Notes or any Note Guarantee. For the avoidance of doubt, a Tax assessed directly against a Holder as a consequence of an omitted deduction or withholding by the Payor or any Note Guarantor, under or with respect to the Notes or the Note Guarantee, shall be deemed to be a Tax that is payable by a deduction or withholding;

(6) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Tax;

(7) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the Code or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental agreement relating thereto; or

(8) any combination of clauses (1) through (6) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the Holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

The Payor and each Note Guarantor or successor Note Guarantor will, or procure to, (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. Upon written request, the Payor and each Note Guarantor will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes. The Payor will provide such certified copies or, if certified copies are not available notwithstanding such person's attempt to obtain them, other evidence of payment reasonably satisfactory to the Trustee, as soon as reasonably practical to the Trustee and the Paying Agent. The Payor and each Note Guarantor or successor Note Guarantor, as applicable, will attach to each certified copy or other evidence a certificate stating that the amount of withholding Taxes evidenced by the certified copy or other evidence was paid in connection with payments in respect of the principal amount of Notes then outstanding.

Wherever in the Indenture or this Description of the Notes there is mentioned, in any context, the payment of (1) principal, (2) purchase prices in connection with a purchase of Notes, (3) interest or (4) any other amount payable on or with respect to the Notes or any Note Guarantees, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

If any Payor, Note Guarantor or successor Note Guarantor is obligated to pay Additional Amounts with respect to any payment made under or with respect to any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Payor and the Note Guarantors (or successor Note Guarantors) will pay the Holder (and will indemnify the Holder), for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including any penalties, interest and any other reasonable expenses and additions related thereto including collection duties and charges) which arise in any jurisdiction from the execution, delivery, issuance or registration of any Notes, any Note Guarantees, the Indenture or any other document or instrument in relation thereto upon original issuance and initial resale of the Notes (other than a transfer of the Notes subsequent to this offering, unless where such transfer occurs upon or following an Event of Default), or in connection with the enforcement of the Notes, any Note Guarantee, the Indenture or any other document or instrument referred to therein or in connection with the receipt of any payments under or with respect to the Notes (limited, solely in the case of any such taxes, charges or similar levies attributable to the receipt of any payments with respect thereto, to any such taxes imposed that are not excluded under clauses (1) through (3) or (6) through (7) above or any combination thereof), excluding, in each case, any such taxes, charges or similar levies imposed by any jurisdiction outside a Relevant Taxing Jurisdiction.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to the Payor or Note Guarantor or successor Note Guarantor is organized, incorporated, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to, the Notes or any Note Guarantee is made by or on behalf of such Payor or Note

Guarantor or successor Note Guarantor, or any political subdivision or taxing authority or agency thereof or therein.

**Repurchase at the Option of Holders**

***Change of Control Repurchase Event***

If a Change of Control Repurchase Event occurs, each Holder of the Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 and integral multiples of €1,000 in excess thereof in the case of Notes that have denominations larger than €100,000) of that Holder's Notes pursuant to an offer (the "*Change of Control Offer*") on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment (the "*Change of Control Payment*") in cash equal to 101% of the aggregate principal amount of each of the Notes repurchased *plus* accrued and unpaid interest and Additional Amounts, if any, thereon, to the date of purchase.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Repurchase Event, the Issuer will mail or electronically transmit a notice to each Holder and the Trustee describing the transaction or transactions that constitute the Change of Control Repurchase Event and offering to repurchase Notes on a date (the "*Change of Control Payment Date*") specified in such notice, which date shall be no earlier than 10 days and no later than 60 days from the date such notice is mailed or electronically transmitted, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Section 14(e) of the Exchange Act to the extent applicable and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Indenture, the Issuer will comply with applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Repurchase Event provisions of the Indenture by virtue of such conflict.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of such Notes or portions thereof being purchased by the Issuer.

The Paying Agent will promptly deliver to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee or the Registrar will, upon receipt of an Issuer order, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Exchange market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect thereof to the results of any Change of Control Offer in a leading newspaper having a general circulation in Luxembourg (which is expected to be *De Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control Repurchase Event will be applicable regardless of whether any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Repurchase Event, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Issuer to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer following a Change of Control Repurchase Event if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) a notice of redemption for all of the outstanding Notes has been given pursuant to the Indenture under the caption "*Optional Redemption*" unless and until there is a default in the payment of the applicable redemption price, *plus* accrued and unpaid interest to the proposed redemption date. Notwithstanding anything to the contrary contained in the Indenture or the Notes, a Change of Control Offer may be made in advance of a Change of Control Repurchase Event, conditional upon the consummation of the Change of Control, so long as a definitive agreement has been executed that contains terms and provisions that would otherwise result in a Change of Control upon completion of the transactions contemplated thereby.

The Issuer's ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control may constitute a default, or constitute a mandatory prepayment event, under the Facilities Agreement. In addition, certain events that may constitute a change of control under the Facilities Agreement and cause a default may not constitute a Change of Control under the Indenture. In addition, future Indebtedness of the Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control Repurchase Event. The exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of other Indebtedness may prohibit the Issuer's prepayment of Notes prior to their scheduled maturity. Consequently, if the Issuer is not able to prepay such Indebtedness or obtain requisite consents, the Issuer will be unable to fulfill its repurchase obligations if Holders of Notes exercise their repurchase rights following a Change of Control Repurchase Event, thereby resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under such other Indebtedness.

The Change of Control Repurchase Event provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Issuer by increasing the capital required to effectuate such transactions. The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Issuer to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain.

## Certain Covenants

### *Negative Pledge*

The Issuer will not, and will not permit any of its Subsidiaries to, secure any Indebtedness for money borrowed by placing a Lien (other than a Permitted Lien) on any Principal Property now or hereafter owned by the Issuer or any Subsidiary of the Issuer or on any shares of stock of any Subsidiary of the Issuer without equally and ratably securing (or securing on a senior basis, in the case of a Lien securing Indebtedness for money borrowed that is by its terms expressly subordinated to the Notes or any Note Guarantee) all of the Notes. The restrictions set forth in the preceding sentence will not apply to any Permitted Lien, and all Indebtedness secured by a Permitted Lien shall be excluded in computing the amount of Indebtedness secured by a Lien outstanding for purposes of this covenant.

Any Lien created for the benefit of the Holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien relating to such Indebtedness that gave rise to the obligation to so secure the Notes.

***Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries***

The Issuer will not cause or permit any of its Subsidiaries that is not a Note Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Indebtedness of the Issuer or any Note Guarantor (a) under the Facilities Agreement or any other Syndicated Facilities or (b) that constitutes Public Indebtedness, unless such Subsidiary executes and delivers a supplemental indenture to the Indenture providing for a Note Guarantee of payment of the Notes by such Subsidiary on the same terms as the guarantee of such Indebtedness within 30 Business Days thereof; *provided* that if such Indebtedness is by its terms expressly subordinated to the Notes or any Note Guarantee, any such guarantee, assumption or other liability of such Subsidiary with respect to such Indebtedness shall be subordinated to such Subsidiary's Note Guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes or any other Note Guarantee; *provided further* (x) that this covenant shall not be applicable to any guarantee of intercompany Indebtedness or to any Subsidiary that guarantees obligations under the Facilities Agreement as of the Issue Date and (y) such Subsidiary shall not be obliged to become a Note Guarantor to the extent and for so long as the granting of such Note Guarantee could give rise to or result in: (i) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title to claims or the laws, rules or regulations (or analogous provisions or restriction) of any applicable jurisdiction; or (ii) any risk or liability for the officers, directors or shareholders of such Subsidiary (or, in the case of a Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (iii) any cost, expense, liability or obligation (including with respect to any Taxes) to the extent such cost, expense, liability or obligation are disproportionate to the benefit obtained by the Holders with respect to the receipt of the guarantee (as determined in good faith by the Issuer).

To the extent any Subsidiary of the Issuer is required to provide a Note Guarantee, such Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations, defenses affecting the rights of creditors generally or analogous ones) or other considerations under applicable law (for example, if a guarantee is granted by a Person incorporated under the laws of Italy to guarantee conditional or future obligations, such guarantee must be limited to a maximum amount); *provided* that there will be no requirement to grant a Note Guarantee pursuant to the immediately preceding paragraph if, after giving effect to such limitations, the Issuer determines in good faith that value of such Note Guarantee would be zero. As a result of such limitations and the effects of Italian corporate benefit principles, it is likely that no Subsidiary of the Issuer organized in Italy, where substantially all of the assets of the Issuer and its Subsidiaries are located, will ever by required to guarantee the Notes.

***Merger, Consolidation or Sale of Substantially All Assets***

The Issuer may not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole, in one or more related transactions, to another Person; unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition shall have been made (the "*Surviving Entity*") is a company organized or existing under the laws of the United States, any state thereof or the District of Columbia, the United Kingdom, Switzerland or any member of the European Economic Area;

(2) the Surviving Entity (if other than the Issuer) assumes all the obligations of the Issuer under the Notes and the Indenture pursuant to the execution and delivery to the Trustee of a supplemental indenture and other applicable agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) each Note Guarantor (if any) (unless it is the other party to the transactions above, in which case clause (1) shall apply) shall have by supplemental indenture confirmed that its Note Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes (unless such Note Guarantee shall be released in connection with the transaction and otherwise in compliance with the Indenture); and

(5) the Issuer or the Surviving Entity shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the terms of the Indenture and an Opinion of Counsel to the effect that in the case of the Surviving Entity, such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Surviving Entity (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officers' Certificate as to any matters of fact.

For purposes of this covenant, the sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of a Person, which properties and assets, if held by such Person instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of such Person on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of such Person.

***Reports***

For so long as any Notes are outstanding and subject to the paragraphs that follow, the Issuer will provide to each of the Trustee and the Holders of Notes and potential purchasers of Notes:

(1) within 120 days after the end of the Issuer's fiscal year, annual reports containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (c) a description of the industry, business, management and shareholders of the Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (d) risk factors and material recent developments;

(2) within 90 days following the end of the second quarter in each of the Issuer's fiscal years, reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such semi-annual period and unaudited condensed statements of income and cash flow for the year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between the current period and the corresponding period of the prior year; (c) material developments in the business of the Issuer and its Subsidiaries; (d) financial developments and trends in the business in which the Issuer and its Subsidiaries are engaged; and (e) material recent developments; and

(3) promptly after the occurrence of (a) any senior management change at the Issuer; (b) any change in the auditors of the Issuer; (c) any resignation of a member of the Board of Directors of the Issuer as a result of a disagreement with the Issuer; (d) the entering into an agreement that will result in a Change of Control; or (e) any material events that the Issuer or any of its Subsidiaries announces publicly, in each case, a report containing a description of such events.

The Issuer will furnish to the Trustee such other information that it is required to make publicly available under the requirements of Borsa Italiana as a result of having its ordinary shares admitted for trading on such exchange. Notwithstanding the first paragraph of this covenant, upon the Issuer complying with the public reporting requirements of Borsa Italiana (regardless of whether the Issuer's ordinary shares are admitted for trading on such exchange), to the extent that such requirements include an obligation to prepare and make publicly available annual reports, information, documents and other reports with Borsa Italiana, the Issuer will be deemed to have complied with the provisions contained in clauses (1) through (3) of the preceding paragraph.

Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the Holders of the Notes and prospective purchasers of the Notes if such information referenced above in clauses (1) through (3) of the first paragraph above or alternatively, in the preceding paragraph, has been posted on the Issuer's website.

Delivery of any information, documents and reports to the Trustee pursuant to this "*Reports*" covenant is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the Indenture.

**Events of Default and Remedies**

Each of the following is an "*Event of Default*" under the Indenture:

(1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;

(2) default in payment when due of the principal of, or premium, if any, on the Notes;

(3) failure by the Issuer or any of its Subsidiaries for 60 days after notice by the Trustee or by the Holders of at least 30% in principal amount of the Notes to comply with any of the other agreements in the Indenture;

(4) default under any mortgage, indenture or instrument under which there is issued and outstanding any Indebtedness for money borrowed (other than intercompany Indebtedness) by the Issuer or any of its Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, if that default:

(a) is caused by a failure to pay principal at the final stated maturity of such Indebtedness (after giving effect to any applicable grace period provided in the Indebtedness) (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates the greater of (i) €100.0 million or, if higher, (ii) 22% of Consolidated Pro Forma EBITDA or more; and

(5) certain events of bankruptcy or insolvency with respect to the Issuer or any of its Significant Subsidiaries.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Issuer or a Significant Subsidiary of the Issuer, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing of which a responsible officer of the Trustee has received written notice in accordance with the Indenture, the Trustee (upon request of Holders of at least 30% in principal amount of Notes then outstanding) shall, by notice in writing to the Issuer, or the Holders of at least 30% in principal amount of the then outstanding Notes may, by notice in writing to the Issuer and the Trustee, declare the principal of, premium, if applicable, and accrued and unpaid interest, and Additional Amounts, if any, on all Notes under the Indenture to be due and payable and such notice shall specify the respective Event of Default and that such notice is a "notice of acceleration," and such principal, premium, accrued and unpaid interest and Additional Amounts shall become immediately due and payable. In the event of any Event of Default specified in clause (4), above, such Event of Default and all consequences thereof (including, without limitation, any acceleration or resulting payment default) shall be annulled, waived and rescinded automatically and without any action by the Trustee or the Holders, if within 30 days after such Event of Default arose, (1) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged, (2) the creditors on such Indebtedness have rescinded or waived the acceleration, notice or action, as the case may be, giving rise to such Event of Default or (3) if the default that is the basis for such Event of Default has been cured.

Holders of Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

The Trustee shall be obligated to notify the Holders of Notes of all Defaults actually known to the Trustee within 60 days after receiving notice from the Issuer of the occurrence of a Default unless the applicable Default shall have been cured. The Trustee may withhold from Holders of the Notes notice of any continuing Default or

Event of Default (except a Default or Event of Default relating to the payment of principal or interest or Additional Amounts) if it determines that withholding notice is in their interest.

Subject to conditions specified in the Indenture, the Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal, interest, premium, if any, and Additional Amounts, if any with respect to the Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee in its sole discretion against any loss, liability or expense caused by taking or not taking such action. Except to enforce the right to receive payment of principal, premium, if any, interest when due, and Additional Amounts, if any, no Holder may pursue any remedy with respect to the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the written receipt of the written request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability.

It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity and/or security to it, and it will be for Holders to take action directly.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuer in bad faith with the intention of avoiding payment of the premium that the Issuer would have had to pay if the Issuer then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture or was required to repurchase the Notes, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Issuer is required to deliver to the Trustee annually an Officers' Certificate regarding compliance with the Indenture within 120 days after the end of each fiscal year. Upon becoming aware of any Default or Event of Default, the Issuer is required to deliver, within 30 days after the occurrence thereof, to the Trustee a written statement specifying such Default or Event of Default, their status and what action the Issuer is taking or proposes to take in respect thereof.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Issuer or any Note Guarantor (if any), as such, shall have any liability for any obligations of the Issuer or any Note Guarantor under the Notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the United States federal or other applicable securities laws.

**Legal Defeasance and Covenant Defeasance**

The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all the obligations of the Note Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest, premium and Additional Amounts, if any, on such Notes when such payments are due (including on a redemption date) from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Note Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

If the Issuer exercises its Legal Defeasance option, payment of the Notes may not be accelerated because of an Event of Default. In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Note Guarantors released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter payment on the Notes may not be accelerated because of an Event of Default relating to any omission to comply with those covenants. In the event Covenant Defeasance occurs, payment on the Notes may not be accelerated because of an Event of Default relating to certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "*Events of Default and Remedies*" with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee or such entity designated or appointed (as agent) by the Trustee for this purpose, in trust, for the benefit of the Holders of the Notes, cash in euro, European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of, interest, premium and Additional Amounts, if any, on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States in form and substance reasonably satisfactory to the Trustee confirming that (i) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling or (ii) since the date of the Indenture, there has been a change in the applicable United States federal income tax law, in either case, to the effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States in form and substance reasonably satisfactory to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others;

(7) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) the Issuer delivers to the Trustee all other documents or other information that the Trustee may require in connection with either defeasance option.

**Amendment, Supplement and Waiver**

Except as provided in, and subject to, the next three succeeding paragraphs and "Meetings of Holders" below, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then-outstanding Notes (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default, an Event of Default or its consequences or compliance with any provision thereof may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); provided that if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless consented to by Holders of at least 75% of the aggregate principal amount of the then outstanding Notes or, as applicable, the aggregate principal amount of the series of Notes so affected (including, to the extent permitted by applicable law, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) reduce the premium or amount payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "*Optional Redemption*" or "*Redemption for Taxation Reasons*";

(5) waive a Default or Event of Default in the payment of principal of, or interest, premium or Additional Amounts, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, interest, premium or Additional Amounts, if any, on the Notes or impair the contractual right of any Holder to institute suit for the enforcement of any payment of principal of, or interest or Additional Amounts on, if any, such Holder's Notes on or after the due date therefor;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described under "*Repurchase at the Option of Holders—Change of Control Repurchase Event*");

(9) make any change in the provisions of the Indenture described under "*Withholding Taxes*" that adversely affects the rights of any Holder or amends the terms of the Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof; or

(10) make any change in the preceding amendment and waiver provisions.

Without the consent of the Holders of at least $66^2/_3$% in aggregate principal amount of the Notes then outstanding, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder) release any Note Guarantor from any of its obligations under its Note Guarantee or the Indenture, except otherwise in accordance with the terms of the Indenture.

Notwithstanding the preceding, without the consent of any Holder, the Issuer, any Note Guarantor and the Trustee may amend or supplement the Indenture, the Notes or any Note Guarantees:

(1) to cure any ambiguity, defect, error or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes, *provided* that such uncertificated Notes are issued in registered form for the purposes of Section 163(f) of the Code;

(3) to provide for the assumption by a successor Person of the Issuer's or a Note Guarantor's obligations to Holders in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Note Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights under the Indenture of any Holder in any material respect;

(5) to allow any Note Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(6) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(7) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this Description of the Notes to the extent such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees;

(8) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture; or

(9) to the extent necessary to provide for the granting of a Lien to secure the Notes and/or any Note Guarantee as contemplated under the caption "*Certain Covenants—Negative Pledge*" and/or "—*Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries*" (including, for the avoidance of doubt, in connection with entry into one or more customary intercreditor agreements).

In formulating its decision on such matters, the Trustee shall be entitled to receive and rely absolutely on such evidence as it deems necessary, including Officers' Certificates and Opinions of Counsel.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (5) above, it shall only be necessary for the supplemental indenture to be duly authorized and executed by the Issuer, such Note Guarantor and the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by Issuer and the Trustee.

**Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuer) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable at their stated maturity within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee, and the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed (as agent) by it for this purpose) in trust for the benefit of the Holders of Notes, cash in euro, European Government Obligations or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued and unpaid interest to the date of maturity or redemption;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit;

(3) the Issuer and/or a Note Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee in form and substance satisfactory to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied. If requested by the Issuer, the Trustee may distribute any amounts deposited in trust to the Holders prior to maturity or the redemption date, as the case may be; *provided, however,* that the Holders shall have received at least five Business Days' notice from the Issuer of such earlier payment date (which may be included in a notice of redemption); *provided, further* that, for the avoidance of doubt, the Trustee shall not distribute such amounts deposited in trust to Holders prior to the fifth Business Day following the date of publication of any such redemption notice, to the extent applicable. The Trustee shall not be liable to any Person (including, without limitation, any Holder) for making any payments at the request of the Issuer and the indemnities from the Issuer and/or Note Guarantors contained in the Indenture shall extend to any actions of the Trustee taken, and any losses and liabilities incurred by the Trustee (including, without limitation, any claims that may be brought by Holders), in connection with such request. For the avoidance of doubt, the distribution and payment to Holders prior to the maturity or redemption date set forth above will not include any negative interest, present value adjustment, break costs or any other premium on such amounts. To the extent the Notes are represented by a global note deposited with a depositary for a clearing system, any payment to the beneficial holders of such Notes holding interests as a participant of such clearing system will be subject to the then-applicable procedures of such clearing system.

**Meetings of Holders**

All meetings of Holders of each series of the Notes will be held in accordance with applicable Italian laws and regulations in force from time to time (including, without limitation, Legislative Decree No. 58 of 24 February 1998 as amended) and the by-laws of the Issuer in force from time to time. In addition to the provisions described above under the caption "*Amendment, Supplement and Waiver*," the Indenture will include provisions for the convening of meetings of the Holders to consider any matter affecting their interests, including, without limitation, the modification, waiver or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. Accordingly, any such provisions contained in the Indenture shall be deemed to be amended, replaced and supplemented to the extent that any Italian laws and regulations dealing with the meetings of the Holders or the relevant provisions in the By-laws of the Issuer are amended at any time while the Notes remain outstanding. In accordance with Article 2415 of the Italian Civil Code, the meeting of Holders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative (as defined below), (ii) any amendment to the terms and conditions of the Notes, (iii) motions for the composition with creditors (*concordato*) of the Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Holders and the related statements of account; and (v) any other matter of common interest to the Holders.

A meeting may be convened either (i) by the Board of Directors of the Issuer or (ii) by the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon request by holders of at least 5.0% of the aggregate principal amount of the then outstanding Notes. If the board of directors of the Issuer defaults in convening such a meeting following such request of the Holders, the same shall be convened by the board of statutory auditors of the Issuer (or other equivalent corporate body) or, in the case of failure, by a decree of the competent court if the default is unjustified upon request by such Holders, in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the By-laws of the Issuer in force from time to time.

In accordance with Italian law, such a meeting will be validly held if: (i) in the case of a sole call meeting, there are one or more persons present being or representing Holders holding at least one-fifth of the principal amount of the then outstanding Notes; or (ii) in the case of multiple call meetings, (a) in the case of a first meeting, there are one or more persons present being or representing Holders holding at least one half of the aggregate principal amount of the then outstanding Notes, (b) in the case of a second meeting, there are one or more persons present being or representing Holders holding more than one third of the aggregate principal amount of the then outstanding Notes and (c) in the case of a third meeting, there are one or more persons present being or representing Holders holding at least one fifth of the aggregate principal amount of the then outstanding Notes, provided however that the Issuer's By-laws may in each case (to the extent permitted under the applicable Italian law) provide for higher majorities. For the avoidance of doubt, each meeting will be held as a sole call meeting or as a multiple call meeting depending on the applicable provisions of Italian law and the Issuer's By-laws of the Issuer in force from time to time.

The vote required to pass a resolution at any meeting of the Holders will be one or more persons being or representing Holders holding at least two thirds of the aggregate principal amount of the Notes represented at the meeting, *provided, however*, that (A) certain proposals, as set out under Article 2415 paragraph 1, item 2, of the Italian Civil Code (namely, the amendment of the terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders (including any adjourned meeting) by the higher of (i) one or more persons being or representing Holders holding at least one half of the aggregate principal amount of the then outstanding Notes, and (ii) one or more persons being or representing Holders holding at least two thirds of the aggregate principal amount of the Notes represented at the meeting, and (B) the Issuer's By-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

With respect to the matters set forth in the second paragraph under "*Amendment, Supplement and Waiver*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Italian law to pass an extraordinary resolution with respect to such matters to 75% of the aggregate principal amount of the then outstanding Notes. See "*Risk Factors—Risks Related to the Notes—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders.*" Any resolution duly passed at any such meeting shall be binding on all the Holders, whether or not such holder was present at such meeting or voted to approve such resolution.

To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of the Holders can be challenged by Holders pursuant to Articles 2416, 2377 and 2379 of the Italian Civil Code. The Indenture will provide that the provisions described under this "*Meetings of Holders*" will be in addition to, and not in substitution of, the provisions described under the caption "*Amendment, Supplement and Waiver*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*Meetings of Holders*" must also comply with the other provisions described under "*Amendment, Supplement and Waiver*."

