OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Nexi S.p.A.

€2,100,000,000 Senior Notes, consisting of:
€1,050,000,000 1⁵/₈% Senior Notes due 2026
€1,050,000,000 2¹/₈% Senior Notes due 2029

Nexi S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy (the "Issuer"), is offering (the "Offering") €1,050 million in aggregate principal amount of its 1⁵/₈% Senior Notes due 2026 (the "2026 Notes") and €1,050 million in aggregate principal amount of its 2¹/₈% Senior Notes due 2029 (the "2029 Notes" and, together with the 2026 Notes, the "Notes") as part of the financing in the context of the proposed mergers of the Issuer with (i) Nets Topco 2 S.à r.l., a *société à responsabilité limitée* incorporated under the laws of Luxembourg, and its subsidiaries ("Nets"), with the Issuer being the surviving entity (the "Nets Merger") and (ii) SIA S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy, and its subsidiaries ("SIA"), with the Issuer being the surviving entity (the "SIA Merger" and together with the Nets Merger, the "Mergers"). The proceeds of the Notes will be used, together with the proceeds of the 2028 Existing Senior Convertible Notes (as defined herein), to refinance the Existing Nets Indebtedness (as defined herein) upon completion of the Nets Merger, to refinance the Existing SIA Indebtedness (as defined herein) upon completion of the SIA Merger, and to pay fees and expenses in connection therewith. Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date (as defined herein) to use a portion of the proceeds from the Offering for any general corporate purpose (including to repay its existing indebtedness). See "*Use of Proceeds*."

The 2026 Notes will bear interest at a rate of 1.625% per annum and will mature on April 30, 2026. The Issuer will pay interest on the 2026 Notes semi-annually in arrears on April 30 and October 30 of each year, commencing on October 29, 2021. The Issuer will be entitled at its option to redeem all or a portion of the 2026 Notes (i) at any time prior to January 30, 2026, 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.

The 2029 Notes will bear interest at a rate of 2.125% per annum and will mature on April 30, 2029. The Issuer will pay interest on the 2029 Notes semi-annually in arrears on April 30 and October 30 of each year, commencing on October 29, 2021. The Issuer will be entitled at its option to redeem all or a portion of the 2029 Notes (i) at any time prior to January 30, 2029, 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 Agreements and the Existing Notes (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 Agreements by certain Subsidiaries of the Issuer and, following the Nets Merger Closing Date, the Nets Notes (as defined herein). The Notes will not be guaranteed.

Concurrently with the issuance of the Notes on the Issue Date (as defined herein), the Initial Purchasers (as defined herein) will deposit the gross proceeds from the Offering into a euro-denominated, segregated bank account in the name of the Issuer (the "Segregated Account"), pending consummation of the first to occur of the Nets Merger or the SIA Merger. All of the proceeds may be released from the Segregated Account to the Issuer upon the earlier to occur of (i) the date that is two business days before the expected occurrence of the Nets Merger Closing Date or (ii) the date that is two business days before the expected occurrence of the SIA Merger Closing Date (the date on which the proceeds may be released from the Segregated Account being referred to as the "Release Date"). On the Release Date, the Issuer may retain such proceeds for use in the other Merger and/or for general corporate purposes, including repayment of existing indebtedness of the Issuer. See "*Use of Proceeds*" and "*Capitalization*." In the event that, in the reasonable judgment of the Issuer, neither Merger will be consummated on or prior to July 14, 2022 (the "Longstop Date"), or upon the occurrence of certain other events described herein, the Issuer will be required to redeem all the Notes (the "Special Mandatory Redemption") at a price equal to 100% of the issue price of the Notes, plus any accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, such redemption date. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption*."

There is currently no public market for the Notes. Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange (the "Official List") and to admit the Notes for trading on the Euro MTF market thereof. There is no assurance, however, that this application will be accepted.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 51.

Issue Price for the 2026 Notes: 100.000%
Issue Price for the 2029 Notes: 100.000%

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 April 29, 2021 (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.

Joint Global Coordinators and Physical Bookrunners for the 2026 Notes

BofA Securities **Credit Suisse** **Goldman Sachs International** **IMI—Intesa Sanpaolo**

Joint Bookrunners for the 2026 Notes

Banca Akros S.p.A. Gruppo Banco BPM **Barclays** **Citigroup** **Deutsche Bank**

Joint Global Coordinators and Physical Bookrunners for the 2029 Notes

BofA Securities **HSBC** **J.P. Morgan** **UniCredit Bank**

Joint Bookrunners for the 2029 Notes

BNP PARIBAS **Mediobanca** **Morgan Stanley**

For purposes of listing of the Notes on the Official List of the Luxembourg Stock Exchange, the date of this offering memorandum is April 29, 2021
This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for 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 the Issuer 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. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. 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, Nets and SIA 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 and for the inclusion of its consolidated financial statements in this offering memorandum.

None of the Initial Purchasers (as defined herein) 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. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum; and
- you have had an opportunity to request, and have received, any additional information that you need from us.

You should base your decision to invest in the Notes solely on information contained in 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 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, the 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*."

Application has been made to the Luxembourg Stock Exchange for the listing of and permission to deal in the Notes on the Euro MTF thereof. There can be no assurance that the Notes will be listed on the Luxembourg Stock Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained and settlement of the Notes is not conditioned on obtaining this listing.

STABILIZATION

IN CONNECTION WITH THIS ISSUE, BOFA SECURITIES EUROPE SA (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. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. 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

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of the manufacturers, 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 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 MiFID II, (ii) a customer within the meaning of 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 the Prospectus Regulation. Consequently no key information document required by 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.

United Kingdom

This offering memorandum has been prepared on the basis that any offer of the Notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from a requirement to publish a prospectus for offers of Notes. This offering memorandum is not a prospectus for the purpose of the UK Prospectus Regulation.

UK MiFIR product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); 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 the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") 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 UK 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 United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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 submitted for clearance 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 or clearance by CONSOB. Accordingly, the Notes may not be offered, sold or delivered directly or indirectly in the Republic of Italy, either on the primary or on the secondary market, and neither this offering memorandum nor any 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, art. 34-ter of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "Issuers Regulation") and any other applicable Italian laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document or material relating to the Notes in the Republic of Italy must be 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 the Republic of Italy in accordance, as applicable, with Legislative Decree No 385 of September 1, 1993, as subsequently integrated and amended (the "Consolidated Banking Act"), the Italian Financial Act, CONSOB Regulation No. 20307 of 15 February 2018, as subsequently integrated and amended ("Regulation No. 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 Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any 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 Nexi's, Nets', SIA's or the Combined Group's future financial positions and results of operations and the factors affecting such results, business strategies, budgets, the markets in which Nexi, Nets or SIA operate or the Combined Group will operate and expected developments in such markets, the projected costs and plans and objectives of Nexi's, Nets', SIA's or the Combined 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 of the Issuer,*" "*Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*The Issuer's Business*" *"Nets' Business*" *"SIA's 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. These forward-looking statements include matters that are not historical facts. We believe that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct. In addition, even if our results of operations, financial condition and liquidity, operational performance and the development of the industry in which we operate are consistent with the forward looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. 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:

- the outbreak of the COVID-19 pandemic and the resulting economic downturn;
- economic conditions and political uncertainty in the markets in which Nexi, Nets and SIA operate;
- inability to maintain relationships with partner banks;
- conditions and consolidation of the banking sector;
- the cost of adapting to and providing new technologies and services;
- reliance on ICT processing and certain key suppliers;
- credit risks from customers, merchants and partner banks;
- risks related to the deterioration of Nexi's, Nets' or SIA's image or reputation;
- SIA's exposure to low revenue diversification and high customer concentration;

- fraud by merchants, cardholders, suppliers or others;
- risks of litigation and other claims;
- regulatory changes in the markets in which Nexi, Nets and SIA operate;
- risks of incurring losses as a consequence of unforeseen or catastrophic events;
- dependence on various financial institutions for Nexi's and Nets' clearing activities and SIA's operation and IT activities;
- failure to adequately protect data;
- processing systems' breakdowns and software defects;
- costs and limits arising from privacy, information security and data protection regulation;
- increased competition from third parties;
- potential declines in digital payment transactions;
- dependence on third-party funding for managing settlement needs;
- risks of liabilities arising from the actions of directors, employees, agents, representatives and intermediaries;
- dependence on payment networks;
- risks related to the EU Interchange Fee Regulation;
- failure to attract and retain key employees;
- failure of policies and procedures to mitigate risk exposure;
- inadequate insurance coverage, or increased insurance costs;
- risks arising from joint ventures and partnership arrangements;
- risks relating to intellectual property rights;
- future capital needs;
- risks related to the impairment of goodwill;
- Nets' services to customers in the gambling and other high-risk industries;
- failure to perform know-your customer checks;
- tax-related risks;
- failure to achieve the expected growth strategy and results;
- related parties' transactions;
- risks arising from antitrust regulation;
- changes to accounting standards;
- exposure to outstanding liabilities of Depobank;

- risks related to disposals of non-core businesses;
- exposure to currency and market risks; and
- other risks associated with the Transactions, the financial profile of the Issuer, and the Notes, as discussed under "*Risk Factors*."

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 each of Nexi's, Nets' and SIA's businesses and the markets in which they operate. Market data and economic and industry data and forecasts used in this offering memorandum were obtained from governmental sources and other publicly available information or information not publicly available but accessed via subscriptions, such as independent industry publications and reports prepared by industry consultants. Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In considering the industry, synergies 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, and that the underlying definitions of the markets, operators, related activities, instruments and business models, as well as the data calculation methodologies, may differ from those that may be relevant in connection with any regulatory filings that Nexi, Nets and SIA have been and may be subject to (including, *inter alia*, any merger control filings). For instance, unless otherwise specified, industry and market data and information, as well as data and information on Nexi's, Nets', SIA's and the prospective Combined Group's businesses provided in this offering memorandum, are aggregated data, which cover various levels of the value chain of the payment sector, as well as different services and business models. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) which may require Nexi, Nets or SIA to rely on data they develop based on internal analysis and managerial estimates. Consequently, certain estimates included in this offering memorandum have been made 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 any of Nexi, Nets and SIA operate. In the absence of such information, Nexi, Nets and SIA have made statements regarding their industry and their own investigation of market conditions.

In addition, some or all forward-looking market information included in this offering memorandum has been formulated based on available information at the time of its formulation and prior to the outbreak of the COVID-19 pandemic, therefore, no consideration has been given to the social and economic impact of COVID-19 on the industry and its future landscape. The forward-looking market information has solely been included for information purposes and should be considered in light of recent events. Given the fast-moving nature of current events and unpredictability of the severity and duration of the COVID-19 pandemic, it is difficult to accurately assess the full impact that the COVID-19 pandemic and the resulting economic downturn will have on the industry in which Nexi, Nets and SIA operate. Various economic and other factors may cause actual results to differ from this forward-looking market information. We cannot assure you that any of the assumptions that the providers of the data reports have made in compiling this data are accurate or correctly reflect our position in the relevant markets. We have not verified the figures, market data and other information used by third parties in the studies, publications and financial information reproduced herein, or the external sources. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third party public sources contained in this offering memorandum or for the accuracy of third party data on which our estimates are based. See also "*Risk Factors— Risks Related to the Combined Group's Business and Industry—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact*" and "*Risk Factors—Risks Related to the Combined Group's Business and Industry—The information about the Combined Group's, Nexi's, Nets' and SIA's industry, market share and competitive position in this offering memorandum may not be accurate and relies on certain estimates and assumptions.*"

While we assume that Nexi's, Nets', SIA's market observations are reliable and the information we have derived from such data helps investors to better understand the industry in which Nexi, Nets and SIA operate and their position within it, we give no warranty for the accuracy of the estimates and the information derived from them. They may differ from estimates made by our competitors or from other independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*" in this offering memorandum. in addition, the markets in which Nexi, Nets and SIA operate and compete may have shifted or changed since the date that such data report was prepared. Therefore, the data reports may not accurately reflect certain aspects of the current market and industry and, in particular, the data reports may no longer be accurate or relevant to current expectations as, in some instances, they were prepared prior to or during the COVID-19 pandemic and therefore do not contemplate the current and ultimate impact of COVID-19 on the industry in which Nexi, Nets and SIA operate. As a result, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this offering memorandum.

Primary Metrics

The primary metrics we use in this offering memorandum include information on market shares, transaction value, card spending, card payments penetration, consumer spending and EBITDA. 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.
- "Transaction value" measures the aggregate value of transactions carried out at various levels of the payments value chain, including on the issuing and acquiring side of the card payment sector.
- "Card spending," or "card spend," measures the value of transactions executed through payment cards issued in a given country, regardless of whether the payment card is used in the country of issuance or abroad.
- "Card payments penetration" or "digital payments penetration" except where expressly stated otherwise, is defined as the value of card payment transactions divided by private consumer spending.
- "Consumer spending," measures the aggregate value of economic transactions executed by private consumers in a given country.
- "2020 EBITDA" has been calculated by the management of the Issuer using the Pro Forma Run Rate Normalized EBITDA for the year ended December 31, 2020 for the Combined Group and the managerial estimate based on publicly available information of the EBITDA of other international payment companies generated in Europe.

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.

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 each of Nexi's, Nets', SIA's and the Combined Group's business contained in this offering memorandum was estimated, extrapolated or derived based on assumptions that each of Nexi, Nets and SIA deem reasonable and from their own experience and publicly available research, surveys and studies. 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. Each of Nexi's, Nets' and SIA's internal estimates have not been verified by any independent sources and neither they 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,*" "*Issuer's Business*," "*Nets' Business*" and "*SIA's Business*" for further discussion.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Tax Consequences*" in relation to the tax treatment of the Notes.

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. We assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and service marks. Solely for convenience, the trademarks, trade names and copyrights referred to in this offering memorandum are listed without the TM, ®, and © symbols. 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:

"2024 Facilities Agreement"	has the meaning set forth in the "*Description of Certain Financing Arrangements—2024 Facilities Agreement*".
"2024 Term Loan Facility"..........	the term loan facility established under the 2024 Facilities Agreement, which is described in more detail in the "*Description of Certain Financing Arrangements—2024 Facilities Agreement.*"
"2025 Facilities Agreement"	has the meaning set forth in the "*Description of Certain Financing Arrangements—2025 Facilities Agreement*".
"2025 Term Loan Facility"..........	the term loan facility established under the 2025 Facilities Agreement, which is described in more detail in the "*Description of Certain Financing Arrangements—2025 Facilities Agreement.*"
"2026 Notes"	€1,050 million in aggregate principal amount of the Issuer's $1^5/_8$% Senior Notes due 2026 offered hereby.
"2027 Existing Senior Convertible Notes"	the Issuer's €500.0 million in aggregate principal amount of 1.75% senior unsecured equity-linked notes due 2027, issued on April 24, 2020, under the 2027 Trust Deed. See also "*Description of Certain Financing Arrangements—2027 Existing Senior Convertible Notes*".
"2027 Trust Deed".......................	the trust deed governing the 2027 Existing Senior Convertible Notes, dated April 24, 2020, by and among, *inter alios*, the Issuer and Citicorp Trustee Company Limited, as trustee. See also "*Description of Certain Financing Arrangements—2027 Existing Senior Convertible Notes*".
"2028 Existing Senior Convertible Notes"	the Issuer's €1,000.0 million in aggregate principal amount of senior unsecured zero coupon equity-linked notes due 2028, issued on February 24, 2021, under the 2028 Trust Deed. See also "*Description of Certain Financing Arrangements—2028 Existing Senior Convertible Notes*".
"2028 Trust Deed".......................	the trust deed governing the 2028 Existing Senior Convertible Notes, dated February 24, 2021, by and among, *inter alios*, the Issuer and Citibank, N.A., London Branch, as trustee. See also "*Description of Certain Financing Arrangements—2028 Existing Senior Convertible Notes*".
"2029 Notes"	€1,050 million in aggregate principal amount of the Issuer's $2^1/_8$% Senior Notes due 2029 offered hereby.
"AB Europe"................................	AB Europe (Luxembourg) Investment S.à r.l.
"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 Private Equity Europe LLP 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 on December 31, 2018.
"BFF Bank".................................	BFF Bank S.p.A.
"business unit" or "business line"	means each of the business units or business lines specified in (i) the Issuer's Consolidated Financial Statements, namely Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions; (ii) the Nets Consolidated Financial Statements, namely Merchant Services and Issuer & eSecurity; and (iii) the SIA Consolidated Financial Statements, namely Card & Merchant Solutions, Digital Payment Solutions and Capital Markets & Network Solutions.
"CCV"...	CCV Schweiz SA.
"CDPE".......................................	CDP Equity S.p.A.
"Centurion Acquisition Agreement".................................	the share purchase agreement dated August 6, 2019, between the subsidiaries of Nets, Centurion DK A/S, Centurion NO AS e Centurion NNI AS, as sellers, and MasterCard/Europay U.K. Limited and MasterCard International Incorporated, as buyers, relating to the Centurion Disposal.
"Centurion Disposal"...................	the disposal of the Nets' account-to-account based services including clearing and instant payment services, and e-billing solutions pursuant to the Centurion Acquisition Agreement.
"Centurion Earn-Out"..................	an earn-out provision, pursuant to the Nets Framework Agreement, linked to the Centurion Disposal, in favor of the Nets' existing shareholders or the Issuer, depending on the actual price paid by MasterCard in connection with the Centurion Disposal, which will be payable through the issuance of between zero and 25,000,000 additional ordinary shares by the Issuer or through a cash payment from the Nets' existing shareholders in favor of the Issuer.
"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.
"Combined Group"......................	Nexi, Nets and SIA, collectively, after giving effect to the Mergers.
"CONSOB".................................	*Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission.
"COVID-19"................................	the disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which emerged in 2019.

"Credit Facilities"	the Revolving Credit Facility and the Term Loan Facilities, collectively.
"Credit Mandate"	has the meaning set forth in the "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Credit Mandate.*"
"Depobank"	DEPObank—Banca Depositaria Italiana S.p.A., now merged into BFF Bank (formerly, Banca Farmafactoring S.p.A.).
"Eagle (AIBC)"	Eagle (AIBC) & CY S.C.A.
"EU"	European Union.
"EU Member State"	the 27 member states of the European Union.
"EURIBOR"	European Interbank Offered Rate.
"euro," "EUR" or "€"	the lawful currency of EU Member States participating in the European Monetary Union.
"Evergood H&F"	Evergood H&F Lux S.à r.l.
"Existing Indenture"	the indenture governing the Existing Senior Notes, dated October 21, 2019, by and among, *inter alios*, the Issuer and the Trustee.
"Existing Nets Indebtedness"	the portion of Nets' indebtedness which will be repaid in full and cancelled in connection with the completion of the Nets Merger on the Nets Merger Closing Date, using a portion of the proceeds from the Offering, together with the proceeds from the issuance of the 2028 Existing Senior Convertible Notes. See "*Summary—The Transactions—The Refinancing*" and "*Use of Proceeds*."
"Existing Notes"	the Existing Senior Notes and the Existing Senior Convertible Notes, collectively.
"Existing Senior Convertible Notes"	the 2027 Existing Senior Convertible Notes and the 2028 Existing Senior Convertible Notes, collectively.
"Existing Senior Notes"	the Issuer's €825.0 million in aggregate principal amount of 1.75% Senior Notes due 2024, issued on October 21, 2019, under the Existing Indenture.
"Existing SIA Indebtedness"	the portion of SIA's indebtedness which will be repaid in full and cancelled in connection with the completion of the SIA Merger on the SIA Merger Closing Date, using a portion of the proceeds from the Offering, together with the proceeds from the issuance of the 2028 Existing Senior Convertible Notes. See "*Summary—The Transactions—The Refinancing*" and "*Use of Proceeds*."
"Facilities Agreements"	the 2024 Facilities Agreement and the 2025 Facilities Agreement, collectively.

"Factorit Agreement"	has the meaning set forth in the "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Factorit Agreement.*"
"FSIA Investimenti"	FSIA Investimenti S.r.l.
"GIC"	GIC Pte Ltd.
"Group," "Nexi," "we," "us" and "our"	and other similar terms, means Nexi and its subsidiaries, collectively, except where the context requires otherwise.
"Help Line"	Help Line S.p.A.
"ICBPI"	Depobank and Nexi S.p.A. prior to the reorganization of Nexi's business operations in 2018, collectively.
"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"	Banca Akros S.p.A. Gruppo Banco BPM, Barclays Bank Ireland PLC, BofA Securities Europe SA, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities, Sociedad de Valores, S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Continental Europe S.A., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mediobanca Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International plc and UniCredit Bank AG, collectively.
"Intesa Sanpaolo"	Intesa Sanpaolo S.p.A.
"ISP Acquisition"	the acquisition by the Issuer of the merchant acquiring business of Intesa Sanpaolo pursuant to the ISP Acquisition Agreement.
"ISP Acquisition Agreement"......	the sale and purchase agreement dated December 19, 2019, as subsequently amended and supplemented on June 30, 2020, between the Issuer and Intesa Sanpaolo pursuant to which the ISP Acquisition was consummated on the ISP Acquisition Closing Date.
"ISP Acquisition Closing Date" ..	June 30, 2020, the date on which the ISP Acquisition was consummated.
"ISP Earn-Out"	an earn-out in the amount of €27.3 million which will be paid by the Issuer pursuant to the ISP Acquisition Agreement.
"Issue Date"	on or about April 29, 2021, 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 Civil Code"	The Italian civil code (*codice civile*) approved by the Royal Decree No. 262 of March 16, 1942, as subsequently amended and restated.

"Longstop Date"	July 14, 2022.
"Mercury Funding Facility"	the Mercury Payment funding facility descried under "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Mercury Funding Facility.*"
"Mercury Payment"	Mercury Payment Services S.p.A., which demerged its main business units and connected contractual arrangements in favor of Nexi Payments effective April 1, 2021.
"Mercury UK"	Mercury UK Holdco Limited.
"Merger"	the Nets Merger or the SIA Merger.
"Mergers"	the prospective Nets Merger and SIA Merger, collectively, it being understood that the Mergers are independent and not inter-conditional transactions, and each pursued on a standalone basis.
"Nets"	Nets Topco 2 S.à r.l. and its subsidiaries.
"Nets A/S"	Nets A/S, the main operating direct subsidiary of Nets.
"Nets Acquisitions"	the acquisitions by Nets of the entire capital stock of PayPro S.A., Dotcard Sp. z.o.o., Poplatek OY and Poplatek Payments OY and Polskie ePlatnosci, which occurred between 2019 and 2020.
"Nets Commitment Letter"	the commitment letter dated December 30, 2020, between the Issuer, the coordinating bookrunners, global coordinators and arrangers listed therein, and Intesa Sanpaolo S.p.A., as agent, providing for a committed bridge facility of €1,700.0 million available to refinance the Existing Nets Indebtedness and the related transaction fees and expenses and/or for general corporate purposes of the Issuer. Following the issuance of the 2028 Existing Senior Convertible Notes, on March 5, 2021, the Nets Commitment Letter was amended to reduce the quantum of the committed bridge facility to €1,000.0 million. On or about the Issue Date, the Nets Commitment Letter is expected to be terminated.
"Nets Earn-Out"	an earn-out provision, pursuant to the Nets Framework Agreement, linked to the financial performance of Nets in the year ended December 31, 2021, in favor of the Nets' existing shareholders, which will be payable through the issuance of between zero and 40,000,000 additional ordinary shares by the Issuer (representing an amount that will not exceed in any event €250.0 million).
"Nets Framework Agreement"	the framework agreement dated November 15, 2020, as subsequently amended on December 20, 2020, January 15, 2021, February 12, 2021 and March 15, 2021, between, among the others, Nets and the Issuer relating to the business combination of Nets and the Group, as the same may be amended and supplemented prior to the Issue Date.

"Nets Merger"..............................	the prospective merger of the Issuer with Nets, with the Issuer being the surviving entity, pursuant to the Nets Framework Agreement, as described under "*Summary—The Transactions*" in this offering memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and Nets, following the Issue Date.
"Nets Merger Closing Date"........	the date on which the Nets Merger will become effective.
"Nets Notes"	the €400.0 million in aggregate principal amount of Senior Notes due 2024, issued by Nassa Topco AS (a direct subsidiary of Nets) on April 6, 2017, and partially redeemed on March 21, 2018, with the aggregate principal amount reduced to €219.6 million. See also *"Description of Certain Financing Arrangements—Nets Indebtedness—Nets Notes.*"
"Nets Reorganization"	the reorganization of Nets' capital structure, which is expected to be completed prior to the Nets Merger Closing Date, and pursuant to which Nets will issue new ordinary shares to be subscribed in full by its direct shareholder Nets Topco, with the subscription price for such new ordinary shares to be set off against (i) the aggregate amount owed by Nets under existing shareholder loans as at the date of issuance of such new ordinary shares and (ii) the aggregate amount owed by Nets under existing preferred equity certificates held by Nets Topco in Nets as at the date of issuance of such new ordinary shares. As of December 31, 2020, the aggregate amounts outstanding under (i) the existing shareholders loans was €1,632.7 million and (ii) the existing preferred equity certificates was €772.8 million. Following the Nets Reorganization, the abovementioned shareholder loans and preferred equity certificates will be converted into equity and the related liabilities will be cancelled. See also "*Unaudited Pro Forma Consolidated Financial Information—Transactions—Nets Reorganization.*"
"Nets Topco"	Nets Topco 1 S.à r.l., the direct shareholder of Nets.
"Nexi Factoring Agreement".......	has the meaning set forth in the *"Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Nexi Factoring Agreement.*"
"Nexi Payments".........................	Nexi Payments S.p.A. (formerly, CartaSi S.p.A.).
"Notes"	the 2026 Notes and the 2029 Notes offered hereby, collectively.
"Offering"	this offering of the Notes pursuant to this offering memorandum.
"Polskie ePlatnosci".....................	Centrum Rozliczeń Elektronicznych Polskie ePlatnosci S.A.
"Prospectus Regulation".............	Regulation (EU) 2017/1129.

"Pro Forma Transactions"	collectively, (i) the Nets Merger, the Nets Reorganization and the repayment of the Existing Nets Indebtedness, (ii) the SIA Merger and the repayment of the Existing SIA Indebtedness, (iii) the ISP Acquisition and the financing of the ISP Acquisition, (iv) the historical acquisition by Nets of Polskie ePlatnosci, (v) the Centurion Disposal, (vi) the UniCredit Master Service Agreement Extension and (vii) the payment of costs, fees and expenses related to the foregoing. See also "*Unaudited Pro Forma Consolidated Financial Information,*" and *"Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information.*"
"Release Date"............................	the date on which the proceeds may be released from the Segregated Account.
"Revolving Credit Facility".........	the revolving credit facility established under the 2024 Facilities Agreement, which is described in more detail in the "*Description of Certain Financing Arrangements—2024 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.
"Segregated Account".................	The segregated euro-denominated account in the name of the Issuer in which the gross proceeds from the offering of the Notes will be deposited on the Issue Date.
"settlement obligations"..............	the obligations under the agreements described under "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations*" and "*Description of Certain Financing Arrangements—Nets' Settlement Obligations.*"
"SIA"	SIA S.p.A. and its subsidiaries.
"SIA Capital Increase"................	an option available to CDPE, one of the Issuer's shareholders following the SIA Merger, pursuant to the SIA Framework Agreement, to request a capital increase of SIA to mitigate the dilutive effects of the Nets Merger on the shareholdings to be held by the SIA shareholders in the Issuer following the SIA Merger.
"SIA Framework Agreement"	the framework agreement dated February 11, 2021, between SIA and the Issuer relating to the business combination of SIA and the Group, as the same may be amended and supplemented prior to the Issue Date.
"SIA Merger"..............................	the prospective merger of the Issuer with SIA, with the Issuer being the surviving entity, pursuant to the SIA Framework Agreement, as described under "*Summary—The Transactions*" in this offering memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and SIA, following the Issue Date.
"SIA Merger Closing Date".........	the date on which the SIA Merger will become effective.