**Noteholders' Representative**

A representative of the Holders (*rappresentante comune*) (the "Noteholders' Representative") may be appointed pursuant to Article 2417 of the Italian Civil Code in order to, *inter alia*, represent the Holders' interests under the Notes and to give effect to the resolutions passed at a meeting of the Holders. If the Noteholders' Representative is not appointed by a meeting of such Holders, the Noteholders' Representative shall be appointed by a decree of the competent court at the request of one or more Holders or at the request of the Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

**Concerning the Trustee**

The Trustee, the Paying Agent or any other such agent in its individual or any other capacity, may become the owner or pledgee of Notes, may make loans to, accept deposits from, and perform services for the Issuer or any of its Affiliates and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee, any Paying Agent or any other such agent. The Trustee, any Paying Agent or any other such agent will be permitted to engage in other transactions. However, if it acquires any conflicting interest of which it has actual knowledge it must eliminate such conflict within 90 days or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur and be continuing of which a responsible officer of the Trustee has received written notice in accordance with the Indenture, the Trustee will be required, in the exercise of its power, to use the same degree of care and skill a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless the conditions enumerated in "*Events of Default and Remedies*," above, are met. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. Furthermore, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder has offered to the Trustee, and the Trustee has received, customary protection and indemnification.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses incurred without gross negligence, willful default or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture. The Trustee will be entitled to rely solely and conclusively on any Officer's Certificate and Opinion of Counsel in formulating its opinion or in taking or not taking any action under the Indenture, and may rely on such Officer's Certificate and Opinion of Counsel without need for investigation or verification.

**Listing**

The Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on the Euro MTF market thereof.

**Additional Information**

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge by writing to Nexi S.p.a., Corso Sempione, 55, Milan, 20149, Italy, attention: Chief Financial Officer. Subject to certain exceptions, the Indenture contains provisions for the indemnification of each of the Trustee, the Principal Paying Agent and any Registrar, co-Registrar, Paying Agent, authenticating agent or Transfer Agent in connection with their respective actions taken under the Indenture.

**Notices**

In the case of certificated Notes, all notices to Holders of the Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. And, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market thereof and the rules of the Luxembourg Stock Exchange so require, all notices will be published in a newspaper having a general circulation in Luxembourg (which is expected to be *De Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). Each such notice shall be deemed to have been given on the date of such publication, or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of publication and the seventh day after being so mailed. For so long as any Notes are represented by global Notes, all notices to

Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give notice of such notice to the holders of beneficial interests in the Notes. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Person if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

**Prescription**

Claims against the Issuer or any Note Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Note Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

**Currency Indemnity and Calculation of Euro Denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Note Guarantors under or in connection with the Notes and the Note Guarantees, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Note Guarantor or otherwise, by any Holder or by the Trustee, as the case may be, in respect of any sum expressed to be due to it from the Issuer or a Note Guarantor will only constitute a discharge to the Issuer or the Note Guarantor, as applicable, to the extent of the euro amount which the recipient could purchase in the London foreign exchange markets with the amount so received or recovered in that other currency in accordance with normal banking procedures at the rate of exchange prevailing on the first (1st) Business Day following receipt or recovery.

If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, any Note Guarantee or to the Trustee, the Issuer and any Note Guarantors will indemnify them on a joint and several basis against any loss sustained by such recipient as a result. In any event, the Issuer and any Note Guarantors will indemnify the recipient on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be sufficient for the Holder of a Note or the Trustee to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the first (1st) Business Day following receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the Issuer's and the Note Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Holder of a Note or the Trustee and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the euro-denominated-equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

**Enforceability of Judgments**

Since a substantial portion of the assets of the Issuer and the Note Guarantors incorporated in non-U.S. jurisdictions are outside the United States, any judgment obtained in the United States against the Issuer or any non-U.S. Note Guarantor (if any), including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

**Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and any Note Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States of America.

**Governing Law**

Each of the Indenture, the Notes and the Note Guarantees (if any) and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York. The provisions described under "Amendment, Supplement and Waiver," "Meetings of Holders" and "Noteholders' Representative" and the provisions of the Indenture concerning the meetings of Holders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

**Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Additional Amounts*" has the meaning ascribed thereto under "*Withholding Taxes*."

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "*control*," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "*controlling*," "*controlled by*" and "*under common control with*" shall have correlative meanings.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "*Beneficially Owns*" and "*Beneficially Owned*" shall have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to any limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Borrowings*" means, at any time, the aggregate outstanding principal, capital or nominal amount of any Indebtedness of the Issuer or its Subsidiaries (on a consolidated basis) other than:

(1) any Indebtedness owed by the Issuer to any Subsidiary, by any Subsidiary to the Issuer or any Subsidiary to another Subsidiary;

(2) any indebtedness referred to in paragraph (6) of the definition of Indebtedness; and

(3) in relation to the minority interests line in the balance sheet of the Issuer or any of its Subsidiaries.

"*Borsa Italiana*" means Borsa Italiana S.p.A., and the trading systems managed thereby.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 31, 2024, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to July 31, 2024; *provided, however,* that, if the period from such redemption date to July 31, 2024, is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, (a) the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, (b) or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day in Frankfurt preceding the relevant date.

"*Business Day*" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, New York, Frankfurt and Milan.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of a company, shares of such company;

(3) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(4) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(5) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

*provided that* debt securities convertible into interests specified in (1) through (5) above shall not be deemed "*Capital Stock*."

"*Card Scheme*" means any credit, debit, charge card or other similar scheme (including but not limited to American Express, Diners Club, Mastercard and Visa).

"*Cash Interest Expense*" means, for any Relevant Period, the aggregate amount of accrued interest and recurring amounts in the nature of interest in respect of Borrowings paid or payable by the Issuer or any of its Subsidiaries (calculated on a consolidated basis) in cash in respect of that Relevant Period:

(1) excluding any upfront fees or costs (including any arrangement, underwriting, original issue discount, participation fees and other similar issue fees or costs or other costs or expenses) or agency fees and, in each case, any amortization of such fees, costs or expenses;

(2) excluding any repayment and prepayment premiums, fees or costs;

(3) excluding any interest cost, actual or deemed finance charges in relation to any Pension Items;

(4) including fees payable in connection with the issue or maintenance of any bond, letter of credit, guarantee or other assurance against financial loss which constitutes Borrowings and is issued by a third party on behalf of the Issuer or any of its Subsidiaries;

(5) including commitment, utilization and non-utilization fees;

(6) including the interest (but not the capital) element of payments in respect of Lease Obligations;

(7) including any amounts payable by (and deducting any amounts payable to) the Issuer and any Subsidiary during the Relevant Period under Treasury Transactions in relation to interest and amounts in the nature of interest and taking into account, in so far as they relate to interest, the hedging effect of currency hedging in relation thereto but excluding Hedge Purchase and Termination Costs;

(8) excluding any Transaction Costs or, in each case, amortization thereof;

(9) taking no account of any unrealized gains or losses on any Treasury Transactions; and

(10) excluding (i) any other non-cash return interest in respect of Borrowings and (ii) the amount of any discount amortized and other non-cash interest charges.

"*Change in Tax Law*" has the meaning ascribed thereto under "Redemption for Taxation Reasons."

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of the Issuer's Voting Stock), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), other than to one or more Permitted Holders, other than any such direct or indirect sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer and its Subsidiaries to an Affiliate of the Issuer for the purpose of reincorporating the Issuer in another jurisdiction, changing domicile or changing corporate form; *provided* that such transaction complies with the covenant described under "*Certain Covenants—Merger, Consolidation or Sale of Substantially All Assets*"; or

(2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer, measured by voting power rather than number of shares; *provided* that for the purposes of this clause (2), no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Parent Holdco.

"*Change of Control Offer*" has the meaning ascribed thereto under "*Repurchase at the Option of Holders—Change of Control Repurchase Event*."

"*Change of Control Payment*" has the meaning ascribed thereto under "*Repurchase at the Option of Holders—Change of Control Repurchase Event*."

"*Change of Control Payment Date*" has the meaning ascribed thereto under "*Repurchase at the Option of Holders—Change of Control Repurchase Event*."

"*Change of Control Repurchase Event*" means a Change of Control and a Rating Event.

"*Clearstream*" means Clearstream Banking, société anonyme, as currently in effect or any successor securities clearing agency.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Commission*" means the United States Securities and Exchange Commission, or any successor entity thereof from time to time.

"*Consolidated EBITDA*" means, in respect of any Relevant Period, the consolidated profit of the Issuer and its Subsidiaries before taxation:

(1) before deducting any Cash Interest Expense and any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalized by any of the Issuer or its Subsidiaries (calculated on a consolidated basis) in respect of that Relevant Period;

(2) not including any accrued interest owing to any of the Issuer or its Subsidiaries other than investment and interest income earned on any Settlement Assets;

(3) after adding back any amount attributable to the amortization, depreciation or impairment of assets of the Issuer or any of its Subsidiaries and taking no account of the reversal of any previous impairment charge made in that Relevant Period (including amortization, depreciation or impairment of any goodwill arising on any acquisition not prohibited under the terms of the Indenture);

(4) excluding any non-cash costs, expenses or provisions relating to any share options schemes or any management equity program of any of the Issuer or its Subsidiaries;

(5) before taking into account any Exceptional Items;

(6) before deducting any Transaction Costs;

(7) after including the amount of any profit (or deducting any loss) of the Issuer or any of its Subsidiaries which is attributable to minority interests but after deducting the amount of any dividends or other profit distributions (net of any applicable withholding tax or gross-up obligation) paid in cash to any minority shareholders in respect of their minority interests in the Issuer or any of its Subsidiaries;

(8) after deducting the amount of any profit (or adding back any loss) of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the Issuer and its Subsidiaries exceeds the amount actually received in cash by the Issuer or any of its Subsidiaries through distributions by the Non-Group Entity and after including the amount actually received in cash by the Issuer or any of its Subsidiaries through dividends or other profit distributions from any Non-Group Entity (grossed up for applicable withholding tax);

(9) before taking into account any gains or losses (whether realized or unrealized and including those arising on translation of currency debt) or any cash receipts or any other payments on any Treasury Transaction entered into in relation to the Facilities Agreement or otherwise in connection with any purpose other than in the ordinary course of business but including amounts payable or receivable by the Issuer or any of its Subsidiaries under any Treasury Transactions in relation to operational items including the hedging effect of currency hedging related to operational items but excluding any Hedge Purchase and Termination Costs;

(10) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time after June 30, 2019, and the amount of any loss or gain against book value arising on a disposal of any asset (other than stock disposed of in the ordinary course of business) during that Relevant Period;

(11) before taking into account any fees or expenses paid (directly or indirectly) to the Issuer's shareholders, the agent under the Facilities Agreement, the Trustee or any agent or security agent in respect of any Indebtedness;

(12) after adding any amounts claimed in respect of such Relevant Period under loss of profit, business interruption or equivalent insurance;

(13) before taking into account any Pension Items;

(14) excluding the charge to profit represented by the expensing of stock options and any expense referable to equity settled share based compensation of employees or management or, profit sharing schemes, or compensation or payments to departing management; and

(15) before deducting any fees, costs, charges or expenses related to any actual or attempted equity or debt offering, compensation payments to departing management, financing, investments (including any investment in a joint venture), acquisitions or incurrence of indebtedness (whether or not successful),

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining profits of the Issuer and its Subsidiaries before taxation and so that no gain or profit from the purchase by the Issuer or its Subsidiaries at less than par value of any loans made to the Issuer or any of its Subsidiaries or any securities issued by the Issuer or any of its Subsidiaries will be included as a component of Consolidated EBITDA.

"*Consolidated Pro Forma EBITDA*" means for any Relevant Period the Consolidated EBITDA, adjusted to:

(1) include the earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA, *mutatis mutandis*) for the Relevant Period of any person, property, business or material fixed asset acquired or joint venture entered into (each such person, property, business or asset acquired or joint venture entered into, an "*Acquired Entity or Business*");

(2) include an adjustment in respect of each Acquired Entity or Business acquired during such period equal to or less than the amount of the Relevant Synergy Benefits with respect to such Acquired Entity or Business;

(3) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the acquisition of such Acquired Entity or Business;

(4) exclude the earnings before interest, tax, depreciation, amortization and impairment charges (calculated on the same basis as Consolidated EBITDA, *mutatis mutandis*) for the Relevant Period of any person, property, business or material fixed asset sold, transferred or otherwise disposed of by, or the exit from a joint venture by, the Issuer or any of its Subsidiaries during such period (each such person, property, business or asset so sold, transferred or disposed of, or such exit from a joint venture, a "*Sold Entity or Business*");

(5) include an adjustment in respect of each Sold Entity or Business sold, transferred or otherwise disposed of during such period equal to or less than the amount of the Relevant Synergy Benefits with respect to such Sold Entity or Business;

(6) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the sale or disposal of such Sold Entity or Business;

(7) include an adjustment in respect of each Group Initiative implemented or committed to be implemented during such period equal to or less than the amount of the Relevant Synergy Benefits for such period consequent on the implementation of such Group Initiative;

(8) exclude any non-recurring costs and other expenses arising directly or indirectly as a consequence of the implementation of such Group Initiative;

(9) include the results of any Subsidiary which has been contractually committed to be disposed of, but where such disposal (as at the end of the Relevant Period) has not yet been completed even if the contractual commitment to dispose of that Subsidiary would lead to it being treated as a current asset under IFRS;

(10) during the period following the acquisition of or investment in an Acquired Entity or Business, sale, transfer or other disposal of a Sold Entity or Business or the implementation of a Group Initiative (and without prejudice to the synergies and cost savings actually realized and already included in Consolidated EBITDA), the Issuer shall be permitted (at its election) to adjust the definition of Consolidated Pro Forma EBITDA or any component thereof to take into account the pro forma increase in Consolidated EBITDA projected by the Issuer after taking into account the full run rate effect of all anticipated Relevant Synergy Benefits (as if the same had been realized on the first day of the Relevant Period) which the Issuer (as reasonably determined in good faith by a responsible financial or accounting officer of the Issuer) believes can be achieved as a result of combining the operations of such Acquired Entity or Business

with the operations of the Issuer and its Subsidiaries, as a consequence of the sale, transfer or other disposal of such Sold Entity or Business or as a result of implementing such Group Initiative;

(11) exclude all or any part of any expenditure or other negative item (and/or the impact thereof) directly or indirectly resulting from (i) the Listing, any acquisition, disposal or investment or the impact from purchase price accounting and/or (ii) Group Initiative Costs; and

(12) make such other adjustments as permitted under the Facilities Agreement so that Consolidated Pro Forma EBITDA under the Indenture is at no time less than Consolidated Pro Forma EBITDA as defined under the Facilities Agreement.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the closing of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union (which shall include for this purpose the United Kingdom), and the payment for which such member state of the European Union pledges its full faith and credit; *provided* that such member state has a long-term government debt rating of "A1" or higher by Moody's or "A+" or higher by S&P or Fitch or the equivalent Rating Category of another internationally recognized rating agency.

"*Event of Default*" has the meaning ascribed thereto under "*Events of Default and Remedies*."

"*Exceptional Items*" means any items of an unusual, one-off or non-recurring, extraordinary or exceptional nature which represent gains or losses including those arising on:

(1) the restructuring or other Group Initiative of the activities of an entity and reversals of any provisions for the cost of restructuring or other Group Initiative;

(2) disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write downs or impairment;

(3) disposals of assets associated with discontinued operations or other Group Initiatives; and

(4) the purchase by the Issuer or any of its Subsidiaries at less than par value of any loans made to the Issuer or any of its Subsidiaries or any securities issued by the Issuer or any of its Subsidiaries.

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended.

"*Facilities Agreement*" means (1) the IPO facilities agreement dated March 20, 2019, among, *inter alios*, Nexi S.p.A., as the Company, the mandated lead arrangers and bookrunners, lead arrangers and co-arrangers listed therein, and Banca IMI S.p.A., as agent, as the same may be amended, supplemented or otherwise modified from time to time, including any ancillary facilities, and (2) for the purposes of the covenant described under "*Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Subsidiaries*" only, the facilities made available under the IPO facilities agreement referred to in the preceding clause (1) and any Syndicated Facilities which are exchanged for, or the proceeds of which are used to refinance, any such facilities.

"*Fitch*" means Fitch Ratings Ltd. or any successor to the ratings business thereof.

"*Group Initiative*" means any restructuring, reorganization or cost saving or other similar initiative.

"*Group Initiative Costs*" means costs, expenses or losses relating to any Group Initiative.

"*guarantee*" means a guarantee, contingent or otherwise, of all or any part of any Indebtedness (other than by endorsement of negotiable instruments for collection in the ordinary course of business), including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof.

"*Hedge Purchase and Termination Cost*" means any one-off or non-recurring cash payments, premia, fees, costs or expenses in connection with the purchase of a Treasury Transaction or which arise upon maturity, close-out or termination of any Treasury Transaction.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements; and

(2) other similar agreements or arrangements designed to enable such Person to manage fluctuations in interest rates.

"*Holder*" means the Person in whose name a Note is registered on the Registrar's books.

"*Holding Company*" means any Person so long as such Person directly or indirectly holds 100% of the total voting power of the Voting Stock of the Issuer, and at the time such Person acquired such voting power, no Person and no group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) (other than any Permitted Holder), shall have beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such Person.

"*IFRS*" means International Financial Reporting Standards as adopted by the European Union, International Financial Reporting Interpretations Committee as in effect as of the date of the Indenture; *provided, however*, that all reports and other financial information provided by the Issuer to the Holders and/or the Trustee shall be prepared in accordance with IFRS as in effect on the date of such report or other financial information. All computations based on IFRS contained in the Indenture will be computed in conformity with IFRS.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent, in respect of:

(1) borrowed money;

(2) any amount raised by acceptance under any acceptance credit or bill discounting facility or dematerialized equivalent (other than to the extent the same is discounted or factored on a non-recourse basis or where recourse is limited to customary warranties and indemnities);

(3) bonds, notes, debentures or similar instruments or bankers' acceptances, letters of credit or similar instruments (or reimbursement agreements in respect thereof), excluding, in each case, any Trade Instruments;

(4) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis or where recourse is limited to customary warranties and indemnities) and only to the extent of any recourse;

(5) any Treasury Transaction (and, when calculating the value of any Treasury Transaction, only the marked to market net value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account) and Hedging Obligations;

(6) amounts raised by any issue of shares which are expressed to be redeemable mandatorily or at the option of the holder prior to the maturity date of the Notes or which are otherwise classified as borrowings under IFRS;

(7) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability (excluding any Trade Instruments) of an entity which is not a Subsidiary which liability would fall within one of the other paragraphs of this definition;

(8) any amount of any liability under an advance or deferred purchase agreement if: (i) one of the primary reasons behind the entry into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question and (ii) the agreement is in respect of the supply of assets or services and payment is due from the Issuer or a Subsidiary of the Issuer more than six months after the date of supply to it, or is due to the Issuer or a Subsidiary of the Issuer more than six months before the date of supply to it; *provided* that such amounts will not constitute Indebtedness where the amount results from the delayed or non-satisfaction of contract terms by the supplier, from a dispute carried out in good faith or from contract terms establishing payment schedules tied to total or partial contract completion and/or the results of operational testing procedures and, for the avoidance of doubt, excluding earn outs and other contingent consideration arrangements; or

(9) any amounts raised under any other transaction (including any forward sale or purchase agreement) required to be accounted for as a borrowing under IFRS excluding, in each case, any Trade Instruments,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "*Indebtedness*" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person. Notwithstanding the foregoing and for the avoidance of doubt, the term "*Indebtedness*" shall not include: (1) any Lease Obligations and any guarantee given by the Issuer or any of its Subsidiaries in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any of its Subsidiaries under any operating lease; (2) Contingent Obligations in the ordinary course of business; (3) in connection with the purchase by the Issuer or any of its Subsidiaries of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; (4) all pension-related and post-employment obligations or liabilities, intra-day exposures; (5) in respect of Trade Instruments; (6) any Settlement Debt, Settlement Liabilities and in respect of Settlement Obligations; (7) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes; (8) obligations in respect of any license, permit or other approval arising in the ordinary course of business; and (9) uncashed checks issued by the Issuer or a Subsidiary of the Issuer in the ordinary course of business.

The amount of any Indebtedness outstanding as of any date shall be:

(1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and

(2) the principal amount thereof in the case of any other Indebtedness.

"*Investment Grade Rating*" means:

(1) with respect to S&P and Fitch any of the Rating Categories from and including "AAA" to and including "BBB−"; and

(2) with respect to Moody's any of the Rating Categories from and including "Aaa" to and including "Baa3."

"*Issue Date*" means the date on which Notes are originally issued under the Indenture.

"*Italian Civil Code*" means the Italian *codice civile*, approved by the Royal Decree No. 262 of March 16, 1942 (as subsequently amended and restated).

"*Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with IFRS.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement.

"*Listing*" means a listing or an admission to trading of all or any part of the share capital of the Issuer on Borsa Italiana.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Non-Group Entity*" means any investment or entity (which is not itself the Issuer or any of its Subsidiaries (including associates and joint ventures)) in which the Issuer or any of its Subsidiaries has an ownership interest.

"*Note Guarantee*" means any guarantee by a Note Guarantor of the Issuer's obligations under the Indenture and the Notes pursuant to the terms of the Indenture.

"*Note Guarantors*" means a Subsidiary of the Issuer that after the Issue Date provides a Note Guarantee.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer or the Secretary of the Issuer, or a person designated as such by one of the foregoing.

"*Officers' Certificate*" means a certificate signed by any Officer of the Issuer.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

"*Other Hedging Agreements*" means any foreign exchange contracts, currency swap agreements, futures contract, option contract, commodity futures contract, commodity option, commodity swap, commodity collar agreement, commodity cap agreements or other similar agreements or arrangements designed to enable such Person to manage the fluctuations in currency or commodity values.

"*Parent Holdco*" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"*Payor*" has the meaning ascribed thereto under "*Redemption for Taxation Reasons.*"

"*Pension Items*" means any income or charge attributable to a post-employment benefit scheme other than the current cash service costs.

"*Permitted Holders*" means any of (i) Mercury UK Holdco Limited and any of its Affiliates, (ii) any Person, Holding Company or group whose acquisition of beneficial ownership constitutes (x) a Change of Control Repurchase Event in respect of which a Change of Control Offer is made or waived in accordance with the requirements of the Indenture or (y) a Change of Control that does not result in a Change of Control Repurchase Event, together with any Affiliates of such Person and affiliates of members of such group, (iii) any Holding Company and (iv) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing are members and any member of such group; *provided* that in the case of such group, and without giving effect to the existence of such group or any other group, Persons referred to in subclauses (i), (ii) and (iii), collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group.

"*Permitted Interest*" means any Securitization Lien or other Lien that arises in relation to any securitization, receivables financing, factoring or other structured finance transaction where:

(1) the primary source or payment of any obligations of the issuer is linked or otherwise related to cash flow from particular property or assets (or where payment of such obligations is otherwise supported by such property or assets); and

(2) recourse to the Issuer in respect of such obligations, if any, is conditional on cash flow from such property or assets.

"*Permitted Liens*" means:

(1) any Lien existing on the Issue Date (other than to the extent such Lien is required to be released as a condition precedent to the Issue Date), together with any replacement or renewal of any such Liens from time to time;

(2) any Lien or right of set-off or netting arising by operation of law (or by agreement or contract of similar effect in the ordinary course of business);

(3) any Lien or right of set off existing in the ordinary course of business and not in connection with the borrowing of money, any Lien to secure the payment of pension, retirement or similar obligations, or any Lien or right of set off between the Issuer or any Subsidiary and their respective suppliers or customers and not securing Indebtedness;

(4) any Lien or right of set-off or netting arising in connection with any cash management, cash pooling, netting or set-off arrangement entered into by any the Issuer or any Subsidiary in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of the Issuer or any Subsidiary (including an ancillary facility under the Facilities Agreement which is an overdraft comprising more than one account) or otherwise in connection with cash management, cash pooling, netting or set-off or similar or equivalent arrangements and any Lien granted to a financial institution on that financial institution's standard terms and conditions in respect of accounts and services;

(5) any Lien, payment or close out netting or set-off arrangement pursuant to any Treasury Transaction, Hedging Obligations or Other Hedging Agreements entered into by the Issuer or any Subsidiary for any purpose not expressly prohibited by the terms of the Indenture;

(6) any Lien arising pursuant to or out of an order of attachment or injunction restraining disposal of assets or similar legal process arising in connection with any legal proceedings which are contested by the Issuer or any Subsidiary in good faith by appropriate proceedings;

(7) any Lien created pursuant to a court order, injunction or judgment or as security for costs arising pursuant to court proceedings being contested by the Issuer or the relevant Subsidiary in good faith by appropriate proceedings;

(8) any Lien over or affecting any asset acquired by the Issuer or any Subsidiary after the Issue Date if:

    (A) the Lien was not created in contemplation of the acquisition of that asset by the Issuer or such Subsidiary; and

    (B) the principal amount secured (other than as a result of capitalization of interest and accrual of any default interest) has not been increased in contemplation of or since the date of the acquisition of that asset by the Issuer or a Subsidiary,

    together with any replacement, renewal or extension of that Lien from time to time;

(9) any Lien over or affecting any asset of any person which becomes a Subsidiary after the Issue Date if:

    (A) the Lien was not created in contemplation of the acquisition of that person; and

(B) the principal amount secured (other than as a result of capitalization of interest and accrual of any default interest) has not increased in contemplation of or since the date of the acquisition of that person,

together with any replacement, renewal or extension of that Lien from time to time.