"SIApay"	SIApay S.r.l.
"Sparkling"	the digital payments startup Sparkling 18 S.r.l.
"Term Loan Facilities"	the 2024 Term Loan Facility and the 2025 Term Loan Facility, collectively.
"Transactions"	the Offering, the Mergers, the Refinancing, and the payment of fees and expenses in connection therewith. See also "*The Transactions.*"
"Trustee"	U.S. Bank Trustees Limited in its capacity as trustee under the Indenture.
"U.S. dollars," "dollars," "U.S.$" or "$"	the lawful currency of the United States.
"United States" or "U.S."	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

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

GLOSSARY

"A2A"...	account-to-account payments, payments that involve the transfer of funds from one customer's account to another account at either the same or another financial institution.
"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 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.
"AI"	artificial intelligence.
"Application Programming Interface" or "API"........................	set of software libraries that perform specific functions, which can be activated through a set of public and extensively documented parameters or variables.
"ATM"...	automated teller machine.
"Bancomat"	an Italian interbank network for cash withdrawals.
"BI-COMP"..................................	the Italian national clearing and settlement system for euro-denominated retail payments which is managed by the Bank of Italy.
"BIN" or "bank identification number"	the first few figures on the face of a payment card which identify the card issuer and card scheme.
"blockchain" or "distributed ledger technology"...................................	technology based on the architecture of a distributed and decentralized database, i.e., managed by a network of nodes, each of which has a private copy of the database that is constantly updated. This database operates as a historical log of transactions. The log is immutable and shared among all the participants in the registry. This allows preserving and validating the information:

- participants create “blocks,” i.e., small files containing information about transactions;
- these blocks are then validated by affixing a timestamp;
- each transaction is inserted into a new block by repeating the timestamp of the last block created. In this way, blocks are always connected 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” or “card spend” .... the measure of the value of transactions executed through payment 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.

“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.

"CSEE"	Albania, Bosnia, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Macedonia, Montenegro, Serbia, Slovakia, Slovenia and Romania.
"DACH"	Austria, Germany and Switzerland.
"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"	European Banking Authority, an independent EU agency which works to ensure effective and consistent prudential regulation and supervision across the EU banking sector.
"EBA Clearing"	a provider of pan-European payment infrastructures and clearing systems including EURO1 (for single euro transactions of high value), STEP1 (for single euro payments for small and medium-sized banks), STEP2 (for euro retail payments) and MyBank (for online payments).
"e-commerce"	electronic commerce or commerce conducted over the internet.
"EEA"	European Economic Area.
"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.
"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*).
"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.
"LAKAs"	means large and key accounts.
"m-commerce"	mobile commerce or commerce conducted over mobile devices such as tablet computers and smart phones.
"merchant acquirer"	an entity that provides services necessary to enable a merchant to accommodate and execute digital payments.
"merchant service charge"	a fee paid by the merchant to the acquiring bank, typically at the end of each month. The interchange fee is a cost to merchant acquirers and is recovered from merchants through the merchant service charge which merchants pay.
"Millennials"	the generation born, indicatively, between 1980 and 2000.
"NFC"	Near Field Communication, a technology which allows smartphones and other devices to establish radio communication with each other by touching the devices together or bringing them into proximity.
"Nordic region" or "Nordics"	Denmark, Norway, Sweden and Finland.
"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 domestic 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.

"Person-to-business transaction," "P2B transaction" or "P2B"...........	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," "P2G transaction" or "P2G"...	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.
"Person-to-person transaction," "P2P transaction" or "P2P"	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.
"POS"	the point of sale at which a customer makes a payment to the merchant in exchange for goods or services. A POS may be an offline POS or an online POS.
"POS terminal"..............................	a physical terminal or online portal that allows for non-cash payments at a POS, such as a merchant or website.
"prepaid card"................................	a payment card which bears a stored value through which payments can be made until the stored value is depleted. Prepaid cards can be rechargeable or non-rechargeable (such as gift cards) and may be limited in their use to a particular store or group of stores (such as store cards) or unlimited.
"scheme fee"..................................	the fee paid by an issuing bank to the card scheme operator.
"SEPA"...	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.
"RGU"	means merchant revenue generating units, defined as the sum of acquiring merchants, number of rented terminals and e-commerce merchants (not adjusted for overlaps)
"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 Financial Information of the Issuer

We have included in this offering memorandum consolidated financial information of the Issuer as of and for the years ended December 31, 2019 and 2020, which has been derived from the audited consolidated financial statements of the Issuer as of and for such respective period, in each case, prepared in accordance with International Financial Reporting Standards ("IFRS"), as audited by PricewaterhouseCoopers S.p.A., including the auditors' reports therein (the "Issuer's Consolidated Financial Statements"). We have not included consolidated financial information of the Issuer as of and for the year ended December 31, 2018 because the period is not comparable due to a corporate reorganization we completed in this period. For further information, see "*Issuer's Business—Our History.*" The historical consolidated results of the Issuer are not necessarily indicative of the consolidated results that may be expected for any future period.

ISP Acquisition

On December 19, 2019, the Issuer entered into the ISP Acquisition Agreement, pursuant to which it agreed to buy the merchant acquiring business of Intesa Sanpaolo (the "ISP Acquisition"). The ISP Acquisition was consummated on June 30, 2020. As a consequence of the ISP Acquisition, the Issuer's results of operations in the periods under review may not be entirely comparable. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer—Key Factors Affecting the Comparability of our Results of Operations—Acquisitions.*"

Historical Financial Information of Nets

We have included in this offering memorandum consolidated financial information of Nets as of and for the year ended December 31, 2020, and comparative information for the year ended December 31, 2019, which has been derived from the audited consolidated financial statements of Nets as of and for such period, prepared in accordance with IFRS, as audited by PricewaterhouseCoopers Société Coopérative, including the auditors' reports therein (the "Nets Consolidated Financial Statements"). We have not included consolidated financial statements of Nets as of and for the year ended December 31, 2019 as no financial information was prepared by Nets for that period.

Nets Acquisitions and Mergers

Nets' operating results and their comparability for the periods under review are impacted by the effects of certain acquisitions made by Nets. Between 2019 and 2020, Nets acquired majority stakes in, or the entire capital stock of (i) PayPro S.A., (ii) Dotcard Sp. z.o.o., (iii) Poplatek OY and Poplatek Payments OY and (iv) Polskie ePlatnosci (the "Nets Acquisitions"). In addition, in 2019 Nets merged with the Concardis Payment Group GMBH (the "Concardis Merger") and in 2020 completed the acquisition of CCV. Due to the changes in Nets' scope of consolidation as a consequence of the Nets Acquisitions, the Concardis Merger and the acquisition of CCV, Nets' results of operations in the periods under review may not be entirely comparable. For further information, see "*Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Nets' Results of Operations and Financial Condition—Acquisitions.*"

Centurion Disposal

On August 6, 2019, Nets entered into the Centurion Acquisition Agreement, pursuant to which it agreed to sell its account-to-account based services including clearing and instant payment services, and e-billing solutions to MasterCard/Europay U.K. Limited and MasterCard International Incorporated (the "Centurion Disposal"). As a result of the Centurion Disposal, the operations Nets previously conducted through its account-to-account business were classified as discontinued operations in the audited consolidated financial statements as of and for the year ended December 31, 2019. The Centurion

Disposal was consummated on March 5, 2021. The activities sold in the context of the Centurion Disposal were previously included in the business unit Corporate Services providing the payment platform for recurrent bill payments and credit transfer transactions. Nets' management has made a number of significant estimates related to the discontinuing operations. The main estimates relate to allocation of External expenses and Staff cost in the consolidated income statement and the allocation of Goodwill and Other intangible assets in the consolidated balance sheet. For Goodwill and Other intangible assets a majority of the values previously allocated to the Corporate Services business has been allocated to discontinued operations based on an evaluation of the individual cash inflows.

Historical Financial Information of SIA

We have included in this offering memorandum consolidated financial information of SIA as of and for the years ended December 31, 2019 and 2020, which has been derived from the audited consolidated financial statements of SIA as of and for such respective period, in each case, prepared in accordance with IFRS, as audited by Deloitte & Touche S.p.A., including the auditors' reports therein (the "SIA Consolidated Financial Statements").

The Issuer's Consolidated Financial Statements, the Nets Consolidated Financial Statements and the SIA Consolidated Financial Statements (together, the "Financial Statements") are contained in the F-pages of this offering memorandum, and each of which should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this offering memorandum and (ii) the impact that future supplements to, or amendments of, IFRS principles may have on results of operations and/or financial condition of each of the Issuer, Nets and SIA, as well as on the comparability of prior periods.

Unaudited Pro Forma Consolidated Financial Information

In addition, we present in this offering memorandum certain unaudited pro forma consolidated financial information for the Combined Group (the "Unaudited Pro Forma Consolidated Financial Information") as of and for the year ended December 31, 2020, in order to represent the main effects on the balance sheet of the Issuer as at December 31, 2020, and the income statement of the Issuer as of and for the year ended December 31, 2020, of the following transactions (collectively, the "Pro Forma Transactions"):

- the Nets Merger, defined as the merger of the Issuer with Nets, with the Issuer being the surviving entity, pursuant to the Nets Framework Agreement, and the Nets Reorganization as more fully described under "*Summary—The Transactions—The Nets Merger*;"
- the repayment of the Existing Nets Indebtedness, through (i) the proceeds from the issuance of the 2028 Existing Senior Convertible Notes and (ii) a portion of the proceeds from the Offering, as more fully described under "*Summary—The Transactions—The Refinancing*;"
- the SIA Merger, defined as the merger of the Issuer with SIA, with the Issuer being the surviving entity, pursuant to the SIA Framework Agreement, as more fully described under "*Summary—The Transactions—The SIA Merger*;"
- the repayment of the Existing SIA Indebtedness, through a portion of the proceeds from the Offering, as more fully described under "*Summary—The Transactions—The Refinancing*;"
- the ISP Acquisition and the financing of the ISP Acquisition;
- the historical acquisition by Nets of Polskie ePlatnosci;
- the Centurion Disposal;

- the UniCredit Master Service Agreement Extension, as more fully described under "*SIA Business—Material Contracts—Agreement with UniCredit*;" and

- the payment of costs, fees and expenses related to the foregoing.

For further details on the Pro Forma Transactions and the other pro forma adjustments, see also "—*Unaudited Pro Forma Consolidated Financial Information.*"

The unaudited pro forma consolidated statement of financial position has been prepared assuming that the Pro Forma Transactions had occurred on December 31, 2020. The unaudited pro forma consolidated income statement for the year ended December 31, 2020 has been prepared assuming that the Pro Forma Transactions had occurred on January 1, 2020. The Unaudited Pro Forma Consolidated Financial Information does not purport to represent what the actual results of operations of the Combined Group would have been if the Pro Forma Transactions had actually occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial condition. The actual results of the Combined Group may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information for reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Consolidated Financial Information does not reflect any changes in the business of the Issuer, Nets or SIA or any other changes arising from the Pro Forma Transactions after December 31, 2020.

The Issuer accounted for the Mergers using the acquisition method of accounting under IFRS 3 (*Business Combinations*) ("IFRS 3"). In the Unaudited Pro Forma Consolidated Statement of Financial Position the purchase consideration has been initially allocated to the Nets' and SIA's and respective assets acquired and liabilities assumed based upon the most recent information available. Any difference between the purchase consideration and the fair value of Nets' and SIA's assets and liabilities assumed is recorded as goodwill. The Issuer has not completed its purchase price allocation for the Mergers, and the final allocation may differ materially from the preliminary allocation. The final valuation and the impact of integration activities could cause material differences between actual and pro forma results, including significant changes in relation to our amortization and depreciation charges. As the Issuer completes the purchase price allocation for Nets and SIA, the preliminary allocation is subject to change. In accordance with IFRS, we will have a measurement period of up to twelve months from (i) the Nets Merger Closing Date, to finalize the purchase price allocation for the Nets Merger, and (ii) the SIA Merger Closing Date, to finalize the purchase price allocation for the SIA Merger. See also "*Risk Factors—Risks Related to the Transactions— We may be unable to complete the Nets Merger or the SIA Merger within the anticipated time frame, or at all*" and *"—As a result of the Mergers, we expect to record a significant amount of goodwill, which could thereafter be subject to the risk of impairments in the event of adverse changes to the underlying assumptions as to the results and cash flows from the acquired businesses.*"

The Unaudited Pro Forma Consolidated Financial Information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or U.S. GAAS. The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the Financial Statements, in each case, included elsewhere in this offering memorandum under "*Summary—Summary Historical and Certain Other Financial Data*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer*," "*Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations*."

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 the management of the Issuer, Nets and SIA to assess their respective financial performance. These additional metrics allow the management of the Issuer, Nets and SIA to further evaluate their respective operating performance. You should not view these measures as a projection of the Issuer's, Nets' or SIA's future results.

We believe these metrics provide useful information to investors about the Issuer, Nets and SIA and their respective financial condition and results of operations for the following reasons: (i) these metrics are among the measures used by the management of the Issuer, Nets and SIA team to evaluate their respective operating performance; (ii) these metrics are among the measures used by the management team of each of the Issuer, Nets and SIA to make day-to-day operating decisions; (iii) these metrics are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results across companies in the industry in which the Issuer, Nets and SIA operate; and (iv) Normalized EBITDA, Adjusted EBITDA, EBITDA b.s.i. and EBITDA are relevant metrics under the historical financing arrangements of the Issuer, Nets and SIA, as applicable. None of these metrics is a measurement of the financial performance of the Issuer, Nets and SIA 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 the Issuer, Nets and SIA to reinvest in the growth of their respective business or as a measure of cash that will be available to the Combined Group to meet its obligations. In addition, the measurements of these metrics by each of the Issuer, Nets and SIA 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 their economic and financial performance, the management of the Issuer, Nets and SIA uses, in addition to the measures provided in the Financial Statements, the following APMs:

The Issuer

- Operating Revenues;
- Normalized EBITDA;
- Normalized EBITDA Margin;
- Net Financial Position;
- Investments (Capital Expenditure);
- Ratio of Net Financial Position to Normalized EBITDA; and
- Ratio of Normalized EBITDA to interest and financing costs.

Nets

- EBITDA;

- EBITDA Margin;
- EBITDA b.s.i.;
- EBITDA b.s.i. Margin;
- Adjusted EBIT;
- Adjusted EBIT Margin;
- Organic Revenue growth;
- Own cash;
- Net Financial Position;
- Ratio of Net Financial Position to EBITDA b.s.i.; and
- Ratio of EBITDA b.s.i. to financial expenses.

SIA

- EBITDA;
- EBITDA Margin;
- Adjusted EBITDA;
- Adjusted EBITDA Margin;
- Net Financial Position;
- Ratio of Net Financial Position to Adjusted EBITDA; and
- Ratio of Adjusted EBITDA to financial expenses.

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 the economic performance, the related cash flows and the related financial position of the Issuer, Nets and SIA.

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

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

(ii) APMs are not indicative of the future performance of the Issuer, Nets and SIA;

(iii) APMs must be read together with the applicable 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 the 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 the Issuer, Nets and SIA 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 the performance of the Issuer, Nets and SIA, as these APMs allow more analytical monitoring of their financial performance.

Normalization (which the Issuer uses to prepare, *inter alia*, Operating revenues, Normalized EBITDA, and Normalized EBITDA margin) and adjustments (which SIA uses to prepare, *inter alia*, Adjusted EBITDA and Nets uses to prepare EBITDA b.s.i. and Adjusted EBIT) seek to represent the financial performance of each of the Issuer, SIA or Nets, as applicable, net of the effects of certain non-recurring events and transactions, as described in more detail in the "*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group", "Summary—Summary of Financial Information and Other Data of the Issuer", "Summary—Summary of Financial Information and Other Data of Nets", and "Summary—Summary of Financial Information and Other Data of SIA."*

We also believe that EBITDA represents a useful indicator of the ability of the Issuer, Nets and SIA to generate cash, and that Net financial position and the ratio of Net financial position to Normalized EBITDA, in the case of the Issuer, Net financial position and the ratio of Net financial position to EBITDA b.s.i., in the case of Nets, and Net financial position and the ratio of Net financial position to Adjusted EBITDA, in the case of SIA, represent a useful indication of the ability of the Issuer, Nets and SIA to meet their respective financial obligations.

This offering memorandum also contains certain synergy estimates relating to cost reductions, insourcing initiatives and other benefits (including revenue synergies and capex synergies) expected to arise from the Mergers as described under "*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group.*" The estimates present the expected future impact of the Pro Forma Transactions and the integration of Nets and SIA into our existing business. We present Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA of the Issuer for the year ended December 31, 2020, as an additional measure of the operating performance of the Combined Group to provide an indicative illustration of how the Pro Forma Transactions, including the Mergers, and, in the case of the Pro Forma Run Rate Normalized EBITDA, (i) excluding the EBITDA impact of non-recurring e-security projects and pricing rebasing for Nets' Issuer & eSecurity Services business segment for the year ended December 31, 2020 and (ii) including the realization of anticipated synergies, would have contributed to our results of operations on a combined basis had they occurred on January 1, 2020. Pro Forma Run Rate Normalized EBITDA does not account for the impact of restructuring, integration and one-off costs associated with achieving anticipated synergies in connection with the Mergers. See also "*Risk Factors—Risks Related to the Transactions—The Combined Group may not be able to realize the anticipated cost savings, revenue synergies and capital expenditure efficiencies in connection with the Mergers*."

Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information as are further described in the "*Summary—Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group*". The assumptions used in estimating the synergies arising from the Mergers are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates. See "*Risk Factors—Risks Related to the Combined Group's Business and Industry—The Combined Group may fail to achieve its growth strategy within the timeframe expected, or at all*" and "*Risk Factors—Risks Related to the Transactions—The Combined Group may fail to identify and acquire appropriate companies or assets to further the Combined Group's growth or it may fail to integrate any acquired companies, including Nets and SIA into Nexi, or realize expected synergies and may be responsible for liabilities attributable to the acquired businesses*." Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA may not give an accurate or complete picture of the results of operations of the Combined Group for the year ended December 31, 2020 as if the Pro Forma Transactions, including the Mergers, and, in the case of the Pro Forma Run Rate Normalized EBITDA, including the realization of anticipated synergies with respect to the Mergers, had occurred on any prior date, and may not be comparable to any of the Financial Statements included elsewhere in this offering memorandum. Furthermore, Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA do not purport to indicate our future consolidated results of operations. The actual results of the Combined Group may differ significantly from those reflected in Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA.

We cannot assure you that the information on which we have based our assumptions will not change or that we will be able to realize any of the unrealized synergies or other benefits we believe could potentially be realized in connection with the Pro Forma Transactions. Furthermore, the costs we will incur in trying to realize these synergies and other benefits may be substantially higher than our current estimates and may outweigh any benefit. See "*Risk Factors—Risks Related to the Transactions—The Combined Group may fail to identify and acquire appropriate companies or assets to further the Combined Group's growth or it may fail to integrate any acquired companies, including Nets and SIA into Nexi, or realize expected synergies and may be responsible for liabilities attributable to the acquired businesses*." In addition, Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA and the underlying calculations therefrom have not been, and cannot be, audited, reviewed or verified by any independent accounting firm. Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA metrics are included in this offering memorandum because we believe that it provides a useful indication of what our EBITDA for the year ended December 31, 2020 would have been under certain circumstances and assumptions as described herein. However, this information does not constitute a measure of financial performance under IFRS or any other auditing standard, and you should not consider Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA as alternatives to net income or any other performance measure derived in accordance with IFRS or any other auditing standard or as a measure of our results of operations or liquidity.

A more detailed explanation of each of the financial measures and related ratios thereto and non-GAAP measures, as applicable, together with relevant reconciliations is provided in "*Summary—Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group", "Summary—Summary of Financial Information and Other Data of the Issuer", "Summary—Summary of Financial Information and Other Data of Nets",* and *"Summary—Summary of Financial Information and Other Data of SIA."* See also the Financial Statements included elsewhere in this offering memorandum.

Rounding

Certain numerical figures set out in this offering memorandum, including financial data presented in million 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 April 15, 2021, the exchange rate between the U.S. dollar and the euro was $1.1985 per €1.00.

	U.S. dollar per €1.00			
	High	Low	Average	Period End
Year				
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	1.1229	1.1195	1.1533	1.0903
2020	1.2225	1.1418	1.2289	1.0667
Monthly				
November 2020	1.1957	1.1628	1.1834	1.1954
December 2020	1.2289	1.2045	1.2170	1.2225
January 2021	1.2300	1.2075	1.2173	1.2132
February 2021	1.2213	1.1961	1.2095	1.2080
March 2021	1.2080	1.1718	1.1899	1.2041
April 2021 (through April 15, 2021)	1.1985	1.1761	1.1884	1.1971

SUMMARY

The following contains summary information about the Issuer, Nets, SIA, the Combined Group 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 offering memorandum carefully and in its entirety, including the Financial Statements and the notes to the Financial Statements contained elsewhere herein. Industry and market data included in this section, as well as the underlying data calculation methodologies, definitions of the markets, operators, related activities, instruments and business models may diverge from those that may be relevant in connection with regulatory filings (including, inter alia, any merger control filings). For instance, unless otherwise specified, industry and market data/information – as well as data/information on Nexi's, Nets', SIA's and the Combined Group's businesses – are aggregate data, which cover various levels of the value chain of the payment sector, as well as different services and business models. Non-financial information presented in this section has been provided as of December 31, 2020 or as of December 31, 2019, based on available information provided by each of Nexi, Nets and SIA.

Overview

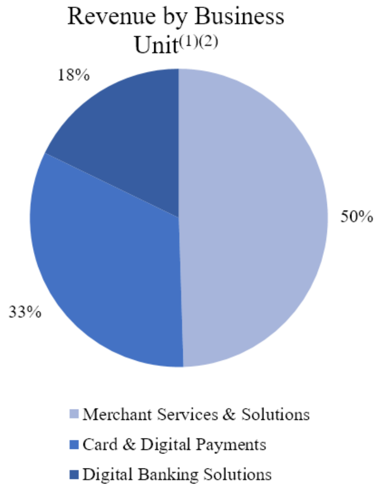
We are creating the new European Paytech leader through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe for 2019, according to management estimates. We expect the Combined Group's collective reach will expand to manage transactions at various levels of the payments value chain in relation to approximately 160 million payment cards.

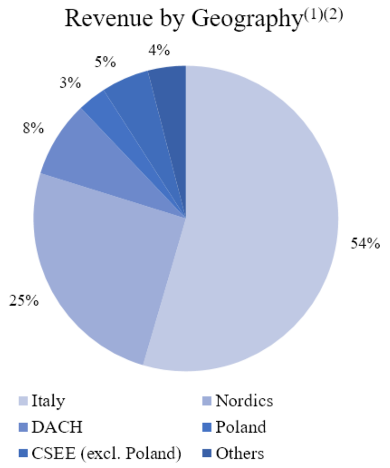
We are expanding Nexi's addressable market in Europe by more than 4x in terms of consumer spend, according to management estimates based on data as of December 31, 2019. The Combined Group will be one of the major players in the European paytech sector, with prominent positions in some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland, and the addressable market in core European countries in which the Combined Group will operate will amount to approximately €4.6 trillion, according to management estimates. The Combined Group's footprint will cover attractive European markets for growth, with an average card payments penetration of only 32% across the key markets in which the Combined Group will operate, compared to an average of 46% for Western Europe, according to management estimates based on data as of December 31, 2019, to which the Combined Group will apply its full solution portfolio across the payment ecosystem.

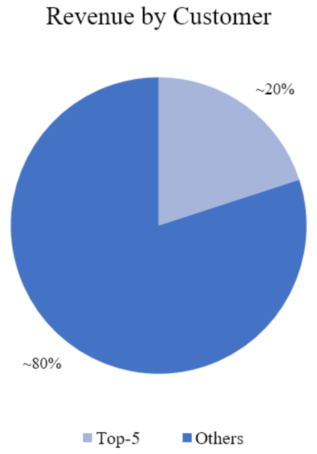
We expect that the Combined Group's footprint, combined with its best-in-class products, technology and capabilities, and with a scaled acquiring and enhanced e-commerce proposition, will result in material financial and strategic benefits for the Combined Group, which will be well positioned to drive the European transition to cashless transactions.

We expect the Combined Group to benefit from enhanced scale, geographic diversification, e-commerce exposure, lower customer concentration and strong growth potential in underpenetrated markets, resulting in a strong profitability and cash generation at scale. If these strategic transactions had been completed on January 1, 2020, the Combined Group would have had Pro Forma Operating Revenues of €2,810.8 million, Pro Forma Normalized EBITDA of €1,247.9 million, Pro Forma Run Rate Operating Revenues of €2,866.6 million and Pro Forma Run Rate Normalized EBITDA of €1,503.8 million.

The following tables show the revenue mix by business, geography and customer concentration of the Combined Group, net of intercompany adjustments, as estimated by management for the year ended December 31, 2020.







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(1) Following the completion of the Mergers and the integration of Nets and SIA into Nexi's existing business, the business segments of the Combined Group may differ from the current business segments of Nexi, and the revenue mix by business, geography and customer concentration presented in these tables may vary.

(2) Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

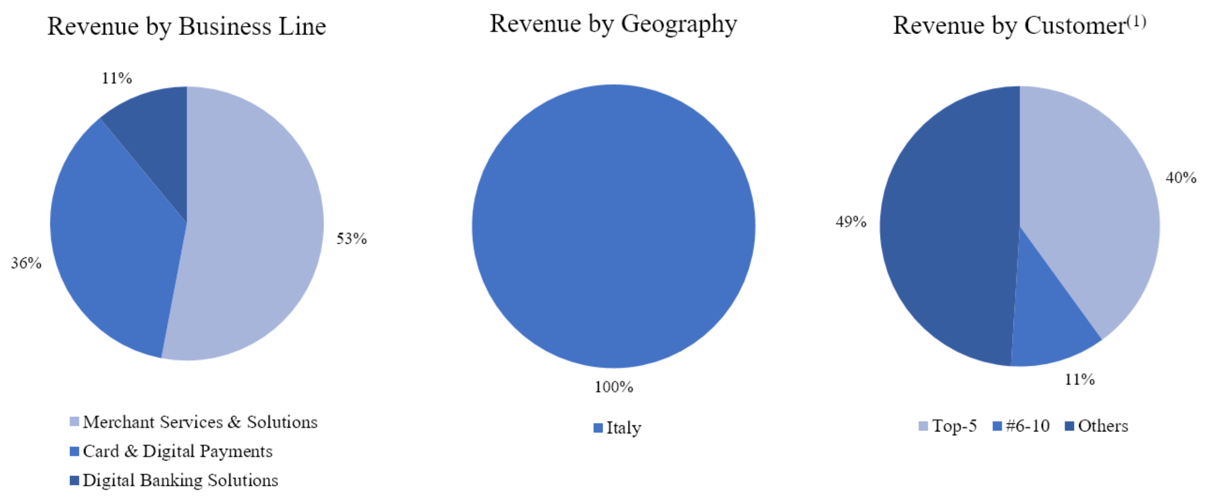
We also estimate that the Combined Group's online acquiring activities would have represented approximately 20% of the Combined Group's Merchant Services & Solutions business unit's revenues for the year ended December 31, 2020, according to management estimates.

We have identified estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which we expect to achieve through a clear, focused integration plan that will be implemented by our strong and experienced leadership team. We expect approximately 90% of the cost synergies, amounting to approximately €195 million, to be achieved by 2024. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA Merger.

Each of Nexi, Nets and SIA provides compelling justifications for achieving our goal of creating the leading European Paytech player at scale.

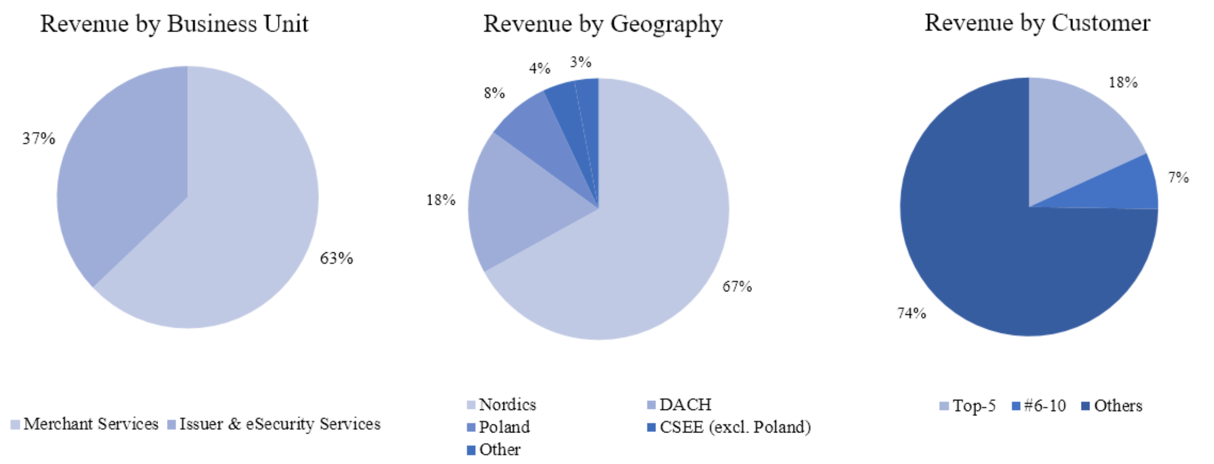
Nexi is the major paytech company in Italy. As of December 31, 2020, Nexi managed directly or through its partner banks transactions related to over 43 million payment cards and transactions carried out by approximately 900,000 merchants. Nexi's technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Nexi's 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, 2020. In the year ended December 31, 2020, Nexi managed approximately 6 billion transactions at various levels of the payments value chain, with a combined transaction value of approximately €417 billion. For the year ended December 31, 2020, Nexi generated operating revenues of €1,043.9 million and Normalized EBITDA of €601.4 million, in each case after giving full-year effect to the ISP Acquisition.

The following tables show the revenue mix by business, geography and customer concentration of Nexi, on a standalone basis, estimated for the year ended December 31, 2020, after giving full-year effect to the ISP Acquisition.



(1) Nexi's customers under the Referral model are included in the "Others" category.

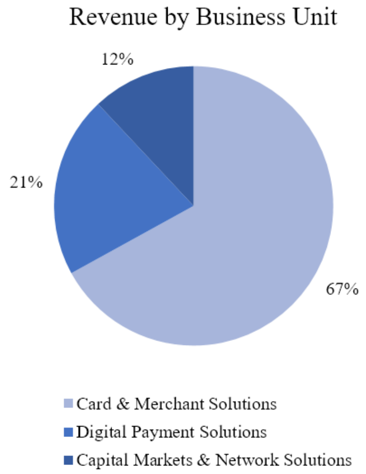
Nets is one of the largest integrated European paytech companies with a well-established position in the Nordics, one of the most digitally advanced regions globally, as well as in underpenetrated geographies with significant growth potential (such as DACH, Poland and Southern and Eastern Europe). Through its two business units (Merchant Services and Issuer & eSecurity Services), Nets managed transactions in respect of over 740,000 merchant revenue generating units (RGUs), over 40 million cards and more than 250 financial institutions in the year ended December 31, 2020. Over the same period, Nets managed more than 6 billion transactions in its Issuer & eSecurity Services business unit and processed transactions with a transaction value of approximately €104 billion in its Merchant Services business unit. Furthermore, Nets has developed a strong multi-regional e-commerce offering over the last three years. For the year ended December 31, 2020, Nets generated gross revenue of €1,567.4 million and EBITDA b.s.i. of €344.1 million. The following tables show the net revenue mix by business, geography and customer concentration of Nets, pro forma for the acquisition of Polskie ePlatnosci, estimated for the year ended December 31, 2020.

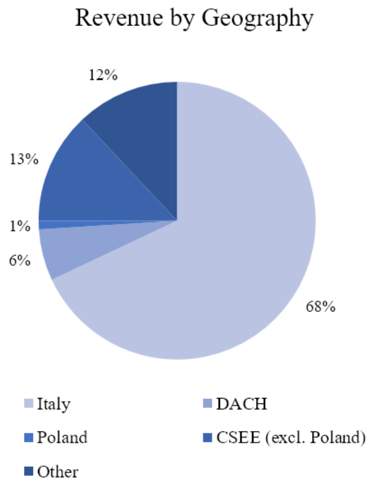


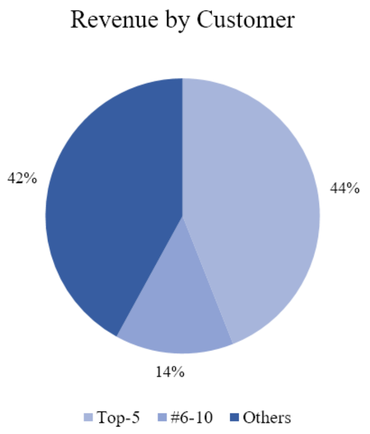
Note: Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

SIA is the major European player in the market for payment technologies and infrastructure services. SIA provides key infrastructure and technological services to financial institutions, central banks, companies and public administrations. Headquartered in Italy, SIA has expanded its footprint internationally into some of the most structurally attractive markets in Europe for digital payments and currently operates in over 50 countries. SIA is among the main players in Greece, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia. Through its three business units (Card & Merchant

Solutions, Digital Payment Solutions and Capital Markets & Network Solutions), SIA managed more than 17 billion card payment transactions at various levels of the payments value chain and provided services for over 4,800 EBA's STEP2 participants in 2020. SIAnet, the SIA network service, consists of approximately 209,000 km of fiber optics cables that carried approximately 3.6 terabytes of data in 2020, serving over 100 brokers and traders in 18 countries and 38 trading venues, connecting more than 590 customers. Its network is capable of handling over 350 million deal proposals daily and achieved 100% reliability during 2020. With its card and digital payment businesses, SIA managed approximately 35.6 billion transactions in 2020, of which 17.3 billion pertaining to card payment transactions in relation to all services provided by its Card & Merchant Solutions business unit and 18.3 billion to digital payment in relation to all services provided by its Digital Payment Solutions business unit, respectively. For the year ended December 31, 2020, SIA generated revenues from sales and services of €758.6 million and Adjusted EBITDA of €284.5 million. The following tables show the revenue mix by business, geography and customer concentration of SIA, on a standalone basis, estimated for the year ended December 31, 2020.







Through the Mergers, we intend to create a diversified platform in terms of revenue mix by business segment, geography and customer concentration, significantly diversifying the business compared to Nexi on a standalone basis.

Our Strengths

The New European Paytech Leader

We are creating the leading European Paytech player at scale through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe for 2019, according to management estimates. We expect the Combined Group's collective reach will expand to manage transactions at various levels of the payments value chain in relation to approximately 160 million payment cards.

Its scale and positioning following the Mergers will allow the Combined Group to serve its customers with one of the most comprehensive and technologically-advanced set of products and services available in the European paytech sector. The positioning of the Combined Group as a major player in the European paytech sector will allow it to take advantage of economies of scale and unlock significant industrial benefits, including enhanced operational scale driving cost competitiveness and industry leading margins through cost base optimization and operating leverage, an extensive and diversified products and services offering proposition across the entire payment ecosystem, with strong capabilities in acquiring and e-commerce, allowing the Combined Group to efficiently support local and international merchants with flexible solutions, the ability to serve banks across multiple business lines and on cross-national and ecosystem initiatives, as well as a best-of-breed technological platform underpinned by significant innovation and technology investment firepower. The Combined Group will benefit from long-standing relationships with a broad range of customers, ranging from banks and central institutions to large corporate clients and merchants, which each of Nexi, Nets and SIA have independently developed over the course of their history.

We expect the combination of best-of-breed innovative solutions, products, competences and market experiences across geographies with strong integration capabilities of each of Nexi, Nets and SIA will enable the Combined Group to take advantage of significant cross-selling opportunities and enhanced offering proposition.

Significant Growth Potential from Exposure to Key Attractive European Markets

The Combined Group will be well positioned to capitalize on secular growth trends and favorable industry dynamics in the European digital payments market, being one of the major players in the European paytech sector.

The Combined Group will have prominent positions in some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland. The Combined Group's footprint will cover attractive European markets for growth, with an average card payments penetration of only 32% across the key markets in which the Combined Group will operate, compared to an average of 46% for Western Europe, according to management estimates based on data as of December 31, 2019, to which the Combined Group will apply its full solution portfolio across the payment ecosystem. The following table shows consumer spend, card penetration and card transaction volumes for each of the core European markets in which the Combined Group will operate, according to management estimates based on data as of December 31, 2019:

Selected Countries / Regions of Presence for Combined Group

Core Geographies	Italy	Nordics	DACH	Poland	CSEE(1)
2019 Consumer Spend	€1.1tn	€0.6tn	€2.2tn	€0.3tn	€0.5tn
	Total €4.6tn				
2019 Card Penetration	24%	63%	29%	27%	25%
			Average: 29%		
	Average: 32%				
Card Transactions Volumes CAGR '17-19	13%	5%	12%	19%	25%
			Average: 17%		
	Average: 12%				

(1) CSEE includes Greece, Slovakia, Croatia, Slovenia, Hungary, Czech Republic, Serbia, Romania, Albania and Bosnia, Bulgaria, Montenegro and Macedonia (only selected flags displayed).

The European digital payments market, from which the Combined Group will generate the vast majority of its operating revenues, recorded constant growth in recent years mainly driven by (i) increasing card payments penetration, (ii) continued technological innovation and (iii) favorable regulatory tailwinds.

Card transaction volume in the key markets in which the Combined Group will operate grew at an average CAGR of approximately 12% between 2017 and 2019, according to management estimates based on data as of December 31, 2019. As a result, we believe that the core European markets in which the Combined Group will operate have significant potential for further expansion in order to bring card payments penetration levels in line with the average in Western Europe. We expect that card transactions volumes in Europe will also accelerate driven by technological innovation. We believe that the numerous innovative payment technologies developed in recent years, including contactless payment methods, online wallets and instant payments platform, has driven a change in consumer preferences, with consumers becoming increasingly more focused on the manner in which they interact with commerce. We believe that new technological innovations, such as machine learning and AI, blockchain, IoT and biometry, will further accelerate digital payments in the near future. Additionally, growth of payments digitalization is also driven by the increasing focus of European governments and regulators to implement policies that favor digital payments to prevent tax avoidance, money laundering and corruption. See "*Industry—Regulatory Changes*" for a description of these initiatives.

We believe that the scale and positioning of the Combined Group following the Mergers will allow it not only to capitalize on these secular growth trends and favorable industry dynamics, which we expect to be confirmed in the mid- to long-term also in light of the further support to digital payments and e-commerce which we expect as a result of change in consumer preferences following the outbreak of COVID-19, but also to drive the European transition to cashless.

Full Solution Portfolio Across Payment Ecosystem, With Key Strengths in Acquiring and e-Commerce

The Combined Group will serve its customers with one of the most comprehensive and technologically advanced set of products and services available in the European paytech sector, including best-in-class innovative solutions.

The offering of products and services of the Combined Group includes core acquiring services and POS management services providing merchants with the necessary infrastructure to enable digital payment acceptance. Core acquiring services consist of a full range of services allowing merchants to accept payments, including settlement of card payments and technology services aimed at fast authentication of payment transactions. POS management services range from the configuration, activation and maintenance of physical and virtual POS terminals, as well as their integration into the merchant's accounting software and customer assistance services. The Combined Group will also provide merchants with a leading SME proposition (e.g. leading-edge SmartPOS terminal range, complete suite of digital VAS, data-enable products and other services) and one of the most advanced omni-channel propositions for large merchants, with leading-edge capabilities to support international merchants with vertical specific solutions across countries, payment channels and rails.

The Combined Group will also operate a European e-commerce platform at scale, providing customers with advanced gateway/PSP capabilities, including APM and pay-later solutions designed to manage transactions in relation to both local and regional merchants.

The Combined Group will offer 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 as well as other digital payment solutions. The offering will also include administrative services such as payment tracking, production of monthly statements, data analytics services and pricing services, as well as customer service, fraud management 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). The Combined Group will also provide an extensive range of new digital payment solutions, including mobile wallets, A2A payments solutions and mobile payment apps.

The Combined Group will also provide digital corporate banking services, clearing services, and ATM management services. With reference to the digital corporate banking services, the Combined Group will provide 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. Digital corporate banking services provide also banks and corporate clients with digital front-ends and advanced functionalities to help them manage their bank accounts and payments, such as a customizable e-banking platform Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. The Combined Group will operate as a clearing house for domestic and international SEPA payments. ATM management services range from the complete management of an ATM fleet for banks to the management of discrete parts of the value chain based on customer needs. The Combined Group will provide authentication and digital signing services, as well as network infrastructure services, trading platforms, and post-trading modular solutions. The Combined Group will also offer banks and its corporate clients with best-of-breed open banking solutions, such as PSD2-based payment initiation services (“PIS”).

Best-of-Breed Technology Platform and Capabilities Leveraging on Complementarity and Scale

The Combined Group will benefit from a best-of-breed technological platform, leveraging on complementarity and scale, operating ten digital factories in Europe in which product and tech development specialists are focused on developing innovative products and solutions. In the year ended December 31, 2020, investments in IT and innovation of the Combined Group amounted to more than €320 million.

The Combined Group’s technological capabilities will range from digital to processing, from gateway technologies to leading infrastructure. The Combined Group will benefit from cutting-edge development capabilities in e-commerce and omni-channel solutions. With a combined team of approximately 700 dedicated professional operating in seven centers of competence in seven European countries as of December 31, 2019, we estimate that the Combined Group will manage e-commerce transactions at various levels of the payments value chain with a combined transaction value of approximately €50 billion on three gateways. The Combined Group will provide its customers with a comprehensive set of next generation digital payments solutions. In the year ended December 31, 2019, on a combined basis, the Combined Group launched more than 30,000 new IT releases, including cloud-based platforms and AI-based antifraud and authentication solutions. Moreover, the Combined Group will have significant capabilities in processing and core platforms. The Combined Group will be a major provider of instant payments and A2A services in Europe processing, on a combined basis, more than 30 billion transactions per year and approximately 15 billion clearing transactions per year at various levels of the payments value chain and in respect to different services (including card payment transactions and other not card-based transactions), and have a full set of in-house processing capabilities with more than 1,000 dedicated professionals. The Combined Group’s innovation strategy will benefit from multi-year relationships with its partner banks. As of December 31, 2019, more than 1,000 financial institutions were deeply integrated in mission-critical platforms of the Combined Group. The Combined Group will operate or process major gateways, such as CBI Globe Open (one of the most comprehensive national gateways in Europe, with the potential to host cooperative services and TPPs), key payments infrastructure (including RNI infrastructure that allows banks to access financial systems, clearing and settlement systems for central banks and payment solutions for government bodies) as well as major domestic debit card schemes (including Bancomat in Italy, Dankort in Denmark, and BankAxept in Norway). Lastly, the Combined Group will benefit from a market leading infrastructure, managing 42 data centers and more than 25,000 servers across Europe, with more than 35 PetaBytes in combined storage space, approximately 1,600 network nodes and a team of more than 800 dedicated professionals, based on data available as of December 31, 2019.

Strong Profitability and Cash Generation at Scale with Enhanced Resilience

The Combined Group will benefit from an attractive financial profile with strong profitability and cash generation at scale with enhanced resilience. On a combined basis, Pro Forma Operating Revenues of the Combined Group amounted to €2,810.8 million for the year ended December 31, 2020, Pro Forma Normalized EBITDA amounted to €1,247.9 million (with a Pro Forma Normalized EBITDA Margin of 44.4%), Pro Forma Run Rate Operating Revenues amounted to €2,866.6 million and Pro Forma Run Rate Normalized EBITDA amounted to €1,503.8 million (with a Pro Forma Run Rate Normalized EBITDA Margin of 52.5%).

We expect the growth profile of the Combined Group to benefit from the strong growth potential of the markets where the Combined group will operate, which will expand from a home-market focus to a pan-European reach, including some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland, with cross-selling opportunities with plug-in capabilities across geographies. We also expect the Mergers to result in an attractive financial profile with enhanced resilience stemming from e-commerce exposure, increased customer diversification and lower customer concentration, well-diversified revenue base in terms of both business and geography.

We expect our strong profitability profile to translate into consistently high cash generation on a normalized basis, with Pro Forma Cash Conversion, which amounted to 81.4%, on a pro forma basis for the year ended December 31, 2020, with capacity to support both de-leveraging and disciplined capital allocation.

The Combined Group will benefit from estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers, of which approximately €170 million have been identified in connection with the Nets Merger and approximately €150 million have been identified in connection with the SIA Merger, arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which are expected to be achieved through a clear and focused integration plan. In particular, (i) approximately 90% of cost savings, amounting to approximately €195 million, are expected to be achieved by 2024, (ii) approximately €75 million have been identified as the EBITDA impact of estimated revenue synergies (equivalent to an impact of approximately €112 million at revenue level), and (iii) approximately €50 million are expected to be achieved as recurring capital expenditures resulting from the Mergers. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA Merger.

Strong Leadership Team With Proven Track Record of Delivery

The Combined Group will be led by a highly experienced management team, which is widely recognized in the digital payments industry, with a track record of operational excellence and capacity to deliver. The chief executive officer of the Combined Group, Mr. Paolo Bertoluzzo, has significant experience in leading public companies with a large market capitalization, and its chief financial executive officer, Mr. Bernardo Mingrone, has wide knowledge of public companies and the Italian banking market with which we partner. Under their leadership, Nexi completed numerous successful acquisitions, including the recent ISP Acquisition in 2020, which allowed Nexi to consolidate its position in the market for merchant services in Italy. Nexi's management team will be strengthened through the addition of Nets' and SIA's highly qualified senior management, which have successfully grown their businesses to become leading companies in the digital payments market, bringing significant managerial experience to the Combined Group. In particular, Nets' management completed numerous acquisitions in the market for merchant services, expanding its presence in key geographies such as Poland, through the acquisitions of DotPay/eCard, P24, and PeP, Germany, Austria, and Switzerland, though its merger with Concardis, as well as Switzerland, through the acquisition of CCV, and Finland, through the acquisition of Checkout Finland Oy (an acquisition consummated in January 2021, with closing of the transaction expected to occur in April 2021). More recently, Nets' management successfully completed the Centurion Disposal, refocusing its business towards its core payments services including merchant services, e-commerce, issuing services and technological innovation. SIA's management played a crucial role in the creation of the major European player in the market for payment technologies and infrastructure services, expanding in recent years SIA's presence into some of the most dynamic and fastest growing regions in Europe in the electronic payments sector, such as Greece and Slovakia. The Combined Group will also benefit from the presence of its new anchor investor, CDP, which, as long-term institutional shareholder, will support the Combined Group's expansion process consistently with the organic and inorganic growth track that the Combined Group's significant shareholders have been following for Nexi, Nets and SIA. We believe that the combination of highly experienced management teams will guarantee the continued focus on delivering growth and development of the ordinary activities of each businesses while ensuring timely integration of Nets and SIA into Nexi's existing business.

Our Strategies

Successfully integrate Nets and SIA with our existing business

We intend to combine Nexi, Nets and SIA into a single operating group to create the leading European Paytech player at scale. We plan to leverage our management team's collective experience in integrating new businesses and rationalizing costs to effectively achieve this combination. Our plan is to achieve this combination through a clear, focused and phased integration plan. The key principles of our integration plan are (i) implementing one focused transformation program, with clear integration priorities and limited areas of overlap in the integration of the businesses, (ii) implementing identified fast-track joint initiatives, primarily focused on the enhancement of our e-commerce and omni-channel proposition, SME next generation proposition and technological platform, optimization of procurement and operating and capital expenditures and (iii) continuing to deliver growth for the ongoing business during the integration process, which will be guaranteed by the seniority and talent of the management team. Nets' management will be initially focused on continue delivering Nets' standalone growth plan. The integration plan will start with the integration of Nexi and SIA in Italy, following the completion of the SIA Merger and, starting from 2022, Nets will be integrated in the Combined Group with the goal of creating a single European platform.

Unlock synergy value from the Mergers

We intend to achieve estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies. Approximately 90% of total cost savings from the Mergers, amounting to approximately €195 million, are expected to be achieved by 2024. Synergies arising from the Nets Merger are mainly focused on merchant services, with respect to revenues synergies, and on synergies generated outside of Italy, with respect to cost synergies. In particular, we expect to realize approximately €170 million of annualized cost savings, revenue synergies and capital expenditure efficiencies in connection with the Nets Merger, consisting of cost synergies from rationalization of IT and technology platforms, the creation of shared services and competence centers to drive operational excellence and centralize procurement process, revenue synergies resulting from cross-selling opportunities and enhanced offering proposition, as well as capital expenditure efficiencies resulting from centralization of investments, joint investment planning with increasing efficiencies and the consolidation of processing platforms. Synergies arising from the SIA Merger are mainly focused on issuing and digital banking and corporate solutions, with respect to revenues synergies, and on synergies generated in Italy, with respect to cost synergies. In particular, we expect to realize approximately €150 million of annualized cost savings, revenue synergies and capital expenditure efficiencies in connection with the SIA Merger, consisting of cost synergies resulting from the optimization of IT and technology platforms, insourcing, increased operational efficiency and centralization of the procurement process, revenue synergies resulting from cross-selling opportunities and enhanced offering proposition, as well capital expenditure efficiencies resulting from optimization of investments in overlapping applications and new product and platform development. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA

Merger. See also "*Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group—Other Pro Forma Financial Information*."

Further strengthen the advanced technological platform of the Combined Group by investing in cutting-edge technological assets and capabilities

The Combined Group will benefit from a best-of-breed technological platform, leveraging on complementarity and scale, operating ten digital factories in Europe in which more than 3,000 product and tech development specialists will develop innovative products and solutions. Along with consolidating and optimizing tech platforms, we intend to continue to invest in world-class technologies to fuel digital innovation and next-generation products and keep pace with a fluid, rapidly changing market. We intend to leverage the extensive IT and innovation capabilities of the Combined Group to shape and deliver innovation in key areas, such as e-commerce, next-generation digital and data innovation, cloud-based platforms, dedicated advanced analytics and AI, as well AI-based antifraud and authentication solutions.

Lead the Transition to Cashless

We intend to leverage the scale and positioning of the Combined Group in the European market to continue to grow across geographies by capturing the constant growth of the European digital payments market, benefitting from increased card payments penetration, continued technological innovation and favorable regulatory tailwinds. We expect the stable growth of digital payments and e-commerce to be confirmed in the mid- to long term, also in light of the further support to digital payments and e-commerce which we expect as a result of change in consumer preferences following the outbreak of COVID-19.

Further increase profitability and cash generation and support deleveraging

We intend to keep focusing on increasing profitability through improvements in positive free cash flow delivery, implementation of cost-savings measures and improvements to operational efficiency across the Combined Group. We believe that scale, geographic diversification, e-commerce exposure, lower customer concentration and strong growth potential in underpenetrated markets will allow the Combined Group to achieve a strong profitability and cash generation profile at scale. We intend to leverage the Combined Group's increased free cash flow to, among other things, implement disciplined capital allocation and delever the business.

Acquire and retain talents 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 initiatives, as evidenced by our track record of successfully completed projects, often completed simultaneously, since 2016. We intend to continue attracting and retaining highly-qualified personnel with cutting-edge skills, consistently with our corporate culture, in order to create an unparalleled industry and cross disciplinary background spanning payments, technology and banking.

Prepare the Combined Group to benefit from potential future growth opportunities

We intend to position the Combined Group to benefit from any potential future growth opportunities by increasing the breadth of its portfolio, market entrenchment and capabilities. In addition, we intend to continue to evaluate disciplined acquisition opportunities in the Italian and European markets, through potential transactions aimed at (i) consolidating the Combined Group's position in the markets in which it will operate (ii) further expanding in Europe and participating in the potential future consolidation of the international payment industry and (iii) enhancing the technological capabilities of the Combined Group in selected high-growth products.

The Transactions

We refer to the Offering, including the use of proceeds from the Offering, the Mergers, the Refinancing, and the payment of fees and expenses in connection therewith, collectively as the "Transactions." On the Issue Date, we expect to consummate the Offering. On the Nets Merger Closing Date, we expect to consummate the Nets Merger and the refinancing of the Existing Nets Indebtedness. On the SIA Merger Closing Date, we expect to consummate the SIA Merger and the refinancing of the Existing SIA Indebtedness. See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements*," and "*Description of the Notes*."

The Nets Merger

On November 15, 2020, we entered into the Nets Framework Agreement (as amended from time to time) pursuant to which we agreed to merge with Nets in an all-share merger, with Nexi being the surviving entity. The Nets Merger is expected to close between May and June 2021 (the "Nets Merger Closing Date").

The consummation of the Nets Merger is subject to the satisfaction of certain conditions precedent which are listed in the Nets Framework Agreement, including the obtainment of applicable regulatory and foreign direct investments authorizations. Under the terms of the Nets Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the Nets Merger. Upon satisfaction of the conditions precedents to the Nets Merger, Nexi and Nets will enter into a deed of merger which will include the key terms of the Nets Merger. If these conditions are not satisfied on or prior to February 15, 2022, and such date has not been extended by the parties, the Nets Framework Agreement may be terminated. The Nets Framework Agreement contains customary warranties and indemnities given by Nets and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of Nets and Nexi pending the completion of the Nets Merger. The liability of the shareholders of Nets for any breach of a warranty is subject to certain thresholds and limitations. The Nets Framework Agreement also provides for (i) an earn-out provision linked to the financial performance of Nets in the year ended December 31, 2021, in favor of the Nets' existing shareholders, which will be payable through the issuance of between zero and 40,000,000 additional ordinary shares by the Issuer, representing an amount that will not exceed in any event €250.0 million (the "Nets Earn-Out"), and (ii) an earn-out linked to the Centurion Disposal, in favor of the Nets' existing shareholders of the Issuer, depending on the actual price paid by MasterCard in connection with the Centurion Disposal, which will be payable through the issuance of between zero and 25,000,000 additional ordinary shares by the Issuer or through a cash payment from the Nets' existing shareholders in favor of the Issuer (the "Centurion Earn-Out").

The consummation of the Nets Merger (including the repayment of the Existing Nets Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net amount of the Existing Nets Indebtedness will be financed through (i) a portion of the proceeds of the Notes, in the aggregate principal amount of €1,044.0 million and (ii) the proceeds from the 2028 Existing Senior Convertible Notes in the aggregate principal amount of €1,000.0 million. A portion of the existing indebtedness of Nets related to funding needs in connection with its settlement obligations in the amount of approximately €1,113.0 million, and financial liabilities mainly related to leasing contracts of Nets in the amount of €85.7 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—Nets Indebtedness*." In addition, on the Nets Merger Closing Date, the Issuer is expected to issue 406,628,176 newly-issued ordinary shares. In connection with the Nets Merger, on December 30, 2020, the Issuer entered into the Nets Commitment Letter, providing for a committed bridge facility of €1,700.0 million available to finance a portion of the Nets Merger, refinance the Existing Nets Indebtedness and the related transaction fees and expenses and/or for general corporate purposes of the Issuer. Following the issuance of the 2028 Existing Senior Convertible Notes, on March 5, 2021, the Nets Commitment Letter was amended to reduce the amount of the committed bridge facility to €1,000.0 million. On or about the Issue Date, the Nets Commitment Letter is expected to be terminated.