(10) any Lien over shares (or other interest) in any joint venture or assets owned by any joint venture to secure obligations (A) of such joint ventures or (B) to other joint venture partners in that joint venture;

(11) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(12) any Lien over any asset to secure Indebtedness incurred to finance the purchase, improvement or construction of such asset provided that the only recourse the creditor of such Indebtedness has to any Principal Property is to that asset;

(13) any Lien arising under or entered into or created for the benefit of or to secure the Notes or any guarantees of the Notes;

(14) any Lien in favor of the Issuer or any Subsidiary of the Issuer;

(15) any Lien arising under or in connection with any sale, sale and leaseback, lease, sublease, licence, transfer or other disposal which is not prohibited under the terms of the Indenture or any acquisition or investment not expressly prohibited under the terms of the Indenture (including under or pursuant to deposit, retention of purchase price or escrow arrangements and any vendor financing, deferred consideration or payment or other similar arrangements);

(16) any Lien arising under or in connection with any retention of title, hire purchase, conditional sale agreements or other agreements having similar effect entered into in the ordinary course of business;

(17) any Lien over goods and documents of title relating to those goods arising in the ordinary course of letter of credit or other documentary credit transactions entered into in the ordinary course of business;

(18) any Lien which does not secure any outstanding actual or contingent liability provided that all commercially reasonable efforts are used to procure the release or discharge of such Lien;

(19) any Lien over any rental deposits in respect of any property leased or licensed by the Issuer or a Subsidiary 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;

(20) (A) 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 the Issuer or any Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (B) any condemnation or eminent domain proceedings affecting any real property;

(21) any Lien in respect of Taxes, assessments or governmental charges which are not yet due or the liability in respect of which is being contested by the Issuer or the relevant Subsidiary in good faith by appropriate proceedings;

(22) any Lien which constitutes, is part of or is made under or in connection with any indebtedness borrowed or incurred by a Subsidiary of the Issuer (other than (x) a borrower under the Facilities Agreement that was not a borrower under the Facilities Agreement as of the Issue Date or (y) a Subsidiary guaranteeing the Notes) which is not expressly prohibited under the terms of the Indenture;

(23) any Lien granted in favor of creditors of the Issuer or any of its Subsidiaries in relation to a Permitted Reorganization or capital reduction of the Issuer or any Subsidiary, to the extent necessary to ensure that the Permitted Reorganization or capital reduction occurs;

(24) any Lien which constitutes, is part of or is made under or in connection with a Permitted Transaction other than Liens in respect of any borrowings or obligations under the Facilities Agreement which are otherwise prohibited under the Indenture;

(25) any cash collateral provided in respect of letters of credit or bank guarantees (including any letters of credit) to the issuer of those letters of credit or bank guarantees;

(26) deposits to secure the performance of bids, tenders, trade contracts, governmental contracts completion guarantees, and leases or contracts (other than Indebtedness), statutory obligations, surety, stay, indemnity, customs, judgment and appeal bonds, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), pledges, deposits or liens or security under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements) in each case incurred in the ordinary course of business;

(27) any Lien constituted by easements (including reciprocal easement agreements), rights-of-way, restrictions, encroachments, protrusions, ground leases and other similar encumbrances and title defects affecting real property which, in the aggregate, do not materially interfere with the ordinary conduct of the business of the Issuer or the applicable Subsidiary;

(28) any Lien granted or arising over any shares or other ownership interests issued (including shares or interests issued prior to the Issue Date) in connection with any employee or management incentive scheme or similar arrangement operated by or on behalf of the Issuer or any Subsidiary or by or on behalf of any Subsidiary which is not a Subsidiary as at the Issue Date;

(29) any Lien granted in the ordinary course of business on arms' length or better terms relating to office equipment held under leases;

(30) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in escrow accounts or similar arrangement;

(31) (A) any Lien on assets or property of the Issuer or any Subsidiary for the purpose of securing Lease Obligations or purchase money obligations and (B) any interest or title of a lessor under any Lease Obligation or other lease;

(32) any Lien in respect of (i) any Permitted Interest or (ii) Settlement Obligations;

(33) any security granted over the shares in Visa Inc. held by the Issuer or a Subsidiary;

(34) Settlement Liens;

(35) any Lien (including any cash collateral and any blocked account) provided to, for the benefit of or in connection with operations related to any Card Scheme;

(36) any Lien which constitutes, is part of or is made under or in connection with any indebtedness borrowed or incurred by the Issuer or any of its Subsidiaries which is not expressly prohibited under the terms of the Facilities Agreement as in existence as of the date of the offering memorandum (other than any borrowings or obligations under the Facilities Agreement) (including any Third Party Financing and any escrow or similar arrangement to which the proceeds from any borrowing or issue of any such Indebtedness are subject to and any cash collateral to secure obligations under such indebtedness and any blocked accounts);

(37) any Lien to which the Majority Lenders (as defined under the Facilities Agreement) under the Facilities Agreement shall have given their prior written consent; and

(38) any Lien securing indebtedness the outstanding principal amount of which (when aggregated with the outstanding principal amount of any other indebtedness which has the benefit of a Lien given by the

Issuer or any Subsidiary other than any permitted under the preceding clauses (1) to (37) above) does not exceed the greater of (i) €115.0 million (or its equivalent in other currencies) or, if higher, (ii) an amount equal to 25% of Consolidated Pro Forma EBITDA outstanding at any time.

"*Permitted Reorganization*" means:

(1) an acquisition by way of merger (not involving the Issuer); *provided* that the acquisition is not expressly prohibited by the terms of the Indenture;

(2) an amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction of the Issuer or any of its Subsidiaries whether in relation to the business or assets or shares (or other interests) of the Issuer or that Subsidiary or otherwise (including, in each case, any steps or actions necessary to implement such transactions); *provided* that such amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization winding up or corporate reconstruction is not otherwise prohibited by the Indenture;

(3) any amalgamation, demerger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction arising as a consequence of any undertaking or other obligation in the Facilities Agreement (including, in each case, any steps or actions necessary to implement such transactions);

(4) any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction not otherwise prohibited by the Facilities Agreement (including, in each case, any steps or actions necessary to implement such transactions);

(5) any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the business of, or shares of (or other interests in) the Issuer or any of its Subsidiaries which is implemented to comply with any applicable law or regulation (including any steps or actions necessary to implement such transactions); and

(6) any other amalgamation, demerger, merger, voluntary liquidation, consolidation, re-organization, winding up or corporate reconstruction approved by the Majority Lenders (as defined in the Facilities Agreement).

"*Permitted Transaction*" means:

(1) any disposal required, Indebtedness incurred, guarantee, indemnity or Lien given, or other transaction arising, under or in accordance with the Facilities Agreement; *provided* that the relevant disposal, Indebtedness, guarantee, indemnity or Lien is permitted or not expressly prohibited under the terms of the Indenture other than by reason or by reference to this paragraph (1);

(2) a Permitted Reorganization;

(3) any transaction arising under or in accordance with the entry into or assumption of an obligation under the Indenture, *provided* that such transaction is permitted or not otherwise prohibited under the terms of the Indenture other than by reason of or reference to the definition of Permitted Transaction; and

(4) any transaction permitted by the Majority Lenders (as defined in the Facilities Agreement); *provided, however*, that at the time such Lien is granted (i) indebtedness under the Facilities Agreement in an amount representing no less than 10% of the total commitments initially made available under the Facilities Agreement is still outstanding or (ii) no more than 90% of the total amount of the commitments initially provided for under the Facilities Agreement have been cancelled.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Principal Property*" means any property, plant or equipment (including any leasehold interest therein), which is owned by the Issuer or a Subsidiary of the Issuer, in each case, to the extent that such property, plant or equipment has a net book value on the books of the Issuer in excess of the greater of (i) €25.0 million or, if higher, (ii) 5% of Consolidated EBITDA, as of the date of determination thereof, other than any property, plant or equipment which, in the opinion of a responsible financial or accounting officer of the Issuer, is not of material importance to the total business conducted by the Issuer and its Subsidiaries taken as a whole.

"*Public Indebtedness*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "Public Indebtedness" for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall not be deemed underwritten), or any Indebtedness under the Facilities Agreement, commercial bank or similar Indebtedness, Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness Incurred in a manner not customarily viewed as a "securities offering" or in connection with any securitization or other structured finance transaction.

"*Rating Agencies*" means S&P, Moody's and Fitch, or if S&P, Moody's or Fitch or any of them shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the relevant Board of Directors) which shall be substituted for S&P, Moody's or Fitch or any of them as the case may be.

"*Rating Category*" means (1) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody's any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories); and (3) the equivalent of any such category of S&P, Fitch or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (+ and − for S&P and Fitch; 1, 2 and 3 for Moody's; or the equivalent gradations for another Rating Agency) and changes in outlook shall not be taken into account.

"*Rating Event*" means (1) if on the date of the first public announcement of an event that constitutes a Change of Control the Notes are then rated by at least two Rating Agencies as having an Investment Grade Rating, there is a decrease in the rating of the Notes by at least one of the Rating Agencies on or within 90 days of the date of the Change of Control (which period shall be extended for an additional 90 days if any Rating Agency has publicly announced that it is considering a possible downgrade of the Notes) which causes the Notes to no longer have an Investment Grade Rating from two of the Rating Agencies or (2) if on the date of first public announcement of an event that constitutes a Change of Control the Notes are not then rated by at least two Rating Agencies as having an Investment Grade Rating, there is a decrease in the Rating Category of the Notes by at least one of the Rating Agencies on or within 90 days of the date of the Change of Control (which period shall be extended for an additional 90 days if any Rating Agency has publicly announced that it is considering a possible downgrade of the Notes) which decrease results in the rating on the Notes by such Rating Agency to be at least one Rating Category below the rating of the Notes issued by such Rating Agency immediately preceding the public announcement of the event that continues the relevant Change of Control.

"*Relevant Period*" means each period of twelve months ending on or about the most recent date for which internal consolidated financial statements of the Issuer are available.

"*Relevant Regulator*" means the Bank of Italy, the European Central Bank or any other entity, agency, governmental authority or person that has regulatory authority over the business or operations of any of the Issuer or its Subsidiaries.

"*Relevant Synergy Benefits*" means the pro forma synergies and cost savings which the Issuer (as determined by a responsible financial or accounting officer of the Issuer in good faith) believes can be obtained following the completion of such acquisition, investment, sale, transfer, disposal or implementation as a result of combining the operations of such Acquired Entity or Business with the operations of the Issuer or any of its Subsidiaries, as a consequence of the sale, transfer or other disposal of such Sold Entity or Business or as a result of implementing such Group Initiative.

"*Relevant Taxing Jurisdiction*" has the meaning ascribed thereto under "*Withholding Taxes*."

"*S&P*" means Standard & Poor's Ratings Group or any successor to the rating agency business thereof.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Securitization Lien*" means a customary back-up security interest granted as part of a sale, lease, transfer or other disposition of assets by the Issuer or any of its Subsidiaries to, either directly or indirectly, any issuer in a securitization or other structured finance transaction.

"*Segregated Accounts*" means a segregated, safeguarding or other similar account established by the Issuer or any of its Subsidiaries (or on its behalf) from time to time into which merchants' monies are paid pending payment on to the relevant merchants in accordance with the Payment Services Directive (PSD, 2007/64/EC) or any relevant local implementing regulation or regulations made pursuant thereto.

"*Settlement*" means the transfer of cash or other property with respect to any credit card, charge card, stored-value card or debit charge card or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer or charge transaction for which a Person acts as issuer, acquirer, processor, remitter, funds recipient, funds transmitter or funds receiver in the ordinary course of its business.

"*Settlement Assets*" means in the case of each of the Issuer or any of its Subsidiaries:

(a) any amounts owed to the Issuer or any of its Subsidiaries from cardholders of any Card Scheme after taking into account write downs for anticipated doubtful debts;

(b) any amounts due from a Card Scheme, bank, financial institution or other similar entity or person under Settlement Contracts; and

(c) any Settlement Cash Balances.

"*Settlement Cash Balances*" means, in the case of each of the Issuer or any of its Subsidiaries, cash in hand or credited to any account with a bank, financial institution or other similar entity and which has been received from a Card Scheme, merchant or cardholder of a Card Scheme or a bank, financial institution or other similar entity or person under Settlement Contracts and is held by or on behalf of the Issuer or any of its Subsidiaries (including, without limitation, in Segregated Accounts) or by a person who has entered into a sponsorship agreement with the Issuer or any of its Subsidiaries and is holding such cash on such Issuer's or any of its Subsidiaries' behalf, in each case, for onward payment to Card Schemes, merchants, cardholders, banks, financial institutions or other similar entities or persons.

"*Settlement Contracts*" means, in the case of each of the Issuer or any of its Subsidiaries, contracts entered into between the Issuer or any of its Subsidiaries and (a) merchants or other parties who may refer or introduce merchants for the provision of point of sale, e-commerce gateway, merchant acquiring or related payment processing services (or a combination of such services) or (b) Card Schemes, cardholders, banks, financial institutions or other similar entities or persons for the provision of issuer services/processing activities or related issuer services/processing activities (or a combination of such services).

"*Settlement Debt*" means any indebtedness of the Issuer or any of its Subsidiaries (including, without limitation, any intra-day or clearing facility) which together with Settlement Assets are used directly or indirectly to pay Settlement Liabilities.

"*Settlement Liabilities*" means in the case of each of the Issuer or any of its Subsidiaries:

(a) any amounts due from the Issuer or any of its Subsidiaries to cardholders of any Card Scheme who have deposited amounts with the Issuer or any of its Subsidiaries for lunch vouchers, prepaid cards or other similar card schemes; and

(b) any Settlement Payables.

"*Settlement Lien*" means any Lien relating to any Settlement Liabilities, Settlement Debt, Settlement Contracts, Settlement Cash Balances or Settlement Payables, which may include, for the avoidance of doubt, the grant of a Lien on, or other assignment of, a Settlement Asset, Liens securing intraday and overnight overdrafts and automated clearinghouse exposures and similar Liens.

"*Settlement Obligations*" means any short-term payment or reimbursement obligation in respect of a Settlement Payment or Settlement Receivable and other financings or liabilities due to banks or customers, in each case of the type incurred in the ordinary course of business by the Issuer and its Subsidiaries, including under any facility in respect thereof.

"*Settlement Payables*" means, in the case of each of the Issuer or any of its Subsidiaries, the amounts payable to a Card Scheme, merchant, cardholder of a Card Scheme, bank, financial institution or other similar entities or persons under Settlement Contracts in respect of transactions which have been notified to such Issuer or such of its Subsidiaries including amounts held as deferred settlement or withheld for any other reason from such merchants, Card Schemes, cardholders, banks, financial institutions or other similar entities or persons.

"*Settlement Payment*" means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer of cash or other property to effect a Settlement.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof),

*provided*, *however*, that the term "Subsidiary," including for purposes of the covenant described under "*Certain Covenants—Negative Pledge*" and clause (5) under the caption "*Events of Default and Remedies*," shall exclude (except for the Issuer) (i) any Subsidiary which is principally engaged in leasing or in financing installment receivables or which is principally engaged in financing the operations of the Issuer and its Subsidiaries or (ii) any financial entity whose accounts as of the date of determination are not required to be consolidated with the accounts of the Issuer in its audited consolidated financial statements or (iii) any Subsidiary that is an issuer in a securitization or other structured financing transaction, so long as in the case of clauses (ii) or (iii) such Subsidiary does not own any Principal Property.

"*Surviving Entity*" shall have the meaning ascribed thereto under "Certain Covenants—Merger, Consolidation or Sale of Substantially All Assets."

"*Syndicated Facilities*" means one or more debt facilities with banks or other institutional lenders providing for revolving credit loans and/or term loans that are primarily syndicated to institutional investors in connection with the initial distribution, issuance or syndication (including, without limitation, any syndicated term facilities made available under the Facilities Agreement). For the avoidance of doubt, bilateral credit facilities will not be deemed to be Syndicated Facilities for purposes of this definition.

"*Tax Redemption Date*" has the meaning ascribed thereto under "Redemption for Taxation Reasons."

"*Taxes*" has the meaning ascribed thereto under "Withholding Taxes."

"*Third Party Financing*" means any bilateral or syndicated facility or Public Indebtedness issued or borrowed by the Issuer or any of its Subsidiaries to, or from, any person that is not the Issuer or any of its Subsidiaries, where:

(1) the aggregate principal amount of Indebtedness (other than as a result of capitalization of interest and accrual of default interest) made available to the Issuer or any of its Subsidiaries under such financing or issuance (together with any linked financings or issuances) is no greater than €140.0 million (or its equivalent in any other currencies) or, if higher, 30% of Consolidated Pro Forma EBITDA; or

(2) the aggregate principal amount of Indebtedness made available under all such financings at any time is no greater than €235.0 million (or its equivalent in any other currencies) or, if higher, 53% of Consolidated Pro Forma EBITDA at any time.

"*Trade Instruments*" means any performance bonds, advance payment bonds, letters of credit, bankers' acceptances or similar instruments issued in respect of the obligations of the Issuer or any of its Subsidiaries arising in the ordinary course of business.

"*Transaction Costs*" means all fees, commission, costs and expenses, stamp, registration and other Taxes incurred (or required to be paid) by the Issuer or any of its Subsidiaries in connection with the Listing, any acquisition, disposal, investment or other Group Initiative not prohibited under the terms of the Indenture or any amendments to the Facilities Agreement and, in each case, the negotiation, preparation, execution, notarization and registration of all related documentation.

"*Treasury Transactions*" means any hedging, derivative or other financial instrument or transaction entered into in connection with the protection against or benefit from fluctuation in any rate or price.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

## BOOK ENTRY, DELIVERY AND FORM

The Notes sold outside the United States in reliance on Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Global Notes”). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes are not being offered or sold within the United States or to U.S. persons.

Ownership of interests in the Global Notes (the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons who hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. While the Notes may only be traded in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, for the purpose of the International Central Securities Depositories (“ICSDs”), the minimum denomination will be considered to be €100,000. For the avoidance of doubt, the ICSDs are not required to monitor or enforce the minimum amount. The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form (subject to very limited exceptions) and will not be considered the registered owners or holders of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear or Clearstream, as applicable (or its nominees) will be considered the holder of the Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Registrar, the Paying Agent, the Transfer Agent, the Trustee nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes (as defined below):

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), their current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Definitive Registered Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of one Definitive Registered Note, a new Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note will be issued to the transferor or the holder, as applicable, in respect of the balance of the holding not transferred or redeemed; provided that a Definitive Registered Note will only be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, the Issuer will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and our requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Trustee and/or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer and/or the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer Restrictions.*"

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and any of their respective agents shall be entitled to treat the registered holder of any Global Notes as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

**Redemption of the Global Notes**

In the event any Global Notes, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Notes so redeemed to the holders of the Book-Entry Interests in such Global Notes from the amount received by it in respect of the redemption of such Global Notes. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Notes (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with their respective operational procedures; provided, however, that no Book-Entry Interest of less €100,000 principal amount at maturity, or less, may be redeemed in part.

**Payments on Global Notes**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and Additional Amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes*" above, the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Notes or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents will treat the registered holders of the Global Notes (i.e., the common depositary for Euroclear or Clearstream or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;

- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;

- Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents will be liable to any holder of a Global Notes or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

**Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such notes through Euroclear or Clearstream, as applicable, in euro.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### Transfers

Transfers between participants in Euroclear and Clearstream will be done in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will have a legend to the effect set out under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions.*"

Book-Entry Interests may only be transferred in accordance with any applicable securities laws of any applicable jurisdiction.

Subject to the foregoing, and as set forth in "*Transfer Restrictions*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Notes of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Notes and become a Book-Entry Interest in the other Global Notes, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Notes for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Notes only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "*Transfer Restrictions*."

### Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor any of their respective agents are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations, they also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear and Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear and Clearstream participants.

### Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Initial Purchasers, the Trustee, the Transfer Agent, the Registrar, the Paying Agent nor any of their respective agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### Initial Settlement

Initial settlement for the Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

### Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

# CERTAIN TAX CONSEQUENCES

*The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Italy and the European Union and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.*

*The summaries set forth below are based upon, as applicable, the laws of Italy and the European Union as in effect on the date of this offering memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to the tax law of Italy and the European Union below only have such meanings as defined therein for such respective section. The statements regarding laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.*

## Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this offering memorandum and are subject to any changes in law and published practice occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

### *Interest on the Notes*

Italian Legislative Decree No. 239 of April 1, 1996, as amended and supplemented ("Decree No. 239"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "Interest") from the Notes issued, *inter alia*, by Italian resident companies whose shares are traded on an EU regulated market or MTF, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*). The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("Decree No. 917"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount (*valore nominale*),(ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer and (iii) not provide for a remuneration which is linked to profits of the Issuer.

### *Italian Resident Holders of the Notes*

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are subject to a tax, referred to as *imposta sostitutiva* (as defined below), levied at the rate of 26% (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the application of the so-called *risparmio gestito* regime (the "Asset Management Option") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("Decree No. 461"); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a de facto partnership not carrying out commercial activities or professional associations; or

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities (other than Italian collective investment funds, SICAVs and SICAFs as described below); or

(d) an investor exempt from Italian corporate income taxation.

All the above categories are classed as "net recipients."

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta *sostitutiva*, on Interest accrued after the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of December 11, 2016 (the "Finance Act 2017") as well as the requirements set forth in Article 1 (210-215) of Law No. 145 of 30 December 2018 (the "Finance Act 2019"), if the long-term saving account is set up with effect from 1 January 2019. .

Pursuant to Decree No. 239, the 26% *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("Intermediaries" and each an "Intermediary") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239. For the purposes of applying *imposta sostitutiva*, Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of Notes, including in their capacity as transferees.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 26% *imposta sostitutiva* if made to beneficial owners who are:

(a) Italian resident corporation or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;

(b) Italian resident partnerships carrying out commercial activities (*società in nome collettivo* or *società in accomandita semplice*);

(c) Italian resident open-ended or closed-ended collective investment funds, investment companies with fixed capital (SICAFs) or investment companies with variable capital (SICAVs) established in Italy, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of December 5, 2005 ("Decree No. 252") and Italian resident real estate investment funds; and

(d) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized financial intermediary and have opted for the Asset Management Option.

Such categories are classed as "gross recipients." To ensure payment of Interest in respect of the Notes without the application of the 26% *imposta sostitutiva*, gross recipients must:

(a) be the beneficial owners of payments of Interest on the Notes; and

(b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorized financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorized Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

(a) by any Italian bank or any Italian intermediary paying Interest to the holders of the Notes; or

(b) by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct any *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the holders of the Notes, also in the net value of production for purpose of regional tax on productive activities—IRAP) of the holders of the Notes who are Italian resident corporations or similar commercial entities or permanent establishments in Italy or foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26 per cent. annual substitute tax (the "Asset Management Tax") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Interest accrued on the Notes held by Italian collective investment funds, SICAVs and SICAFs is not subject to the *imposta sostitutiva*, but is included in the aggregate income of the investment funds, SICAVs and SICAFs. The Italian collective investment funds, SICAVs or SICAFs will not be subject to taxation on such result, but a withholding tax of 26% will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (the "Collective Investment Fund Withholding Tax").

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds may be exempt from any income taxation, including the imposta *sostitutiva*, on Interest accrued after the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 as well as the requirements set forth in Article 1 (210-215) of the Finance Act 2019, if the long-term saving account is set up with effect from 1 January 2019.

Where a holders of the Notes is an Italian resident real estate investment fund or a SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when attributable to the fund, through distribution and/or upon redemption or disposal of the units.

*Non-Italian Resident Holders of the Notes*

Pursuant to Decree No. 239, payments of Interest in respect of the Notes will not be subject to *imposta sostitutiva* at the rate of 26%, provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in one of the states allowing an adequate exchange of information with the Italian tax authorities, as indicated by the Italian Ministerial Decree of September 4, 1996, as further amended and supplemented and possibly further amended by future decrees issued pursuant to Article 11 par. 4 (c) of Decree 239 (the "White List States"); and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from imposta sostitutiva, are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to: (i) international entities and organizations established in accordance with international agreements ratified in Italy; (ii) "institutional investors," whether or not subject to tax, which are established in White List States; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26% *imposta sostitutiva*, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes. Institutional investors not subject to tax are deemed to be beneficial owner of the Interest income by operations of law;

(b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance (which includes Euroclear and Clearstream); and

(c) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that he or she is a resident, for tax purposes, in a White List State. Such declaration (*autocertificazione*) which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. Such declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident holders of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident holders of the Notes.