Prior to the Nets Merger Closing Date, Nets will issue new ordinary shares to be subscribed in full by its direct shareholder Nets Topco, with the subscription price for such new ordinary shares to be set off against (i) the aggregate amount owed by Nets under existing shareholder loans as at the date of issuance of such new ordinary shares and (ii) the aggregate amount owed by Nets under existing preferred equity certificates held by Nets Topco in Nets as at the date of issuance of such new ordinary shares (the "Nets Reorganization"). As of December 31, 2020, the aggregate amounts outstanding under (i) the existing shareholders loans was €1,632.7 million and (ii) the existing preferred equity certificates was €772.8 million. Following the Nets Reorganization, the abovementioned shareholder loans and preferred equity certificates will be converted into equity and the related liabilities will be cancelled. See also "*Unaudited Pro Forma Consolidated Financial Information—Transactions—Nets Reorganization*."

The SIA Merger

On February 11, 2021, we entered into the SIA Framework Agreement pursuant to which we agreed to merge with SIA in an all-share merger, with Nexi being the surviving entity. The SIA Acquisition is expected to close by December 31, 2021 (the "SIA Merger Closing Date").

The consummation of the SIA Merger is subject to the satisfaction of certain conditions precedent which are listed in the SIA Framework Agreement, including (i) clearance by the antitrust authorities, (ii) obtainment of applicable regulatory and foreign direct investments authorizations and (iii) approval by the SIA and the Issuer's shareholders' meetings (including, with respect to the Issuer's shareholders' meeting, for the purposes of exempting the triggering of mandatory tender offer obligations connected with the SIA Merger). Under the terms of the SIA Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the SIA Merger. Upon satisfaction of the conditions precedents to the SIA Merger, Nexi and SIA will enter into a deed of merger which will include the key terms of the SIA Merger. If these conditions are not satisfied on or prior to June 30, 2022, and such date has not been extended by the parties, the SIA Framework Agreement may be terminated. The SIA Framework Agreement contains customary warranties and indemnities given by SIA and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of SIA and Nexi pending the completion of the SIA Merger. The liability of the shareholders of SIA for any breach of a warranty is subject to certain thresholds and limitations. The SIA Framework Agreement also provides for an option by CDPE, one of the Issuer's shareholders following the SIA Merger, to request a capital increase of SIA to mitigate the dilutive effects of the Nets Merger on the shareholdings to be held by the SIA shareholders in the Issuer following the SIA Merger (the "SIA Capital Increase").

The consummation of the SIA Merger (including the repayment of the Existing SIA Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net principal amount of the Existing SIA Indebtedness will be financed through a portion of the proceeds of the Notes in the aggregate principal amount of €991.0 million. A portion of the existing indebtedness of SIA related to funding needs in connection with its settlement obligations in the amount of €5.9 million, and financial liabilities mainly related to leasing contracts of SIA in the amount of €103.0 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—SIA Indebtedness*." In addition, on the SIA Merger Closing Date, the Issuer is expected to issue 270,054,060 newly-issued ordinary shares (or a higher number of shares in case the SIA Capital Increase is exercised).

The Refinancing

On the Issue Date, we will use (i) a portion of the proceeds from the Offering in the aggregate principal amount of €1,044.0 million, together with the proceeds of the 2028 Existing Senior Convertible Notes, to refinance the net principal amount of the Existing Nets Indebtedness, (ii) a portion of the proceeds from the Offering in the aggregate principal amount of €991.0 million, to refinance the net amount of the Existing SIA Indebtedness and (iii) the remaining portion of the proceeds from the Offering in the aggregate principal amount of €66.0 million, to pay fees and expenses incurred in connection with the Mergers and the foregoing transactions (collectively, the "Refinancing"). Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use the remaining proceeds from the Notes for any general corporate purpose (including to repay its existing indebtedness). See "*—Sources and Uses of the Refinancing*" and "*Use of Proceeds*."

The Segregated Account

Concurrently with the issuance of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the Offering into the Segregated Account, pending consummation of the first to occur of the Nets Merger or the SIA Merger. All of the proceeds may be released from the Segregated Account to the Issuer upon the earlier to occur of (i) the date that is two business days before the expected occurrence of the Nets Merger Closing Date or (ii) the date that is two business days before the expected occurrence of the SIA Merger Closing Date (the date on which the proceeds may be released from the Segregated Account being referred to as the "Release Date"). On the Release Date, the Issuer may retain such proceeds for use in the other Merger and/or for general corporate purposes, including repayment of existing indebtedness of the Issuer. See "*Use of Proceeds*" and "*Capitalization*." In the event that, in the reasonable judgment of the Issuer, neither Merger will be consummated on or prior to July 14, 2022 (the "Longstop Date"), or upon the occurrence of certain other events described herein, the Issuer will be required to redeem all the Notes (the "Special Mandatory Redemption") at a price equal to 100% of the issue price of the Notes, plus any accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, such redemption date. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption.*"

Sources and Uses of the Refinancing

The following table illustrates the estimated sources and uses of the proceeds from the Offering based on the assumption that both the Nets Merger Closing Date and the SIA Merger Closing Date occur prior to the Longstop Date. Actual amounts may differ from estimated amounts depending on several factors, including accrued interest on the Existing Nets Indebtedness and the Existing SIA Indebtedness being repaid, the actual date of repayment of the Existing Nets Indebtedness and the Existing SIA Indebtedness and the occurrence of the Mergers as contemplated in this offering memorandum. See also "*Use of Proceeds*."

Sources of Funds	**(€ million)**	**Uses of Funds**	**(€ million)**
Notes offered hereby[(1)]	2,100.0	Refinancing of Existing Nets Indebtedness[(3)]	2,044.0
		Refinancing of Existing SIA Indebtedness[(4)]	991.0
2028 Existing Senior Convertible Notes[(2)]	1,000.0	Fees and expenses[(5)]	66.0
Total Sources	**3,100.0**	**Total Uses**	**3,100.0**

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(1) Represents the estimated gross proceeds of the Notes offered hereby.

(2) Represents the gross proceeds of the 2028 Existing Senior Convertible Notes.

(3) Represents the net portion of the principal amount of the Existing Nets Indebtedness which is expected to be repaid on or about the Nets Merger Closing Date.

(4) Represents the net portion of the principal amount of the Existing SIA Indebtedness which is expected to be repaid on or about the SIA Merger Closing Date.

(5) Represents estimated expenses in connection with the Transactions, including advisory and other fees, transaction costs, interests and fees in relation to the Segregated Account, and professional expenses related to the Transactions and the Notes. These fees and expenses have been estimated as of the date of this offering memorandum and may differ from the actual amount.

COVID-19 Update / Recent Trading

Nexi

Following the easing of restrictions imposed at a national level during the Christmas break, a steady recovery in transaction volumes has been observed in Italy since mid-January. Such recovery continued throughout February and until mid-March when, following a new surge in Covid-19 cases led to new restrictions being imposed in many regions throughout the Country and causing a slight slow-down in acquiring volumes. In recent weeks however this trend has been reversed and acquiring volumes have started to recover, ahead of the easing of restriction across the Country that will start on 12th of April. Notwithstanding the lockdowns so far experienced, performance of Italian cards highlights the acceleration in the growth rate of digital payments in Italy, which is most evident in basic consumption categories which have been less affected by restrictions.

In particular, Nexi acquiring volume fell by -14% vs. 2020 in January, but recorded a strong acceleration in the basic consumption category (growing +25% vs. 2020). Notwithstanding Foreign Cards volumes still suffering due to extensive worldwide travel bans and restrictions limiting merchant activity, acquiring volume recovery continued in February (-8% vs. 2020), with volumes of Italian Cards actually growing vs. 2020. In March, due to the 3rd wave of Covid-19, acquiring volumes were -6% vs 2019 with a continued acceleration in the basic consumption category (+42% vs 2019). Overall acquiring volumes in 1Q21 were equal to -8% vs 1Q19 while issuing volumes were -4%.

Based on the above recent volume trends, Nexi expects revenues in 1Q21 to be broadly in line with 1Q20.

Note: Nexi acquiring data include sales volumes for international schemes only for Nexi Payments, National and International schemes for MePS; overall acquiring and issuing volumes include both sales and cash.

Nets

As expected, due to the increased severity of Covid-19 restrictions imposed across Europe (e.g. hard lockdowns in Germany, Switzerland and most Nordic countries), Nets experienced a decline in volumes compared to last year. As a reminder Covid-19 first wave and related restrictions in 1Q20 were significantly lighter in the Countries were Nets operates compared to Italy. In particular, in 1Q21 Nets recorded -22% y/y acquiring volumes and -8% y/y number of issuing transactions. However, the first signs of recovery were visible in March with acquiring volumes up +5% y/y and the number of issuing transactions increasing +12% y/y.

Based on the above recent volume trends, Nets expects in 1Q21 mid-high single digit revenue decline compared to 1Q20.

Note: Nets financials refer to reported pro-forma performance (constant scope, constant FX).

SIA

SIA confirms a resilient business model and operating performance, less exposed to retail volumes impacted by Covid-19 related restrictions.

The number of acquiring processing transactions fell -7% vs. 2020 in January, whereas the number of issuing processing transactions gree by +4% vs. 2020. In February, the recovery in number of acquiring processing transactions continued at -4% vs. 2020, while the number of issuing processing transactions increased to +8% vs. 2020. In March, despite the 3rd wave of Covid-19, the trend remained positive, recording +15% vs. 2019 in acquiring processing transactions and +29% in issuing processing transactions.

Based on the above recent trends, SIA expects 1Q21 revenue growth compared to 1Q20.

The preliminary financial results presented above are presented on the basis of unaudited preliminary management information and are derived from the Issuer's, Nets' or SIA's accounting records and internal management accounts, as applicable, and have not been prepared on the same basis as the Financial Statements. This information has not been audited, reviewed or compiled, nor have any procedures been performed by the independent auditors of the Issuer, Nets or SIA 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. The preliminary financial results of the Issuer, Nets or SIA 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 the financial or operational results for the three months ended March 31, 2021 of the Issuer, Nets or SIA. Accordingly, the preliminary financial results presented above are subject to the completion of the Issuer's results for the three months ended March 31, 2021, may change and those changes may be material. See "Risk Factors" and "Forward-Looking Statements."

Recent Developments

SIA

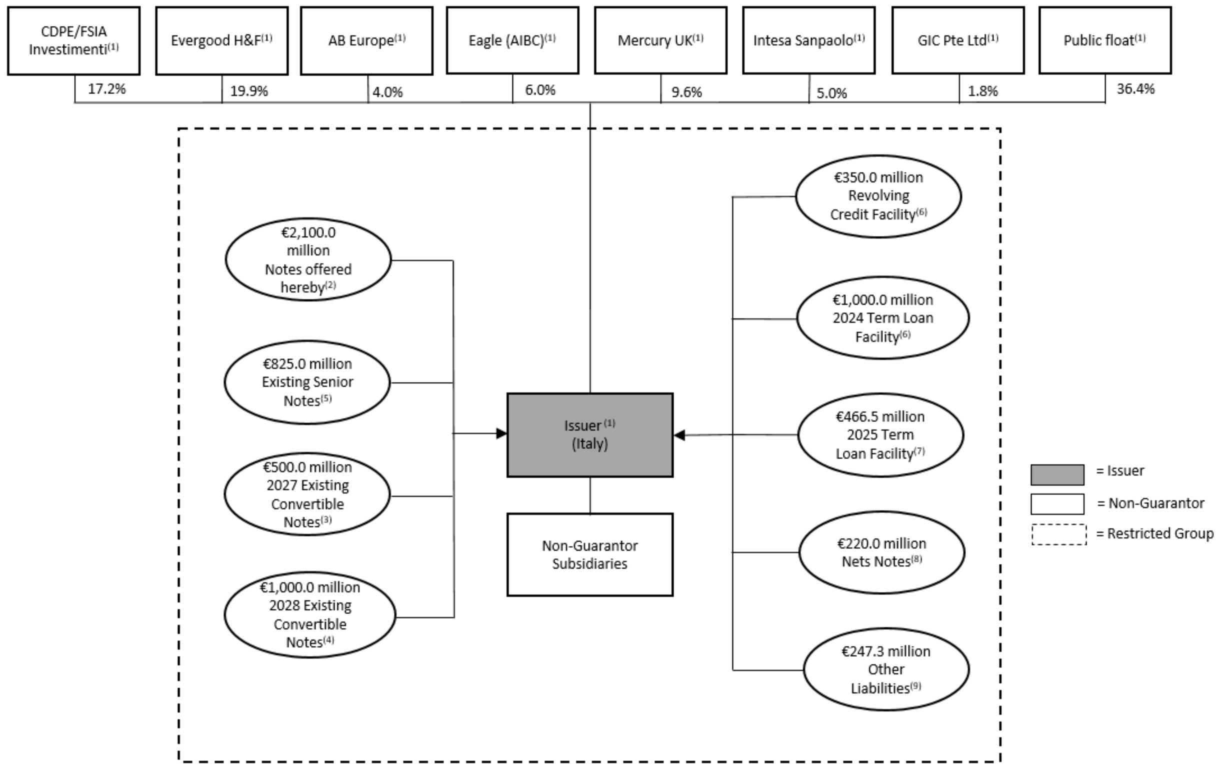
As of the date of this offering memorandum, SIA is in the process of potentially acquiring a strategic asset aimed at increasing its presence in a European country in which it already operates. The acquisition is expected to be financed through committed financing available at SIA which is planned to be refinanced with proceeds from the Offering.

The Issuer

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's LEI code is 5493000P70CQRQG8SN85. 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.*"

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following chart shows a simplified summary of our corporate and financing structure and principal outstanding financing arrangements on a pro forma basis to give effect to the Transactions. The information below should be read together with the sections titled "*Description of the Notes*," "*Description of Certain Financing Arrangements*," "*Capitalization*" and "*Principal Shareholders*."



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(1) The Issuer is publicly listed on the Mercato Telematico Azionario ("MTA"), organized and managed by Borsa Italiana S.p.A. The above chart shows the current share capital of the Issuer as of the date of this offering memorandum, after giving effect to the Transactions. Evergood H&F, AB Europe, Eagle (AIBC), Mercury, CDPE and FSIA Investimenti will control 56.7% of the issued and outstanding ordinary shares of the Issuer, after giving effect to the Transactions. The shareholding of Evergood H&F includes an investment from GIC, by way of its shareholding in Nets. The allocation of shareholding percentages shown in the above chart does not reflect the application of the Nets Earn-Out, the Centurion Earn-Out and the SIA Capital Increase. The potential application of the mentioned earn-outs and/or the SIA Capital Increase could cause the shareholding percentages presented in the chart above to change. For additional information about such potential changes to the shareholding percentages and the Issuer's 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 Agreements and the Existing Notes. 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 Agreements by certain Subsidiaries of the Issuer and, following the Nets Merger Closing Date, the Nets Notes. The Notes will not be guaranteed.

(3) On April 24, 2020, the Issuer issued the 2027 Existing Senior Convertible Notes pursuant to the 2027 Trust Deed. The 2027 Existing Senior Convertible Notes are senior unsecured obligations of the Issuer and rank *pari passu* with all of the Issuer's existing and future senior unsecured obligations that are not subordinated in right of payment to the 2027 Existing Senior Convertible Notes. The 2027 Existing Senior Convertible Notes rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the 2027

Existing Senior Convertible Notes, if any. The 2027 Existing Senior Convertible Notes are 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. The 2027 Existing Senior Convertible Notes are not guaranteed.

(4) On February 24, 2021, the Issuer issued the 2028 Existing Senior Convertible Notes pursuant to the 2028 Trust Deed. The 2028 Existing Senior Convertible Notes are senior unsecured obligations of the Issuer and 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 2028 Existing Senior Convertible Notes, including obligations under the 2024 Facilities Agreement. The 2028 Existing Senior Convertible Notes rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the 2028 Existing Senior Convertible Notes, if any. The 2028 Existing Senior Convertible Notes are effectively subordinated to any existing and future secured obligations of the Issuer and the subsidiaries of the Issuer. The 2028 Existing Senior Convertible Notes are not guaranteed.

(5) On October 21, 2019, the Issuer issued the Existing Senior Notes pursuant to the Existing Indenture. The Existing Senior Notes are senior unsecured obligations of the Issuer and 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 Existing Senior Notes, including obligations under the Revolving Credit Facility and the Term Loan Facilities. The Existing Senior Notes rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the Existing Senior Notes, if any. The Existing Senior Notes are 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. The Existing Senior Notes are not guaranteed.

(6) On March 20, 2019, the Issuer, together with its subsidiaries Nexi Payments and Mercury Payment, as borrowers and guarantors, entered into the 2024 Facilities Agreement which provides for aggregate borrowings of €1,000 million under the 2024 Term Loan Facility and €350 million under the Revolving Credit Facility. While the 2024 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. The Revolving Credit Facility and the 2024 Term Loan Facility are unsecured. See "*Description of Certain Financing Arrangements—2024 Facilities Agreement*." On April 1, 2021, the main business units and connected contractual arrangements of Mercury Payment were transferred to Nexi Payments. Following this demerger, Mercury Payment resigned as a borrower and a guarantor under the 2024 Facilities Agreement.

(7) On June 26, 2020, the Issuer entered into the 2025 Facilities Agreement which provides for aggregate borrowings of €466.5 million under the 2025 Term Loan Facility. The 2025 Term Loan Facility was fully drawn on June 30, 2020 in connection with the ISP Acquisition. See "*Description of Certain Financing Arrangements—2025 Facilities Agreement*."

(8) On April 6, 2017, Nassa Topco AS (a direct subsidiary of Nets) issued the Nets Notes pursuant to an indenture. See also *"Description of Certain Financing Arrangements—Nets Indebtedness—Nets Notes.*" The Nets Notes are expected to remain outstanding at the level of Nassa Topco AS following the Nets Merger Closing Date.

(9) Represents the aggregate principal amount of (i) credit lines with an aggregate principal amount of €0.6 million in place at Nexi Payments, which have been repaid in full as of the date of this offering memorandum, (ii) €58.0 million of other financial liabilities of Nexi, mainly related to (a) leasing contracts in the amount of €30.7 million, which are accounted for as financial liabilities following adoption of IFRS 16, and (b) the ISP Earn-Out, in the amount of €27.3 million, (iii) €85.7 million of other financial liabilities, mainly related to leasing contracts of Nets and (iv) €103.0 million of other financial liabilities, mainly related to leasing contracts of SIA. See also "*Capitalization*."

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:	
2026 Notes:	€1,050 million in aggregate in principal amount of $1^{5}/_{8}$% Senior Notes due 2026.
2029 Notes:............................	€1,050 million in aggregate in principal amount of $2^{1}/_{8}$% Senior Notes due 2029.
Issue Date..............................	April 29, 2021.
Issue Price:	
2026 Notes:	100.000%
2029 Notes:............................	100.000%
Maturity Date:	
2026 Notes:	April 30, 2026.
2029 Notes:............................	April 30, 2029.
Interest Rate:	
2026 Notes:	1.625% per annum.
2029 Notes:............................	2.125% per annum.
Interest Payment Dates:	
2026 Notes:	Interest on the 2026 Notes is payable semi-annually in arrears on April 30 and October 30 of each year, commencing on October 29, 2021.
2029 Notes:............................	Interest on the 2029 Notes is payable semi-annually in arrears on April 30 and October 30 of each year, commencing on October 29, 2021.
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: • 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 Agreements and the Existing Notes;

- 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 Agreements by certain Subsidiaries of the Issuer and, following the Nets Merger Closing Date, the Nets Notes.

Use of Proceeds .... The proceeds from the Offering will be used, together with the proceeds of the 2028 Existing Senior Convertible Notes, to refinance the net amount of the Existing Nets Indebtedness and the Existing SIA Indebtedness in the context of the Mergers and to pay fees and expenses in connection therewith. Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use a portion of the proceeds from the Offering for any general corporate purpose (including to repay its existing indebtedness). 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 under certain circumstances, including 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 the "*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 (lastly by Ministerial Decree of 23 March 2017) 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:

2026 Notes: .... The Issuer may redeem the 2026 Notes:

- in whole or in part at any time prior to January 30, 2026 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—2026 Notes,*" 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 January 30, 2026, 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—2026 Notes,*" plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

2029 Notes:............................ The Issuer may redeem the 2029 Notes:

- in whole or in part at any time prior to January 30, 2029 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—2029 Notes,*" 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 January 30, 2029, 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—2029 Notes,*" 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.*"
Segregated Account; Special Mandatory Redemption	Concurrently with the issuance of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the Offering into the Segregated Account, pending consummation of the first to occur of the Nets Merger or the SIA Merger. All of the proceeds may be released from the Segregated Account to the Issuer upon the earlier to occur of (i) the date that is two business days before the expected occurrence of the Nets Merger Closing Date or (ii) the date that is two business days before the expected occurrence of the SIA Merger Closing Date (the date on which the proceeds may be released from the Segregated Account being referred to as the "Release Date"). On the Release Date, the Issuer may retain such proceeds for use in the other Merger and/or for general corporate purposes, including repayment of existing indebtedness of the Issuer. See "*Use of Proceeds*" and "*Capitalization*." In the event that, in the reasonable judgment of the Issuer, neither Merger will be consummated on or prior to July 14, 2022 (the "Longstop Date"), or upon the occurrence of certain other events described herein, the Issuer will be required to redeem all the Notes (the "Special Mandatory Redemption") at a price equal to 100% of the issue price of the Notes, plus any accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, such redemption date. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption*."
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 Agreements, the Existing Notes, 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 (excluding the 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 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 Investors*" 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	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit them for trading on the Euro MTF market (the "Exchange") thereof. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such 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 UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA OF THE COMBINED GROUP

The following tables present the Combined Group's summary unaudited pro forma consolidated financial information and other data as of and for the year ended December 31, 2020. This information and other data illustrate the effect of the Pro Forma Transactions on the Issuer's results of operations, as if the Pro Forma Transactions had been completed on January 1, 2020.

The unaudited pro forma consolidated statement of financial position has been prepared assuming that the Pro Forma Transactions had occurred on December 31, 2020. The unaudited pro forma consolidated income statements for the year ended December 31, 2020 has been prepared assuming that the Pro Forma Transactions had occurred on January 1, 2020. The Unaudited Pro Forma Consolidated Financial Information does not purport to represent what the actual results of operations of the Combined Group would have been if the Pro Forma Transactions had actually occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial condition. The actual results of the Combined Group may differ significantly from those reflected in the Unaudited Pro Forma Consolidated Financial Information for reasons, including, but not limited to, differences in assumptions used to prepare the Unaudited Pro Forma Consolidated Financial Information. The Unaudited Pro Forma Consolidated Financial Information does not reflect any changes in the business of the Issuer, Nets or SIA or any other changes arising from the Pro Forma Transactions after December 31, 2020.

The Unaudited Pro Forma Consolidated Financial Information has been derived from the Issuer's Consolidated Financial Statements, the Nets Consolidated Financial Statements and the SIA Consolidated Financial Statements, with certain pro forma adjustments made to give effect to the Pro Forma Transactions. The assumptions and estimates underlying the Unaudited Pro Forma Consolidated Financial Information are described in the accompanying notes thereto, which should be read together with the Unaudited Pro Forma Consolidated Financial Information. For a detailed description of the basis of presentation with respect to the pro forma financial information of the Combined Group, see "Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information."

The Unaudited Pro Forma Consolidated Financial Information is based upon available information, including preliminary estimates that are subject to change once more detailed information is obtained, and certain assumptions that we believe to be reasonable. The Unaudited Pro Forma Consolidated Financial Information is presented for information purposes only and is not intended to represent or be indicative of the financial condition or results of operations that we would have reported had the Pro Forma Transactions actually occurred during the periods 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 as of any future date or for any future period. 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. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Consolidated Financial Information have been audited or reviewed. See "Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information."

Any differences between the summary Unaudited Pro Forma Consolidated Financial Information and our future results of operations and financial position may be material. The Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with "The Transactions", "Unaudited Pro Forma Consolidated Financial Information," "Presentation of Financial and Other Information," "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer" "Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations," "SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the notes thereto included elsewhere in this offering memorandum.

Pro Forma Consolidated Income Statement

(in € million)	Year ended December 31, 2020
Fee for services rendered and commission income	4,298.4
Fee for services received and commission expense	(1,476.6)
Net fee and commission income	**2,821.8**
Interest and similar income	28.0
Interest and similar expense	(225.1)
Net interest income	**(197.1)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss	25.9
Dividends and profit/loss from investments and sale of assets at fair value through OCI	(8.5)
Financial and operating income	**2,642.2**
Personnel expenses	(765.5)
Other administrative expenses	(1,078.7)
Total administrative expenses	**(1,844.2)**
Other operating income, net	10.5
Net value adjustments on assets measured at amortized cost	(38.9)
Net accruals to provisions for risks and charges	(72.1)
Amortization, depreciation and net impairment losses on tangible and intangible assets	(689.2)
Operating margin	**8.3**
Profit (Loss) from equity investments and disposal of investments	0.8
Pre-tax profit from continuing operations	**9.1**
Income taxes	(95.5)
Profit (Loss) after tax from discontinued operations	(0.7)
Profit for the year	**(87.1)**

Pro Forma Consolidated Balance Sheet

(in € million)	As at December 31, 2020
Assets	
Cash and cash equivalents	1,123.0
Financial assets at fair value through profit or loss	9.1
Financial assets at fair value through OCI	151.7
Financial assets measured at amortized cost	2,647.3
a) Loans and receivables with banks	*622.9*
b) Loans and receivables with financial entities and clients	*2,024.4*
Equity investments	36.7
Property, equipment	523.2
Investment property	2.1
Intangible assets	17,194.2
of which: goodwill	*14,633.3*
Tax assets	184.6
a) Current	*71.7*
b) Deferred	*112.9*
Non-current assets held for sale and discontinued operations	1.7
Other assets	1,137.6
Total assets	**23,011.2**
Liabilities	
Financial liabilities measured at amortized cost	8,462.8
a) Due to banks	*5,722.2*
b) Due to financial entities and clients	*1,474.9*
c) Securities issued	*1,265.7*
Financial liabilities at fair value through profit or loss	509.4
Hedging derivatives	11.0
Tax liabilities	496.4
Current	*11.1*
Deferred	*485.3*
Liabilities associated with non-current assets held for sale and discontinued operations	0.5
Other liabilities	1,217.1
Post-employment benefits	47.8
Provisions for risks and charges	69.8
Equity	**12,196.4**
Group Equity	*12,053.3*
Equity attributable to non-controlling entities	*143.1*
Total liabilities and net equity	**23,011.2**

Pro Forma Consolidated Reclassified Income Statement[(1)]

(in € million)	Year ended December 31, 2020
Operating revenue	**2,810.8**
Personnel expenses	(689.3)
Operating costs	(873.6)
Total Costs	**(1,562.9)**
Normalized EBITDA	**1,247.9**
Amortization & depreciation	(535.7)
Amortization & depreciation (customer contracts)	(155.3)
Interest and financing costs	(168.3)
Non-recurring items	(380.2)
Pre-tax profit	**8.3**
Income taxes	(95.4)
Profit for the year	**(87.1)**

(1) The Pro Forma Consolidated Income Statement has been reclassified to show a condensed overview of the operating performance of the Combined Group, as assessed by the Issuer's management.

Other Pro Forma Financial Data

(in € million)	Year ended December 31, 2020
Pro Forma Operating Revenues[(1)]	2,810.8
Pro Forma Run Rate Operating Revenues[(2)]	2,866.6
Pro Forma Normalized EBITDA[(3)]	1,247.9
Pro Forma Normalized EBITDA Margin[(4)]	44.4%
Pro Forma Run Rate Normalized EBITDA[(3)]	1,503.8
Pro Forma Run Rate Normalized EBITDA Margin[(4)]	52.5%
Pro Forma Cash Investments (Capital Expenditure)[(5)]	369.5
Pro Forma Cash Conversion[(6)]	81.4%
Pro Forma Net Financial Position[(7)]	(5,243.0)
Pro Forma Net Interest Expense[(8)]	105.8
Ratio of Pro Forma Net Financial Position to Pro Forma Run Rate Normalized EBITDA[(9)]	3.5x
Ratio of Pro Forma Run Rate Normalized EBITDA to Pro Forma Net Interest Expense[(10)]	14.2x

(1) Pro Forma Operating Revenues is defined as the Pro Forma Financial and operating income, net of interest and financing costs and non-recurring components for the years ended December 31, 2020. For a detailed description of the Pro Forma Operating Revenues, see also "*Unaudited Pro Forma Consolidated Financial Information—Pro Forma Net Financial Position*."

(2) Pro Forma Run Rate Operating Revenues is defined as Pro Forma Operating Revenues for the year adjusted for: (i) synergies related to the Nets Merger, (ii) synergies related to the SIA Merger and (iii) non-recurring revenues for e-security projects and pricing rebasing for the Issuer & eSecurity business segment of Nets. Pro Forma Run Rate Operating Revenues excludes pro forma adjustments for the acquisition of CCV for €15.1 million.

(in € million)	Year ended December 31, 2020
Pro forma Operating Revenues	**2,810**
Synergies related to the Nets Merger	61.7
Synergies related to the SIA Merger	50.0
Non-recurring revenues for e-security projects and pricing rebasing for the Issuer & eSecurity business segment of Nets	(55.9)
Pro Forma Run Rate Operating Revenues	**2,866.6**

(3) Pro Forma Normalized EBITDA is defined as pro forma profit for the year adjusted for: (i) profit (loss) after tax from discontinued operations, (ii) income taxes, (iii) profit (loss) from equity investments and disposal of investments, (iv) interest and financing costs, (v) amortization, depreciation and impairment losses on tangible and intangible assets, (vi) non-recurring expenses and income and (vii) other. Pro Forma Run Rate Normalized EBITDA is defined as Pro Forma Normalized EBITDA adjusted for certain run-rate synergies, e-security projects and pricing rebasing for the Issuer & eSecurity business segment of Nets, cost savings and other adjustments related to the Mergers. Pro Forma Run Rate Normalized EBITDA does not account for the impact of restructuring, integration and one-off costs associated with achieving anticipated synergies in connection with the Mergers. See also "*Risk Factors—Risks Related to the Transactions—The Combined Group may not be able to realize the anticipated cost savings, revenue synergies and capital expenditure efficiencies in connection with the Mergers*."

Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA are not measurements of performance under IFRS. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of the Combined Group and its business and operations and is based on 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 financial condition or results of operations of the Combined Group for the period presented, may not be comparable with the Financial Statements or the other financial information included in this offering memorandum. Since all companies do not calculate this measure in an identical manner, our presentation may differ from and not be comparable to similar measures used by other companies. This information does not represent the results the Combined Group 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 non-recurring will not recur in the future or that similar items will not be incurred in the future. Therefore, investors should not place undue reliance on this data. See "*Presentation of Financial and Other Information— Non-GAAP Financial Information—Non-GAAP and Other Performance Measures.*"

We believe that these EBITDA-based measures are useful to investors in evaluating the operating performance of the Combined Group and its ability to incur and service its indebtedness. Set forth below is a reconciliation of Pro Forma Normalized EBITDA and Pro Forma Run Rate Normalized EBITDA to Pro Forma profit/(loss) for the year ended December 31, 2020.

(in € million)	**Year ended December 31, 2020**
Pro Forma Profit for the year	**(87.1)**
Profit (Loss) after tax from discontinued operations	0.7
Income taxes	95.4
Profit (Loss) from equity investments and disposal of investments	(0.8)
Interest and financing costs	168.3
Amortization, depreciation and net impairment losses on tangible and intangible assets	689.2
Non-recurring expenses and income[a]	380.2
Other	1.9
Pro Forma Normalized EBITDA	**1,247.9**
Synergies/Cost savings/other adjustments related to the Nets Merger[b]	135.0
Synergies/Cost savings/other adjustments related to the SIA Merger[c]	135.0
Non-recurring items for e-security projects and pricing rebasing for the Issuer & eSecurity business segment of Nets	(14.1)
Pro Forma Run Rate Normalized EBITDA	**1,503.8**

(a) Non-recurring expenses consist of non-recurring items of Nexi, Nets and SIA for the year ended December 31, 2020. This item does not include cost savings and synergies which we expect to achieve following the completion of the Nets Merger and the SIA Merger. For further details on Non-recurring expenses and income, see "*Summary of Financial Information and Other Data of the Issuer*," "*Summary of Financial Information and Other Data of Nets,*" and "*Summary of Financial Information and Other Data of SIA*."

(b) Run rate synergies represents the estimated run rate effect on Pro Forma Run Rate Normalized EBITDA of annualized run-rate cost savings and synergies in connection with the Nets Merger which we expect to achieve following the completion of the Nets Merger, consisting of (i) approximately €95 million of cost synergies resulting from rationalization of our IT and technology platforms, the creation of shared services and competence centers to drive operational excellence and centralize procurement process and (ii) approximately €40 million of revenue synergies resulting from cross-selling opportunities and enhanced offering proposition. Additional approximately €35 million of run-rate capex savings, which are not included in the Synergies/Cost savings/other adjustments related to the Nets Merger line item, are expected to be achieved from centralization of investments, joint investment planning with increasing efficiencies and the consolidation of our processing platforms. We expect to achieve approximately 90% of the cost-savings in connection with the Mergers by the end of 2024. See "*Risk Factors—Risks Related to the Transactions—The Combined Group may not be able to realize the anticipated operational efficiencies and cost savings*."

(c) Run rate synergies represents the estimated run rate effect on Pro Forma Run Rate Normalized EBITDA of annualized run-rate cost savings and synergies in connection with the SIA Merger which we expect to achieve following the completion of the SIA Merger, consisting of approximately €100 million of cost synergies resulting from the optimization of our IT and technology platforms, insourcing, increased operational efficiency and centralization of the procurement process, approximately €35 million of revenue synergies resulting from cross-selling opportunities and enhanced offering proposition. Additional approximately €15 million of run-rate capex savings, which are not included in the Synergies/Cost savings/other adjustments related to the SIA Merger line item, are expected to be achieved from the optimization of investments in overlapping applications and new product and platform development. In addition to the aforementioned run-rate cost savings and synergies, additional €65 million of one-off cost savings are expected to be realized in connection with the SIA Merger resulting from the rationalization of certain transformation investments, which for their non-recurring nature, are not included in the Pro Forma Run Rate Normalized EBITDA. We expect to achieve approximately 90% of the cost-savings in connection with the Mergers by the end of 2024. See "*Risk Factors—Risks Related to the Transactions—The Combined Group may not be able to realize the anticipated operational efficiencies and cost savings*."

(4) Pro Forma Normalized EBITDA Margin is defined as the ratio between Pro Forma Normalized EBITDA and Pro Forma Operating Revenues, expressed as a percentage. Pro Forma Run Rate Normalized EBITDA Margin is defined as the ratio between Pro Forma Run Rate Normalized EBITDA and Pro Forma Run Rate Operating Revenues, expressed as a percentage.

(5) Pro forma Investments (Capital Expenditure) represents the sum of the Combined Group's capital expenditures for (i) ordinary tangible and intangible assets and (ii) IT and Strategy Transformation Projects. Set forth below is a summary of Pro Forma Investments (Capital Expenditure), for the year ended December 31, 2020.

(in € million)	**Year ended December 31, 2020**
Ordinary tangible and intangible assets[(a)(b)]	279.3
IT and Strategy Transformation Projects[(a)(c)]	90.2
Pro Forma Investments (Capital Expenditure)	**369.5**

(a) SIA's investments in Ordinary tangible and intangible assets and IT and Strategy Transformation Projects are calculated as additions net of disposals, exchange differences and other changes.

(b) Ordinary tangible and intangible assets mainly consist of investments in electronic equipment (in particular, POS terminals) and investments for the modernization of existing technological infrastructure.

(c) IT and Strategy Transformation Projects consist of investments for the development of IT platforms and systems, processing platforms and payment solutions. Investments in IT and Strategy Transformation Projects consist of (i) €34.9 million related to the Issuer, (ii) €18.3 million related to Nets and (iii) €37.0 million related to SIA.

(6) Pro forma cash conversion is defined as the ratio between Pro Forma Run Rate Normalized EBITDA less Ordinary tangible and intangible assets Investments and Pro Forma Run Rate Normalized EBITDA, expressed as percentage.

(7) Set forth below is a summary of the Pro Forma Net Financial Position, as at December 31, 2020. For a detailed description of the Pro Forma Net Financial Position, see also "*Unaudited Pro Forma Consolidated Financial Information—Pro Forma Net Financial Position*."

(in € million)	As at December 31, 2020
Cash	766.6
Other cash and cash equivalent	695.9
Trading securities	—
Liquidity	**1,462.5**
Current financial receivables	**11.1**
Current Bank debt	(416.1)
Current portion of non-current debt	(584.5)
Other current financial debt	(620.6)
Current Financial Debt	**(1,621.2)**
Net Current Financial Position	**(147.6)**
Non-Current Bank loans	(2,226.0)
Notes issued	(1,265.7)
Other non-current financial debt	(1,603.7)
Non-current Financial Position	**(5,095.4)**
Net Financial Position	**(5,243.0)**

Net Financial Position calculated taking in consideration the amounts expected to be absorbed in the period from January 1, 2021 until the Nets Merger Closing Date and the SIA Merger Closing Date and not included in the Unaudited Pro Forma Consolidated Financial Information would be equal to €5,711.3 million (the "Pro Forma Net Financial Position at Closing"). See "*Capitalization*."

(8) Pro Forma Net Interest Expense is defined as the Combined Group's cash interest expense on pro forma financial debt (excluding other financial liabilities) including commitments fees and agency fees, pro forma to give effect to the Pro Forma Transactions.

(9) Ratio of Pro Forma Net Financial Position to Pro Forma Run Rate Normalized EBITDA is defined as the ratio between Pro Forma Net Financial Position and Pro Forma Run Rate Normalized EBITDA. Ratio of Pro Forma Net Financial Position at Closing to Pro Forma Run Rate Normalized EBITDA would be equal to 3.8x.

(10) Ratio of Pro Forma Run Rate Normalized EBITDA to Pro Forma Net Interest Expense is defined as the ratio between Pro Forma Run Rate Normalized EBITDA and Pro Forma Net Interest Expense.

SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA OF THE ISSUER

The following tables include information derived from the Issuer's Consolidated Financial Statements and certain other financial information and other data of the Issuer as of and for the years ended December 31, 2020 and 2019. We have extracted the historical summary consolidated financial information as of and for each of the years ended December 31, 2020 and 2019, from the Issuer's Consolidated Financial Statements included elsewhere in this offering memorandum. Some of the performance indicators and ratios shown below were taken from the Issuer's accounting records and are not included in the Issuer's Consolidated Financial Statements. See "Presentation of Financial and Other Information—Historical Financial Information of the Issuer."

The summary consolidated financial information below includes certain non-GAAP measures that we use to evaluate the Issuer's economic and financial performance. These measures are not identified as accounting measures under GAAP and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with GAAP or those calculated using financial measures that are prepared in accordance with GAAP. See "Presentation of Financial and Other Information—Non-GAAP Financial Information."

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

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information— Historical Financial Information of the Issuer," "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer" and the Issuer's Consolidated Financial Statements and the notes thereto included elsewhere in this offering memorandum. The Issuers' historical results do not necessarily indicate results that may be expected for any future period.

Summary Historical Consolidated Income Statement Information

(in € million)	Year ended December 31, 2020	2019
Fee for services rendered and commission income	1,644.0	1,642.5
Fee for services received and commission expense	(637.8)	(647.1)
Net fee and commission income	**1,006.2**	**995.4**
Interest and similar income	**15.3**	**18.0**
Interest and similar expense	(87.9)	(183.5)
Net interest income / (costs)	**(72.6)**	**(165.5)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at fair value through profit or loss	(0.1)	(7.5)
Dividends and profit / loss from investments and sale of assets at fair value through OCI	(6.6)	(8.7)
Financial and operating income	**926.9**	**813.7**
Personnel expenses	(180.6)	(223.7)
Other administrative expenses	(350.0)	(391.0)
Total administrative expenses	**(530.6)**	**(614.7)**
Other operating income, net	(4.4)	(2.1)
Net value adjustments on assets measured at amortized cost	(6.9)	(6.3)
Net accruals to provisions for risks and charges	0.2	6.5
Amortization, depreciation and net impairment losses on tangible and intangible assets	(175.3)	(155.8)
Operating margin	**209.9**	**41.3**
Profit (Loss) from equity investments and disposal of investments	(0.2)	(0.6)
Pre-tax profit from continuing operations	**209.7**	**40.7**
Income taxes	(79.7)	(4.1)
Profit (Loss) after tax from discontinued operations	(0.7)	99.5
Profit for the year	**129.3**	**136.1**

Historical Consolidated Balance Sheet

(in € million)	As at December 31, 2020	2019
Assets		
Cash and cash equivalents	159.1	115.4
Financial assets at fair value through OCI	151.7	118.6
Financial assets measured at amortized cost	1,540.6	1,595.7
a) Loans and receivables with banks	578.7	507.0
b) Loans and receivables with financial entities and clients	961.9	1,088.7
Property equipment	186.9	193.1
Investment property	2.1	2.2
Intangible assets	3,707.4	2,684.7
of which: Goodwill	*2,856.5*	*2,093.4*
Tax assets	54.9	101.9
a) Current	*4.4*	*37.6*
b) Deferred	*50.5*	*64.3*
Non-current assets held for sale and discontinued operations	1.7	2.3
Other assets	481.7	474.4
Total assets	**6,286.1**	**5,288.3**
Liabilities		
Financial liabilities measured at amortized cost	3,862.9	3,140.4
a) Due to banks	*2,226.4*	*1,952.1*
b) Due to financial entities and clients	*370.8*	*369.3*
c) Securities issued	*1,265.7*	*819.0*
Financial liabilities held for trading	22.9	—
Tax liabilities	243.3	131.9
a) Current	*19.1*	*1.8*
b) Deferred	*224.2*	*130.1*
Liabilities associated with non-current assets held for sale and discontinued operations	0.5	0.3
Other liabilities	557.5	644.6
Post-employment benefits	14.8	14.5
Provisions for risks and charges	26.4	32.0
Total liabilities	**4,728.3**	**3,963.7**
Share capital	57.1	57.1
Share premium	1,082.2	1,082.2
Reserves	236.9	29.4
Valuation reserves	44.0	13.6
Profit for the year (+/-)	127.9	135.2
Equity attributable to non-controlling interests (+/-)	9.7	7.1
Net equity	**1,557.8**	**1,324.6**
Total liabilities and net equity	**6,286.1**	**5,288.3**

Historical Consolidated Cash Flow Statement

(in € million)	Year ended December 31, 2020	2019
Net cash flows generated by operating activities	178.5	180.2
Net cash flows used in investing activities	(1,080.4)	(16.7)
Net cash flows generated by (used in) financing activities	945.6	(88.8)

Other Financial Data

(in € million)	Year ended December 31,	
	2020	2019
Normalized EBITDA[(1)]	553.7	502.5
Normalized EBITDA Margin[(2)]	55.7%	51.1%
Net Financial Position[(3)]	(2,282.0)	(1,592.1)
Interest and financing costs[(4)]	65.2	159.9
Ratio of Net Financial Position to Normalized EBITDA[(5)]	4.1	3.2
Ratio of Normalized EBITDA to Interest and financing costs[(6)]	8.5	3.1

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(1) We define Normalized EBITDA as profit for the year adjusted for (i) profit (loss) after tax from discontinued operations, (ii) income taxes, (iii) profit (loss) from equity investments and disposal of investments, (iv) interest and financing costs, (v) amortization, depreciation and impairment losses on tangible and intangible assets, (vi) non-recurring expenses and income and (vii) other non-recurring expenses/income impacting EBITDA.

Normalized EBITDA is not a measurement of performance under IFRS. This measure is not indicative of historical operating results, nor is it meant to be predictive of future results. This measure is used to monitor the underlying performance of the Issuer and its business and operations and is based on management estimates. This amount has 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. Since all companies do not calculate this measure in an identical manner, the Issuer's presentation may differ from and not be comparable to similar 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. 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 non-recurring will not recur in the future or that similar items will not be incurred in the future. Therefore, investors should not place undue reliance on this data. See "*Presentation of Financial and Other Information— Non-GAAP Financial Information—Non-GAAP and Other Performance Measures.*"

We believe that Normalized EBITDA is useful to investors in evaluating the operating performance of the Issuer and its ability to incur and service its indebtedness. Set forth below is a reconciliation of Normalized EBITDA to profit for the year which we believe is its closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019:

(in € million)	Year ended December 31,	
	2020	2019
Profit for the year	**129.3**	**136.1**
Profit (Loss) after tax from discontinued operations[(a)]	0.7	(99.5)
Income taxes[(b)]	79.7	4.1
Profit (Loss) from equity investments and disposal of investments[(c)]	0.2	0.6
Interest and financing costs[(d)]	65.2	159.9
Amortization, depreciation and net impairment losses on tangible and intangible assets[(e)]	175.3	155.8
Non-recurring expenses and income[(f)]	2.0	10.5
Other non-recurring expenses/income impacting EBITDA[(g)]	101.3	135.0
Normalized EBITDA	**553.7**	**502.5**

(a) Profit (Loss) after tax from discontinued operations consists of (i) for the year ended December 31, 2020, profit/loss of interests classified as held for sale with respect to the disposition of the equity investment in Orbital Cultura S.r.l. (formerly BassmArt S.r.l.) in an amount of €0.7 million and (ii) for the year ended December 31, 2019, primarily capital gains net of tax realized as a result of the disposition of the equity investment in Oasi S.p.A., Pay Case S.r.l. and Moneynet S.p.A. in an amount of €99.5 million, consisting of €100.8 million in gross capital gains and €1.3 million in taxes.

(b) Income taxes consists of (i) for the year ended December 31, 2020, current tax expense in an amount of €62.2 million, changes in current tax expense from previous periods in an amount of €0.2 million, change in deferred tax assets in an amount of €17.4 million and change in deferred tax liabilities in an amount of €0.3 million and (ii) for the year ended December 31, 2019, current tax expense in an amount of €19.8

million, changes in current tax expense from previous periods in an amount of €0.2 million, change in deferred tax assets in an amount of €12.2 million and change in deferred tax liabilities in an amount of €3.3 million.

(c) Profit (Loss) from equity investments and disposal of investments consists of (i) for the year ended December 31, 2020, loss on investments in an amount of €0.2 million and (ii) for the year ended December 31, 2019, profit from sale of investments in an amount of €0.2 million and loss on investments in an amount of €0.8 million.

(d) Interest and financing costs consist of (i) for the year ended December 31, 2020, interest and commissions on existing financing indebtedness of the Issuer in an amount of €63.2 million, IFRS 16 interest in an amount of €0.9 million, and interest expenses on other loans in an amount of €1.1 million and (ii) for the year ended December 31, 2019, interest and commissions on existing financing indebtedness of the Issuer in an amount of €158.3 million, IFRS 16 interest in an amount of €1.3 million and interest expenses on other loans in an amount of €0.3 million. This line item does not include interest and financing costs incurred for financing the operating activities of the Issuer.

(e) Amortization, depreciation and impairment losses on tangible and intangible assets consists of (i) for the year ended December 31, 2020, depreciation and net impairment losses on property, equipment and investment property in an amount of €59.2 million and amortization and net impairment losses on intangible assets in an amount of €116.1 million and (ii) for the year ended December 31, 2019, depreciation and net impairment losses on property, equipment and investment property in an amount of €61.8 million and amortization and net impairment losses on intangible assets in an amount of €94.0 million.

(f) Non-recurring expenses and income primarily consists of (i) for the year ended December 31, 2020, non-recurring commercial and marketing expenses in an amount of €2.0 million and (ii) for the year ended December 31, 2019, non-recurring costs consisting of a trading-book derivative in an amount of €8.3 million and costs related to Bassilichi in an amount of €1.6 million.

(g) Other non-recurring expenses/income impacting EBITDA primarily consists of (i) for the year ended December 31, 2020, non-recurring costs associated with a stock grant plan and the long-term incentive plan in an amount of €26.4 million, transformation costs in an amount of €24.0 million, costs related to the ISP Acquisition in an amount of €21.9 million, other charges for extraordinary transactions and business combination in an amount of €16.0 million, costs related to the impact of COVID-19 in an amount of €4.1 million and other minor expenses of €8.9 million, and (ii) for the year ended December 31, 2019, non-recurring costs associated with a stock grant plan in an amount of €51.4 million, IPO-related costs in an amount of €22.0 million, transformation costs in an amount of €51.9 million and other charges for extraordinary transactions/operations in an amount of €7.9 million.

(2) Normalized EBITDA margin is defined as the ratio between Normalized EBITDA and Operating revenues, expressed as a percentage.

(3) Set forth below is a summary of the Net Financial Position of the Issuer, as at December 31, 2020 and 2019.

	As at December 31,	
(in € million)	**2020**	**2019**
Cash	159.1	115.4
Cash equivalent	340.0	133.0
Trading securities	—	—
Liquidity	**499.1**	**248.1**
Current financial receivables	**—**	**—**
Current Bank debt	(10.3)	(13.6)
Current portion of non-current debt	—	—
Other current financial debt	(4.4)	—
Current Financial Debt	**(14.7)**	**(13.6)**
Current Financial Position	**484.4**	**234.8**
Non-Current Bank loans	(44.0)	(15.3)
Notes issued	(1,265.7)	(819.0)
Other non-current financial debt	(1,456.7)	(992.6)
Non-current Financial Position	**(2,766.4)**	**(1,826.9)**
Net Financial Position	**(2,282.0)**	**(1,592.1)**

(4) Represents the interest and financing costs, without giving effect to the Pro Forma Transactions. See also footnote (1)(d) above.

(5) Ratio of net Net Financial Position to Normalized EBITDA is defined as the ratio between Net Financial Position and Normalized EBITDA.

(6) Ratio of Normalized EBITDA to Interest and financing costs is defined as the ratio between Normalized EBITDA and interest and financing costs.

Investments (Capital Expenditure)

	Year ended December 31,	
(in € million)	**2020**	**2019**
Ordinary tangible and intangible assets	100.3	102.8
IT and Strategy Transformation Projects	34.9	64.5
Investments (Capital Expenditure)	**135.2**	**167.3**

Certain Key Performance Measures

	Year ended December 31,	
(in € million)	**2020**	**2019**
Merchant Services & Solutions	500.0	479.0
Cards & Digital Payments	380.0	387.4
Digital Banking Solutions	113.9	117.7
Operating revenues	**993.9**	**984.1**

Other Aggregated Operating Information(1)(2)

	Year ended December 31,	
	2020	**2019**
Number of managed transactions (in million)	5,655	6,221
Value of card transactions (€ billion)	417.2	470.9

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(1) 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 of the Issuer—Key Factors Affecting Our Results of Operations and Financial Condition*" and "*Risk Factors—Risks Related to the Combined Group's Business and Industry*."

(2) The figures presented in this table aggregate the number of transactions managed under all of the Issuer's business models and services.

SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA OF NETS

The following tables include information derived from the Nets Consolidated Financial Statements and certain other financial information and other data of Nets as of and for the year ended December 31, 2020. We have extracted the historical summary consolidated financial information as of and for the year ended December 31, 2020, from the Nets Consolidated Financial Statements included elsewhere in this offering memorandum. Some of the performance indicators and ratios shown below were taken from Nets' accounting records and are not included in the Nets Consolidated Financial Statements. See "Presentation of Financial and Other Information—Historical Financial Information of Nets."

The summary consolidated financial information below includes certain non-GAAP measures that we use to evaluate Nets' economic and financial performance. These measures are not identified as accounting measures under GAAP and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with GAAP or those calculated using financial measures that are prepared in accordance with GAAP. See "Presentation of Financial and Other Information—Non-GAAP Financial Information"

The Nets Consolidated Financial Statements have been prepared in accordance with IFRS, as adopted by the European Union.

The summary consolidated financial information of Nets presented below has not been adjusted to reflect the impact of any changes to the relevant consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of the acquisition accounting to be applied as a result of the Nets Merger. The application of acquisition accounting adjustments could result in different carrying values for existing assets and assets we may add to our consolidated statement of financial position, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the consolidated financial statements presented below once the acquisition accounting adjustments have been made.

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information—Historical Financial Information of Nets," "Use of Proceeds," "Capitalization" and "Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Nets Consolidated Financial Statements and the notes thereto included elsewhere in this offering memorandum. Nets' historical results do not necessarily indicate results that may be expected for any future period.

Historical Consolidated Income Statement

(in € million)	Year ended December 31, 2020	2019
Revenue, gross	1,567.4	1,883.2
Interchange fees and processing fees	(592.3)	(872.4)
Revenue, net of interchange fees and processing fees	**975.1**	**1,010.8**
Cost of sales	(69.3)	(63.6)
External expenses	(252.9)	(257.3)
Staff costs	(308.8)	(326.9)
Operating results before depreciation and amortization (EBITDA) before special items (EBITDA b.s.i.)	**344.1**	**363.0**
Special items	(214.4)	(317.2)
Operating results before depreciation and amortization (EBITDA)	**129.7**	**45.8**
Amortization of business combination intangibles, customer agreements & impairment losses	(193.0)	(186.5)
Underlying depreciation and amortization	(128.1)	(109.1)
Operating result (EBIT)	**(191.4)**	**(249.8)**
Result from associates after tax	1.1	0.5
Fair value adjustment on liability related to VISA shares	—	(1.6)
Fair value adjustment of VISA shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden	0.4	5.0
Financial income and expenses, net	(279.2)	(304.5)
Financial expenses - refinancing costs	(9.1)	—
Net financials	**(286.8)**	**(300.6)**
Result before tax	**(478.2)**	**(550.4)**
Income taxes	20.8	34.0
Result from continuing operations	**(457.4)**	**(516.4)**
Results from discontinuing operations	61.5	35.7
Result for the year	**(395.9)**	**(480.7)**

Historical Consolidated Balance Sheet

(in € million)	As at December 31, 2020	2019
Non-current assets		
Goodwill	4,064.6	3,755.6
Other intangible assets	1,230.6	1,320.5
Plant and equipment	183.1	177.6
Investment in associates	36.0	35.3
Derivative financial instruments	0.0	9.3
Deferred tax assets	34.9	53.2
Total non-current assets	**5,549.2**	**5,351.5**
Current assets		
Inventories	17.8	12.3
Trade and other receivables	331.4	277.9
Contract assets	27.7	10.5
Clearing-related assets	514.9	787.6
Prepayments	43.0	38.9
Other financial assets	9.1	15.8
Cash and cash equivalent	728.4	956.2
Assets held-for-sale	1,779.9	1,724.9
Total current assets	**3,452.2**	**3,824.1**
Total assets	**9,001.4**	**9,175.6**
Equity and Liabilities		
Equity		
Share capital	1.5	1.5
Reserves	(391.8)	303.2
Equity, owners of Nets Topco 2 S. à r.l.	**(390.3)**	**304.7**
Non-controlling interests	133.4	132.2
Total equity	**(256.9)**	**436.9**
Liabilities		
Non-current liabilities		
Borrowings	4,333.2	3,716.2
Interest-bearing loans from owners	1,623.7	1,585.0
Preferred Equity Certificates	772.8	711.9
Unsettled shares	0.1	0.7
Pension liabilities, net	6.1	6.3
Derivative financial instruments	44.6	10.9
Other liabilities	15.7	168.6
Lease liabilities	67.9	77.1
Deferred tax liabilities	247.2	266.2
Total non-current liabilities	**7,111.3**	**6,542.9**
Current liabilities		
Bank overdraft	8.0	17.5
Trade and other payables	510.6	434.4
Contract liabilities	5.0	7.9
Clearing-related liabilities	1,018.4	1,546.9
Other liabilities	334.0	1.9
Lease liabilities	17.8	23.0
Other financial liabilities	1.2	1.4
Current tax liabilities	207.5	34.1
Liabilities held for sale	44.5	128.7
Total current liabilities	**2,147.0**	**2,195.8**
Total liabilities	**9,258.3**	**8,738.7**
Total equity and liabilities	**9,001.4**	**9,175.6**

Historical Consolidated Cash Flow Statement

(in € million)	Year ended December 31, 2020	2019
Cash flow used in operating activities excluding clearing-related balances	(8.6)	(53.3)
Change in clearing-related balances	(256.5)	179.1
Net cash generated by (used in) investing activities in the year	(524.4)	400.4
Net cash flows generated by financing activities in the year	579.7	346.4

Other Financial Data

(in € million)	Year ended December 31, 2020	2019
EBITDA(1)	129.7	45.8
EBITDA Margin(2)	13.3%	4.5%
EBITDA b.s.i.(1)	344.1	363.0
EBITDA b.s.i. Margin(2)	35.3%	35.9%
Adjusted EBIT(1)	216.0	253.9
Adjusted EBIT Margin(2)	22.2%	25.1%
Organic revenue growth(3)	(3.1%)	3.4%
Own cash(4)	216.2	178.0
Net Financial Position(5)	(7,002.3)	(6,167.8)
Financial expenses(6)	288.3	304.5
Ratio of Net Financial Position to EBITDA b.s.i.(7)	20.3	17.0
Ratio of EBITDA b.s.i. to Financial expenses(8)	1.2	1.2

(1) EBITDA is defined as earnings before interest, tax, depreciation and amortization and impairment losses. EBITDA b.s.i. (before special items) is defined as EBITDA excluding (i) investments in transformation programme, (ii) business setups, acquisitions and disposals, (iii) reorganization, restructuring and refurbishment costs and (iv) costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.. Adjusted EBIT represents EBITDA b.s.i., adjusted for underlying depreciation and amortization.