*Fungible Issues*

Pursuant to Article 11, paragraph 2 of Decree 239, where the relevant issuer issues a new tranche forming part of a single series with a previous tranche of notes, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new tranche of notes will be deemed to be the same amount as the issue price of the original tranche of notes. This rule applies where (a) the new tranche of notes is issued within twelve months from the issue date of the previous tranche of notes and (b) the difference between the issue price of the new tranche of notes and that of the original tranche of notes does not exceed 1% multiplied by the number of years of the duration of the Notes.

***Capital Gains***

*Italian Resident Holders of the Notes*

Pursuant to Decree No. 461, a 26% capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes accrued after the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, as well as the requirements set forth in Article 1 (210-215) the Finance Act 2019, if the long-term saving account is set up with effect from 1 January 2019.

Under the so called "tax declaration regime," which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to the extent that they do not opt for the "*risparmio amministrato*" regime or the Asset Management Option, the 26% *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realized by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realized in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Alternatively, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realized on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or transfer or redemption of the Notes, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the Notes 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, any realized capital gain is not required to be included in the annual income tax return of the holders of the Notes and the holders of the Notes remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed under the Asset Management Option by an Italian asset management company or an authorized intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento*, SICAV or SICAF). In both cases, capital gains on the Notes will not be subject to 26% *imposta sostitutiva* on capital gains.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the four subsequent years. Under the Asset Management Option the realized capital gain is not required to be included in the annual income tax return of the holders of the Notes and the holders of the Notes remains anonymous.

In the case of Notes held by investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Withholding Tax will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a holders of the Notes that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain limitations and requirements (including a minimum holding period), Italian pension funds may be exempt from any income taxation, including the imposta *sostitutiva*, on capital gains realized after the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 as well as the requirements set forth in Article 1 (210-215) of the Finance Act 2019, if the long-term saving account is set up with effect from 1 January 2019.

Where a holders of the Notes is an Italian resident real estate investment fund or a SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, capital gains realized will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when attributable to the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realized by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

*Non-Italian Resident Holders of the Notes*

The 26% *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not traded on a regulated market in Italy or abroad:

(a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are resident for tax purposes in a White List State. Under these circumstances, if non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organizations established in accordance with international agreements ratified by Italy, (ii) certain foreign institutional investors established in White List States whether or not subject to tax, or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

(b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realized upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of Notes. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply provided that they timely file with the authorized financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration with Italian banks, SIMs and other eligible entities, but non-resident holders of the Notes retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

***Inheritance and Gift Tax***

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, effective from November 29, 2006, and Italian Law No. 296 of December 27, 2006, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6% on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Italian Law No. 383 of October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

The mortis causa transfer of financial instruments included in a long-term savings account (*piano di risparmio a lungo termine*)—that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017, as well as the requirements set forth in Article 1 (210-215) the Finance Act 2019, if the long-term saving account is set up with effect from 1 January 2019—is exempt from inheritance tax.

***Registration Tax***

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) executed in Italy are subject to fixed registration tax at a rate of €200; and (ii) private deeds (*scritture private non autenticate*) are subject to registration tax at a rate of €200 only in the case of use or voluntary registration or occurrence of the so-called *enunciazione*.

***Stamp Duty***

According to Article 13 par. 2-*ter* of the tariff Part I attached to Italian Presidential Decree No. 642 of October 26,1972, as amended by Article 1 par. 581 of Italian Law No. 147 of December 27, 2013, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their customers in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. This stamp duty applies at the rate of 0.20% on the market value or—in the absence of a market value—on the nominal value or the redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of any financial products and cannot exceed the amount of €14,000 for holders of the Notes that are not individuals. Stamp duty will apply on the Notes, both to Italian resident holder of the Notes and to non-Italian resident holders of the Notes, to the extent that the Notes are held with an Italian based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than twelve months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on February 9, 2011 as subsequently amended and supplemented) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

***Wealth Tax on Financial Assets Deposited Abroad***

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Italian Law No. 147 of December 27, 2013, and Article 9 of Italian Law No. 161 of October 30, 2014, Italian resident individuals holding financial assets—including the Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2%. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes lawfully due and paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

***Tax Monitoring Obligations***

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended by Italian Law No. 97 of August 6, 2013 and subsequently amended by Italian Law No. 50 of March 28, 2014 and Italian Law No. 225 of December 1st, 2016, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a € 15,000 threshold throughout the year.

***OECD Common Reporting Standards***

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from January 1, 2016 to prevent overlap between the EU Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("Law 95/2015"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has been recently amended by the Italian Ministerial Decree dated 20 June 2019 and published in the Official Gazette on 9 July 2019.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree dated 20 June 2019)), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

***The Proposed Financial Transactions Tax***

The EU Commission and certain EU Member States (including Italy) have proposed the introduction of a financial transaction tax, which, if introduced in its current proposed form, would apply to certain secondary market transactions where at least one party is a financial intermediary and at least one party is established in a participating EU Member State. The timing of its potential introduction is, however, still unclear. Prospective holders of the Notes are advised to seek their own professional advice in relation to the financial transaction tax.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.

## CERTAIN INSOLVENCY LAW CONSIDERATIONS

*The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer is incorporated or organized, and a summary of certain limitations on the validity and enforceability of any guarantee of the Notes and the security interests for the Notes. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes, any guarantee of the Notes and the security interests. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.*

### Italy

#### *Introduction*

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor does it provide a comprehensive description of insolvency laws applicable to public companies.

Insolvency laws and regulations are currently being reviewed and significant amendments are expected in the near future. In particular, on January 10, 2019, the government, pursuant to the guidelines contained in the Law No. 155 dated October 19, 2017 , issued the Legislative Decree No. 14/2019 setting out the "Business Crisis and Insolvency Code" (the "Insolvency Code"). The Insolvency Code will enter into force, with the exception of some provisions, on August 15, 2020, and, in particular, it will completely replace the Royal Decree No. 267 of 16 March, as amended from time to time (the "Italian Bankruptcy Law"). According to the Law No. 20 dated 8 March 2019, the Government is entitled to further amend / supplement the Code by legislative decrees.

The main changes set forth in the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and its replacement with a reference to a judicial liquidation, (ii) the introduction of a definition of state of crisis, (iii) the adoption of the same procedural framework to access the different insolvency procedures provided by law, (iv) a new set of rules concerning group restructurings, (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going-concern restructurings, and (vi) a new preventive alert and mediation phase to avoid insolvency. However, since the main provisions of such Insolvency Code have not entered into force yet and they are subject to further amendments by legislative decrees, we make reference here in below exclusively to the provisions of the Italian Bankruptcy Law currently in force with respect to the insolvency matter.

#### *Certain Italian Insolvency Laws*

The primary aim of the Italian Bankruptcy Law is to liquidate the debtor's assets for the satisfaction of creditors' claims (with the continuation of the assets as a going-concern (when applicable) only if this would satisfy the creditor's claims). These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

In addition, the following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

***Restructuring Outside of a Judicial Process (Accordi Stragiudiziali)***

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements (others than the ones described below) put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent bankruptcy, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

***Out-of-Court Reorganization Plans (Piani di Risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law***

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional and independence requirements and qualifications and meet the requirements set forth by Article 2399 of the Italian *codice civile*, approved by the Royal Decree No. 262 of March 16, 1942 (as subsequently amended and restated, the "Italian Civil Code") and may be subject to liability in case of misrepresentation or false certification. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, payments, acts and/or activities carried out as part of the implementation of a reorganization plan, subject to certain conditions (a) are not subject to claw-back action and, (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Italian Companies' Register are needed (although publication in the Italian Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

***Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di Ristrutturazione dei Debiti)***

Debt restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) entered into with creditors representing at least 60% of the outstanding company's debts can be ratified by the court. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and, particularly, that it ensures that the debts of the non-participating creditors can be fully satisfied within a 120 day term from: (i) the date of ratification of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court; and (ii) the date on which the relevant debts fall due, in case of receivables which are not yet due and payable to the non-participating creditors as of the date of the sanctioning (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a state of crisis (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of a debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and becomes effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The moratorium can be requested, pursuant to Article 182 *bis*, Paragraph 6 of the Italian Bankruptcy Law, to the court by the debtor pending negotiations with creditors (prior to the above mentioned publication of the agreement), subject to the fulfillment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for a hearing within 30 days from the publication and orders the debtor to supply to the creditors the relevant documentation in relation to the moratorium. In such hearing, creditors and other interested parties may file an opposition to the agreement and the court assesses whether the conditions for granting the moratorium have been met and, if the court so determines, orders that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the restructuring agreement has to be filed. The court's order may be challenged within 15 days of its publication. Within the same deadline of 60 days, an application for the court supervised pre bankruptcy composition with creditors (*concordato preventivo*) (as described below) may be filed, without prejudice to the effect of the moratorium.

The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, *inter alia*, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within 15 days of its publication. The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182 *septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and moratorium arrangements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

The debtor may also enter into a standstill agreement with its creditors which are banks and financial intermediaries by which also the non-consenting banks and financial intermediaries are bound, provided that: (i) they have been informed of the ongoing negotiations and have been allowed to participate to such negotiations in good faith; and (ii) an expert meeting the requirements provided under Article 67, paragraph 3, letter (d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the standstill agreement. The banks and financial intermediaries which have not agreed to the standstill agreement may file an objection (*opposizione*) to it within 30 days after having been notified of the same.

In no case the debt restructuring agreement provided under article 182 *septies* of the Italian Bankruptcy Law or the standstill agreement may impose new obligations, the granting of new over-draft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities on third party creditors.

Pursuant to Article 182 *quater* of the Italian Bankruptcy Law, financings granted to the debtor pursuant to the approved debt restructuring agreement (or a court supervised Pre Bankruptcy Composition with Creditors (*concordato preventivo*)) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financings granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for the sanctioning (*omologazione*) of a debt restructuring agreement or a court supervised Pre Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the debt restructuring agreement or the approval of the *concordato preventivo*. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Pursuant to the new Article 182 *quinquies*, Paragraphs 3 and 4 of the Italian Bankruptcy Law, the court, pending the sanctioning (*omologazione*) of the agreement pursuant to Article 182 *bis*, paragraph 1, or after the filing of the moratorium application pursuant to Article 182 *bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182 *bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre bankruptcy composition with creditors (*concordato preventivo*) described below) may authorize the debtor to: (i) incur new super-senior (so called *prededucibile*) indebtedness subject to authorization by the court, (ii) secure such indebtedness via in rem security (*garanzie reali*), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), issues a report in which they declare that the new financial indebtedness aims to achieve a better satisfaction of the creditors, and (iii) pay debts deriving from the supply of services or goods, already payable and due, provided that, the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree No. 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182 *quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 182 *quinquies*, Paragraph 1 of the Italian Bankruptcy Law as introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182 *bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing, (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

***Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)***

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186 *bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities), (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal, (iii) the division of creditors into classes, and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes (Article 182 *ter* of the Italian Bankruptcy Law).

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco* or *pre-concordato*, pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013). The debtor company may file such petition along with: (i) its financial statements from the latest three years, and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182 *bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company in this phase, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*, and (ii) set forth periodical reporting and information duties of the company during the abovementioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182 *bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182 *bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The composition with creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it, and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and sanctioned (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, exclusively upon request of the public prosecutor or a creditor (and not *ex officio*), and having decided that the appropriate conditions apply, declare the company bankrupt.

Pursuant to article 169 *bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (e.g., employment agreements (*rapporti di lavoro subordinato*), preliminary sale agreements (*contratti preliminari di vendita*) and real estate lease agreements), provided that the landlord is the insolvent company (*contratti di locazione di immobili*). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid as a debt prior to the pre-bankruptcy composition.

With respect to the interim financing during the Pre-Bankruptcy Composition with Creditors (*concordato preventivo*), the same provisions applicable to the Debt Restructuring Agreements with Creditors Pursuant to Article 182-*bis* of the Italian Bankruptcy Law will apply (for ease of reference, please refer to the relevant section).

***Bankruptcy (Fallimento)***

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things, subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period. In particular:

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);

- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors;

- any act (including payments) made by the debtor after the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors; and

- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over. Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law).

- *Bankruptcy composition with creditors (concordato fallimentare).* Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant proposal can be filed, by one or more creditors or third parties, from the declaration of bankruptcy. By contrast, the debtor or its subsidiaries are only permitted to file such proposal after one year following such declaration, but within two years following the decree giving effectiveness to the liabilities account (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

  The proposal may provide for the division of creditors into classes (thereby proposing different treatment among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court ratification is also required.

- *Statutory priorities.* The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Neither the debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

  Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of super-senior claims (i.e., claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of *claims* which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired (i.e., repayment of rescue or interim financing, mentioned above), the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are those of "privileged" creditors (*creditori privilegiati*; a priority in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori pignoratizi*) and unsecured creditors (*crediti chirografari*).

- *Avoidance powers in insolvency.* Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, depending on the circumstances, the Italian Bankruptcy Law provides for a clawback period of up to either two years, one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures—see below—in relation to certain transactions, the clawback period can be extended to five and three years, respectively) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below:

(a) Acts ineffective by operation of law.

(i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the above referenced Italian Royal Decree and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;

- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and

- ledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period as specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the other party knew that the bankrupt entity was insolvent at the time of the act or transaction:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and

- the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;

- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

- a sale, including an agreement for sale registered pursuant to Article 2645-*bis* the Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

- transactions entered into, payments made and security interests granted with respect to the bankrupt entity's goods, provided that they concern the implementation of a *piano di risanamento attestato* (see "*—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)*" above);

- a transaction entered into, payment made or security interest granted to implement a concordato preventivo (see "*—Court Supervised Pre Bankruptcy Composition with Creditors* (*concordato preventivo*)" above) or an *accordo di ristrutturazione dei debiti* under Article 182 *bis* of the Italian Bankruptcy Law (see "*—Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)*" above). Pursuant to Article 182 *bis* of the Italian Bankruptcy Law and transactions entered into, payments made and security interests granted after the filing of the application for a concordato preventivo (see above);

- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared without effect vis-à-vis the acting creditors within the Italian Civil Code ordinary clawback period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions through which the bankrupt entity disposed of its assets to the detriment of such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, that such transaction was fraudulently entered into by the debtor in order to cause detriment of such creditor's rights) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such detriment (or, if the transaction was entered into prior to the date on which the creditor's claim originated, such third party participated in the fraudulent scheme). Burden of proof is entirely with the receiver.

For clarity sake, the acts and transactions subject to a potential challenge, if the relevant conditions are met as indicated above, include also, among others, any security interests created to secure any payment obligations.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*, i.e., "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

***Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria Delle Grandi Imprese in Stato di Insolvenza)***

An extraordinary administration procedure applies under Italian law for large industrial and commercial enterprises (the Prodi-*bis* procedure). The relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. Any of the creditors, the debtor, a court or the public prosecutor may make a petition to commence an extraordinary administration procedure. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

There are two main phases: a "judicial phase" and an "administrative phase."

(a) *Judicial Phase*. In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissiario giudiziale*) to investigate whether the company has serious prospects for recovery via a business sale or reorganization. The judicial receiver files a report with the court within 30 days, and within ten days from such filing, the Italian Ministry of Productive Activities may make an opinion on the admission of the company to the extraordinary administration procedure. The court then decides (within 30 days from the filing of the report) whether to admit the company to the procedure or to place it into bankruptcy.

(b) *Administrative Phase.* Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and an extraordinary commissioner (or commissioners) is appointed by the Italian Productive Activities Minister. The extraordinary commissioner(s) prepare(s) a plan which can provide for either the sale of the business as a going concern within one year (unless extended by the Italian Ministry of Productive Activities) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Italian Ministry of Productive Activities) (the "Recovery Plan"). The plan may also include an arrangement with creditors (*e.g*., a debt for equity swap, an issue of shares in a new company to whom the assets of the company have been transferred, etc.) (*concordato*). The plan must be approved by the Italian Ministry of Productive Activities within 30 days from submission by the extraordinary commissioner.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Italian Ministry of Productive Activities.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

***Extraordinary Administration for Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)***

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "Marzano procedure." It is complementary to the Prodi-*bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the Prodi-*bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal Plan or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

***Compulsory Administrative Winding-Up (Liquidazione Coatta Amministrativa)***

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. This procedure may also be applied to cooperative companies, as an alternative to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to extraordinary administration proceedings.

***Hardening Period/Clawback and Fraudulent Transfer***

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years ("*revocatoria ordinaria*").

Under Italian law, in the event that the relevant guarantor enters into insolvency proceedings, any security interests (if any) or any future guarantee of the Notes, could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. If any security interests (if any) or any future guarantee of the Notes are challenged successfully, the rights granted under these security documents or guarantees in connection with security interests, may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under any security documents (if any).

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective vis-à-vis creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the EC Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

***Corporate Benefit and Financial Assistance under Italian Law***

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by applicable laws and regulations, the articles of association and the by-laws (*statuto sociale*) of such company and, in particular, is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring transactions, financial assistance concerns may also arise.

An Italian company entering into a transaction (including granting a guarantee or creating a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company (the so called "corporate benefit"). The principles on corporate benefit apply equally to up-stream and down-stream guarantees and security interests granted by Italian companies. The concept of corporate benefit is not defined in the applicable legislation and its existence is purely a business judgment-based decision of the directors of the company and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although under certain circumstances and subject to specific rules, the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for a downstream security interest or guarantee (i.e., a security interest or guarantee granted to secure financial obligations of direct or indirect subsidiaries of the relevant grantor) may usually be easily demonstrated, the validity and effectiveness of up-stream or cross stream security interest or guarantee (i.e., security interest or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depends on a real and adequate corporate benefit acting as consideration for the granted security interest or guarantee and may be challenged unless it can be proven that the grantor may derive some benefit or advantage from the granting of such guarantee or security interest. The general rule is that the risk assumed by an Italian grantor of security interest or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in the case of an up-stream or cross-stream guarantee or security interest for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is available as to whether and to what extent such transactions could be challenged for lack of real and adequate corporate benefit and conflict of interest.

As a general rule, the absence of a corporate benefit could render the transaction (including the creation of a security interest or the granting of a guarantee) by an Italian company as *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the granting of a security interest or a guarantee does not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

Upon certain conditions, the granting of a guarantee may be considered as a restricted financial activity within the meaning of Article 106 of the Italian Banking Act, which only banks and authorized financial intermediaries are qualified to carry out. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Decree No. 53 of April 2, 2015 issued by the Italian Ministry for Economic Affairs and Finance (*Ministero dell'Eeconomia e delle Finanze*), implementing Article 106, Paragraph 3, of the Italian Banking Act, states that the issuance of a guarantee by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling, controlled and associated companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under common control. As a result of the rules described above, subject to the Issuer and the guaranteed entity being members of the same group, the provision of the guarantees (if any) would not qualify as a restricted financial activity.

In addition, a security interest or a guarantee may not be granted by an Italian company in support of any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for an Italian company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls such company. Financial assistance given by an Italian company for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions may be considered null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

***Maximum Guaranteed Amount***

Pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by a guarantor incorporated under the laws of Italy (an "Italian Guarantor") is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian Guarantor must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the relevant Italian Guarantors. It has been held, that such determination must be proportionate to the relevant guarantor's assets. It is uncertain, however, whether courts are entitled to debate and to rule over such determinations.

In order to comply with corporate law requirements on, *inter alia*, corporate benefit and financial assistance, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as guarantor under the Indenture will be subject to limitations.

In particular, pursuant to Article 1938 of the Italian Civil Code, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as guarantor under the Indenture shall not exceed 150% of the aggregate principal amount of the Notes.

If and to the extent any direct or indirect Italian subsidiary of the Issuer pursuant to article 2359 of the Italian Civil Code is legally permitted to and does guarantee the Notes in the future, the relevant guarantee may contain limitations on the relevant Italian Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable Italian law.

Any guarantee, indemnity, obligations and liability granted or assumed pursuant to the Notes by an Italian Guarantor shall not include and shall not extend, directly or indirectly, to any amount lent to acquire or subscribe, directly or indirectly, shares or quotas in such Italian Guarantor or any direct or indirect controlling entity of such Italian Guarantor (or the refinancing of any indebtedness incurred for that purpose) or to any obligations incurred by any other guarantor under any guarantee given by such other guarantor for the same purposes.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as trustee under security interests granted over Italian assets is uncertain under Italian law.

**European Union**

Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the European Council of May 20, 2015 on insolvency proceedings (which entered into force on June 26, 2017 and applies to insolvency proceedings opened on or after that date) replacing Regulation (EC) 1346/2000 of May 29, 2000, (the "E.U. Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (which according to Article 3(1) of the E.U. Insolvency Regulation is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties") is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 3(1) of the E.U. Insolvency Regulation the "centre of main interests" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the E.U. Insolvency Regulation states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State." Prior to June 26, 2017, the courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition unless (as set forth above) the registered office has been moved within the three-month period prior to the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation.

If the "centre of main interests" of a company is in one Member State (other than Denmark), under Article 3(2) of the E.U. Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

## TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes. You are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons unless the Notes are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act and the securities laws of any applicable jurisdiction is available. Accordingly, the Notes are being offered and sold only outside the United States to non-U.S. persons in an offshore transaction (in each case, as defined in Regulation S) in reliance on Regulation S and, in this case, only to investors who, if resident in a Member State of the European Economic Area, are not retail investors, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFiD II; or (ii) a customer within the meaning of 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 investors as defined in the Prospectus Regulation.

In addition, until 40 days after the later of the commencement of the Offering and the Closing Date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each purchaser of the Notes (other than each of the Initial Purchasers), by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(1) it is a qualified investor as defined in the Prospectus Regulation;

(2) it understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable state securities law, and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any state securities law, including sales pursuant to Regulation S, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(3) it is a non-U.S. person, nor it is buying for the account of a U.S. person, and it is purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.

(4) it acknowledges that none of the Issuer and the Initial Purchasers, or any person representing any of the foregoing, has made any representation to it with respect to the Issuer or the offer or sale of any Notes, other than the information contained in or incorporated by reference in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum or the information incorporated by reference herein.

(5) it is purchasing the Notes for its own account, or for an account with respect to which it exercises sole investment discretion and for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Regulation S or any other exemption from registration available under the Securities Act.

(6) each holder of the Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is 40 days after the later of the Issue Date, the issue date of any additional Notes,

and the date on which such Notes (or any predecessor thereto) were first offered to persons other than distributors, only (i) to the Issuer or any subsidiaries thereof; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) pursuant to offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S under the Securities Act and in reliance on Regulation S under the Securities Act or (iv) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) prior to the Resale Restriction Termination Date to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them, (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee and (III) agrees that it will give to each person to whom this security is transferred a notice substantially to the effect of this legend. Each purchaser acknowledges that each Global Note and each Definitive Registered Note issued in exchange for Book-Entry Interests will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, (1) REPRESENTS THAT IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS SECURITY IN OFFSHORE TRANSACTIONS PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES, AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR THERETO) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFSHORE TRANSACTIONS TO NON-U.S. PERSONS OCCURRING OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES

ACT. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes;

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(8) It acknowledges that the Registrar will not be required to accept for registration or transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth therein have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations, warranties and agreements on behalf of each such investor account.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation, or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

## PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Initial Purchasers. Banca IMI S.p.A., Barclays Bank PLC, Merrill Lynch International, Banca Akios S.p.A.—Gruppo Banco BPM, Goldman Sachs International, J.P. Morgan Securities plc MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A. and UniCredit Bank AG are the Initial Purchasers.

Subject to the terms and conditions contained in the purchase agreement between the Issuer and the Initial Purchasers dated October 11, 2019, the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all of the Notes if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased, or in some cases, the Offering may be terminated.

The purchase agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this offering memorandum. After the initial Offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. The Issuer has also agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the purchase agreement, any debt securities of, or guaranteed by, the Issuer that are substantially similar to the Notes during the period from the date of the purchase agreement through and including the date falling 45 days after the closing of the Offering without the prior written consent of Banca IMI S.p.A., Barclays Bank PLC and Merrill Lynch International.

Each purchaser of the Notes offered by this offering memorandum, in making its purchase, will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*" and "*Transfer Restrictions*."

### General

#### *New Issue of Notes*

The Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted for trading on its Euro MTF market. There can be no assurance that such listing or such admission to trading will be maintained.

The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of this Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market-making activities at any time without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you, if at all.