EBITDA b.s.i., and Adjusted EBIT are not measurements of performance under IFRS. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of Nets and its business and operations and are based on management estimates. There can be no assurance that items Nets has identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. Therefore, investors should not place undue reliance on this data. See "*Presentation of Financial and Other Information—Non-GAAP Financial Information—Non-GAAP and Other Performance Measures.*"

We believe that these EBITDA-based measures are useful to investors in evaluating the operating performance of Nets and its ability to incur and service its indebtedness.

Set forth below is a reconciliation of EBITDA b.s.i. and Adjusted EBIT to results for the year, which we believe is their closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019:

	Year ended December 31,	
(in € million)	**2020**	**2019**
Result for the year	**(395.9)**	**(480.7)**
Result from discontinuing operations[(a)]	(61.5)	(35.7)
Income taxes	(20.8)	(34.0)
Financial expenses - refinancing costs	9.1	—
Financial income and expenses, net[(b)]	279.2	304.5
Fair value adjustment of VISA shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden	(0.4)	(5.0)
Fair value adjustment on liability related to Visa shares	—	1.6
Result from associates after tax	(1.1)	(0.5)
Underlying depreciation and amortization	128.1	109.1
Amortization of business combination intangibles, customer agreements & impairment losses	193.0	186.5
EBITDA	**129.7**	**45.8**
Reorganization, restructuring and refurbishment[(c)]	36.9	29.5
Business set-ups, acquisitions and disposals[(d)]	36.8	33.7
Transformation programme[(e)]	57.8	60.6
Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.[(f)]	82.9	193.4
EBITDA b.s.i.	**344.1**	**363.0**
Underlying depreciation and amortization	(128.1)	(109.1)
Adjusted EBIT	**216.0**	**253.9**

(a) Results from discontinuing operations represents the divestment of activities that can be clearly distinguished, operationally and for financial reporting purposes, from the other businesses and the divestment of which is expected to be carried out within twelve months in accordance with a formalized plan.

(b) Financial income and expenses, net, comprise interest income and expenses, realized and unrealized gains, and dividends, losses on transactions denominated in foreign currencies, amortization of loan costs and securities and subsequent changes to contingent acquisition costs.

(c) Reorganization, restructuring and refurbishment costs are a special item that is recognized in Nets' consolidated income statement but that cannot be attributed directly to Nets' ordinary activities. Reorganization, restructuring and refurbishment costs for the year ended December 31, 2020 and the year ended December 31, 2019, amounting to €36.9 million and €29.5 million, respectively, mainly relate to termination of employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operationally excellent.

(d) Business setups, acquisitions and disposals costs are a special item that is recognized in Nets' consolidated income statement but that cannot be attributed directly to Nets' ordinary activities. Business setups, acquisitions and disposals costs for the year ended December 31, 2020 and for the year ended December 31, 2019, amounting to €36.8 million and €33.7 million, respectively, relate to costs related to external advisors in connection with acquisitions and other M&A related activities.

(e) Investments in transformation programme costs are a special item that is recognized in Nets' income statement but that cannot be attributed directly to Nets' ordinary activities. Investments in transformation programme cots for the year ended December 31, 2020 and for the year ended December 31, 2019, amounting to €57.8 million and €60.6 million, respectively, relate to the transformation programme. These costs related to the further development of a target operating model, and continued investments in security and stability programs as well as the implementation of cost optimisation programmes related to technology, operations and procurement. The cost of third-party consultants represents the majority of the costs relating to the transformation programme.

(f) Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc. is a special item recognized in Nets' consolidated income statement, which cannot be attributed directly to Nets' ordinary activities. Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc. for the year ended December 31, 2020, amounting to €82.9 million (of which €13.7 million relate to costs incurred in relation with the insolvency of Thomas Cook), mainly relate to the bankruptcy of Thomas Cook, as the Nets Group has the financial liability to compensate the card scheme and/or the issuing bank for charge-backs that had arisen/will arise if a customer did not/will not receive the services for which they have paid and seek compensation from the card issuer. In 2020, Nets experienced additional losses related to the Thomas Cook bankruptcy of €13.7 million, taking the total losses to €202.7 million.

(2) EBITDA Margin is defined as the ratio between EBITDA and revenue, net of interchange fees and processing fees, expressed as a percentage. EBITDA b.s.i. Margin is defined as the ratio between EBITDA b.s.i. and revenue, net of interchange fees and processing fees, expressed as a percentage. Adjusted EBIT Margin is defined as the ratio between Adjusted EBIT and revenue, net of interchange fees and processing fees, expressed as a percentage.

(3) Organic revenue growth is a measure of growth including the pro forma impact of the Nets Acquisitions, presented at constant foreign exchange rates.

(4) Own cash represents cash and cash equivalents, net of bank overdraft, excluding clearing-related balances and other proceeds received in cash to be passed through. The following table presents a reconciliation of own cash to cash and cash equivalents:

	As at December 31,	
(in € million)	**2020**	**2019**
Cash and cash equivalents, net of Bank overdraft	720.4	938.7
Clearing-related assets[(a)]	514.9	787.6
Clearing-related liabilities[(b)]	(1,018.4)	(1,546.9)
Adjustment for Visa proceeds	(0.6)	(0.8)
Deposit from squeeze-out	(0.1)	(0.6)
Own cash	**216.2**	**178.0**

(a) Clearing-related assets represents settlement assets consisting primarily of Nets' receivables from card schemes, networks and banks as a result of transactions processed on behalf of merchants or card issuing banks.

(b) Clearing-related liabilities represents (i) merchant creditors primarily consisting of Nets' liability to merchants for transactions that have been processed but have not yet settled in an amount of €891.4 million and €1,310.7 million as of December 31, 2020 and 2019, respectively, and (ii) settlement obligations consisting primarily of Nets' obligations to card schemes and networks for transactions made by cardholders who are customers of issuing banks for whom Nets processes transactions in an amount of €127.0 million and €236.2 million as of December 31, 2020 and 2019, respectively.

(5) Set forth below is a summary of the Net Financial Position of Nets, as at December 31, 2020 and 2019, without giving effect to the Pro Forma Transactions.

	As at December 31,	
(in € million)	**2020**	**2019**
Cash[(a)]	172.0	134.8
Cash equivalent	—	—
Trading securities	—	—
Liquidity	**172.0**	**134.8**
Current financial receivables	**—**	**—**
Current Bank debt	(8.0)	(17.5)
Current portion of non-current debt	(498.5)	(355.6)
Other current financial debt	(570.9)	(26.3)
Current Financial Debt	**(1,077.4)**	**(399.4)**
Current Financial Position	**(905.4)**	**(264.6)**
Non-Current Bank loans	(3,616.8)	(3,143.3)
Notes issued	—	(217.3)
Other non-current financial debt	(2,480.1)	(2,542.6)
Non-current Financial Position	**(6,096.9)**	**(5,903.2)**
Net Financial Position	**(7,002.3)**	**(6,167.8)**

(a) Cash is calculated as Own cash, net of restricted cash, amounting to €44.2 million as of December 31, 2020, and to €43.2 million as of December 31, 2019.

(6) Financial expenses include financial income and expenses, net, and financial expenses - refinancing costs, without giving effect to the Pro Forma Transactions.

(7) Ratio of Net Financial Position to EBITDA b.s.i. is defined as the ratio between Net Financial Position and EBITDA b.s.i.

(8) Ratio of EBITDA b.s.i. to financial expenses is defined as the ratio between EBITDA b.s.i. and Financial expenses.

Certain Key Performance Measures

Revenue, gross by Business Segment

	Year ended December 31,	
(in € million)	**2020**	**2019**
Merchant Services	1,190.2	1,477.2
Issuer & eSecurity Services	377.2	406.0
Revenue, gross	**1,567.4**	**1,883.2**

Revenue, gross by Geographic Area

	Year ended December 31,	
(in € million)	**2020**	**2019**
Denmark	466.1	490.1
Germany	450.1	702.7
Finland	201.8	244.1
Norway	199.5	236.9
Sweden	99.4	114.2
Poland	94.6	33.0
Croatia	45.3	49.6
Baltics	9.8	11.3
Switzerland	0.8	1.3
Revenue, gross	**1,567.4**	**1,883.2**

Revenue, gross by Transaction Type

(in € million)	Year ended December 31, 2020	2019
Transaction services	1,315.4	1,656.4
Non-transaction services	252.0	226.8
Revenue, gross	**1,567.4**	**1,883.2**

Revenue, net of interchange fees and processing fees by Business Segment

(in € million)	Year ended December 31, 2020	2019
Merchant Services	599.1	605.9
Issuer & eSecurity Services	376.0	404.9
Revenue, net of interchange fees and processing fees	**975.1**	**1,010.8**

Revenue, net of interchange fees and processing fees by Geographic Area

(in € million)	Year ended December 31, 2020	2019
Denmark	308.9	306.9
Germany	210.1	214.6
Finland	121.7	149.2
Norway	173.9	202.9
Sweden	58.0	61.5
Poland	50.3	18.0
Croatia	44.1	48.5
Baltics	7.7	8.8
Switzerland	0.4	0.4
Revenue, net of interchange fees and processing fees	**975.1**	**1,010.8**

Other Aggregated Operating Information(1)

	Year ended December 31, 2020	2019
Number of managed transactions (in million)(2)	6,119	6,440
Value of transactions (€ billion)(3)	104.0	126.8

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

(2) The number of managed transactions refers only to transactions in the Issuer & eSecurity business segment.

(3) The value of transactions refers only to transactions in the Merchant Services business segment.

SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA OF SIA

The following tables include information derived from the SIA Consolidated Financial Statements and certain other financial information and other data of SIA as of and for the years ended December 31, 2020 and 2019. We have extracted the historical summary consolidated financial information as of and for each of the years ended December 31, 2020 and 2019, from the SIA Consolidated Financial Statements included elsewhere in this offering memorandum. Some of the performance indicators and ratios shown below were taken from SIA's accounting records and are not included in the SIA Consolidated Financial Statements. See "Presentation of Financial and Other Information—Historical Financial Information of SIA."

The summary consolidated financial information below includes certain non-GAAP measures that we use to evaluate SIA's economic and financial performance. These measures are not identified as accounting measures under GAAP and therefore should not be considered a substitute for, or superior to, the equivalent measures calculated and presented in accordance with GAAP or those calculated using financial measures that are prepared in accordance with GAAP. See "Presentation of Financial and Other Information—Non-GAAP Financial Information"

The SIA Consolidated Financial Statements have been prepared in accordance with IFRS, as adopted by the European Union. No exemptions from IAS or IFRS were made.

The summary consolidated financial information of SIA presented below has not been adjusted to reflect the impact of any changes to the relevant consolidated income statement, the consolidated statement of financial position or the consolidated cash flow statement that may occur as a result of the acquisition accounting to be applied as a result of the SIA Merger. The application of acquisition accounting adjustments could result in different carrying values for existing assets and assets we may add to our consolidated statement of financial position, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the consolidated financial statements presented below once the acquisition accounting adjustments have been made.

You should read the information set forth below in conjunction with the sections "Presentation of Financial and Other Information—Historical Financial Information of SIA," "Use of Proceeds," "Capitalization" and "SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations" and the SIA Consolidated Financial Statements and the notes thereto included elsewhere in this offering memorandum. SIA's historical results do not necessarily indicate results that may be expected for any future period.

Historical Consolidated Statement of Profit or Loss

(in € million)	Year ended December 31, 2020	2019
Revenues from sales and services	**758.6**	**733.2**
Other revenues and income	3.2	3.3
Variation of inventories and commissions	1.0	0.8
Costs for raw materials, supplies, consumables and goods	(12.7)	(14.2)
Costs for services	(237.5)	(217.2)
Payroll costs	(207.9)	(215.0)
Other operating expenses	(31.2)	(33.0)
Adjusted operating margin	**273.5**	**257.9**
Depreciation and amortization	(115.2)	(110.8)
Adjustments to tangible and intangible assets	(49.3)	(3.6)
Adjustments to trade receivables	(1.1)	(3.7)
Provision for risks	(52.9)	(1.7)
Operating Income	**55.0**	**138.1**
Profit/(loss) from equity investments	(0.1)	—
Profit / (loss) from equity on investments	**(0.1)**	**—**
Profit / (loss) on financial assets and liabilities management	(1.9)	—
Management / trading of financial assets and liabilities	**(1.9)**	**—**
Interest income	0.5	0.4
Other financial income	—	2.2
Financial income	**0.5**	**2.6**
Interest expenses	(13.8)	(17.5)
Bank charges	(0.6)	(0.6)
Financial expenses	**(14.4)**	**(18.1)**
Net income before taxes	39.1	122.6
Income taxes	**(22.3)**	**(27.3)**
Net income from continuing operations	16.8	95.3
Profit/(loss) for the year	**16.8**	**95.3**

Historical Consolidated Balance Sheet

(in € million)	As at December 31, 2020	2019[(1)]
Assets		
Plant and machinery	71.3	64.5
Industrial and commercial equipment	0.5	0.5
Land and buildings	63.3	71.4
Other assets	4.4	3.7
Tangible assets in progress and advances	9.1	6.2
Leasehold improvements	4.6	5.1
Tangible assets	**153.2**	**151.4**
Goodwill	521.0	569.1
Other intangible assets	254.6	275.2
Intangible assets in progress and advances	44.8	49.7
Intangible assets	**820.4**	**894.0**
Investments	0.7	0.7
Non-current contract work-in-progress	—	0.6
Other non-current assets	0.1	0.8
Deferred tax assets	27.5	13.2
Total non-current assets	**1,001.9**	**1,060.7**
Inventories and contract work-in-progress	5.6	3.9
Current financial receivables	11.0	5.5
Current financial assets	0.1	0.1
Current tax assets	67.8	87.2
Current trade receivables	221.2	219.9
Other current assets	33.9	33.1
Cash and cash equivalents	161.4	97.4
Total current assets	**501.0**	**447.1**
Total assets	**1,502.9**	**1,507.8**
Equity		
Share capital	22.3	22.3
Share premium reserve	5.3	5.3
Reserves	300.1	204.8
Valuation reserve	(12.2)	(10.5)
Profit/(loss) for the year attributable to SIA	16.8	95.3
Total equity	**332.3**	**317.2**
Liabilities		
Non-current financial payables	595.7	679.2
Non-current financial liabilities	3.6	5.9
Provisions for employee benefits	26.9	25.9
Deferred tax liabilities	51.0	62.4
Provisions for risks	54.6	3.0
Other non-current liabilities	0.8	6.0
Total non-current liabilities	**732.6**	**782.4**
Current financial payables	258.7	227.8
Current financial liabilities	3.2	2.6
Current tax liabilities	13.5	4.3
Current trade payables	85.6	96.0
Other current liabilities	77.0	77.5
Total current liabilities	**438.0**	**408.2**
Total liabilities	**1,170.6**	**1,190.6**
Total equity and liabilities	**1,502.9**	**1,507.8**

(1) The following items for the year ended December 31, 2019 have been reclassified in the consolidated balance sheet of the SIA Consolidated Financial Statements as at December 31, 2019: (i) reclassification of the non-current portion of payables to social security institutions from the item Other current liabilities to the item Other non-current

liabilities in an amount of €4.3 million; and (ii) reclassification of assets in progress from the item Intangible assets to the item Tangible assets in an amount of €0.5 million.

Historical Consolidated Cash Flow Statement

	Year ended December 31,	
(in € million)	**2020**	**2019**[(1)]
Net cash from operating activities	227.7	140.3
Net cash used in investing activities	(66.5)	(76.6)
Net cash used in financing activities	(97.2)	(60.9)

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(1) The following items for the year ended December 31, 2019 have been reclassified in the consolidated cash flow statement of the SIA Consolidated Financial Statements as at and for the year ended December 31, 2019: (i) reclassification of the non-current portion of payables to social security institutions from the item Other current liabilities to the item Other non-current liabilities in an amount of €4.3 million; and (ii) reclassification of assets in progress from the item Intangible assets to the item Tangible assets in an amount of €0.5 million.

Other Financial Data

	Year ended December 31,	
(in € million)	**2020**	**2019**
EBITDA[(1)]	167.6	248.3
EBITDA Margin[(2)]	22.1%	33.9%
Adjusted EBITDA[(1)]	284.5	275.7
Adjusted EBITDA Margin[(2)]	37.5%	37.6%
Net Financial Position[(3)]	(688.6)	(812.4)
Financial expenses[(4)]	14.4	18.1
Ratio of Net Financial Position to Adjusted EBITDA[(5)]	2.4	2.9
Ratio of Adjusted EBITDA to Financial expenses[(6)]	19.8	15.2

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(1) EBITDA is defined as profit/(loss) for the year before income taxes, financial expenses, financial income, bank charges and depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding (i) management/trading of financial assets and liabilities, (ii) impairment of tangible and intangible assets, (iii) impairment of trade receivables, (iv) provision for risks, (v) consultancy costs for M&A and corporate projects, (vi) non-deductible VAT on consultancy costs for M&A and corporate projects, (vii) long-term incentives, and (viii) restructuring charges, (ix) employees' social security benefits; and (x) other income and costs.

Adjusted EBITDA is not a measurement of performance under IFRS. This measure is not indicative of historical operating results, nor is it meant to be predictive of future results. This measure is used to monitor the underlying performance of SIA and its business and operations and is based on management estimates. This amount has 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 five an accurate or complete picture of SIA's financial condition or results of operations for the periods presented, may not be comparable with SIA's consolidated financial statements or the other financial information included in this offering memorandum. Since all companies do not calculate these measure in an identical manner, SIA's presentation may differ from and not be comparable to similar measures used by other companies. 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 non-recurring will not recur in the future or that similar items will not be incurred in the future. Therefore, investors should not place undue reliance on this data. See "*Presentation of Financial and Other Information—Non-GAAP and Other Performance Measures.*"

We believe that Adjusted EBITDA is useful to investors in evaluating the operating performance of SIA and its ability to incur and service its indebtedness.

Set forth below is a reconciliation of EBITDA and Adjusted EBITDA to profit/(loss) for the year, which we believe is their closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019:

	Year ended December 31,	
(in € million)	**2020**	**2019**
Profit/(loss) for the year	**16.8**	**95.3**
Income taxes	22.3	27.3
Financial expenses	14.4	18.1
Financial income	(0.5)	(2.6)
Bank charges[(a)]	(0.6)	(0.6)
Depreciation and amortization	115.2	110.8
EBITDA	**167.6**	**248.3**
Profit/(loss) from equity investments	0.1	—
Management / trading of financial assets and liabilities	1.9	—
Impairment of tangible and intangible assets	49.3	3.6
Impairment of trade receivables	1.1	3.7
Provision for risks	52.9	1.7
Consultancy costs for M&A and Corporate projects[(b)]	12.5	7.3
Non-deductible VAT on consultancy costs for M&A and Corporate projects[(c)]	—	0.6
Long-term incentives[(d)]	(1.5)	5.7
Restructuring charges[(e)]	2.5	4.8
Income support benefits[(f)]	(2.4)	—
Other income and costs	0.5	—
Adjusted EBITDA	**284.5**	**275.7**

(a) Bank charges represent bank charges and commissions.

(b) Consultancy costs for M&A and corporate projects mainly consist of (i) for the year ended December 31, 2020, €5.8 million of expenses incurred in connection with the SIA Merger, €1.9 million costs incurred in connection with the potential initial public offering of SIA, discontinued during the course of the year, €1.8 million costs incurred for investments in the technological integration of companies acquired by SIA in previous years, €1.5 million legal and tax consulting fees incurred in connection with planned acquisitions and €1.2 million costs incurred in connection with SIA's internal reorganization process and (ii) for the year ended December 31, 2019, €4.6 million legal and tax consulting fees incurred in connection with planned acquisitions, €2.2 million costs incurred in connection with integration projects for companies acquired during the course of 2018 and €0.5 million of other legal, tax and corporate consulting fees.

(c) Non-deductible VAT on consultancy costs for M&A and corporate projects refers to certain non-deductible VAT items itemized under Other Operating Expenses in the SIA Consolidated Financial Statements.

(d) Long-term incentives includes long-term performance-linked monetary incentives for management.

(e) Restructuring charges include costs incurred in connection with early terminations.

(f) Employees' social security benefits include social security benefits awarded to certain employees in connection with the outbreak of COVID-19.

(2) EBITDA Margin is defined as the ratio between EBITDA and revenues from sales and services, expressed as a percentage. Adjusted EBITDA Margin is defined as the ratio between Adjusted EBITDA and revenues from sales and services, expressed as a percentage.

(3) Set forth below is a summary of the Net Financial Position of SIA, as at December 31, 2020 and 2019.

(in € million)	As at December 31, 2020	2019
Cash	—	—
Cash equivalent	161.4	97.4
Trading securities	—	—
Liquidity	**161.4**	**97.4**
Current financial receivables	**11.1**	**5.6**
Current Bank debt	(130.5)	(115.2)
Current portion of non-current debt	(86.0)	(84.2)
Other current financial debt	(45.3)	(31.0)
Current Financial Debt	**(261.8)**	**(230.4)**
Current Financial Position	**(89.3)**	**(127.4)**
Non-Current Bank loans	(535.8)	(617.8)
Notes issued	—	—
Other non-current financial debt	(63.5)	(67.2)
Non-current Financial Position	**(599.3)**	**(685.0)**
Net Financial Position	**(688.6)**	**(812.4)**

(4) Financial expenses include interest expenses and bank charges, without giving effect to the Pro Forma Transactions.

(5) Ratio of Net Financial Position to Adjusted EBITDA is defined as the ratio between Net Financial Position and Adjusted EBITDA.

(6) Ratio of Adjusted EBITDA to Financial expenses is defined as the ratio between Adjusted EBITDA and Financial expenses.

Certain Key Performance Measures

Revenues from sales and services by Business Segment

(in € million)	Year ended December 31, 2020	2019
Card & Merchant Solutions	511.9	490.5
Digital Payment Solutions	155.3	150.8
Capital Markets & Network Solutions	91.4	92.0
Revenues from sales and services	**758.6**	**733.2**

Revenues from sales and services by Geographic Area

(in € million)	Year ended December 31, 2020	2019
Italy	522.0	501.3
Card & Merchant Solutions	*337.3*	*316.9*
Digital Payment Solutions	*102.8*	*100.7*
Capital Markets & Network Solutions	*81.9*	*83.7*
Abroad (Outside of Italy)	236.6	231.9
Card & Merchant Solutions	*174.6*	*173.5*
Digital Payment Solutions	*52.5*	*50.1*
Capital Markets & Network Solutions	*9.5*	*8.3*
Revenues from sales and services	**758.6**	**733.2**

Other Aggregated Operating Information[1]

	Year ended December 31,	
	2020	2019
Number of managed transactions (in million)	35,606	32,799

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

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 Nexi, Nets and SIA face and that affect the industry in which Nexi, Nets and SIA operate, as well as the risks related to investing in the Notes. Additional risks and uncertainties of which Nexi, Nets and SIA are not aware or that Nexi, Nets and SIA believe are immaterial may also adversely affect their business, financial condition, results of operations or prospects. If any of these events occur, Nexi's, Nets' and SIA's 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. Nexi's, Nets' and SIA's 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 the Combined Group's Business and Industry

The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.

Significant outbreaks of contagious diseases, including the outbreak of COVID-19 or other diseases, may result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, leading to substantial declines in consumer purchasing power and resulting in an economic downturn that could affect demand for the Combined Group's products and services and the Combined Group's operating results. Across the globe, including in the key markets in which each of Nexi, Nets and SIA operate, such as Italy, the Nordics, Germany and other jurisdictions, local and national authorities have implemented lockdown or other partial closure orders that have, among other things, resulted in factory and business closures, and restricted the ability of people to leave their homes. For example, on March 9, 2020, the Italian government began imposing nationwide restrictions on the movement of the population with limited exceptions and ordered offices, cafes, restaurants and other "non-essential" retailers to close in an effort to contain the spread of COVID-19. The quick spread of the health emergency and subsequent lockdown measures imposed by European governments strongly impacted the number of managed transactions of Nexi and Nets (with respect to its Issuer & eSecurity Services business unit), which recorded a decrease by 18.9% and 6.7%, respectively, in the first six months of 2020 compared to the same period in 2019. Over the same period, Nets also recorded a decrease in the card turnover with respect to transactions managed in its Merchant Services business unit by 17.8%, compared to the same period in 2019. Also SIA recorded a decrease in the number of managed transactions in its Card & Merchant Solution business unit, which decreased by 6.0% in the second quarter of 2020 compared to the same period in 2019. In addition, the Combined Group's liquidity and profitability have been and may continue to be negatively impacted by the COVID-19 pandemic. In the first six months of 2020, following the outbreak of COVID-19, both Nexi and Nets (pro forma for the acquisition of Polskie ePlatnosci) recorded a decrease in their revenues by 6.3% and 4.5%, respectively, compared to the same period in 2019. Also SIA experienced a decrease in its revenues by 3.0% in the second quarter of 2020 compared to the same period in 2019.

As of the date of this offering memorandum, several restrictions and social distancing measures remain in place, such as work from home policies, office closures and restrictions on the movement of the population across a country's territory, as well as travel bans and/or limitations in accessing a country from foreign countries, and more restrictive measures have been at times re-imposed, which continue to adversely affect the overall economy of the countries in which each of Nexi, Nets and SIA operate as well as the businesses of their customers. In addition to the initial wave of COVID-19, starting in October and November 2020, Italy and a number of European countries in which Nexi, Nets and SIA operate were affected by a resurgence (or "second wave") of rising COVID-19 case levels, resulting in regional and national lockdowns. For example, between October and December 2020, Nexi recorded a decrease in the number of managed transactions by 6.9% compared to the same period in 2019, which resulted in a decrease in revenues by 0.7%, compared to the same period in 2019. Over the same period, Nets recorded a decrease in the number of managed transactions with respect to its Issuer & eSecurity business unit by 5.7%, and a decrease in the card turnover with respect to transactions managed in its Merchant Services business unit by 19.7%, compared to the same period in 2019, which resulted in a decrease in net revenues by 4.3% (pro forma for the acquisition of Polskie ePlatnosci), compared to the same period in 2019. Over the same period, SIA recorded a slight increase in the number of managed card transactions by 4%, compared to the same period in 2019, due to an increase in managed transactions in the issuing segment of its Card & Merchant Solutions business unit, which resulted in an increase in its revenues by 7.0%. Further resurgences (or "waves") of COVID-19 are likely to occur and future lockdowns and other restrictive measures are foreseeable. We cannot predict when or where these waves may occur, the duration of such waves, how far into the future such waves may continue to occur nor can we predict with any certainty the impact of such subsequent waves, including the impact of future national or local lockdowns or other measures implemented by national or local authorities, which could lead to negative consequences to the Combined Group's customers, such as the inability of merchants to resume their business or cardholders to repay their balances. The prolonged impact of COVID-19 on the customers of the Combined Group could also increase credit losses related to the inability of merchants to resume their business or cardholders to repay their balances. See also "*Summary—COVID-19 Update / Recent Trading.*"

Even as lockdown and other measures are eased in response to the rollout of vaccinations, the outlook for the world economy following the outbreak of COVID-19 remains subject to unprecedented uncertainty and such uncertainty may be prolonged in many of the markets in which the Combined Group will operate. National economies have significantly contracted in 2020 as result of COVID-19, with GDP falling in most of the key markets in which Nexi, Nets and SIA operate (including Italy, whose GDP decreased by 8.9% in 2020, according to ISTAT). A recession could lead to an adverse impact on the Combined Group's results of operations. Adverse market conditions outside of Europe could impact global economic conditions which could have an adverse economic impact on Europe, including Italy and the other key markets in which the Combined Group will operate. Any of these developments may adversely affect financial markets and, therefore, the Combined Group's ability to finance the Combined Group's operations.

There can be no guarantee that additional liquidity will be readily available or available on favorable terms and in an amount sufficient to enable the Combined Group to service and repay its indebtedness or to fund the Combined Group's other liquidity needs. A shortage of liquidity and credit could trigger a worldwide economic recession, which could be exacerbated by adverse developments in global or national political and macroeconomic conditions. Any deterioration in financial markets could impair the Combined Group's ability to obtain financing in the future, including the Combined Group's ability to incur additional indebtedness to operate the Combined Group's ongoing operations, fund liquidity needs or to refinance the Notes.

Moreover, in the aftermath of both public health measures implemented, as well as temporary personnel initiatives implemented due to the impact of the COVID-19 pandemic, the Combined Group could be subject to an increase in litigation, including potential claims brought by or involving its employees or customers as a result of its response to the pandemic, including the measures each of Nexi, Nets and SIA have undertaken to reduce its impact. The extent of the effects of COVID-19 on the Combined Group's business is highly uncertain and will ultimately depend on future developments, including, but not limited to, the duration and severity of the outbreak and the length of time it takes for normal economic and operating conditions to resume. At the same time, the effects of COVID-19 on the business of the Combined Group will also depend on the level of exposure it has to high impact sectors for which it offers its acquiring services and that are the most affected by the restrictions imposed by governments (such as hospitality, restaurants and bars, travel and transports, car rental, entertainment etc.) with a direct impact on business volumes. In the case of Nets, high-impact sectors such as travel agencies, airlines and car rentals, accounted for approximately 5% and 2% of the total net merchant service charge, and for approximately 18% and 6% of total card turnover volumes, in the years ended December 31, 2019 and December 31, 2020, respectively (adjusted for customer churn). See also "—*Nexi is subject to potential credit risk from its customers, as well as short term credit risk from its partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, Nexi could experience material losses*", "—*Nets is exposed to the credit risk of its clients, "charge back" risk in respect of merchant insolvencies and other risks in relation to disputed transactions and/or the inability of a counterparty to pay sums due for services provided*", and "—*SIA is exposed to the credit risk of its clients*."

As a result of the above, COVID-19, or any future outbreak of another virus or other contagious disease, and any mitigating measures taken in response and/or any resulting economic downturn or recession could have a material adverse effect on the Combined Group's business, liquidity and results of operations. To the extent the COVID-19 pandemic adversely affects the Combined Group's business, financial condition, results of operations and prospects, as well as the Combined Group's ability to perform the Combined Group's obligations under the Notes, it may also have the effect of heightening many of the other risks discussed in this "*Risk Factors*" section.

Economic conditions and political uncertainty in the markets in which each of Nexi, Nets and SIA operate may adversely affect consumer spending and economic activity, which may adversely impact the Combined Group's revenue and profitability.

The revenue each of Nexi, Nets and SIA generate through the commissions they receive, in particular in connection with their card payment services, 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 the markets in which they operate. Any macroeconomic developments which negatively impact the growth in any of the markets in which each of Nexi, Nets and SIA operate 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 distributed to merchants. In addition, SIA's activities in the markets for institutional payment services and in the capital markets expose it to risks arising from decreased economic and financial activity.

The Combined Group will be particularly exposed to economic conditions in Italy, from which Nexi generated all of its operating revenues, SIA generated 68.8% of its revenues from sales and services and the Combined Group generated, on a pro forma basis for the Mergers, 54% of its Pro Forma Operating Revenues, in each case for the year ended December 31, 2020. Accordingly, the Combined Group will face risks associated with weak economic conditions in Italy. 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 the Combined Group will 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 the Combined Group's financial performance by reducing the number of digital payment transactions or the spend per transaction. Given that the Combined Group will have certain number of fixed and semi fixed costs, including the costs of its debt financing, rents and salaries, the Combined Group's ability to quickly adjust costs and respond to changes in its business and the economy may be limited. Similarly, an increase in the average cost of financing by the banks that finance the Combined Group's operations or a reduction in their commitments could result in increased cost of credit or reduced funding. Furthermore, if economic conditions cause the Combined Group's 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.

As of the date of this offering memorandum, the rating assigned to Italy is Baa3, by Moody's (which has remained unchanged since October 2018), BBB- by Fitch (since April 2020, when it was lowered to this rating in light of the country's high and deteriorating public leverage), and BBB by S&P Global (since October 2020), in each case with a stable outlook. The ratings by Moody's and Fitch are the lowest level of the investment grade category in their respective scales.

The Combined Group may also be affected by political uncertainty in Italy, the emergence of which may negatively impact business confidence. While the current government is supported by a large majority of the Italian parliament, coalition governments in Italy have in the past failed, and it remains unclear whether the current government will be able to adequately address impediments to the country's growth, including as a result of the COVID-19 pandemic, such as the ratio of sovereign debt to GDP, the write-down of non-performing loans and the reduction of unemployment in Italy.

Continuation or further worsening of these difficult financial, political and macroeconomic conditions in Europe, Italy or any of the other markets in which Nexi, Nets and SIA operate, or a prolonged period of political instability could result in a decrease in the demand for the Combined Group's services due to a decrease in consumer spending, a decrease in economic activity and financial transactions or difficulties in carrying out ordinary activities. These circumstances could have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects. A deterioration in the state of the economy, or any new government taking positions or actions that further exacerbate economic uncertainty, or which are adverse to the Combined Group's industry or the economy or any of the markets in which the Combined Group will operate, could have significant effects on the financial resources of its customers, which could lead to a contraction in the demand for the Combined Group's services, with a material adverse impact on the Combined Group's business, financial condition and results of operations.

Finally, the outlook for the Italian, European and global economy remains subject to uncertainty, particularly in light of the impact of the COVID-19 pandemic, which may lead to prolonged periods of economic uncertainty in many of the Combined Group's geographies. See also "*—The outbreak of COVID-19 and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*" A renewed or future recession could lead to an adverse impact on demand for the Combined Group's products and on the Combined Group's results of operations.

Partner banks are the primary distribution channel for the Combined Group's business. If the Combined Group is unable to maintain its relationships with partner banks, or if such partner banks are unable to maintain relationships with merchants or cardholders, the Combined Group's business may be adversely affected.

A significant portion of the business of each of Nexi, Nets and SIA is carried out through commercial relationships with partner banks and, in particular, through their network and branches. For example, as of December 31, 2020, Nexi had relationships with approximately 150 partner banks and generated approximately 40% and 51% of its operating revenues for the year ended December 31, 2020, through its top five and top ten partner banks (excluding the services provided to the partner banks under Nexi's Referral model), respectively (after giving effect to the ISP Acquisition). Over the same period, Nets had relationships with over 250 partner banks and generated approximately 18% and 26% of its net revenues (pro forma for the acquisition of Polskie ePlatnosci) for the year ended December 31, 2020, through its top five and top ten customers, respectively, of which the vast majority consist of banks. In addition, SIA relies on its relationships with partner banks, to which it provides several technological services and solutions across the payments value chain. See also "*—Nets and SIA are exposed to risks arising from low revenue diversification and Nexi and SIA individually are exposed to risks arising from high customer concentration.*"

Nexi, Nets and SIA rely on the continuing growth of their relationships with their partner banks, which are fundamental to their reputation and prospects. Nexi's relationships with its partner banks are primarily governed by open ended framework agreements that allow both the partner bank and Nexi 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, such as a recent agreement with ISP, most of Nexi's agreements with its partner banks do not provide for volume-based commitments by them. Nets' relationships with its partner banks are primarily governed by strategic partnerships and referral agreements in the Merchant Services business unit, and by framework or services agreements in the Issuer & eSecurity business line. SIA's relationships with its partner banks are primarily governed by framework agreements throughout its business units. Furthermore, certain agreements entered into by Nexi, Nets and SIA include provisions entitling the relevant counterparties to terminate the contractual relationship upon occurrence of certain events or upon provision of an advance termination notice. In this regard, the Combined Group is exposed to the risk of potential terminations of these agreements by its counterparties, with a consequent material adverse effect on its business, financial condition and results of operations.

The Combined Group is also exposed to potential decisions by partner banks to start insourcing the services currently provided by any of Nexi or Nets. For example, in 2009, following Nexi's acquisition of CartaSi (now Nexi Payments), Intesa Sanpaolo and UniCredit decided to insource their card issuing and merchant acquiring activities, resulting in lost business. Although Intesa Sanpaolo decided to resell its merchant acquiring business back to Nexi through the ISP Acquisition, other partner banks may decide to insource their business in the future. See also "*Presentation of Financial and Other Information—Historical Financial Information of the Issuer—ISP Acquisition.*" As of the date of this offering memorandum, none of the partner banks of Nexi, Nets and SIA have terminated their relationship with them and no material contracts for Nexi are expected to expire in 2021, although some partner banks have decided not to renew certain specific contracts upon expiry. If any of the Combined Group's partner banks were to terminate or decide not to renew their agreements with each of Nexi and Nets, the Combined Group would lose a key distribution channel for its products and services. The loss or deterioration of such relationships would have a material adverse effect on the Combined Group's business, financial condition and results of operations.

In addition, if partner banks of the Combined Group are unable to maintain relationships with merchants or cardholders, the Combined Group's business may be adversely affected. For example, in Nexi's Merchant Services & Solutions business unit, almost all of the merchants that Nexi directly manages originates from its acquisition of the acquiring business of Banca Monte dei Paschi di Siena, Deutsche Bank, Banca Carige and Intesa Sanpaolo, which, along with its other partner banks, provides Nexi with access to their branch networks and customers. Therefore, any significant closures or disposals of the partner banks' distribution network or any significant loss of merchants or cardholders by one or more of the partner banks, could result in a reduction in Nexi's distribution capacity, which, in turn, could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

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

A significant part of Nexi's, Nets' and SIA's business consists in the provision of services to banks and financial institutions. As a result, the performance of banks and financial institutions can materially affect the Combined Group's future business. See also "*—Partner banks are the primary distribution channel for the Combined Group's business. If the Combined Group is unable to maintain its relationships with partner banks, or if such partner banks are unable to maintain relationships with merchants or cardholders, the Combined Group's business may be adversely affected*."

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 European financial institutions, many of which are the Combined Group's customers, 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 key markets in which the Combined Group will operate, such as Italy. Such regulation is also encouraging competition, which increases the pressure on banks.

Failure to comply with these rules could lead to the restructuring of the Combined Group's partner 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 relevant governments to nationalize such financial institutions. The nationalization or any form of rescue deal involving troubled financial institutions could have a negative impact on the Combined Group's relations with such financial institutions, and consequently could have a material adverse effect on the Combined Group's 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 the Nexi's businesses with them, with a consequent decrease in its revenues and profit margins.

Furthermore, in the wake of the financial crisis, certain of the Combined Group's partner banks, including major partner banks in Italy, 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. All the major financial institutions have implemented measures to control the impact of such loans on their financial condition. For example, the ECB and the Italian government have implemented restructuring plans using the GACS scheme (Guarantee on Securitization of Non-performing Loans). However, should these 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 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 government bonds and those of other European sovereigns, which could lead to a devaluation of the 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 the Combined Group's bank clients and reference partners will continue to be negatively influenced by these factors, this could have an adverse effect on the Combined Group's business, financial condition and results of operations.

In addition, given that the banking sector is very fragmented in key markets in which the Combined Group will operate, including Italy (with over 200 active banks), we expect the trend of mergers and consolidations in the banking and financial services sectors to continue in the future. Recent examples of consolidation in the Italian banking sector include the successful takeover bid launched in 2020 by Intesa Sanpaolo on UBI, and the takeover bid launched by Credit Agricole in 2020 for Credito Valtellinese. Consolidation trends may also directly impact the existing relationships with partner banks of Nexi, Nets and SIA. For example, following the completion of the takeover of UBI by Intesa Sanpaolo, a portion of the services Nexi previously provided to UBI are now provided to Intesa Sanpaolo (see "*Issuer's Business—Material Contracts—Agreements with Partner Banks—Agreements with Intesa Sanpaolo*"), while another portion of the services previously provided to UBI and pertaining to UBI's former activities which Intesa Sanpaolo transferred to BPER, is governed by Nexi's contractual arrangement with BPER. The consolidation of banking and financial services sectors in Italy is now also supported by recent regulation, such as the budget law 2021 which introduced the ability for institutions entering into a combination during the course of 2021 to benefit from the immediate conversion into tax credit of certain deferred tax assets (on and off-balance sheet) which Italian banks have accumulated over the course of the years with a corresponding positive impact on liquidity as well as on capital position.

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 the Combined Group's business, financial condition, and results of operations. Mergers and consolidations of partner banks of the Combined Group could have an impact on the Combined Group's relationships with such banks, including the potential amendment or termination of its contractual arrangements with certain material partner banks as a result of such mergers and consolidations. Furthermore, if the Combined Group's customers or partner banks go bankrupt, merge or are acquired by other entities that are not the Combined Group's clients or distribution partners or that employ its services to a lesser extent, the Combined Group may incur potentially significant losses. Further consolidation in the banking sector would also entail a greater concentration of customers, which could lead to downward pressure on the Combined Group's 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 the Combined Group. While clients benefit from the economies of scale of the Combined Group, 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 the Combined Group will provide or that the Combined Group could carry out for them. Furthermore, the Combined Group's dependence on its partner banks becomes more significant the larger they become, and accordingly losing a single partner bank could have a greater impact on the Combined Group's revenue, profitability and cash flows following such consolidation.

Each of these developments could have a material adverse effect on the Combined Group's business, financial condition, and results of operations.

It may be costly for the Combined Group 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 the Combined Group's financial condition and results of operations.

Nexi, Nets and SIA operate in markets subject to continuous technological developments that lead to more demanding industry standards and can result in rapidly evolving customer needs and preferences. For example, the international digital payment and digital services industry in which Nexi, Nets and SIA operate is subject to rapid and significant technological change, new product and service introductions, evolving industry standards, rules and regulations, evolving customer needs and preferences and the entrance of non-traditional competitors. In order to remain competitive, the Combined Group will need to anticipate and respond to these changes, which requires continued investment in, and time spent on, innovation and research and development.

While Nexi, Nets and SIA strive to maintain strong technological capabilities to remain at the forefront of their industry, the process of developing new, high technology products and services and improving existing products and services is however complex and uncertain. Any failure to anticipate, identify and keep pace with the changing needs of customers and emerging technological trends, as well as to introduce attractive and innovative products and services, could lead to a decline in the use of the Combined Group's products and services which could in turn significantly damage the Combined Group's market share and economic results. In addition, any delay in offering new products and services, or failure to differentiate the Combined Group's products and services or accurately predict and address market trends and demand, could render the Combined Group's products and services less desirable to the Combined Group's customers or even obsolete, which, in turn, could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

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

While Nexi, Nets and SIA acquire and develop products and services that they expect will address new market opportunities that are not yet fully developed, there is no guarantee that these new market opportunities will develop as Nexi, Nets and SIA currently predict they will. There is also no guarantee that the Combined Group's products and services will secure broad customer or consumer acceptance, that such products and services will be consistent with developing industry standards, that the Combined Group will succeed in gaining market share in these new markets or that the Combined Group will fully recover investments made in acquiring or developing such products. For example, it is expected that the 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 business. However, the Combined Group 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 the Combined Group's sector. Furthermore, the success of e-commerce activities also depends on financial institutions and other third parties marketing the Nexi's, Nets' and SIA's 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 the Combined Group's business, financial condition and results of operations. More specifically, the Combined Group may not be able to invest the human and financial resources required to develop these products or make mistakes or incorrect assessments in the Combined Group's planning with regard to these sectors or encounter difficulties in launching the products. Furthermore, the Combined Group 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 the Combined Group will not achieve 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 the Combined Group's 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 the Combined Group's competitiveness and could cause the Combined Group to lose market share, which could have a material adverse effect on the Combined Group's 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 the Combined Group will 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 cryptocurrencies 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 and could result in a loss of the Combined Group's market share and may materially reduce its transaction levels and revenues. Traditional and nontraditional 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. Cryptocurrencies and cloud based solutions may substantially change the manner in which payment transactions are processed. Finally, central banks may introduce digital fiat money. For example, the European Central Bank has indicated that it is in the process of studying options for the deployment of a digital version of the euro. Digital fiat currencies may give consumers and other users of currencies, such as banks, direct access to payment systems, thereby drastically reshaping the digital payments landscape by removing the need for payment intermediaries and subverting Nexi's, Nets' and SIA's current business model.

While we expect innovative solutions, such as those developed to address the growing importance of omni-channel offerings in the industry and the ongoing digital transformation of retailers and other business, to constitute an important and increasing component of the Combined Group's offering, we cannot be certain that business will continue to pursue their "digital transformation" or adopt new technologies as swiftly or in the same manner as they have done in recent years or that the Combined Group will be able to launch new and successful products to address their needs on a timely basis or at all.

In addition to emerging technologies, regulatory changes in the key markets in which the Combined Group will operate 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 subsequently reduced to €2,000 and, commencing January 1, 2022, will be further reduced to €1,000 pursuant to Law No. 157 of December 19, 2019, which amends Legislative Decree No. 231 of November 21, 2007 implementing the European Anti Money Laundering Directive. In addition , the Italian government has recently launched the "Italia Cashless" initiative under Law No. 160 of December 27, 2019, as implemented by the Ministerial Decree of the Ministry of Finance No. 156 of November 24, 2020. Under the "Italia Cashless" initiative, until June 30, 2022, participating consumers will receive a 10% refund on the amount of purchases made with payment cards or apps. While there is no minimum amount of expenditure, the government reimbursements are capped to €300 per year, consumers who made a minimum of 50 eligible payments per semester, will receive back 10% of the amount spent, up to a maximum of €150 per semester. Furthermore, consumers completing the highest number of transaction on a national scale will be awarded special bonuses. "Italia Cashless" also includes a lottery mechanism, whereby additional prizes are drawn and allocated to consumers. In addition, the Italian government has implemented other initiatives aimed at promoting digital payments, such as tax deductibility measures for certain expenses (i.e., medical expenses and interests on mortgages, among others) if the relevant payments are performed cashless, tax credits on merchant fees for small merchants and a progressive reduction of cap on the use of cash per single purchase. However, if the Italian government were to repeal the "Italia Cashless" initiative, or 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. The Combined Group's competitors might be able to innovate or adapt to new regulations faster than the Combined Group, and new technologies could contribute to increasing competitive pressure, allowing competitors to offer more efficient services or to offer them at a lower cost. The Combined Group's success will depend in part on the Combined Group's 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. The Combined Group might not have, or might not be able to attract, the personnel necessary for such research and development activities. Any failure by the Combined Group to keep up with innovation, make the shift to m-commerce, which is device based and omni-channel, or improve the quality of the Combined Group's customers' experience could have a material adverse effect on the Combined Group's business, financial condition and results of operations. Finally, the trend of macroeconomic indicators and, in particular, the public perception in the European Union that economic conditions are worsening, could have negative effects on the Combined Group's 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 Eurozone. Any of the above-mentioned and similar events could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's operations are dependent on ICT processing, and any disruption of its information systems could adversely impact the Combined Group's operations.

The integrity, reliability and operational performance of each of Nexi's Nets' and SIA's ICT infrastructure and technology network are fundamental to their operations, prospects and reputation, and will be fundamental to the operations, prospects and reputation of the Combined Group. Particularly important parts of the Combined Group's ICT infrastructure are its 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 its payment services, which are subject to interbank standards such as the dispatch and receipt of messages, instructions and alerts, as well as its corporate banking systems.

Each of Nexi, Nets and SIA depend heavily on the efficient and uninterrupted operation of numerous systems, including their ICT infrastructure, computer systems, software, servers and data centers. While a significant portion of the Combined Group's processing activities related to the services offered by the Combined Group will be performed in-house by subsidiaries, including Nets, SIA and Nexi Payments, a portion of the Combined Group's processing activities will be outsourced to third-party providers, including equensWorldline. The existing business relationships of Nexi with equensWorldline is governed by an agreement which will expire in December 2024, with an automatic renewal for an additional year, subject to either party being entitled to withdraw by providing a notice six months prior to expiration. Nexi made significant investments in equipment and software to support Nexi's use of equensWorldline's services, making it difficult to replace them. Even though the SIA Merger will increase the portion of insourced processing activities of the Combined Group, if, in the future, the Combined Group were required to replace equensWorldline or other key service providers, or if Nexi's agreement with equensWorldline is not renewed, this could cause the Combined Group to incur higher costs or face delays or disruptions in the supply of the Combined Group's services, including as a result of the time required to replace equensWorldline or other key service providers, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Activities such as domestic and international card payment processing, card issuing, POS terminal management and the Combined Group's interfacing with domestic and international payment and messaging systems rely on uninterrupted availability of its merchant acquiring, card issuing and other platforms. The availability of Nexi's, Nets' and SIA's merchant acquiring and card issuing platforms and other products may be interrupted by damage or disruption to Nexi's, Nets' and SIA's third party service providers' ICT systems. For example, in 2013, Nets experienced operational issues resulting in downtime in the use of products such as Dankort, Denmark's first domestic debit card circuit, and NemID, the official Danish eID infrastructure, which have been caused by disruption to Nets' ICT system. Malfunctions can also be caused by migrations to new systems related to significant infrastructural changes. In 2014, when Nexi migrated its ICT infrastructure to SEPA, Nexi's provider equensWorldline suffered service interruptions due to temporary shutdowns and delays that also affected Nexi's customers. In 2013 a fault on the international power-supply line from Switzerland to Italy caused a major black-out in northern Italian regions, which impacted SIA's operations. Despite the fact that SIA was able to independently operate through its power generators, its service levels were impacted by the fact of certain third parties (including, for example, terminal handler concentrators and bank systems) became unavailable as a consequence of the outage. Disruptions can also occur in the context of significant infrastructural changes performed on SIA's infrastructure, for example due to migrations to new IT systems. In 2018, SIA's services suffered an outage due to a failure triggered by a latent bug in a system that had been recently installed. Lastly, 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).

Any failure in the Combined Group's infrastructure could result in material adverse consequences for the Combined Group's business operations. Moreover, given the possibility of high-profile interruptions of service in key financial and payment services such interruptions could also result in reputational damage. For example, in light of SIA's leading role in providing infrastructure services to financial institutions in Europe, any failure of SIA's ICT infrastructure could have potential negative consequences for the financial systems at large.

In order to limit the potential impact of any ICT issues, each of Nexi, Nets and SIA operate dedicated units which plan and performs disaster recovery tests on critical ICT systems (either managed internally or outsourced to external providers). Each of Nexi, Nets and SIA also have data backup contingency plans which, where necessary, allows them to restore data following any interruptions. Should such measures prove to be inadequate in the face of such interruptions, the Combined Group 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 the Combined Group's reputation, other costs incurred to remedy breakdowns and exposure to other losses and liability. Although Nexi, Nets and SIA have insurance coverage for damage to property, business interruptions, cyber-attacks and professional indemnities, as applicable, such insurance might not be sufficient to cover all losses or failures that may occur.

The Combined Group also faces the risk that third party providers fail to perform their contractual obligations or to maintain adequate quality standards in such a way as to compromise the Combined Group's operations. The Combined Group will also depend on these suppliers to connect their platforms to those of third parties, including the Visa and MasterCard payment networks. Any damage to, or failure by the Combined Group's service providers to properly maintain their data centers, failure of the Combined Group's telecommunications links or inability to access these internet sites could cause interruptions in operations that adversely affect the Combined Group's ability to meet their customers' requirements and have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Finally, the Combined Group is exposed to the risk of liability to third-parties in relation to service continuity. While typically each of Nexi, Nets and SIA generally include contractual provisions that limit their liability, any services outages that result in adverse consequences to third parties may result in any of Nexi, Nets and SIA being liable to any such third parties. Nexi's, Nets' and SIA's agreements with third-parties occasionally include penalties in the event of failure to deliver contracted products or services and any of Nexi, Nets and SIA may become liable for such penalties. In addition, customers, including customers unaffected by the service outage, may opt to change suppliers in favor of the Combined Group's competitors.

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

Nexi, Nets and SIA rely on certain key suppliers in the operation of their business.

Each of Nexi, Nets and SIA rely on certain key suppliers in the operation of their business. Nexi relies on third-parties for, among other things (i) the processing of most card payments that it manages, (ii) the supply of EMV-compliant smart cards and card customization, (iii) the supply of physical and electronic POS terminals, including in relation to the SmartPOS terminal that Nexi co-developed with

Poynt, (iv) the supply of ATM terminals and (v) certain payment delivery, cheques, cash and other service providers. While reliance on third-parties increases efficiency and reduces the cost of operating Nexi's business, reliance on third parties exposes Nexi to risks arising out of interruptions in the operations or services of third-parties. Such interruptions may have a material impact on Nexi's operations, including in relation to Nexi's ability to provide its products and services. Nets and SIA also rely on certain key suppliers for key hardware and software. For example, both Nets and SIA operate their own ICT infrastructure, which include data centers and networks, among other components, and such data centers rely on servers and other network infrastructure for the procurement of which Nets and SIA rely on third-parties. Nets' payments infrastructure primarily relies on IBM for the provision of mainframe and midrange infrastructure for its card payment services. The Combined Group may be unable to replace Nexi's, Nets' or SIA's key suppliers with alternative suppliers, replace them at a reasonable cost or replace them swiftly. It may not be possible for the Combined Group to insource the production of certain products and services currently supplied by key suppliers.

Nexi is subject to potential credit risk from its customers, as well as short term credit risk from its partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, Nexi could experience material losses.