### *Price Stabilization and Short Positions*

In connection with this Offering, the Stabilizing Manager (or persons acting on its behalf) may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of this Offering is made and, if begun, may be discontinued at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on its behalf) in accordance with all applicable laws and rules.

### *Initial Settlement*

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this offering memorandum, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle is being referred to as “T+5”). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing should consult their own adviser.

### *Other Relationships*

The Initial Purchasers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to Mercury UK or the Issuer and their respective subsidiaries and affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Furthermore, Banca IMI S.p.A. acts as sponsor relative to securities issued by the Issuer and, along with certain financial institutions, is a lender in the Margin Loan and the Credit Facilities.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer (including the Notes) their respective subsidiaries and affiliates. The Initial Purchasers and/or their affiliates may receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of the Notes. The Initial Purchasers and/or their respective affiliates may, in the future, act as hedge counterparties to Mercury UK or the Issuer and their respective subsidiaries and affiliates consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments.

**Notice to Prospective Investors in the European Economic Area**

***Professional Investors and ECPs Only Target Market***

Solely for the purposes of the product approval process of the Manufacturers as defined in the Purchase Agreement (as defined herein), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties ("ECPs") and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

***Prohibition of Sales to EEA Retail Investors***

The Notes 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 2016/97/EU (as amended, the "Insurance Distribution 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 Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer of the Notes is incorporated under the laws of Italy. The Indenture and the Notes will be governed by New York law. All of the directors and executive officers of the Issuer are non residents of the United States. Since substantially all of the assets of the Issuer, and its directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuer or any such other non U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuer will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts in connection with any action in relation to the Notes and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions upon the Issuer or such other persons provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965, is complied with.

If a judgment is obtained in a U.S. court against the Issuer, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for Italy, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in Italy or elsewhere outside the United States.

### Italy

The Notes offered hereby are governed by New York law. However, the authorization to issue the Notes by the Issuer is governed by Italian law.

Recognition and enforcement in Italy of final judgements rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. 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 U.S. 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 U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment previously rendered by an Italian court;
- there is no action pending in Italy among the same parties for decisions on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31, 1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeals in the Republic of Italy to that end. The competent Court of Appeals does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above. In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on U.S. federal securities laws is debatable. If an original action is brought before an Italian court, the Italian court may refuse to apply U.S. law provisions or to grant some of the remedies sought (e.g. punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

## LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer by Kirkland & Ellis International LLP, as to matters of U.S. federal and New York State law, Legance, as to matters of Italian law, and Studio Associato Consulenza Legale e Tributaria, as to matters of Italian tax law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Linklaters LLP, as to matters of U.S. federal and New York State law and Linklaters, as to matters of Italian general and tax law.

## INDEPENDENT AUDITORS

The Carve-out Financial Statements of Nexi S.p.A. as of December 31, 2018, 2017, and 2016 and for the each of the years in the three-year period ended December 31, 2018, included in this offering memorandum have been audited by KPMG S.p.A. independent accountants, as stated in its reports appearing herein. The Interim Financial Statements of Nexi S.p.A. as of and for the six months ended June 30, 2019 included in this offering memorandum have been reviewed by PricewaterhouseCoopers S.p.A. independent accountants, as stated in its report appearing herein. The audit reports covering the Carve-out Financial Statements contains an emphasis of matter paragraph drawing attention to the "*Basis of preparation*" section of the Carve-out Financial Statements which describes the basis of accounting, and indicates that the Carve-out Financial Statements are prepared for the purpose of inclusion in this offering memorandum, and may not be suitable for another purpose.

## WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers.

Pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, the Issuer will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports.*"

## LISTING AND GENERAL INFORMATION

### Admission to Trading and Listing

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents may be inspected in physical or electronic form and obtained free of charge at the specified office of the Issuer during normal business hours on any weekday:

- the organizational documents of the Issuer;
- our most recent financial statements, and any interim quarterly financial statements published by us;
- this offering memorandum; and
- the Indenture (which includes the form of the Notes).

### Clearing Information

The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. The common code and international securities identification number (the "ISIN Number") for the Notes are set forth below:

| | Common Code | ISIN Number |
|---|---|---|
| **Notes** | 206670398 | XS2066703989 |

### The Issuer

The Issuer, Nexi S.p.A., is a *società per azioni* incorporated under the laws of Italy on April 21, 2016. Formerly known as Latino S.p.A., the Issuer was renamed to Nexi S.p.A. in November 2017. The issuer of the Existing Notes and of the Redeemed Notes, Nexi Capital S.p.A., was merged into Nexi S.p.A. with effect from December 31, 2018.

The Issuer has been listed on Borsa Italiana's MTA equities market since April 16, 2019 and has its registered office at Corso Sempione 55, Milan, 20149, Italy. The Issuer has an authorized and issued share capital of €57.070.707 divided into 627.777.777 fully paid shares with no par value.

### Resolutions, Authorizations and Approvals by Virtue of which the Notes have been Issued

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance of the Notes and performance of its obligations under the Notes. The issuance of the Notes was approved and authorized by a resolution of the board of directors of the Issuer dated October 4, 2019 resulting from the minutes notarized on October 9, 2019 by Carlo Marchetti, Notary in Milan (*Repertorio* No. 15255/8172), and registered with the Companies Register of Milan, Monza-Brianza, Lodi on October 10, 2019, and the related decision (*determinazione esecutiva*) of the Chief Executive Officer of the Issuer dated October 11, 2019 and to be registered with the Companies' Register of Milan, Monza-Brianza, Lodi by the Issue Date.

### Material Adverse Change in the Issuer's Financial Position

Except as disclosed elsewhere in this offering memorandum, there has been no significant change in the consolidated financial or trading position of the Issuer, since June 30, 2019. There has been no material adverse change in the prospects of the Issuer, since June 30, 2019.

### Litigation

Except as disclosed elsewhere in this offering memorandum, the Issuer is not involved, and has not been involved during the twelve months preceding the date of this offering memorandum, in any legal, arbitration, governmental or administrative proceedings which would, individually or in the aggregate, have a significant effect on our financial position or profitability and, so far as each is aware, having made all reasonable inquiries, there are no such legal, arbitration or administrative proceedings pending or threatened.

## INDEX TO THE FINANCIAL STATEMENTS

**INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.**
**AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019**

**REPORT OF INDEPENDENT AUDITORS**

pwc

## REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of Nexi SpA

### Foreword

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

### Scope of review

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

### Conclusion

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

*PricewaterhouseCoopers SpA*

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**Other aspects**

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

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

Milan, 29 August 2019

PricewaterhouseCoopers SpA

*Signed by*

Lia Lucilla Turri

(Partner)

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

## INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.
## AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

### CONSOLIDATED BALANCE SHEET

**(Amount in Euro thousands)**

| ASSETS | Note | 30.06.2019 | | 31.12.2018 | |
|---|---|---|---|---|---|
| **Cash and cash equivalents** | 3 | | **165,891** | | **40,688** |
| **Financial assets at fair value through profit or loss** | 4 | | **—** | | **10** |
| **Financial assets at fair value through OCI** | 5 | | **131,764** | | **100,114** |
| **Financial assets measured at amortised cost** | 6 | | **1,803,387** | | **1,668,452** |
| a) loans and receivables with banks | | 414,000 | | 561,209 | |
| b) loans and receivables with financial entities and customers | | 1,389,387 | | 1,107,243 | |
| **Equity investments** | 7 | | **682** | | **730** |
| **Property, equipment** | 8 | | **191,852** | | **156,193** |
| **Investment property** | 8.1 | | **3,101** | | **3,151** |
| **Intangible assets** | 9 | | **2,660,159** | | **2,668,293** |
| goodwill | | 2,097,379 | | 2,097,379 | |
| **Tax assets** | 10 | | **84,327** | | **62,873** |
| a) current | | 51,598 | | 29,299 | |
| b) deferred | | 32,729 | | 33,574 | |
| **Non-current assets held for sale and discontinued operations** | 11 | | **8,130** | | **80,498** |
| **Other assets** | 12 | | **403,272** | | **405,705** |
| **Total assets** | | | **5,452,565** | | **5,186,707** |

| LIABILITIES | Note | 30.06.2019 | | 31.12.2018 | |
|---|---|---|---|---|---|
| **Financial liabilities measured at amortised cost** | 13 | | **3,198,508** | | **3,716,834** |
| a) due to banks | | 1,590,658 | | 792,896 | |
| b) due to financial entities and customers | | 385,262 | | 354,249 | |
| c) securities issued | | 1,222,588 | | 2,569,689 | |
| **Financial liabilities held for trading** | 14 | | **8,730** | | **3,154** |
| **Hedging derivatives** | 15 | | **45,833** | | **16,557** |
| **Tax liabilities** | 10 | | **140,575** | | **163,194** |
| a) current | | 5,270 | | 31,124 | |
| b) deferred | | 135,305 | | 132,070 | |

| | | | |
|---|---|---|---|
| **Liabilities associated with non-current assets held for sale and discontinued operations** | 11 | **9,774** | **39,069** |
| **Other liabilities** | 16 | **732,045** | **716,375** |
| **Post-employment benefits** | 17 | **15,079** | **14,084** |
| **Provisions for risks and charges** | 18 | **41,857** | **46,552** |
| **Share capital** | 19.1 | **57,071** | **50,000** |
| **Share premium** | 19.2 | **1,082,204** | **389,275** |
| **Reserves** | 19.3 | **18,124** | **(47,735)** |
| **Valuation reserves** | 19.4 | **38,075** | **36,899** |
| **Profit for the period (+/−)** | 20 | **58,424** | **35,933** |
| **Equity attributable to non-controlling interests (+/−)** | 19.5 | **6,266** | **6,516** |
| **Total liabilities** | | **5,452,565** | **5,186,707** |

## INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.
## AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

### CONSOLIDATED INCOME STATEMENT

**(Amount in Euro thousands)**

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

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

## INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.
## AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

### STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

**(Amount in Euro thousands)**

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

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

## INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.
## AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019

## STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

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

**INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.**
**AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019**

## CONSOLIDATED STATEMENT OF CASH FLOW: INDIRECT METHOD

**(Amount in Euro thousands)**

| | H1 2019 | FY 2018 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. Operations** | | |
| Profit for the period | 58,424 | 36,711 |
| Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets | — | 265 |
| Net accruals to provisions for risks and charges and other costs/revenue | — | 14,353 |
| Amortisation, depreciation and net impairment losses on assets held for sale | 10,369 | 6,050 |
| Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets | 70,313 | 84,392 |
| Unpaid taxes, duties and tax assets | (542) | 20,356 |
| Other adjustments | (3,416) | (2,021) |
| Net cash flows generated (used) by Operations | 135,148 | 160,106 |
| **2. Cash flows generated by (used for) financial assets** | | |
| Financial assets at fair value through other comprehensive income | — | — |
| Financial assets held for trading | 10 | 158 |
| Loans and receivables with banks | 147,209 | (190,034) |
| Loans and receivables with customers | (282,144) | 1,473,037 |
| Assets held for sale | 2,037 | — |
| Other assets | (16,446) | 13,784 |
| Net cash flows generated (used) by financial assets | (149,334) | 1,296,945 |
| **3. Cash flows generated (used) by financial liabilities** | | |
| Due to banks | 207,667 | (1,689,988) |
| Due to customers | (5,845) | 314,316 |
| Financial liabilities held for trading | — | (158) |
| Hedging derivatives | — | — |
| Liabilities associated with disposal groups | (1,790) | — |
| Other liabilities | (25,530) | (296) |
| Net cash flows generated (used) by financial liabilities | 174,502 | (1,376,126) |
| **Net cash flows generated (used) by operating activities** | **160,316** | **80,925** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flows generated/used by** | | |
| Acquisitions of property and equipment | (26,493) | (31,569) |
| Sales of property, equipment and investment property and intangible assets | — | — |

| | | |
|---|---|---|
| Acquisitions of intangible assets | (32,116) | (58,841) |
| Acquisitions of subsidiaries and business units | 147,745 | (2,422) |
| **Net cash flows generated (used) in investing activities** | **89,136** | **(92,832)** |
| **C. FINANCING ACTIVITIES** | | |
| Repayment of loan and securities | (1,401,313) | (380,000) |
| Dividends paid | — | (56,000) |
| Issue/purchase of equity instruments | 687,810 | (2,202,750) |
| Issue of debt instruments | 590,095 | 2,556,960 |
| Dividends distributed to third parties | (841) | — |
| Sale/acquisition of non-controlling interests | — | — |
| **Net cash flows generated (used) by financing activities** | **(124,249)** | **(81,791)** |
| **NET CASH FLOWS GENERATED (USED) IN THE PERIOD** | **125,203** | **(93,697)** |
| Net cash flows for the period | 125,203 | (93,697) |
| Opening cash and cash equivalents | 40,688 | 134,385 |
| **Closing cash and cash equivalents** | **165,891** | **40,688** |

**INTERIM FINANCIAL STATEMENTS OF NEXI S.P.A.**
**AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2019**

## NOTES TO FINANCIAL STATEMENTS

### 1. Accounting policies

### a. GENERAL PART

### i. Statement of compliance

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

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

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

### ii. Basis for Presentation

The condensed consolidated interim financial statements as at 30 June 2019 comprise a Statement of Financial Position, an Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash Flows and the Explanatory Notes which include the adopted drafting criteria. The condensed consolidated interim financial statements include also the Directors' Interim Management Report, which addresses Group management, assets and liabilities, financial position and profit or loss performance.

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

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

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

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

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

- IFRS 16—Leases;
- Amendment to IFRS 9: Financial Instruments: Prepayment features with Negative Compensation;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendment to IAS 28: Long term interests in Joint Venture and Associates;

- Amendment to IAS 19 Employee Benefits;

- Annual Improvements to IFRS Standards 2015-2017 Cycle, issuing in amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

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

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

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

| **IASB Document** | **IASB publication date** |
|---|---|
| IFRS 17: Insurance contract | 18/05/2017 |
| Amendments to References to the Conceptual Framework in IFRS Standards | 29/03/2018 |
| Amendment to IFRS 3 Business Combinations | 22/10/2018 |
| Amendments to IAS 1 and IAS 8: Definition of Material | 31/10/2018 |

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

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

1) Transition Towards IFRS 16 Standards

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

More specifically, the lessee must recognise:

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

- under "liabilities", the payable for leasing, representing the obligation to pay rentals. This payable will require recognition in the income statement of interest expense according to amortised cost logic.

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

- classification of lease assets according to "classes";

- providing maturity analysis of lease liabilities;

- providing information to users of financial statements to assess the effect that leases have on the business (e.g. termination and extension options).

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

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

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

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

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

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

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

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

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

(Amount in Euro thousands)

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

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

- as for lease terms: as at the transition date and as at the start date for any contracts entered upon after 1 January 2019, the Group has recognised contract terms with due regard to any extension and/or termination clauses. More specifically, with any lease agreement envisaging tacit renewal, terms, in most instances, have been recognised as ending at the termination date following first renewal.

- as for discount rates: where available or applicable, the Group recognises the interest rates stipulated within lease agreements. Should they not be available or applicable, the Group models the incremental borrowing rate by applying medium- to long-term interbank rates extrapolated from the Interest Rate Swap curve and adding a yield spread based on the lessee's creditworthiness;

- as for lease and non-lease components: wherever lease contracts contain service payments excluded from liability, the Group has recognised the two components separately. Conversely, wherever contracts do not envisage separate payment of service, the Group has elected to forego separating the two components, thus recognising such contracts as one item.

2) Consolidation Criteria

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

- has the power to decide on the relevant assets of the entity;

- is exposed to or benefits from variable returns from the relationship with the entity;

- has the capacity to exercise its power to affect the amount of its returns.

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

In other cases, the assessment of control is more complex and requires the greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

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

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

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

(a) the carrying amount of the Parent Company's equity investments in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

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

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

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

Pursuant to IAS 28, the condensed consolidated interim financial statements of the Group also include the results of equity investments in associates, i.e., entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These equity investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent adjustment based on the change in value of the share pertaining to the net equity of the subsidiary. The share of the associate's profit or loss is recognised under a specific item of the income statement. The difference between the equity investment's carrying amount and the group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in the income statement.

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

**i) Equity Investments in Fully-Controlled Subsidiaries**

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

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

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

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

**Notes**

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

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

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

| Company name | Registered Office | Operating Office | Investor | Investment % | Voting rights % |
|---|---|---|---|---|---|
| Win Join .................................. | Lecce | Lecce | Bassilichi SpA | 24 | 24 |
| Rs Record store ........................ | Piacenza | Piacenza | Bassilichi SpA | 30 | 30 |
| BASSNET SrL......................... | Monteriggioni | Monteriggioni | Bassilichi SpA | 49.68 | 49.68 |

| | | | | | |
|---|---|---|---|---|---|
| K.Red ....................................... | Milan | Milan | Bassilichi SpA | 50 | 50 |

**ii) Significant Assumptions and Estimates in Defining Consolidation Scope**

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

**iii) Significant Restrictions to Voting Rights**

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

## NOTES TO FINANCIAL STATEMENTS

### 1. Accounting policies

### iii. Main accounting policies

1) Financial assets designated at Fair Value through profit or loss

**i) Classification Criteria**

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

**ii) Recognition Criteria**

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

**iii) Measurement Criteria**

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

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

**iv) Derecognition Criteria**

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

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

2) Financial assets at Fair Value through other comprehensive income

**i) Classification Criteria**

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

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

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

**ii) Recognition Criteria**

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

**iii) Measurement Criteria**

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

**iv) Derecognition Criteria**

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

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

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

3) Financial assets measured at amortised cost

**i) Classification Criteria**

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

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

## ii) Recognition Criteria

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

## iii) Measurement Criteria

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

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

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

- Stage 1: includes performing financial instruments which have not recorded a significant increase in the credit risk compared with the initial recording or financial instruments that show a low credit risk at the reference date. For these instruments, the value adjustment is estimated on credit losses expected in the next 12 months;

- Stage 2: includes performing financial instruments that have shown a significant increase in credit risk compared with the initial recording. For these instruments, the impairment is measured on the basis of the expected losses over their entire residual life;

- Stage 3: includes impaired financial instruments. For these instruments, the impairment is measured based on the expected losses over the entire residual life. The impaired assets include financial assets classified with a non-performing status, unlikely to pay or past due beyond ninety days according to the provisions issued by the Bank of Italy, in line with IAS/IFRS.

In the area of impairment:

- the methods for monitoring the evolving of the credit quality of the positions in the portfolios of the financial assets valued at the amortised cost and at Fair Value with a balancing entry to net equity, were defined;

- the criteria for the determination of the significant increase in credit risk were defined for the correct assignment of the performing exposures to stage 1 or stage 2. As regards instead the impaired exposures, the alignment of the definitions of accounting and regulatory default allows considering as identical the current logic for the classification of the exposures under those considered as non-performing/impaired versus the logic used to classify the exposures within stage 3.

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

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

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

**iv) Derecognition Criteria**

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

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

4) Hedging transactions

**i) Classification Criteria**

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

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

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

- hedging of the Fair Value in order to hedge the exposure to changes in the Fair Value (attributable to the different risk categories) of the assets and liabilities recognised in the financial statements, or part of them; this type of hedging is used to hedge the exposure to changes in the Fair Value of a specific asset, attributable to the exchange rate or price risk;

- hedging of the financial flows in order to hedge the exposure to changes in future cash flows attributable to particular risks associated with the financial statement items. This type of hedging is essentially used to neutralise foreign exchange risks arising from very likely future transactions.

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

**ii) Recognition Criteria**

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

**iii) Measurement Criteria**

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

- Fair Value hedging: the hedging derivative in place is represented by a hedging instrument used to hedge an equity instrument for which the Company has chosen to include the changes in the Fair Value in the Comprehensive income. Consequently, both the hedged instrument and the hedging instrument are measured at Fair Value with balancing entry to the comprehensive income;

- hedging of financial flows: the hedging instruments are represented by deposits in USD held for the purpose of hedging the foreign currency risk related to a planned purchase of assets. Consequently, the foreign currency effect resulting from the valuation in Euro of the deposit, classified under Financial assets at amortised cost, is recognised under net equity (cash flow hedge reserve). When the future transaction takes place, these amounts are written off from the cash flow hedge reserve and included in the carrying value of the acquired asset.

**iv) Derecognition Criteria**

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

The hedging relationship is also interrupted when:

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

5) Equity investments

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

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

6) Property, equipment and investment property

**i) Classification Criteria**

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

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

**ii) Recognition Criteria**

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

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

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

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

**iii) Measurement Criteria**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**1. Accounting policies**

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

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

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

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

The company tests the assets for impairment at every financial statement date if there is any indication that the value of property, equipment and investment property and of right-of-use assets may be impaired. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of Fair Value and value in use.

**iv) Derecognition Criteria**

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

7) Intangible Assets

**i) Classification Criteria**

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

**ii) Recognition Criteria**

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

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

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

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

**iii) Measurement Criteria**

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

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

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

Their residual value is taken to be nil.

The company tests the assets for impairment at every reporting date if there is an indication that the value of the intangible assets may be impaired. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of Fair Value and value in use.

**iv) Derecognition Criteria**

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

**v) Goodwill**

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

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised. It is tested annually for impairment even if there are no indicators of impairment.

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

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

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

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

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

9) Current and Deferred Taxes

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

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

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

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

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

Deferred tax liabilities are calculated on all taxable temporary differences.

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

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

10) Financial Liabilities Measured at Amortised Cost

**i) Classification Criteria**

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the bank has a contractual obligation to deliver cash or another financial asset to another party.

**ii) Recognition Criteria**

Amounts due are recognised at the contract agreement date, which is usually when the bank receives the funds and issues the debt instruments.

Financial liabilities are initially recognised at Fair Value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Lease liability is recognised at the present value of all unpaid lease payments, which is calculated based on the implicit interest rate in the lease. Should that rate not be available, the incremental rate of borrowing is determined based on market rates and the lessee’s financing spread.

**iii) Measurement Criteria**

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in item 20 “Interest and similar expense” of the income statement.

**iv) Derecognition Criteria**

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, derecognised or has expired.

11) Financial Liabilities Held for Trading

This item includes derivatives held for trading with negative Fair Values. All financial liabilities held for trading are measured at Fair Value and the Fair Value gains or losses are recognised in the income statement.

The measurement and recognition criteria are identical to those used for "Financial assets designated at Fair Value through the income statement".

12) Shared-based payments

This item refers to stock grant awards provided to Nexi Group employees by Mercury UK HoldCo.

The plans envisaged the assignment of Nexi SpA shares.

As the recipient of the services for which the remuneration is provided, Nexi Group recognises said remuneration as equity-settled payments.

More specifically:

- for share options that vest in the future, the Fair Value of the options will be calculated at the date the options are granted and, with adjustments made at each accounting date, will reflect the best estimate of the number of options that will eventually vest;

- this Fair Value will be charged to profit or loss equally over the vesting period, and shareholder equity will be increased by an amount equal to the charge in profit or loss.

13) Post-Employment Benefits

The Italian post-employment benefits (so-called TFRs) are a form of deferred remuneration paid to employees when they leave the company. They accrue over the employment term and are recognised under personnel expense.

Since the payment is certain, but not the time of its occurrence, the post-employment benefits, as are the defined benefits plans, are classified as a benefit subsequent to the termination of the employment relationship. Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the company's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19. Actuarial gains and losses are recognised in the comprehensive income statement while the interests accrued on net liability are recognised in the income statement.

14) Provisions for Risks and Charges

The provisions for risks and charges include accruals from past events for which it is probable that an outflow of resources will be required if a reliable estimate can be made of the amount.

At each reporting date, the provisions are periodically checked and released in whole or in part to the income statement when it is no longer likely that an outflow of resources will be necessary.

When the effect of the time value of money is significant, the provision is discounted using the current market rates at the closing date. The accrual is recognised in the income statement.

15) Foreign Currency Transactions

**i) Initial Recognition**

Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

**ii) Subsequent Recognition**

Upon recognition at the subsequent report date:

- monetary items are retranslated using the closing rates;

- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;

- non-monetary items measured at Fair Value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in the income statement in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in the income statement in line with the method used to recognise the gains or losses that include this component. Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate

16) Other Information

**i) Income Statement**

Interest Income and Expense

Interest income and expense are recognised in the income statement on all instruments measured at amortised cost, using the effective interest method, and including in the calculation the fees and direct costs of the transaction.

**ii) Fee and Commission Income and Other Income for Services**

Fee and commission income other than that included in the amortised cost and the other income for provided services, are recognised when the obligation to duly act by transferring the service to the customer is fulfilled. Pursuant to IFRS 15, the service is transferred to the customer when the income can be recognised:

- at a specific time, when the entity fulfils the obligation to duly act by transferring to the customer the promised good or service,

- over time, as the entity fulfils the obligation to duly act by transferring to the customer the promised good or service. The good is transferred when, over the period, the customer acquires its control.

More specifically:

- membership dues are recognised in the income statement based on the validity date of the credit cards;

- fees and commission income from merchants and circuits are recognised in the income statement based on the trading date of the cardholders' purchases;

- up front income related to the start-up of new customers or new products, or related to changes subsequent to contracts that do not involve a substantial change in the contractual obligations, are recognised over the expected duration of the contracts;

- income related to recurring services (primarily maintenance and rental of POS and ATM, processing services), are equally divided according to the contracts duration.

It should be noted that, in application of IFRS 15, the amount of fees and commissions is adjusted in order to reflect the Fair Value of the Loyalty programme rewards. The catalogue Fair Value is calculated as per-unit average value of points compared with the market value of the rewards, including VAT and shipping costs, in order to restore the Fair Value to the value perceived by the customer. The unit Fair Value is applied to the number of outstanding points, net of the points which, based on the carried out analyses, are expected not to be redeemed (based on redemption estimates). Deferred fees and commissions are recognised in the income statement according to point redemption.

Fees and commissions included in the amortised cost in order to calculate the effective interest rate are excluded as they are recognised under interest.

**iii) Fees and Commission Expense**

Fee and commission expense, other than those included in the amortised cost, are recognised when they are incurred or when the related gains are recognised.

**iv) Charges for Received Services**

Charges for received services are recognised when incurred or when the related revenue is recorded.

Costs for the performance of the contract with the customer (such as costs for cards issuance and costs for ICT services, incurred during the start-up of new customers/products or because of non-substantial contract changes) are recognised on a straight line basis according to the useful life of the underlying contracts.

**v) Dividends**

Dividends are recognised in the income statement at the time when the distribution is resolved on.

**vi) Basis for Presentation of Segment Reporting**

Nexi Group's Segment Reports are based on information used by management for decision-making and operations and are thus consistent with reporting requirements under IFRS 8.

More specifically, while Nexi Group ranks two distinct CGUs (which essentially coincide with its revenue-generating companies, i.e. the e-money CGU coinciding with Nexi Payments SpA, and the Mercury CGU coinciding with Mercury Payment Services SpA), the two fall within the same operations sector, namely the e-money and paytech services sector.

In that regard, the Group's definition of a single operations sector is based on the premise that all internal management reports that are provided to the Group's top decision maker, which IFRS 8 defines as the Chief Operating Decision Maker, and that said decision maker reviews on a regular basis for the purposes of resources allocation and assessing results, are drafted on a consolidated basis only.

17) Business combinations

Company acquisitions are accounted for using the "acquisition method" outlined by IFRS 3, which requires that identifiable assets acquired and identifiable liabilities assumed (including contingent liabilities) to be measured at their Fair Values at the acquisition date.

Furthermore, on an individual transaction basis, any non-controlling interests in the acquiree are measured at the Fair Value of their proportion of identifiable assets and liabilities, or at full Fair Value

If the consideration transferred (be it assets sold, liabilities incurred, equity instruments issued, or any combination thereof, all of which at Fair Value) is greater than the Fair Value of the acquired assets and liabilities, the difference is recorded as goodwill; If the difference is negative, the resulting gain is a bargain purchase in profit or loss. The acquisition method applies from acquisition date, namely the date on which the acquirer obtains control of the acquiree. Hence, the income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

The difference between the sale consideration and the carrying amount of the asset is recognised in the income statement.

**NOTES TO FINANCIAL STATEMENTS**

**1. Accounting policies**

18) Use of Estimates and Assumptions in the Drafting of the Condensed Consolidated Interim Financial Statements

Balance-sheet aggregates are measured using the standards set out above.

The application of these standards sometimes involves the adoption of estimates and assumptions that may have a significant effect on the figures of the statement of financial position and income statement.

The use of reasonable estimates is an essential part of the preparation of Financial statements but must not affect their reliability. The financial statements items affected to a greater extent by the use of estimates and assumptions are:

- measurement of the financial instruments designated at Fair Value (including the derivatives) not listed in active markets;
- measurement of financial assets valued at their amortised cost and of the commitments to disburse funds;
- measurement of intangible assets;
- measurement of property investments;
- estimate of the useful life of property, equipment and investment property;
- quantification of accruals to provisions for risks and charges and of payables from Loyalty programmes;
- quantification of deferred tax liabilities.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in the income statement of the period of the change and, if the change affects future periods, also in future periods.

**iv. Events Subsequent to 30 June 2019**

No significant events have occurred between the closing date of the financial statements and the date of their approval that could significantly impact the Group’s income or financial position.

Furthermore:

- it is hereby confirmed that the transfer of the assets classified as held for disposal, is being completed at values that reflect those estimated for the purposes of the interim statements. Furthermore, on 10 July 2019 the Bank of Italy authorised the disposal of Moneynet SpA and endeavours preparatory to closing the disposal are currently underway;
- On July 2$^{nd}$ the Privately Placed Bonds were repaid in full using all remaining funds available from the IPO Term Line, the effects of which are already reported in the hereby interim statements.

**v. Transfers Between Portfolios of Financial Assets**

No transfers were carried out between portfolios of financial assets.

### vi. Fair Value Disclosure

The IAS/IFRS international accounting standards require that financial products classified under "Financial assets designated at Fair Value with impact on the comprehensive income" or "Financial assets designated at Fair Value with impact on the income statement" are measured at Fair Value.

The IFRS 13 standard governs the measurement of the Fair Value and the related disclosure.

In particular, Fair Value is the price that would be received from the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants (i.e., not a forced liquidation or distress sale) at the measurement date.

IFRS 13 establishes a hierarchy for measuring Fair Value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/ liabilities.

The Fair Value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable (in the case of prices) or indirectly observable (if resulting from prices) for the assets and liabilities to be measured;
- Level 3: unobservable inputs for the asset or liability.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

For financial assets and liabilities carried at cost or amortised cost, the Fair Value is disclosed in the Explanatory Notes and is determined as follows:

- for the bond issues: Fair Value obtained from the active markets where the liability is traded;
- for non-current financial assets and liabilities with fixed rate (other than the issued securities) discounting of future cash flows at a market rate and adjusted to include credit risk;
- for on demand assets and liabilities, with a short term or undetermined maturity, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect Fair Value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect Fair Value, for the reasons set out above.

### vii. Qualitative Disclosure Policy

1) Fair Value levels 2 and 3: assessment techniques and inputs used

Assets and liabilities designated at Fair Value on a recurring basis mainly refer to Visa Inc. shares held in the portfolio and to derivative instruments held in order to reduce the price and exchange rate risk arising from those instruments.

For these instruments, for which there are no prices directly observable on the active markets, the Fair Value has been determined as follows:

- Unlisted equity instruments: they are measured based on the market value of the Visa Inc Class A shares, listed in active markets, where the portfolio share (class C) will be converted.

- OTC derivatives: these were measured using models that are in accordance with market practices (Black&Scholes, with continuous treatment of future dividends) and feeding into said models using market parameters. Since these are derivatives under CSA (Credit Support Annex), the counterparty risk is mitigated by the daily collateral settlement with the counterparty.

2) Measurement Processes and Sensitivity

Non-applicable for the absence of Level 3 instruments.

3) Fair Value Hierarchy

Transfers between the Fair Value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

No transfers were carried out within the categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

**viii. Information on Day One Profit or Loss**

This does not apply since Nexi Group does not recognise this type of transaction.

**2. Statement of Financial Position**

(Amount in Euro thousands)

**ASSETS**

**3. Cash and cash equivalents**

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| a) Cash | 28 | 33 |
| b) Deposits and current accounts | 165,864 | 40,655 |
| **Total** | **165,891** | **40,688** |

The item "Deposits and current accounts" refers to the cash available in the current bank account of Nexi SpA, at DEPOBank, where its outstanding balance is deposited.

The increase is linked to the share capital increase pursuant to the IPO, the Oasi disposal, dividends collected from the subsidiaries, less the repayment of part of variable rates bond loans. The item total is reported in the Net Financial Position.

**4. Financial Assets at Fair Value through profit or loss**

This item, now valued at nil, previously referred exclusively to the shares of Intesa SanPaolo related to incentive plans and assigned to some employees of Mercury Payments.

**5. Financial Assets at Fair Value through OCI**

5.1 BREAKDOWN BY PRODUCT

| | **30.06.2019** | | | **31.12.2018** | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Debt instruments | — | — | — | — | — | — |
| Equity instruments | — | 131,764 | — | — | 100,114 | — |
| Financing | — | — | — | — | — | — |
| **Total** | **—** | **131,764** | **—** | **—** | **100,114** | **—** |

## 5. Financial Assets at Fair Value through OCI

### 5.2 BREAKDOWN BY ISSUER

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| a) Banks | 60 | 60 |
| b) Financial Institutions | 131,665 | 100,012 |
| —*Visa Inc.* | *131,621* | *99,968* |
| —*Other financial companies* | *44* | *44* |
| c) Non-financial institutions | 39 | 42 |
| **Total** | **131,764** | **100,114** |

The item "Other financial companies" refers to the financial assets on which the Group does not exercise any control, joint control or significant influence. In particular, the item is composed almost entirely of Visa Inc. preferred shares, assigned following the transfer of the equity investment in Visa Europe. In this regard, it should be noted that, in September 2017, an operation for the hedging of price and currency risk arising from the Visa Shares in the portfolio was carried out.

The increase is linked to a rise in the value of the Visa share portfolio which, however, was partly offset by an increase in the Fair Value of the hedging portfolio.

## 6. Financial Assets measured at amortised Cost

### 6.1 LOANS AND RECEIVABLES WITH BANKS: BREAKDOWN BY PRODUCT

| | 30.06.2019 | | | | | 31.12.2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fair Value | | | | | Fair Value | | |
| | Stages 1 & 2 | Stage 3 | Level 1 | Level 2 | Level 3 | Stages 1 & 2 | Stage 3 | Level 1 | Level 2 | Level 3 |
| Loans and receivables with banks | | | | | | — | — | — | — | — |
| Deposits and Current accounts | 261,817 | | — | 261,817 | | 405,449 | — | — | 405,449 | — |
| Prepaid cards liquidity | 38,655 | — | — | 38,655 | — | 44,000 | — | — | 44,000 | — |
| Other asset | 113,529 | — | — | 113,529 | — | 111,759 | — | — | 111,759 | — |
| **Total** | **414,000** | **—** | **—** | **414,000** | **—** | **561,209** | **—** | **—** | **561,209** | **—** |

The balance of deposits and current accounts includes the liquidity of the operating companies. More specifically, it includes the balance of the daily settlement of the transactions processed by Mercury Payment Services on behalf of Sanpaolo and the liquidity available at the level of the operating entities alone.

Furthermore, said deposits and current accounts include Euro 64.6 million in liquidity generated during the period which was recognised in the Group's Net Financial Position.

The liquidity of the prepaid cards refers to the EMI activities carried out on these cards. Said liquidity should be considered separately from the operating liquidity since it is deposited in a restricted bank account at DEPOBank and can only be used to cover the use of prepaid cards by the account holders.

The item "Other assets" refers to receivables for services (Euro 57.8 million) related primarily to services provided by Mercury Payments to Intesa Sanpaolo SpA. This item includes the restricted bank accounts related to the management of factoring transactions carried out on the balance of the ordinary cards (Euro 53.0 million).

6.2 LOANS AND RECEIVABLES WITH FINANCIAL ENTITIES AND CUSTOMERS

| | 30.06.2019 | | | | | | 31.12.2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair Value | | | Carrying amount | | | Fair Value | | |
| | | Stage 3 | | | | | | Stage 3 | | | | |
| | Stages 1 & 2 | Purchased | Other | L1 | L2 | L3 | Stages 1 & 2 | Purchased | Other | L1 | L2 | L3 |
| Ordinary Credit Cards | 309,094 | | | | 309,094 | | 378,797 | | | | 378,797 | |
| Receivables with international schemes and merchants | 748,379 | | 1,080 | | 748,379 | 1,080 | 433,825 | | 948 | | 433,825 | 948 |
| Revolving Credit Cards | 178,860 | | | | 178,860 | — | 212,528 | | | | 212,528 | |
| Personal Loans | 5,058 | | | | 5,058 | | 5,790 | | | | 5,790 | |
| Other assets | 146,916 | | | | 146,916 | — | 75,355 | | | | 75,355 | |
| **Total** | **1,388,307** | **—** | **1,080** | **—** | **1,388,307** | **1,080** | **1,106,295** | **—** | **948** | **—** | **1,106,295** | **948** |

The item ordinary Credit Cards (or charge cards) represents the end-of-month balance related to the amount cumulatively spent until that date by the card holders during the last operating month and which is debited to their current account, through the partner banks, generally on the 15th of the next month.

The balance at the reporting date is significantly lower after a factoring contract was entered into in 2018 for the transfer of the receivables arising from its charge credit cards, issued under specific arrangements with partner banks, which resulted in the derecognition of a significant proportion of the company's receivables.

It should be noted that the item "ordinary credit cards" includes receivables with recourse for Euro 166.3 million that were not derecognised. The positions toward international card schemes concern the daily settlement balances on the circuits Visa-Mastercard of which Nexi Payments and Mercury Payment Services are direct members and include the advance disbursed by Nexi Payments to its client merchants on the transactions still to be settled on the circuits. All these positions are settled within a time frame of a few days (normally, between 1 to 3 days). These end of the year balances are affected by the number of public holidays spanning the reporting date, days when settlement systems are closed, thus leading to greater transaction backlog and consequently draw-downs from the bank funding.

The Other Assets consist almost entirely of factoring account receivables totalling Euro 141 million (Euro 70 million in 2018) arising from balance settled daily.

**7. Equity investments**

As at 30 June 2019 the balance of the equity investments item amounts to 682 thousand Euro (730 thousand at 31 December 2018) and refers to the stakes held by Nexi Payments, detailed in Note 1.

**8. Property and equipment: breakdown of assets measured at cost**

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| **Owned** | | |
| a) land | 19,593 | 19,593 |
| b) buildings | 50,281 | 51,310 |
| c) furniture | 1,183 | 1,335 |

| | | |
|---|---|---|
| d) electronic systems | 89,729 | 83,614 |
| e) other | 267 | 341 |
| **Rights-of-use deriving from leasing contracts** | | |
| a) land | — | — |
| b) buildings | 22,727 | — |
| c) furniture | — | — |
| d) electronic systems | 6,640 | — |
| e) other | 1,431 | — |
| **Total** | **191,852** | **156,193** |

The value of the property assets includes the effect of designation at Fair Value of the assets acquired in 2015 with the establishment of the Mercury Group following the purchase price allocation (PPA).

The recognised amount is net of the amortisation until the financial statement date.

The item "electronic systems" includes POS and ATM.

The "Rights of use deriving from leasing contracts" refer to assets entered as of 2019 following the implementation of IFRS 16, which , as indicated under the section on accounting policies, has not led to changes in the comparable data.

In this regard, no impairment indicators on property and equipment require that impairment tests be carried out.

| **30.06.2019** | **Land** | **Buildings** | **Furniture** | **Electronic systems** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| **A. Opening balance** | **19,593** | **51,310** | **1,335** | **83,614** | **341** | **156,193** |
| **B. Increases** | **—** | **26,313** | **115** | **35,176** | **1,814** | **63,418** |
| B.1 Purchases | — | 431 | 115 | 25,947 | — | 26,494 |
| B.2 Maintenance costs | — | — | — | — | — | — |
| B.3 Write-ups | — | — | — | — | — | — |
| B.4 Positive Fair Value adjustments registered in: | — | — | — | — | — | — |
| a) equity | — | — | — | — | — | — |
| b) profit and loss statement | — | — | — | — | — | — |
| B.5 Positive currency variations | — | — | — | — | — | — |
| B.6 Transfers from property held for investment | — | — | — | — | — | — |
| B.7 Other variations | — | 25,881 | — | 9,228 | 1,814 | 36,924 |
| **C. Decreases** | **—** | **4,615** | **266** | **22,420** | **457** | **27,759** |
| C.1 Sales | — | — | — | 27 | — | 27 |
| C.2 Amortisations | — | 1,460 | 266 | 19,995 | 77 | 21,799 |

| | | | | | | |
|---|---|---|---|---|---|---|
| C.3 Write-downs due to deterioration registered in: | — | — | — | — | — | — |
| a) equity | — | — | — | — | — | — |
| b) profit and loss statement | — | — | — | — | — | — |
| C.4 Negative Fair Value adjustments registered in: | — | — | — | — | — | — |
| a) equity | — | — | — | — | — | — |
| b) profit and loss statement | — | — | — | — | — | — |
| C.5 Negative currency variations | — | — | — | — | — | — |
| C.6 Transfers to: | — | — | — | — | — | — |
| a) tangible assets held for investment | — | — | — | — | — | — |
| b) non-current assets and groups | — | — | — | — | — | — |
| C.7 Other variations | — | 3,155 | — | 2,398 | 380 | 5,933 |
| **D. Closing balance** | **19,593** | **73,008** | **1,183** | **96,370** | **1,697** | **191,852** |

8.1 INVESTMENT PROPERTY

### 8.1.1 Investment property: breakdown of assets measured at cost

| | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | Fair Value | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Carrying amount | Level 1 | Level 2 | Level 3 |
| **1. Owned** | | | | | | | | |
| a) land | 733 | | | | 733 | | | |
| b) buildings | 2,368 | | | | 2,418 | | | |
| **Total** | **3,101** | **—** | **3,780** | **—** | **3,151** | **—** | **3,780** | **—** |

**NOTES TO FINANCIAL STATEMENTS**

**8. Property and equipment: breakdown of assets measured at cost**

The item varied exclusively owning to the amortisation effect. The items includes the following properties:

- Via Selvamaggio, Colle di Val d'Elsa (SI) owned by Nexi Payments;
- Strata delle Frigge, Monteriggioni (SI) owned by Nexi Payments;
- Via Nazionale 3, San Giovanni al Natisone (UD) owned by Help Line.

These investments are recognised based on IAS 40 and include property assets held (both through ownership and financial leasing) aimed at generating income from rentals or to benefit from returns from the invested capital due to their appreciation in market value.

The properties held for investment purposes are measured at cost net of depreciation.

At the reporting date, the following is not present:

- restrictions or limitations to the sale of assets or to the collection of rent;
- Contractual obligations or commitments for purchase, construction, development, repairs or extraordinary maintenance of these properties.

**9. Intangible assets**

9.1 INTANGIBLE ASSETS: BREAKDOWN

| | 30.06.2019 | | 31.12.2018 | |
|---|---|---|---|---|
| | **Finite** | **Indefinite** | **Finite** | **Indefinite** |
| A.1 Goodwill | — | 2,097,379 | — | 2,097,379 |
| A.2 Intangible assets—customer contracts | 401,281 | | 419,717 | |
| A.3 Other intangible assets | 161,501 | — | 151,197 | — |
| **Total** | **562,782** | **2,097,379** | **570,914** | **2,097,379** |

The goodwill at 30 June 2019 was composed of:

- Goodwill resulting from the acquisition, in 2016 of the company Mercury Payment for Euro 590.8 million, already net of the accrued amount, following the PPA process concluded in 2017, to customer contracts for Euro 365.5 million;
- Goodwill resulting from the consolidation of the equity investments in Nexi Payments and Help Line acquired in 2018 for Euro 931 million;
- Goodwill entered in the financial statement of Nexi Payments, totalling Euro 575.6 million, which break down as follows:
- Euro 433.4 million referring to the books acquiring of Monte dei Paschi di Siena and Deutsche Bank, for which the PPA process entailed the allocation of Euro 126.7 million to customer relationships;

- Euro 22.5 million referring to the book acquiring of Banca Carige purchased on 30 September 2018 with reference to which the Purchase Price Allocation process was not concluded;

- Euro 119.7 million referring to the payment business unit acquired by DEPOBank in 2018.

The other intangible assets are represented by:

- purchase of software and technological upgrades;

- intangible assets with indefinite useful life as resulting from the afore-described PPA processes. In particular, these assets, net of the amortisation accrued up to the financial statements date are composed of: contracts with customers for Euro 289.4 million and customer relationships for Euro 111.9 million.

| | | Other acquired intangible assets | | Other intangible assets | | |
|---|---|---|---|---|---|---|
| **30.06.2019** | **Goodwill** | **Finite** | **Indefinite** | **Finite** | **Indefinite** | **Total** |
| **A. Opening balance** | **2,097,379** | **419,717** | **—** | **151,197** | **—** | **2,668,293** |
| A.1 Total net write-downs | — | — | — | — | — | — |
| **A.2 Net opening balance** | **2,097,379** | **419,717** | **—** | **151,197** | **—** | **2,668,293** |
| **B. Increases** | **—** | **—** | **—** | **34,439** | **—** | **34,439** |
| Purchases | — | | — | 32,117 | — | 32,117 |
| Other adjustments | — | — | — | 2,322 | — | 2,322 |
| **C. Decreases** | **—** | **18,436** | **—** | **24,135** | **—** | **42,571** |
| Sales | — | — | — | — | — | — |
| Value adjustments | — | 18,436 | — | 24,135 | — | 42,571 |
| Other variations | — | — | — | | — | — |
| **D. Net closing balance** | **2,097,379** | **401,281** | **—** | **161,501** | **—** | **2,660,160** |
| **E. Gross closing balance** | **2,097,379** | **401,281** | **—** | **161,501** | **—** | **2,660,160** |

## 10. Tax assets and liabilities

### 10.1 CURRENT TAX ASSETS AND LIABILITIES

At 30 June 2019, the financial statements showed Euro 51.6 million in current tax assets and Euro 5.3 million in payments due for IRES and IRAP income taxes.

It should be noted that, starting from the year 2019, the tax consolidation, which included parent company Nexi S.p.A and the subsidiary Mercury Payment Services, has been extended to Nexi Payments e Help Line.

### 10.2 DEFERRED TAX ASSETS: BREAKDOWN

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| **Deferred taxes assets** | | |
| —of which: recognised in equity | 3,353 | 1,299 |
| —of which: recognised in profit and loss statement | 29,377 | 32,275 |
| **Total** | **32,729** | **33,574** |

Deferred tax assets are as follows:

- the taxes recognised with a balancing entry to equity refer primarily to deferred taxes related to the designation at Fair Value of the Hedging derivative in place;

- the taxes recognised with a balancing entry to the profit and loss statement refer primarily to the write-down on loans and temporary differences related to the recognised goodwill which are fiscally deductible, in addition to transposing the effects of the first time application of IFRS 15.

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| **Deferred tax liabilities** | | |
| —of which: recognised in equity | 5,638 | 3,439 |
| —of which: recognised in profit and loss statement | 33,970 | 27,896 |
| —of which: recognised in profit and loss statement due to elimination of equity investment | 95,697 | 100,735 |
| **Total** | **135,305** | **132,070** |

Deferred tax liabilities break down as follows:

- the taxes registered with balancing entry to net equity refer primarily to the deferred taxes related to the designation at Fair Value of the Visa Shares in the portfolio;

- the taxes registered with balancing entry to the income statement refer to temporary differences on the registered goodwill, in addition to transposing the effects of the first time application of IFRS 15;

- deferred taxes "with a balancing entry to the income statement due to the elimination of equity investments" refer to the removal of the equity investment in Mercury Payments and to the allocation of a portion of the acquisition price to intangible assets with a definite useful life.

**11. Non-current assets and groups of assets held for disposal and liabilities associated with assets held for disposal**

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| **A. Assets held for disposal** | | |
| A.1 Financial assets | 666 | 6,149 |
| A.2 Property equipment | 234 | 449 |
| A.3 Intangible assets | 36 | 37,615 |
| A.4 Other assets | 7,195 | 36,285 |
| **Total (A)** | **8,130** | **80,498** |
| **B. Liabilities associated with assets held for disposal** | | |
| Payables to banks | | |
| B.1 Other liabilities | 9,774 | 39,069 |
| **Total (B)** | **9,774** | **39,069** |

These are assets and liabilities referring to BassmArt and Moneynet. In particular:

- for the subsidiaries in Moneynet, the disposal process in underway and scheduled for completion. The closing of the sale of the company to Gruppo IVS is expected to take place by the end of July;

- for BassmArt, although the decision to sell was taken in 2018, the dismissal process is still at an early stage.

The drop compared with the balance at 31 December 2018 is linked to the disposal of equity investments in Oasi and in Pay Care in the first half year 2019.

There are no circumstances requiring the recognition of the loss of value of the assets being disposed since the expected revenue from the sale, based also on the closing conditions, is aligned to their net carrying amount. Such net value includes the value reductions totalling roughly Euro 4.1 million.

### 12. Other assets

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Tax assets | 45,612 | 51,905 |
| Other assets for commissions to be collected | 191,167 | 191,225 |
| Deferred costs | 67,914 | 58,098 |
| Other assets | 98,578 | 104,477 |
| **Total** | **403,272** | **405,706** |

The item "deferred costs" refers to the prepayment of costs in order to comply with the contracts with the customers, as well as other prepayments for costs paid but not matured yet.

## *(ii) LIABILITIES*

### 13. Financial liabilities measured at amortised cost

13.1 DUE TO BANKS (BREAKDOWN BY PRODUCT)

| | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | Fair Value | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Carrying amount | Level 1 | Level 2 | Level 3 |
| 1. Financing | 1,102,847 | — | 1,102,847 | — | 266,476 | — | 266,476 | |
| 2. Other liabilities | 487,811 | — | 487,811 | | 526,420 | — | 526,420 | |
| **Total** | **1,590,658** | **—** | **1,590,658** | **—** | **792,896** | **—** | **792,896** | **—** |

More specifically, the item "Financing" refers to the new IPO line, totalling Euro 590 million. Furthermore, the item includes the bilateral facilities supporting credit cards and the current accounts with Intesa Sanpaolo and used by Mercury Payment Services for the daily settlement of transactions with Intesa Sanpaolo's customers.

The item "Other liabilities" includes the credit facilities used to finance the settlements of acquiring services and payments and the residual part of direct issuing not covered by the factoring lines. It also includes the debts for the commercial services used by the Group companies.

The item total includes financial liabilities totalling Euro 591 million, entered under the Net Financial Position.

13.2 DUE TO FINANCIAL ENTITIES AND CUSTOMERS (BREAKDOWN BY PRODUCT)

| | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | Fair Value | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Carrying amount | Level 1 | Level 2 | Level 3 |
| 1. Financing | 312,918 | — | 312,918 | — | 301,535 | — | 301,535 | — |
| 2. Leasing debts | 31,319 | | 31,319 | | | | | |
| 3. Other payables | 41,024 | — | 41,024 | — | 52,714 | — | 52,714 | — |
| **Total** | **385,262** | **—** | **385,262** | **—** | **354,249** | **—** | **354,249** | **—** |

The item “Financing” refers to payables (totalling Euro 219.3 million) to the factoring company for advances on charge cards transferred without recourse and for the remaining portion to the technical adjustment line in place with the factoring company.

The item “Other payables” refers to liabilities with financial institutions for outstanding amounts.

The item “Leasing debts” includes liabilities deriving from the enforcement of IFRS 16 for operating leasing contracts, worth the current value of payment flows envisaged by the existing contracts. As indicated under the section “Accounting policies”, Nexi, when first applying it, exercised the option set forth by the principle of non re-disclosing comparative data.

The item “Leasing debts” totalling Euro 31 million is entirely included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

This item includes the securities issued in 2018 by Nexi Capital SpA (now Nexi SpA) within the scope of the debt refinancing operation.

| | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | Fair Value | | |
| | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** |
| 1. Fixed rate securities......... | 817,290 | | 857,497 | | 816,198 | — | 819,357 | — |
| 2. Floating rate securities......... | 405,298 | | 405,298 | | 1,753,491 | — | 1,762,928 | — |
| **Total ..................** | **1,222,588** | **—** | **1,262,795** | **—** | **2,569,689** | **—** | **2,582,285** | **—** |

Following the IPO, during the first six months of 2019, as detailed in the Management Report, a part of the securities issued at floating rate—which had a book value of 1,360 Euro at 31 December 2018—was redeemed in advance. Furthermore, the residual amount of the floating rate securities was redeemed on 2 July.

The early redemption of such positions was entered in the profit and loss statement as redemption costs, for a total amount of Euro 42 million.

The book value at the reporting date includes the direct transaction costs, which, net of the effects deriving from the early redemption of a part of the securities, total Euro 13 million.

The item total is included under the Net Financial Position.

**14. Financial liabilities held for trading**

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| Cash liabilities | | |
| Financial derivatives ................................................................................................. | 8,730 | 3,154 |
| **Total ........................................................................................................................** | **8,730** | **3,154** |
| **Fair Value—Level 1 ..........................................................................................** | | **—** |
| **Fair Value—Level 2 ..........................................................................................** | **8,730** | **3,154** |
| **Fair Value—Level 3 ..........................................................................................** | **—** | **—** |
| **Total Fair Value** ....................................................................................................... | 8,730 | 3,154 |

This item includes the portion of the derivative held which was not included in the hedging position of the Visa Inc. shares in the portfolio.

## 15. Hedging derivatives

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Equity derivatives | 45,833 | 16,557 |
| **Total** | **45,833** | **16,557** |
| **Fair Value—Level 1** | | |
| **Fair Value—Level 2** | **45,833** | **16,557** |
| **Fair Value—Level 3** | | |
| **Total Fair Value** | **45,833** | **16,557** |

**NOTES TO FINANCIAL STATEMENTS**

**15. Hedging derivatives**

As described in the note related to "Financial assets at Fair Value through OCI" such item includes a position in the Visa Shares C Series, convertible in Visa Shares A Series at a variable conversion factor based on the charges deriving from potential liabilities of the former Visa Europe. Exchange rate risk and price risk have been hedged with a zero cost collar with strike in EUR and underlying Visa Shares A Series. At 30 June 2019, 84% of the derivative is classified under hedging derivative based on the conversion factor of the Visa Shares C Series.

**16. Other liabilities**

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| Tax liabilities | 44,762 | 15,325 |
| Due to employees | 44,644 | 53,587 |
| Other liabilities for fees and commissions | 206,867 | 265,375 |
| Unsettled transactions | 360,453 | 256,614 |
| Other liabilities | 27,681 | 74,153 |
| Deferred Loyalty fees | 46,473 | 49,554 |
| Prepaid cards unsettled transactions | 1,166 | 1,766 |
| **Total** | **732,045** | **716,375** |

The item "Deferred Loyalty fees" refers to the deferred fees associated with the Loyalty Plan, as set forth under IFRS 15.

**17. Post employment benefits**

Italian laws set forth that, at the termination of an employment relationship, the employee has the right to receive a severance indemnity based on their annual salary and the inflation rate. At 30 June, the debt was Euro 15.1 million.

**18. Provisions for risks and charges**

18.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

| | **30.06.2019** | **31.12.2018** |
|---|---|---|
| 1. Internal pension funds | — | — |
| 2. Other risks and charges provisions | 41,857 | 46,552 |
| 2.1 Legal and tax disputes | 4,225 | 4,245 |
| 2.2 Employees | 2,170 | 2,804 |
| 2.3 Other | 35,462 | 39,503 |
| **Total** | **41,857** | **46,552** |

The provisions for "Legal and tax disputes" total Euro 4.2 million and refer to the allocations made for legal disputes that entail a probable risk.

"Other provisions", which total Euro 35.4 million, mainly refer to:

a. funds hedging the contractual commitments taken at the time of the Bassilichi acquisition, totalling Euro 14.6 million, down Euro 1.4 million compared with 31 December 2018 due to its use in the first six months of 2019;

b. funds hedging charges for the disposal of non-core assets in the Bassilichi Group, totalling Euro 6.4 million;

c. fund hedging the risks linked to suspense accounts related to ordinary operations, totalling about Euro 8.5 million;

d. Fund hedging fraudulent transactions, worth Euro 0.9 million;

e. Fund for potential tax disputes linked to the implementation of the benefits envisaged by the current laws, totalling Euro 4 million;

f. Funds for labour law disputes, totalling Euro 0.8 million.

## 19. Equity

At 30 June 2019, net equity consists of the following items:

| | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Share capital | 57,071 | 50,000 |
| Share premium | 1,082,204 | 389,275 |
| Consolidation reserve | 18,124 | (47,735) |
| Valuation reserve | 38,075 | 36,899 |
| Profit (loss) for the year | 58,424 | 35,933 |
| Equity attributable to non-controlling interests (+/−) | 6,266 | 6,516 |
| **Total Equity** | **1,260,164** | **470,888** |

Net equity at 30 June 2019 transposes the effects of the IPO, which led to an increase in Share Capital of about Euro 700 million.

The item "Equity attributable to non-controlling interests" shows a balance of Euro 6.3 million and primarily refers to the equity of non-controlling interests of the subsidiaries Nexi Payments (Euro 5.3 million) and Help Line (Euro 0.9 million).

### i) Restrictions on the payment of dividends

The terms and conditions of the issued Bond Loans are governed by two contracts with similar contents, in compliance with the law of the State of New York, called "Indenture" and dated, respectively 18 May 2018, referring to the listed bond loan, and 2 July 2018, referring to the bond loan with private placement (each of them, the "Indenture").

The Indentures limit the right of the Issuer and of its subsidiaries subject to restrictions to distribute dividends to the respective shareholders.

The dividends may, in fact, be distributed only in compliance with the provisions contained in the Indentures, as regards payments subject to restrictions, or at the occurring of events, here qualified as permitted payments, in particular due to Nexi going public.

This is without prejudice to the fact that, pursuant to the Indentures, there are no restrictions to the payment of dividends by the subsidiaries in favour of Nexi SpA.

**(iii) 20. Notes to the profit and loss statement**

(Amount in Euro thousands)

The figures of the profit and loss statement are not comparable with the corresponding figures at 30 June 2018, because the reorganisation of the Group (which took place in the second half year 2018) meant that Nexi Payments, Help Line and the companies of the former Bassilichi Group contributed to the result of Nexi Group as of 1 July 2018.

To allow a comparison of the figures, a comparative statement is provided in the interim management report comparing the results of 1H 2019 with the pro-forma data of 1H 2018.

**21. Fees for service rendered and commission income**

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Issuing & Acquiring fees: | 588,727 | 78,474 |
| *—Trading fees* | *482,740* | *78,474* |
| *—Fees from cardholders* | *105,987* | |
| *—other fees* | — | |
| Revenue from services | 182,087 | 4,451 |
| **Total** | **770,814** | **82,925** |

**22. Fees for services received and commission expense**

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Bank charges: | 299,088 | 1,011 |
| *—fee due to correspondents* | *207,342* | *503* |
| *—fee due to banks* | *91,746* | *508* |
| Other fees | 1,425 | 31 |
| **Total** | **300,514** | **1,042** |

**23. Interest and similar income**

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Receivables from banks | | 307 |
| Receivables from customers | 9,532 | 49 |
| Other assets | 28 | 1 |
| **Total** | **9,560** | **357** |

Interest income from customers primarily refers to operations carried out via revolving credit cards.

**24. Interest and similar expenses**

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Financial liabilities at amortised cost : | | |

| | | |
|---|---|---|
| *—payables to banks and customers: leasing* | *714* | |
| *—payables to banks and customers* | *13,935* | *656* |
| *—securities issued* | *98,784* | *12,105* |
| Other liabilities and funds | 98 | |
| **Total** | **113,530** | **12,761** |

Interest expense primarily refers to:

- credit facilities with recourse associated with the factoring contract Nexi Payments entered into in 2018;
- Securities issued by Nexi Capital (now Nexi SpA) in 2018 within the scope of the debt refinancing operation;
- IPO financing agreed in 2019 following the funding reorganisation, as described in the interim management report.

It should be noted that the item is not comparable with the corresponding figures at 30 June 2018 because, owing to the reorganisation operation (which took place in the second half year 2018), funding was included in Nexi Group as of May 2018.

## NOTES TO FINANCIAL STATEMENTS

### 25. Profit/Loss of trading/hedging on financial assets and liabilities designated at Fair Value through profit and loss

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Net trading income on financial assets | (5,298) | (9) |
| Net hedging income on financial assets | — | — |
| **Total** | **(5,298)** | **(9)** |

The item primarily includes the Fair Value variation of the derivative contracted against the risk and price of Visa shares in the portfolio for the part classified as trading.

The item also includes the profit/loss on currency exchanges deriving from the ordinary operating of Nexi Group, which had a limited impact, since the risks associated with the currency positions are mitigated by the presence of opposite currency positions that naturally reduce the exposure to such risk.

### 26. Dividends and profits/loss from investments and sale of assets at Fair Value through OCI

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Dividends | 166 | — |
| Losses from disposal of assets designated at Fair Value impacting OCI | (4,552) | — |
| **Net result** | **(4,386)** | **—** |

The balance of the item primarily refers to the cost deriving from Nexi Payment's disposal without recourse, within the scope of the factoring contract, of a relevant part of the receivables portfolio associated with the issuing of credit cards.

### 27. Administrative expenses

27.1 PERSONNEL EXPENSES: BREAKDOWN

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| **1)Employees** | | |
| a) wages and salaries | 103,740 | 6,286 |
| b) social security expenses | 17,604 | 2,124 |
| c) post-employment benefits | 660 | 197 |
| d) national insurance expenses | 20 | — |
| e) provisions for severance pay | 141 | 9 |
| f) provisions for post-employment benefits and similar obligations: | | — |
| *—for defined contribution schemes* | — | — |
| *—for defined benefit schemes* | — | — |
| g) payments to external supplementary pension funds: | | 141 |
| *—for defined contribution schemes* | *3,065* | — |

| | | |
|---|---|---|
| *—for defined benefit schemes* | — | — |
| h) costs of equity instruments-based payment plans | — | — |
| i) other benefits for employees | 3,479 | 430 |
| **2) Other active personnel** | **1,086** | **—** |
| **Total** | **129,794** | **9,187** |

Personnel expenses include the expenses associated with the stock grant plan guaranteed by Mercury UK to Nexi Group employees, as detailed under Note 39.

27.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

| | **30.06.2019** | **30.06.2018** |
|---|---|---|
| 1. Third party services | 84,579 | 1,643 |
| 2. Lease and building management fees | 1,186 | 470 |
| 3. Insurance companies | 1,341 | — |
| 4. Rentals | 3,039 | — |
| 5. Maintenance | 22,613 | 6,118 |
| 6. Shipping costs | 3,142 | 294 |
| 7. Telephone and telegraph | 6,474 | 950 |
| 8. Cards and accessories | 2,345 | — |
| 9. Printed matter and stationery | 2,323 | — |
| 10. Other taxes | 2,268 | 60 |
| 11. Legal, notary and consultancy services | 24,354 | 18,483 |
| 12. Agents' commissions and expense reimbursement | 6 | |
| 13. Advertising | 3,087 | |
| 14. Promotional material and competition prizes | 14,451 | |
| 15. Other commercial costs | 903 | |
| 16. Other general expenses | 16,301 | 7,333 |
| **Total** | **188,411** | **35,351** |

## 28. Other operating income (expenses)

| | **30.06.2019** | **30.06.2018** |
|---|---|---|
| Other operating income | 182 | 550 |
| Other operating expenses | (2,730) | |
| **Total** | **(2,548)** | **550** |

### 29. Net value adjustments on assets measured at amortised cost

This item, worth Euro 1,811 million, refers to the net value adjustments on receivables from customers primarily associated with the direct issuing and acquiring activities carried out by Nexi Payments.

### 30. Net provisions for risks and charges

The item shows a positive balance of Euro 590,000 and recognises the effects of change in fund for risks and charges.

### 31. Amortisation, depreciation and net impairment losses on tangible and intangible assets

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Amortisation and net impairment losses on tangible assets | 27,742 | 4,613 |
| Amortisation and net impairment losses on intangible assets | 42,571 | 16,715 |
| **Total** | **70,313** | **21,328** |

### 32. Profit/loss from equity investments and disposal of investments

This items shows a negative balance of about 74,000 Euro and includes the drop in value of stakes held in associates.

## NOTES TO FINANCIAL STATEMENTS

### 33. Income taxes

| | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Current taxes | 3,165 | −5,363 |
| Change in current taxes from previous years | | |
| Change in prepaid taxes | (1,586) | 767 |
| Change in deferred taxes | (1,037) | 5,037 |
| **Total** | **542** | **441** |

### 34. Profit/loss from assets held for disposal, net of taxes

This item refers to positive and negative income items from assets held for disposal (see Note 11) and mainly includes the capital gains, net of taxes, deriving from the complete disposal of the stakes held in Oasi and Pay Care (Euro 95 million).

It should be noted that such value does not include the effects of the price adjustment envisaged by the contract, since—being a potential asset—it was not recorded at 30 June 2019.

### 35. Profit/loss for the year attributable to non-controlling interests

This is minorities interest primarily referring to Nexi Payments (233 thousand Euro) and Help Line (minus 205 thousand Euro).

### 36. Information on risks and related hedging policies

Nexi Group is primarily subject to the Liquidity Risk, the Operational Risk (which includes fraud risk, legal/conduct risk and information system risk) and to Reputational Risk.

Other risks permanently monitored by Nexi Group are the Strategic Risk, the Credit Risk, the Interest Rate Risk and the Currency Risk, as shown in the following table:

| NEXI GROUP RISKS | NEXI PARENT COMPANY | NEXI PAYMENTS (Electronic Money Institution Supervised by Bank of Italy) | MERCURY PAYMENT SERVICES (Payment Institution Supervised by Bank of Italy) | HELP LINE (ancillary company) |
|---|---|---|---|---|
| Strategic risk | x | | | |
| Reputational risk | x | x | x | x |
| Operational | | x | x | x |
| risk Credit risk | | x | x | |
| Liquidity risk | x | x | x | |
| Interest rate risk | x | x | x | |
| Currency risk | | x | x | |

The aforesaid risks are analysed in these Notes, with the exception of Strategic Risk, included under the section “Major risks and uncertainties” of the interim management report.

## a. Risk Management at Nexi Group

Regarding risk management, the model adopted by NEXI provides that the Parent Company must permanently monitor the Strategic Risk and the Internal Control System of the Group.

The Internal Control System—an organisational, regulatory and methodological framework for effectively and economically performing guidance activities, strategic control, management and technical-operational activities—is a process that aims to provide reasonable certainty in achieving company targets in terms of efficacy and efficiency of operational activities, reliability of financial statement information and compliance with the Laws and Regulations currently in force.

The benchmark regulations governing the relations between the Parent Company Nexi and the Companies belonging to Nexi Group (hereafter referred to as the "subsidiaries") specifically aim to standardise organisational rules and conduct in order to direct, towards converging targets, the Group's development policies and management strategies, consistent with the strategic guidelines issued by the Parent Company.

The regulation was also drafted to safeguard the operational independence of the Subsidiaries subject to supervision and operating in the payment services and electronic currency sectors (named "Supervised Companies"), which transpose the provisions pursuant to the applicable special laws.

The Parent Company Nexi has its own Audit Unit that, among other tasks, helps the Board of Directors of the Parent Company—through the Risk Committee—verify that the companies of the Group define an Internal Control System in accordance with the strategic guidelines and the risk management policies drafted by the Nexi Board of Directors for the entire Group.

The monitoring of the Internal Control System is suitable for permanently monitoring all the Group's persistent risks, complying with the mandatory rules that are applicable to the Supervised Companies. In this regard,

The Parent Company Board of Directors:

- defines the guidelines of the Internal Control System and the Risk Management of the Group, in compliance with the mandatory rules that are applicable to Supervised Companies;
- guarantees the monitoring of the Group's overall exposure to business risks;
- is informed, via the Internal Audit Unit of the Parent Company—concurrently with the Boards of Directors and the Boards of Statutory Auditors of the Subsidiaries—whether the monitoring activity conducted by the relevant organisational units of the Subsidiaries unveil significant findings, namely, irregular or problematic situations. The authority (and responsibility) of supervising the functioning of the Internal Control and Risk Management System (hereafter, "ICRMS") of each company belonging to Nexi Group (planning/design, management and monitoring) rests with are the Boards of Directors and the management of the individual subsidiaries, even with reference to the compliance profiles applicable to Supervised Companies. Such companies deal with the institution and adequate and effective maintenance of the ICRMS, implementing the Guidelines defined by the Parent Company.

The Subsidiaries:

- are responsible for enforcing the risk management policies and strategies;
- submit reports to the Parent Company, from time to time defined according to the requirements of the Group, on a regular basis or upon request, in order to ensure a consistent risk management at a consolidated level;
- establish the corrective measures for the removal/mitigation of the detected irregularities and problems, in line with any possible indication issued by the Parent Company.

Pursuant to the enforced provisions on monitoring, the Internal Control System of supervised companies features a threefold control structure:

- *"Level 1 controls—line controls"*—aimed at ensuring a correct fulfilment of operational aspects; it therefore includes a hierarchic type of control, carried out by the very production units and usually incorporated into the procedures themselves or into back office activities;

- *"Level 2 controls":*

- *Risk Management controls*—aimed at defining risk assessment methods, verifying compliance with the limits assigned to the several operational units and checking the operational consistency of the individual productive areas with the risk/yield targets;

- *Regulation compliance controls*—aimed at permanently monitoring risks linked to the non-compliance with external and internal regulation;

- *"Level 3 controls—Internal Audit"*—aimed at identifying irregular trends, violations of procedures and of internal/ external regulations, and at assessing the overall functioning of the Internal Control System.

Monitoring the management of risks, compliance and internal audit is performed by non-operational and independent units.

**b. Nexi Group risks**

**i. Liquidity risk and interest rate risk**

As at the date of this Report, the Group shows a remarkable financial indebtedness, mainly consisting of Fixed- Rate Bond Loans and of the IPO Financing, which incur high financial charges that could generate negative effects on the Group's results and its ability to generate cash flow and distribute dividends, which in turn might affect the ability to repay debts on the due dates and to support the investments required to develop the business.

The Group is exposed to the risk that failure to comply with the obligations and covenants set forth under the contractual documentation relating to such financial indebtedness (in particular the Fixed-rate Public Debenture Loans, the IPO Financing or the credit facilities and factoring services in place) might result, *inter alia*, in the enforcement of the acceleration clause, also due to the cross-default clauses set forth under certain contracts governing the financial indebtedness of the Group and the lines supporting the requirements of the working capital generated by the Subsidiaries.

The sustainability of Nexi Group level of indebtedness is associated, above all, with its operational results and, consequently, with its ability to generate sufficient liquid assets and to refinance the debt upon the due date.

The risk profiles related to the guarantees issued are associated with possible defaults in the underlying loan agreements and consequently with the possibility that the financing parties, using the remedies envisaged under the contract, proceed to enforce the guarantees thus protecting their right to lodge claims with possible negative effects on the economic, equity and/or financial position of Nexi Group.

The risk is limited owing to clauses set forth in the contracts, which represent "standard" conditions for similar transactions. The Group is exposed to the risk that significant interest rate fluctuations may occur and that the policies adopted to neutralise these fluctuations prove to be inadequate. Interest rate fluctuations depend on different factors that the Group cannot control, such as monetary policies, macro-economic trends as well as the economic conditions and political uncertainty in Italy.

Variations in interest rates affect the market value of the company's financial assets and liabilities, as well as the level of financial charges, since some of the loans were agreed at floating rate.

To this regard, as at 30 June 2019, the Group was exposed to a large percentage of sources of funding at floating rate; in particular, 62% of the overall sources of funding (used and useable) accounting for the financial indebtedness are indexed at floating rate: in the case in point, it is the IPO Term Line worth Euro 1,000 million, the IPO Revolving Line and the Private Bond Loans (replaced, as of 2 July 2019, by the IPO Term Line). While not representing financial indebtedness, both the factoring contract and the majority of bilateral credit facilities are equally indexed at floating interest rate.

It should be pointed out that the Group is yet to sign the floating interest rate risk hedging instruments, which are being periodically analysed and assessed.

Furthermore, the Group has credit facilities which it deems sufficient, in terms of operational modalities and amounts, to cover the financial needs of its working capital requirements, specifically:

(1) a factoring agreement entered into by Nexi Payments and Unicredit Factoring S.p.A. valid for the majority of the working capital generated on a ongoing basis by the issuing of charge cards under the licensing model. Such agreement governs the transfer of Nexi's account receivables whose default risk is taken by partner banks;

(2) a series of bilateral credit facilities with different technical forms (hot money, committed, revolving, etc.) to cover acquiring activities, receivables from issuing activity not covered by the factoring agreement or by revolving credit facilities (as defined below) and other potential short-run operational funding needs;

(3) bilateral credit facilities aimed at covering receivables from issuing activities that are paid in instalments upon request of cardholders (revolving credit facilities).

It is not possible to rule out that, in the future, Nexi Group might have to replace—for any reason whatsoever—one or more of its major lenders of such credit facilities and that such potential circumstance may entail greater charges and costs and/or result in discontinuity and/or delays in the provinsion of services, also due to the time needed to complete the replacement, which could be prejudicial to the operations of Nexi Group.

The Group has set up procedures aimed at identifying, monitoring and managing the liquidity risk, which include

(a) weekly monitoring of the interest rates market curve to which the debt is indexed, the performance of its listed securities and the country risk, as well as other macroeconomic market indicators; (b) periodic alignments with research departments of leading banks on the outlook for the financial market; (c) analysis of possible hedging strategies of interest rate risk through derivatives.

With reference to the interest rate risk, it is worth stressing that, given the unique nature of Nexi Payments business, exposures are mostly concentrated in the "within one month" category and therefore with minimum exposure to risk, except for exposures related to revolving cards, which have an average maturity of ten months. Exposure to this type of risk can be considered substantially irrelevant.

**ii. Currency Risk**

The Group companies are marginally exposed to currency risk since payments and collections, respectively for amounts to pay or collect related to the Mastercard and Visa circuits, are carried out in Euro.

**iii. Hedging Derivative Instruments**

In order to hedge the risk of a reduction in the price and exchange rate of the Visa C Class shares held (convertible into Visa Series A shares at a variable conversion factor according to the charges deriving from contingent liabilities of the former Visa Europe, acquired by Visa Inc.), included in the HTCS portfolio of Nexi Payments, a collar was stipulated on a number of shares that does not take into account the discount applied in the financial statements, but which has a strike such that, from an economic standpoint, the pay-off of the derivative, in the event of a reduction in the value, in Euro, of Class A Shares to below the carrying amount, is equal to the reduction in the value of the security compared to the objective of the hedge.

**iv. Operational Risk**

The Group may incur liabilities and may suffer damages, also to its reputation, related to fraudulent digital payment transactions, fraudulent receivables claimed by merchants or other parties, or fraudulent sales of goods and services, including fraudulent sales by merchants of the Group in the line of business Cards & Digital Payments and Merchant Services & Solutions.

Examples of fraud may include the malicious use of a credit or debit card stolen or counterfeited, the use, by merchants or other parties, of the number of a payment card or of other credentials for recording a false sale or transaction, the sale of counterfeit goods, malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.

Failure to identify thefts, as well as ineffective risk management and fraud prevention, may increase the chargeback liability of the Group or cause the Group to incur other liabilities, including penalties and fines.

The major risk of external frauds is represented by frauds in the issuing sector, which, in the first six months of 2019, accounted for 0.07% of the amount spent by cardholders (gross fraud).

To address these risks, Nexi has adopted a specific framework to identify, manage and monitor risks, comprising policy, processes, organisational controls and tools. This framework transposes the requirements and provisions of Italian and international law, as well as sector best practices for the development and upgrading of methods and support tools.

The Group uses sophisticated transaction control and detection systems as well as effective organisational controls for fraud prevention and risk management control.

Given the high degree of technological innovation of the services provided by the Group, and the importance of managing sensitive data concerning payments, specific policies and methods have been defined for the identification and management of information system risks (including cyber-security), and specific organisational controls with the scope of the Information Security Management System for line controls and controls over risk management, have been implemented.

Operational risks are also mitigated by targeted insurance coverage.

**v. Reputational risk**

Reputational risk is defined as the current or future risk of a loss, a decline in business volume or profits, or fall in value of company shares resulting from a negative perception of the Group image by its customers, counterparties, shareholders, investors or competent supervisory authorities; these events may also affect the capacity of Nexi to maintain, or create, new business relations and to continue to access funding resources also through the capital market or banking channel.

The Group, considering the importance of the reputational risk and the negative effects that may result from it, has set up special controls aimed at preventing risk factors (operational and compliance) which may affect the reputation of the Group, including:

- anti-money laundering task force;
- privacy task force;
- IT risk monitoring and control task force;
- business continuity management task force;
- brand and communications management task force for "Nexi" brand payment card products;
- crisis management task force (to manage reputational risk);
- monitoring and 'Level 2' controls task force to manage compliance and operational risk.

In addition to the above, the Group undertakes, on a consistent basis, actions to prevent and monitor the effects on the reputation of the Group (with particular reference to the company Nexi Payments, owner of the brand "Nexi") including (i) the assessment of the reputational risk resulting from the periodical assessments of compliance and process operational risk; (ii) the assessment of the potential reputational risk during the planning stage for the design of new services/products; (iii) the assessment of the potential impacts on reputation, in the case of operational "accidents"; (iv) a dashboard for monitoring the reputational risk; and (v) a dashboard for monitoring conduct risk.

**36 Information on risks and related hedging policies**

**vi. Credit Risk**

The Group is exposed to credit risk as described below.

**i) Credit risk in acquiring activities**

The settlement between counterparties carried out as acquirer, implies that the merchant-customer receives the funds before the Group receives them:

(i) from the factor, for receivables generated by Group-issued cards covered by the Factoring Agreement;

(ii) from the banks of cardholders, for all other receivables generated by Group-issued cards not subject to the Factoring Agreement;

(iii) and/or from the international payment card circuits for cards issued by other issuers.

Furthermore, with reference to the acquiring services provided under traditional and referral licence agreements, the Group, in its capacity as acquirer, is exposed to the counterparty risk arising from the amounts paid to merchants before the goods or services are provided to the consumer or contested by the cardholder. In this case, the amount of the transaction is normally charged back to the merchant and the purchase price is reimbursed by the Group, in its capacity as acquirer, to the cardholder.

The Group is also subject to credit risk for (a) the amount of fees of the International Circuits of payments cards and (b) its own fees due by the merchants. When the acquirer pays merchant customers the payment amount of the transaction, it does not always deduct the fees due, but in certain cases charges them later, on a monthly basis. Should the merchant refuse or delay the payment of these amounts, the Group may suffer a loss.

**ii) Credit risk in issuing activities**

The Group companies, in their capacity as issuers, grant credit to the cardholders to fund their purchases using the payment cards of such clients.

The collection times from cardholders depend on the type of card used. If the purchase is carried out with a debit card, the issuer is not exposed; vice versa, with credit cards, the issuer is often exposed to an average period ranging from 15 to 45 days.

If the cardholder is not able to pay the balance due to bankruptcy or insolvency, the partner bank arranges repayment of the amounts due from the cardholder. In the case of insolvency of a partner bank, the issuer can try to recover the amounts directly from the credit cardholder.

In this regard it should be noted that if the card of an insolvent cardholder is blocked, the partner bank remains liable for any insolvency related to purchases made in the 5 following days. Once these 5 days have elapsed, if the issuer has not yet blocked the card, any additional amount (i.e. the purchases made from the sixth day forward) are under the responsibility of the issuer.

**iii) Credit risk in servicing and associate activities**

In the case of special commercial agreements with banks concerning the servicing and associate model, the Group is exposed to counterparty risk for the payment of the services provided to these parties and to the credit risk associated with the POS and ATM management services with merchants and with customer banks of these services.

### iv) Credit risk monitoring

Credit Risk is monitored constantly, checking that the exposures are within the budget limits set at the beginning of each year. Nexi Payments also carefully rates each new merchant or cardholder in the case of directly issued cards before agreeing new contracts.

The Risk Management unit constantly monitors credit risk trends and activates, if the limits are exceeded, appropriate escalation measures.

The Group sets specific maximum gross and net insolvency limits and the relevant impact on costs, which are constantly monitored, together with expected losses—compared to actual losses and the performance of losses incurred in relation to business performance.

This Credit Risk control consists of preliminary checks by the 'Level 1' units, starting with the analysis of the credit application. It includes:

- internal controls;
- consistency controls;
- use of positive and negative Credit Bureau information;
- Credit Scoring algorithms.

Another process relevant for Credit Risk is the monitoring and recovery of receivables from cardholders and merchants, in order to curb the impact of risk events.

With respect to its servicing activities, the Group does not have risks related to receivables due directly from retail customers as its core business is Issuing servicing and Acquiring servicing activities. Therefore, the related credit risk falls on the Banks holding the issuing and/or acquiring licences.

This year, as in previous years, no significant critical issues were found in relation to this type of risk compared to the established limits.

## 37. Related Parties

(Amount in Euro thousands)

The aim of IAS 24 (Related Party Disclosures) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its equity and financial position and performance may be altered by related party transactions and balances. Based on this standard, applied to its organisational and governance structure, Nexi Group SpA identified the following related parties:

a) the controlling company, Mercury UK;

b) the parties that control Mercury UK, directly or indirectly, also through subsidiaries, trustees or through a third party, even jointly or hold an interest in Mercury UK which enables it to exercise significant influence;

c) entities that are controlled or jointly controlled by the above indicated parties;

d) entities that are controlled or jointly controlled or under the significant influence of Nexi SpA;

e) key Managers of Nexi Group or its parent company and entities in which they exercise direct control, joint control or significant influence;

f) ) close relatives of a natural person included in letters b) or e) above;

g) the supplementary pension fund established for the employees of Nexi SpA or of any other related entity.

## NOTES TO FINANCIAL STATEMENTS

### 37. Related Parties

### 37.1 Information on the remuneration of executives holding strategic responsibilities

Below is the remuneration, for the relevant period, of Governance and Control Bodies and for executives holding strategic responsibilities.

| | Directors | Board of Statutory Auditors | Executives holding strategic responsibility |
|---|---|---|---|
| Corporate bodies remuneration | 1,910 | 143 | |
| Short-term benefits | | | 3,823 |
| Benefits subsequent to the termination of employment | | | 305 |
| Other long-term benefits | | | |
| Indemnities for termination of employment Payments based on actions (stock plan) | | | |
| **Total** | **1,910** | **143** | **4,127** |

### 37.2 Information on transactions with related parties

The effects of transactions conducted with related parties are summed up in the table below:

| | Item total | Controlling company | Other related parties | Directors, Executives and other monitoring bodies |
|---|---|---|---|---|
| Cash and cash equivalents | 165.891 | | 165.863 | |
| Financial assets measured at amortised cost | 1.803.387 | | 125.052 | |
| Other assets | 403.272 | | 39.084 | |
| Financial liabilities measured at amortised cost | — | | | |
| Other liabilities | 732.045 | | 10.006 | |
| Fees and commissions income | 770.813 | | 9.210 | |
| Fees and commission costs | 300.514 | | 1.410 | |
| Interest and similar income | 9.560 | | 105 | |
| Interest and similar costs | 113.530 | | 2.047 | |
| Administrative costs | 318.205 | | 3.546 | |

It should be noted that such relations are regulated by terms and conditions that are consistent with the market ones and that no atypical or unusual transactions were conducted during the first half of the year.

The major relations in place with related parties mainly concern the following relations held throughout the year with DEPOBank (included in the "other related parties" category):

- outsourcing contract for the provision of IT services by Nexi Payments for DEPOBank. The amount is proportional to the actual use of internal and external resources;

- agreement, for the performance of commercial services, which defines the conditions and modalities according to which Nexi Payments offers its clients the products and services of DEPOBank, through its own commercial network; the amount, identified following a check of the market benchmarks, is related to DEPOBank's yearly turnovers generated by Nexi Payments commercial activities;

- credit Mandate contract through which DEPOBank provides a financing service by anticipating the daily settlement of issuing/acquiring transactions related to servicing and associate banks. The amount is proportional to the market conditions in place at the date the contract is entered into;

- outsourcing contract, through which NexiPayments provides to DEPOBank clearing and accounting activities relating to a specific contract. The amount is proportional to the actual use of internal resources;

- credit facility granted by DEPOBank, used as current account overdraft to manage the financial requirements and guarantees. The terms regulating the contract are consistent with the market ones.

- current accounts in place with DEPOBank. The terms regulating the contract are consistent with the market ones.

**38. Share-based payments**

Mercury UK HoldCo issued an incentivising plan ("Stock Grant" or "Plan") based on Nexi SpA shares.

The Plan is ascribable to certain employees (the "Recipients") of Nexi Payments SpA, Help Line SpA and Mercury

Payment Services SpA.

The accrual period of the issued Stock Grant is strictly linked to the "Liquidity Event" of Advent, Bain Capital and Clessidra ("Funds"), which control the Mercury Group.

Pursuant to the Plan, the participants are given a bonus in Nexi SpA shares ("the Company") that mature only if the Funds achieve the set return on the Mercury UK investment in the Company. Participation in the Plan is at the discretion of the Board of Directors and no employee has the contractual right to participate in the plan or to receive possible guaranteed benefits.

The expected "Liquidity Event" is one of the following:

- any event where the Funds cease to hold, either directly or indirectly, separately or jointly, the control of Nexi SpA; or

- an IPO by Nexi SpA followed by the transfer, by Mercury UK HoldCo, of a stake of at least 20% of the share capital of Nexi SpA.

The Plans give the employees the right to receive a certain quantity of Nexi SpA shares (the "Share award") and the employees are requested to pay any strike price.

For most of the employees, a part of the Share Bonus is subject to a deferment, as indicated below:

- 50% of the bonus will be assigned on the date of the "Liquidity Event";

- 25% of the bonus will be assigned 12 months after the “Liquidity Event”;
- 25% of the bonus will be assigned 24 months after the “Liquidity Event”.

For some employees, the plan envisaged the assignment of 100% of the bonus 100 days after the Liquidity Event.

Should the employment relationship cease before the Liquidity Event, the Share Bonus will be cancelled. If the employment relationship should cease after the date of the Liquidity Event, owing to voluntary resignations or disciplinary dismissal, the Share Bonus will be totally cancelled. Should the employment relationship cease owing to reasons other than the aforesaid ones and the Share Bonus not matured yet, the amount to be assigned to the employee will be calculated on a pro-rate temporis basis during the deferment period.

The “Liquidity Event” was triggered when Nexi SpA went public on 16 April 2019 and the first tranche of the bonus has been assigned to the Recipients.

The overall number of shares assigned is 7,023,885 (3,699,537 of which already transferred to the Recipients).

In view of the fact that the Liquidity Event (the IPO) took place just a few months after the issuing of the Plans, on the date of this report there are no “cancelled” or “expired” bonus shares.

Pursuant to IFRS 2, Nexi Group, despite taking on no obligation towards the recipient employee, and being the receiving entity, must enter—in its consolidated financial statements—the mentioned Plans on the basis of the accounting rules set forth for the “plans regulated with equity instruments”.

In particular, IFRS 2 establishes that, in plans regulated with equity instruments with employees, the entity must:

- measure the cost for the services it receives from them, based on the Fair Value of the equity instruments on the assignment date;
- enter the Fair Value of the received services, throughout the accrual period, offsetting an increase in Net Equity on the base of a better available estimate of the quantity of equity instruments expected to mature;
- review such assessment, if the subsequent information indicates that the quantity of equity instruments expected to mature differs from the previous estimate.

The Stock Grant Fair Value was determined taking into account the IPO price, which also determined the moment most of the employees were assigned 50% of the granted shares and which—considering the brief period running from the assignment of the Plans and the IPO itself—was deemed a consistent indicator for representing the value of shares at the grant date.

Based on the above, the Plan generates an overall cost—for the entire term of the plan—of Euro 63 million, entered into the consolidated financial statements throughout the vesting period, pursuant to IFRS 2. The recognised cost for the first six months 2019 was about Euro 43 million.

**39. Segment reporting**

Segment reporting was drawn up in compliance with the IFRS 8 standard.

Segment reporting is consistent with the organisational and industrial structure with which Nexi Group has operated during the year. The comparative figures specified below refers to the pro-forma data consistent with the data indicated in the Management Report.

The reporting by business segment provides for only one operating segment represented by electronic money and payment services, including the central structures. By contrast, net revenue from operations can be broken-down into three business lines, identifiable within the scope of Nexi Group organisation, more specifically:

- Merchant Services & Solutions;

- Cards & Digital Payments;
- Digital Banking Solutions.

The assignment of economic results to the different business lines is based on the accounting standards used when drafting and presenting the consolidated financial statements.

The following tables show a breakdown, into operating business lines at the net revenue level, of the profit and loss statements only and do not require the current management structure of the specific allocations by line of service at equity level.

Paragraph 42.2 shows a reconciliation between the profit and loss statement drafted according to the segment reporting and the profit and loss statement drafted in the Financial Statements which, besides including the effects of the different classifications, also show the impact resulting from the different contributions from the companies subject to spin-off and of the business unit Payments, as described above.

A breakdown of net revenue by geographic distribution is not included, since the activities here described are conducted by customers operating within the entire national territory which is therefore considered as a whole, from an operational standpoint.

## NOTES TO FINANCIAL STATEMENTS

### 39. Segment reporting

### 39.1 Segment reporting: profit and loss statement for 1H 2019

(Amount in Euro thousands)

| 30.06.2019 | Payments | Consolidation adjustments | Total segment reporting |
|---|---|---|---|
| Merchant Services & Solutions | 241,130 | (17,528) | 223,602 |
| Cards & Digital Payments | 188,492 | (642) | 187,850 |
| Digital Banking Solutions | 55,886 | — | 55,886 |
| **Operating revenue** | **485,508** | **(18,169)** | **467,339** |
| Personnel expenses | (84,114) | — | (84,114) |
| Administrative costs | (167,165) | 18,711 | (148,454) |
| Adjustments and net operating provisions | (892) | (997) | (1,888) |
| **Operating costs net of amortisation** | **(252,170)** | **17,715** | **(234,456)** |
| **EBITDA** | **233,338** | **(455)** | **232,883** |
| Amortisation and depreciation | (52,784.5) | (44,1) | (52,829) |
| **Operating Profit** | **180,553** | **(499)** | **180,054** |
| Amortisation & depreciation(customer contracts) | | | (18,436) |
| Interest financing costs | | | (101,647) |
| Non-recurring items | | | (1,578) |
| **Pre-tax profit** | | | **58,393** |
| Income taxes | | | 53 |
| Profit for the period | | | 58,446 |
| **Minorities** | | | **(25)** |
| Profit attributable to the Group | | | 58,421 |

Note: the above EBITDA is normalised whose definition is provided the alternative perfomance measures section.

### 39.2 Segment reporting: reconciliation of the income statement for segment reporting with the consolidated income statement for the six months ended June 30, 2019

(Amount in Euro thousands)

| 30.06.2019 | Total segment reporting | Reconciliation | Financial Statement |
|---|---|---|---|
| **Operating revenue** | **467,339** | **(110,695)** | **356,644** |
| Personnel expenses | (84,114) | (45,630) | (129,744) |
| Administrative costs | (148,454) | (40,008) | (188,462) |
| Adjustments and net operating provisions | (1,888) | (1,752) | (3,640) |
| **Operating costs net of amortisation** | **(234,456)** | **(87,390)** | **(321,846)** |
| **EBITDA** | **232,883** | **(198,085)** | **34,798** |
| Amortisation and depreciation | (52,829) | (17,614.3) | (70,443) |
| **Operating profit** | **180,054** | **(215,699)** | **(35,645)** |
| Amortisation & depreciation(customer contracts) | (18,436) | 18,436.2 | — |
| Interest and financial costs | (101,647) | 101,647.5 | — |
| Non-recurring items | (1,578) | 95,126.0 | 93,548 |
| **Pre-tax profit** | **58,393** | **(489)** | **57,904** |
| Income taxes | 53 | 489,0 | 542 |
| **Profit for the period** | **58,446** | **—** | **58,446** |
| Minorities | (25) | — | (25) |
| **Profit attributable to the Group** | **58,421** | **—** | **58,421** |

Note: the above EBITDA is normalised whose definition is provided the alternative perfomance measures section.

**Carve-out Financial Statements of Nexi S.p.A.**
**as of and for the years ended December 31, 2018, 2017 and 2016**

KPMG S.p.A.
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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 reportirg 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 | FTA reserve at 1.01.2018 | Reorganisation | Dividends paid | 2018 comprehensive income<br>Profit for the year | <br>Other comprehensive income- Valuation reserves | <br>2018 comprehensive income | Equity at 31 December 2018 |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | Adjustments to opening balances | Dividends | Increase/ decrease in net investment | 2017 comprehensive income<br>Profit for the year | <br>Other comprehensive income- Valuation reserves | <br>2017 comprehensive income | Net investment at 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | Adjustments to opening | Dividends | Acquisition of non-controlling interests without a change in | Increase in net investment | 2016 comprehensive income<br>Profit for the year | <br>Other comprehensive income- Valuation | <br>2016 comprehensive | Net investment at 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | |
| **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 | 2017 | 2016 |
|---|---|---|---|---|
| | | €'000 | €'000 | €'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 |
| 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.

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 |

## 1. NOTES TO THE CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

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 |

| | |
|---|---|
| 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 |

| | | | |
|---|---|---|---|
| 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

## 1. NOTES TO THE CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

*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 |
| —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.

**1. Notes to the carve-out consolidated financial statements**

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.

## 1. NOTES TO THE CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

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 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'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** | **Level 1** | **Level 2** | **Level 3** | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** | **Carrying amount** | **Level 1** | **Level 2** | **Level 3** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | Level 2 | Level 1 | Level 2 | Level 1 | Level 2 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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*

| | | | Fair value | | |
|---|---|---|---|---|---|
| **31 December 2018** | **Stages 1 and 2** | **Stage 3** | **Level 1** | **Level 2** | **Level 3** |
| | €'000 | €'000 | €'000 | €'000 | €'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** | **Stage 3** | **Fair value Level 1** | **Fair value Level 2** | **Fair value Level 3** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'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** | **Stage 3** | **Fair value Level 1** | **Fair value Level 2** | **Fair value Level 3** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'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.

**6. Financial assets at amortised cost**

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** | **Allowance** | **Net** | **Gross** | **Allowance** | **Net** | **Gross** | **Allowance** | **Net** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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: Investor | Investment: Investment % | Voting rights % |
|---|---|---|---|---|---|---|
| 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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | Buildings | Furniture | Electronic systems | Other | Total |
|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'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** | **Buildings** | **Furniture** | **Electronic systems** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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** | **Buildings** | **Furniture** | **Electronic systems** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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. Investment property

### 9.2 Investment property: *changes*

| | 31 December 2018 | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|---|
| | Land | Buildings | Land | Buildings | Land | Buildings |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | Indefinite life | Finite life | Indefinite life | Finite life | Indefinite life |
| | €’000 | €’000 | €’000 | €’000 | €’000 | €’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** | **Finite life** | **Indefinite life** | **Finite life** | **Indefinite life** | **Total** |
| | €’000 | €’000 | €’000 | €’000 | €’000 | €’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.

| | | **Other intangible assets: purchases** | | **Other intangible assets: other** | | |
|---|---|---|---|---|---|---|
| **31 December 2017** | **Goodwill** | **Finite life** | **Indefinite life** | **Finite life** | **Indefinite life** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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.

| | | **Other intangible assets: purchases** | | **Other intangible assets: other** | | |
|---|---|---|---|---|---|---|
| **31 December 2016** | **Goodwill** | **Finite life** | **Indefinite life** | **Finite life** | **Indefinite life** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'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. Intangible assets

### *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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| 1. Financing | 656 | — | 656 | — |
| 2. Other liabilities | 112,835 | — | 112,835 | — |
| **Total** | **113,491** | **—** | **113,491** | **—** |

| 31 December 2016 | Carrying amount | Fair value Level 1 | Fair value Level 2 | Fair value Level 3 |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | Other provisions | Total | Internal pension funds | Other provisions | Total | Internal pension funds | Other provision | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'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 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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:
  - 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;
  - 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** | **2017** | **2016** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'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*

| | **Trading income** | **2018 Trading losses** | **Net trading losses** | **Trading gains** | **2017 Trading losses** | **Net trading losses** | **Trading gains** | **2016 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** | **2017** | **2016** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'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 | 2017 | 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 2017 | 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 2017 | 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | | | 2,192 | | | 2,192 |
| **Total** | **—** | **—** | **2,245** | **—** | **—** | **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 | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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** |

## 32. Depreciation and amortization of tangible and intangible assets

| 2017 | Amortisation | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | Impairment losses | Reversals of impairment losses | Carrying amount |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'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 | 2017 | 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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 | 2017 | 2016 |
|---|---|---|---|
| | €'000 | €'000 | €'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

*Acquisition of the Carige business unit*

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** | **Adjustments** | **Definitive fair value** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'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 | Adjustments | Definitive fair value of the acquirees |
|---|---|---|---|
| | €'000 | €'000 | €'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** | **Adjustments** | **Definitive fair value** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'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** | **Adjustments** | **Definitive fair value** |
|---|---|---|---|
| | **€'000** | **€'000** | **€'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. Business combinations

### *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 | Adjustments in 2017 | Fair value of assets at 31 |
|---|---|---|---|
| | €'000 | €'000 | €'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** | **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 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.

**42. Segment reporting**

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 €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.

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