Nexi is exposed to credit risk in several areas of its business. Nexi faces credit risk in its acquiring business. As acquirer, Nexi effects settlement between counterparties, with the operator client receiving funds before Nexi receives them from: (i) the factor, for receivables generated by cards issued by Nexi that are covered by the Nexi Factoring Agreement and the Factorit Agreement; (ii) the cardholder banks for all other credits generated by cards issued by us and not covered by the Nexi Factoring Agreement and the Factorit Agreement; and (iii) international payment card schemes for cards issued by other issuers.

Moreover, with regard to acquiring services provided through contracts handled under different business models by the Merchant Services & Solutions business, Nexi, as acquirer, is 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 Nexi, as acquirer, to the cardholder.

Even in the event that Nexi is unable to recover the amount of the chargeback from its 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, Nexi 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, Nexi is also exposed to risks associated with transactions in which it decides 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 Nexi decides to authorize a transaction that the issuer subsequently does not accept, Nexi, as an acquirer, could be liable for the amount of the transaction. In addition, Nexi faces exposure towards merchants which have been substantially impacted by the outbreak of COVID-19, such as merchants operating in the travel and airline industry. See also "*—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*" These risks may increase in light of Nexi's ongoing expansion of its directly managed pool of merchants. See also "*Presentation of Financial and Other Information—Historical Financial Information of the Issuer—ISP Acquisition*".

Nexi also faces risk in its role as card issuer. As issuer, Nexi grants credit to cardholders to finance purchases with payment cards managed by its 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 Nexi's part. In respect of purchases made with credit cards, Nexi, as issuer, is 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, Nexi tries 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 Nexi Factoring Agreement or the Factorit Agreement in place, or, for cards not covered by the Nexi Factoring Agreement or the Factorit Agreement, by the partner banks, Nexi directly assumes this risk for cards Nexi issues that are not covered by the issuing licensing scheme (and whose related working capital as of December 31, 2020 represented approximately 1.8% of the total working capital generated by issuing activities). For a description of the Nexi Factoring Agreement and the Factorit Agreement, see "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Nexi Factoring Agreement*" and "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations—Factorit Agreement*."

In Nexi's Cards & Digital Payments business unit, Nexi is exposed (through its subsidiary Nexi Payments) to counterparty risk for fees due for services rendered to banks. Nexi is also exposed to credit risk of its merchant and banking clients who use Nexi's POS and ATM services, with potential material adverse effects on our business, financial condition and results of operations.

Nexi is also subject to credit risk in respect of the amount of international payment card scheme fees and its own merchant fees, in each case owed to it by merchants. Should the merchants fail to pay Nexi those amounts, Nexi could suffer potentially substantial losses, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Nets is exposed to the credit risk of its clients, "charge back" risk in respect of merchant insolvencies and other risks in relation to disputed transactions and/or the inability of a counterparty to pay sums due for services provided.

Nets is exposed to credit risk from partner banks, chargebacks as a result of failure to pay by merchants, contested transactions and failure to deliver products or services. When Nets operates as a merchant acquirer, it is exposed to the risk that it may not receive sums advanced to merchants before the moment at which the consumer is supplied with goods or services or before a complaint is made by the cardholder. In such cases, even if Nets is not able to recover the amount of the recharge from merchants, the rules of the international payment card schemes require the acquirer to return the full amount of the transaction, including fees, to the card issuer, bearing the loss for the amount of the refund paid to cardholders, or to the international payment card circuits for cards issued by issuers other than Nets. Moreover, again in the context of its acquiring business, Nets could authorize a transaction that has not yet been, or will not be, authorized by the credit card issuer, thus finding itself liable for the amount paid in the transaction. Nets is also exposed to credit risk arising from (i) fees charged by the international payment card schemes and (ii) its own fees payable by merchants.

Further, in the case of a dispute between a cardholder and a merchant, Nets is subject to so-called "charge back" risk. In the event that such a dispute is not resolved in favor of the merchant, the transaction is normally charged back to the merchant and the purchase price is credited or otherwise refunded to the cardholder. In the context of Nets' merchant acquiring business, if Nets is unable to collect such amounts from the merchant's account, or if the merchant refuses or is unable, due to closure, bankruptcy or any other reason, to reimburse Nets for a chargeback, Nets would bear the loss for the amount of the refund paid to the cardholder. Chargeback risk is greater with respect to transactions relating to certain industries, such as the airline, travel and transport industries, where there is a longer period between the date on which the transaction is processed and the delivery of the product or service (for example, purchase of an airline ticket for a date far in the future).

Although Nets has put in place policies to manage merchant-related credit risk (including, as necessary, requesting collateral and setting caps for monthly processing), it may experience significant losses from chargebacks in the future. For a description of the Nets' settlement obligations see also "*Description of Certain Financing Arrangements—Nets' Settlement Obligations.*" Any increase in chargebacks not paid by Nets' merchants or customer defaults on any other obligations to Nets could have a material adverse effect on its business, financial condition, results of operations and prospects. For example, in 2019, Nets recorded significant costs in relations to the insolvency of one of its customers, the travel agency Thomas Cook. Following the insolvency of Thomas Cook, Nets was liable for refunding card schemes and/or issuing banks for potential refunds that may be claimed by customers of Thomas Cook who did not receive the services already paid for. The insolvency of Thomas Cook caused special items costs of €13.7 million and €193.4 million for the year ended December 31, 2020 and 2019, respectively.

The COVID-19 pandemic has resulted in increased merchant closures and bankruptcies (including, in particular, in the airline, travel and transport industries), which has heightened Nets' chargeback and merchant credit risk exposure. See also "*—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact*".

Finally, with respect to servicing activities, Nets is exposed to the risk of counterparty insolvency if the counterparty is unable to pay for the services provided by Nets.

The occurrence of such events could have a material adverse effect on Nets' business and, as a result, on the Combined Group's business, financial condition and results of operations.

Nets' RatePay business offers "pay later" and "installment payment" solutions that expose Nets to consumer credit risk.

Nets' RatePay business offers a "pay later" solution whereby consumers can delay payment for goods and services. Under this business model, RatePay will pay funds to merchants in respect of transactions prior to receiving such funds from the consumer. This business model exposes Nets to the risk that some consumers will default on their repayment obligations. In the case of such defaults, Nets will bear the loss for the defaulted amount.

Nets has a provision for outstanding receivables on its balance sheet, the amount of which is calculated based on historic and expected default trends. Provisions for bad debt losses are reviewed monthly, based on statistical models reflecting both recent developments and the duration of the receivables being still outstanding. As of December 31, 2020, total provisions for outstanding receivables amounted to €41.1 million. In addition, RatePay's account receivables for the same period, after bad debt deductions from consumers in the "pay later" solution business, amounted to approximately €154.9 million, with provisions on bad debt covering approximately 16.5% of Ratepay's overall account receivables. See also "*Description of Certain Financing Arrangements—Nets' Settlement Obligations—Cooperation Agreement.*" However, if default rates rise and bad debt losses exceed the amount provided for on Nets' balance sheet, also due to unexpected events or behaviors not accounted for in the abovementioned statistical models, such losses could have a material adverse effect on Nets' business, financial condition, results of operations and prospects.

Nets is also subject to the risk of default by merchants. In the event in which a merchant has already been paid by RatePay and a customer subsequently cancels its order in whole or in part, Nets records a receivable vis-à-vis the merchant for the relevant amount. Should the merchant become insolvent, Nets may be unable to recover the amount due from the merchant's account or to compensate such amount with future amounts to be paid to the merchant in light of future transactions completed by future customers. This risk is particularly present in relation to merchants operating in the fashion industry, which is subject to returns of purchased items. Nets has allocated specific provisions to its balance sheet to address the risk relating to merchants with an imminent insolvency risk.

Since the end of 2020, Nets, through its subsidiary RatePay, offers selected consumers the option to pay for goods and services via installments over up to 48 months through its "installment payment" solution. Under this business model, RatePay generally pays merchants the amount owed by consumers in advance of having received funds from consumers, exposing RatePay to credit risk until the amounts are paid by consumers when due. As of the date of this offering memorandum, Rate pay's account receivables from consumers in the "installment payment" solution business amounted to approximately €20.0 million. Following the entry into the Cooperation Agreement in February 2021, pursuant to which receivables arising from the "installment payment" solution business are sold and assigned on a non-recourse basis to a receivables purchaser, Nets is exposed to credit risk only in very limited circumstances. In particular, Nets is exposed to a credit risk only with respect to those receivables which are not covered by the Cooperation Agreement or, with respect to the receivables which are covered by the Cooperation Agreement, Nets is exposed to a credit risk only for the period of time between the acquisition of the receivables by RatePay and the sale of the receivables to the Purchaser under the Cooperation Agreement. See also "*Description of Certain Financing Arrangements—Nets' Settlement Obligations—Cooperation Agreement.*"

The COVID-19 pandemic has resulted in economic recessions and increased unemployment rates across Nets' markets, which could increase default rates and therefore heighten Nets' consumer credit risk exposure. See also "*—The outbreak of COVID-19 and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact*".

SIA is exposed to the credit risk of its clients.

SIA operates primarily with well-known customers with reliable credit, a large portion of whom operate in the financial industry. As a result, SIA is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. When new customers are acquired, checks are performed on the credit-worthiness of the potential customer. In relation to debt collection activities, procedures have been put in place to monitor expected cash flows and for any debt recovery that may be necessary, and such procedures are primarily aimed at facilitating the process of validating invoices at commercial counterparties to speed up their collection. SIA has a provision for this consumer credit risk on its balance sheet, the amount of which is calculated based on historic and expected default trends. As of December 31, 2020, total provisions for SIA's consumer credit risk amounted to €6.5 million. See also "*SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative Disclosure on Market Risk—Credit Risk.*"

Deterioration of any of Nexi's, Nets' or SIA's image or reputation could result in a material adverse effect on the Combined Group's business.

A negative perception of any of Nexi, Nets or SIA by the Combined Group's customers, partners, counterparties, shareholders, investors and regulators due to, for example, loss of key personnel, a decline in stakeholder satisfaction from the services offered, ICT or security breaches or incidents, any breach of applicable regulation or tax regulation and/or the commencement of any legal, tax or arbitration proceedings against any of Nexi, Nets or SIA, regardless of whether the claims made are well founded, or the potential imposition of sanctions by the competent supervisory authorities, could substantially damage the Combined Group's reputation as well as the Combined Group's customers' trust, and could also impact the Combined Group's 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, Nexi, Nets or SIA have implemented specific measures aimed at preventing operational and compliance issues that may have an effect on their reputation, including in the following areas:

- anti-money laundering;
- privacy;
- IT risk monitoring and control;
- business continuity management;
- brand and communications management of the Combined Group's products;
- crisis management ("task force" for reputation risk management);
- second level controls and monitoring of compliance risk and operational risk; and
- third level of controls overseeing the proper functioning of the overall internal control systems.

As part of their risk management, Nexi, Nets or SIA continuously monitor reputation risk, 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 Nexi, Nets or SIA have taken appropriate actions to monitor this risk, it cannot be ruled out that in the future, also due to outside factors, any of Nexi, Nets or SIA might suffer a material adverse effect on the Combined Group's business, financial condition and results of operations.

Nets and SIA are exposed to risks arising from low revenue diversification and Nexi and SIA individually are exposed to risks arising from high customer concentration.

Nets and SIA are exposed to risks arising from low revenue diversification. In particular, Nets and SIA generate their net revenues and revenues from sales and services primarily from their Merchant Services business unit and Card and Merchant Solutions business unit, respectively. For the year ended December 31, 2020, 67.5% of SIA's revenues from sales and services were generated from its Card and Merchant Solutions business unit, while 63% of Nets' net revenues (pro forma for the acquisition of Polskie ePlatnosci) were generated from its Merchant Services business unit. A decrease in net revenues in the Merchant Services business unit and revenues from sales and services in the Card and Merchant Solutions business unit, respectively, due, among others, to the loss of key customers, may have a material impact on Nets' and SIA's results of operations.

In addition, SIA relies on a small quantity of customers for a large portion of its revenues from sales and services. For the year ended December 31, 2020, SIA's top-ten customers generated 58% of SIA's revenues from sales and services. Although SIA's contracts with such customers typically have an average historical tenure of between four to five years, SIA relies on its relationship with such clients and on its ability to establish relationships with new clients to maintain its competitiveness on the market. Furthermore, certain of SIA's agreements with its most significant customers are entered into on an open-ended basis entitling the relevant counterparties to withdraw by providing an advance termination notice or to terminate the contractual relationship upon the occurrence of certain events. In addition, certain material contracts are due to expire in 2021 as well as in 2022, and the relevant customers or suppliers may decide not to renew their relationship with SIA. Any loss of a material contract could have a material adverse effect on SIA's revenues from sales and services and SIA's inability to retain such clients, or to replace business generated by such clients, may have an adverse effect on SIA's results of operations. As a result of SIA's low customer diversification, SIA is subject to the risk that concurrent contract renegotiations by its top customers may result in a materially adverse revision of its contract terms and may negatively affect the Combined Group's revenues and profitability. In addition, certain contracts with large customers include early termination clauses that may allow SIA's customers to terminate their contracts with SIA early. See also "*SIA's Business—Material Agreements*."

Moreover, a significant portion of the business of each of Nets and SIA is carried out through commercial relationships with partner banks and, in particular, through their network and branches. For example, as of December 31, 2020, Nets had relationships with over 250 partner banks and generated approximately 18% and 26% of its net revenues (pro forma for the acquisition of Polskie ePlatnosci) for the year ended December 31, 2020, through its top five and top ten customers, respectively, of which the vast majority consist of banks. At the same time, SIA relies on its relationships with partner banks, to which it provides several technological services and solutions across the payments value chain. Also Nexi relies on partner banks for a significant portion of its business. See also "*—Partner banks are the primary distribution channel for the Combined Group's business. If the Combined Group is unable to maintain its relationships with partner banks, or if such partner banks are unable to maintain relationships with merchants or cardholders, the Combined Group's business may be adversely affected*" and "*SIA's Business—Material Agreements*."

Fraud by merchants, cardholders, suppliers or others could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

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

For example, as of December 31, 2020, Nexi was subject to fraudulent transactions in the amount of €4.9 million. Over the same period, Nets was subject to fraudulent transactions in the amount of €54.3 million. Such fraudulent transactions included unauthorized online transactions, counterfeited credit cards, stolen credit cards, lost credit cards, and other types of fraud. The main external fraud risks are represented by fraud in the issuing sector, which, in the case of Nexi, accounted for 0.08% of cardholder expenditure (gross fraud) in 2020.

Fraudsters use increasingly sophisticated methods to carry out their activities. Failure to identify thefts, as well as the failure to effectively manage the risk and prevent fraud, could increase the Combined Group's chargeback liability or cause the Combined Group to incur other liabilities, including penalties and fines. Although each of Nexi, Nets and SIA have sophisticated control and detection systems for potential frauds, such control and detection systems may not be able to prevent all cases of fraud, or may be subject to technical malfunctions. The Combined Group's business and reputation could also suffer as a result of fraudulent activities carried out by Nexi's, Nets' and SIA's employees. Although each of Nexi, Nets and SIA have comprehensive screening and detection systems to alert their transaction monitoring and risk teams of potential fraud, it is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities in connection with such events could have a material adverse effect on the Combined Group's business, financial condition and results of operations. In addition, 2020 recorded an increase in sophisticated social-engineering attacks (including vishing, smishing and phishing attacks) that have resulted in an increase in successful fraudulent 'cardholder not present' (CNP) transactions.

Nexi, Nets and SIA are subject to the risk of litigation and other claims.

From time to time, Nexi, Nets and SIA are involved in various litigation matters and governmental or regulatory investigations, prosecutions or similar matters arising out of their current or the Combined Group's future business. When Nexi, Nets and SIA determine that a significant risk of a future claim against them exists, they record provisions in an amount equal to their estimated liability. As of December 31, 2020, Nexi set aside total provisions for disputes in an amount of €2.1 million against aggregate claims of €115 million and SIA set aside total provisions for risks in an amount of €54.6 million (including €48.2 million paid to UniCredit in 2021 in relation to certain claims received by UniCredit related to certain services provided by SIA's subsidiary P4cards in favor of UniCredit during the period 2016-2020; see also "*—Material Contracts—Agreements with Partner Banks—Agreements with UniCredit*") against aggregate claims of €53.5 million. Over the same period, Nets did not set aside any provision for pending or threatened disputes. Nexi's, Nets' or SIA's insurance or indemnities or amounts they have provisioned may not cover all claims that may be asserted against them, and any claims asserted against them, regardless of merit or eventual outcome, may harm the Combined Group's reputation. See also "*—The Combined Group's business may suffer if Nexi, Nets or SIA are sued for infringing the intellectual property rights of third parties, or if they are unable to obtain rights to third party intellectual property on which the Combined Group's business depends.*"

As of the date of this offering memorandum, Nexi, Nets and SIA are involved in several general litigation claims, as described in the "*Issuer's Business—Legal Proceedings,*" "*Nets' Business—Legal Proceedings*" and "*SIA's Business—Legal Proceedings.*" There can be no assurance that any of Nexi, Nets and SIA will be successful in defending themselves in pending or future litigation claims or similar matters under various laws or that product specific provisions will be sufficient to cover litigation costs. Moreover, it may be difficult for each of Nexi, Nets and SIA to obtain and enforce claims related to existing litigation under the laws of certain countries in which they operate at affordable costs and without any materially adverse effects on Nexi's, Nets' or SIA's business in such country. In the aftermath of public health measures implemented in the jurisdictions in which any of Nexi, Nets and SIA operate due to the impact of the COVID-19 pandemic, the Combined Group could be subject to an increase in litigation, in particular in relation to Nexi's, Nets' or SIA's suppliers and employees, including with respect to health and safety measures. Any of these risks could result in considerable costs, including damages, legal fees and temporary or permanent ban on the marketing of certain products and this could have a material adverse effect on the Combined Group's business, financial condition, results of operations and on the Combined Group's ability to perform its obligations under the Notes.

Nexi's, Nets' and SIA's business is subject to a variety of regulatory regimes, which subject the Combined Group to certain operational restrictions and cause it to incur expenses.

Nexi, Nets and SIA operate in a highly regulated industry and are exposed to the risk of changes in the regulatory framework under which they operate, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations. In addition, future changes in regulation may increase the Combined Group's compliance costs or further restrict the Combined Group's operations.

The Second Payment Services Directive 2 ("PSD2")

In particular, Nexi, Nets and SIA consider that there is a risk of incurring additional costs in connection with the implementation of (i) PSD2 on payment services and (ii) Directive (EU) 2015/849 of the European Parliament and of the Council of May 20, 2015 (i.e., the fourth anti-money laundering directive, as amended and supplemented by Directive (EU) 2018/843 of the European Parliament and of the Council of May 30, 2018 (i.e., the fifth anti-money laundering directive – "AMLD V"), and Directive (EU) 2018/1673 of the European Parliament and of the Council of October 23, 2018 (i.e., the sixth anti-money laundering directive) (collectively, the "EU AML Framework").

In relation to the PSD2, Nexi, Nets and SIA expect to incur additional system and adjustment costs due to the following obligations imposed 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;

- *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*."; and

- *Strong customer authentication*. PSD2 and the relevant implementing provisions thereof mandate the adoption of strong customer authentication when the payer accesses its payment account online, initiates an electronic payment transaction or carries out any action, through a remote channel, which may imply a risk of payment fraud or other abuses.

Anti-Money Laundering

In relation to the EU AML Framework, Nexi, Nets and SIA may incur additional costs related to the introduction of such new controls and procedures for an adequate customer verification and to improve the 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 the EU AML Framework; specifically, Nexi acquired the GIANOS 4D software, which analyzes customer risk profiles and identifies suspicious and anomalous transactions. We expect an increase in operating costs and personnel costs, since the verification processes will be more complex.

The EU AML Framework also sets forth a sanctions regime for breaches of the legislation. For example, in the event of serious and systematic failure to comply with the aforementioned duties, AMLD V provides that payment institutions and electronic money institutions 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, Nexi, Nets and SIA and 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, the Nordics or in any of the other markets in which Nets and SIA operate, the Combined Group may need to make investments to adjust its assets, with possible negative impacts on the Combined Group's 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 the Combined Group's 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 the reduction or elimination of merchant fees for payments under a certain threshold. The reduction or elimination of merchant fees for payments under a certain threshold could have a negative impact on Nexi's business, given that Nexi currently receive a commission for payments of any amount. The Combined Group's failure to comply with applicable laws or regulations could have a material adverse effect on the Combined Group's business, financial condition, reputation and results of operations.

The Combined Group may incur losses as a result of unforeseen or catastrophic events.

The Combined Group may incur losses as a result of unforeseen or catastrophic events, including labor action, interruptions in the distribution of energy, system failures or service interruptions in IT systems, fire, accidents, natural hazards, catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, criminal or terrorist acts, pandemics, transportation disruptions, problems in its supply agreements or other factors, could have a material adverse effect on its business operations. Any of the above may have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Nexi's clearing activities, and SIA's operation and IT activities rely on various financial institutions.

Nexi's clearing activities, and SIA's operation and IT activities are dependent on the financial institutions that participate in the clearing network. Although 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 Nexi, or SIA 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 the Combined Group's reputation and could have a material adverse effect on the Combined Group's 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 any of Nexi, Nets or SIA could expose the Combined Group to liability, protracted and costly litigation, affect the Combined Group's operations and damage the Combined Group's reputation.

As part of their business, each of Nexi, Nets and SIA process 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 trade names, addresses, sales data and bank details). The security, confidentiality and integrity of the business and consumer information that is processed and stored by Nexi's, Nets' and SIA's servers and other information systems is critical to the successful operation of their business. Nexi's, Nets' and SIA's public profile may attract cyber-security attacks on their servers, other information systems and databases, which could compromise the security of Nexi's, Nets' and SIA's data or could cause interruptions in the operation of their business. Malicious actors currently include hostile governments, organized criminal groups, hacker collectives and others. Although Nexi, Nets and SIA 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 Nexi's 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 Nexi's system. Nexi has not detected any ICT systems breaches and no data relating to payment cards managed by Nexi has been compromised. Following its immediate injunction, Nexi promptly obtained the removal of this data from the website. Nexi's, Nets' and SIA's customers' data is also processed by third-parties, and breaches of third-party systems may also result in unauthorized disclosure of data.

As a result of Nexi, Nets and SIA processing personal data, Nexi, Nets and SIA are also required to comply with the data protection and privacy laws and regulations in the jurisdictions in which they operate, 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 the Combined Group's ability to collect and use the personal information of the Combined Group's existing and potential customers, and impose liability on the Combined Group for, among others, loss of control or unauthorized access of such data by third parties. Under existing payment card scheme rules, Nexi, Nets and SIA 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 they use.

In May 2018, the European Union introduced 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. Nexi, Nets and SIA 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. There remains uncertainty with respect to the application and interpretation of GDPR and the application of penalties. Consequently, the Combined Group may be subject to challenges by the authorities and may incur fines or additional costs to ensure compliance, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Improper use of data of Nexi's, Nets' or SIA's customers, distributors and providers or breach of computer security could damage the Combined Group's reputation and dissuade Nexi's, Nets' and SIA's customers from using digital payments, or Nexi's, Nets' and SIA's digital payments services in particular, increase the Combined Group's operating expenses for correcting breaches or malfunctions, result in liability not covered by insurance or legal action, increase the risk of intervention by the supervisory authorities, lead to substantial sanctions and fines being imposed 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 the Combined Group's ability to continue to participate in credit card issuance programs in partnership with banks.

In addition to the above, unauthorized disclosure by any of Nexi, Nets and SIA of merchants' or consumers' data could result in costs related to issuing new cards or compensating the affected merchants, including in relation to the reimbursement of fraudulent payments, as well as potential fines and penalties by national and European regulatory authorities. Furthermore, in the situations described above, payment card schemes may prohibit Nexi, Nets or SIA from processing transactions on their networks. Nexi's, Nets' and SIA's agreements with third parties that have access to merchant and consumer data, such as, for example, persons carrying out processing activities (such as equensWorldline), debt collection, IT, marketing, and other services on Nexi's, Nets' and SIA's 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 Nexi, Nets or SIA or a third party were to fail to comply with their contractual and/or regulatory obligations relating to the processing of consumer data, it could result in the loss of cardholder data by merchant clients and other third party partners and could require Nexi, Nets or SIA to terminate their relationship with the merchants responsible for the breach. This could result in damage to the Combined Group's 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 the Combined Group's business, financial condition and results of operations.

Furthermore, in the situations described above, payment card schemes may prohibit Nexi, Nets or SIA from processing transactions on their networks. Nexi's, Nets' and SIA's agreements with third parties that have access to merchant and consumer data, such as, for example, persons carrying out processing activities (such as equensWorldline), debt collection, ICT, marketing, and other services on their 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 Nexi, Nets or SIA or a third party were to fail to comply with their contractual and/or regulatory obligations relating to the processing of consumer data, this could result in the loss of cardholder data by merchant clients and other third-party partners and could require Nexi, Nets or SIA to terminate their relationship with the merchants responsible for the breach. This could result in damage to the Combined Group's 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 the Combined Group's business, financial condition and results of operations.

Breakdowns of Nexi's, Nets' and SIA's processing systems or defects in Nexi's, Nets' and SIA's software could damage customer relations and subject the Combined Group to liability.

The services that Nexi, Nets and SIA deliver are designed to securely and reliably process complex transactions, often in real time. In addition, Nexi's, Nets' and SIA's services provide reports and other information on processed transactions, transaction volumes and timing. Any failure to deliver a secure and reliable service, or deteriorated quality of service or service outages, could have a material adverse effect on the Combined Group's business, customers, users and reputation.

In addition, Nexi, Nets and SIA operate various services that involve the collection, accounting and management of cash inflows and outflows for multiple parties across the payment services chain, such as banks and other financial institutions. Any technical defect in Nexi's, Nets' or SIA's software, errors in the application or interpretation of contractual rules within systems or undetected fraud could result in cash flow accounting errors, which could damage Nexi's, Nets' or SIA's customers and subject the Combined Group to liability. Moreover, service outages could prevent merchant customers from being able to process card payments for the duration of the outage. Any of these outages could adversely affect Nexi's, Nets' and SIA's reputation for reliability, which may in turn adversely affect the Combined Group's business, financial condition, results or operations and prospects.

Regulation in the areas of privacy, information security and data protection could increase Nexi's, Nets' and SIA's costs and affect or limit how the Combined Group collects and/or uses personal information and the Combined Group's business opportunities.

The payments industry in which Nexi, Nets and SIA operate is highly regulated and Nexi, Nets and SIA are subject to numerous laws and regulations 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. Nexi, Nets and SIA are also subject to industry standards and Nexi's, Nets' and SIA's own privacy policies, in addition to privacy obligations owed to third parties.

Nexi, Nets and SIA 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 the Combined Group's 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 the Combined Group will carry out if it is no longer able to process data in the manner in which Nexi, Nets and SIA have done so in the past.

Nexi, Nets and SIA 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, Nexi's, Nets' and SIA's internal practices may conflict with them. In addition, courts in Italy, the Nordics and other markets in which Nets and SIA operate and the European Union may not always apply these regulations in the same way.

Any breach of, or alleged failure by Nexi, Nets and SIA to comply with, these regulations or Nexi's, Nets' and SIA's 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 the Combined Group 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 Nexi's, Nets' and SIA's partners and customers losing their confidence in the Combined Group.

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

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 Nexi's, Nets' or SIA's reputation. These breaches could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Competition for each of Nexi's, Nets' or SIA's business is intense and the Combined Group may lose market share, fail to gain market share or face downward pricing pressure.

Nexi, Nets and SIA operate in highly competitive markets. In each of Nexi's, Nets' and SIA's market segments, Nexi, Nets and SIA compete on technology, variety, price of offered services, speed, performance, quality and reliability, reputation and customer service. The markets are also experiencing a period of rapid transformation due to changes in customer payment habits, the emergence of new international competitors (e.g., SumUp, iZettle, Revolut or N26), the growth of international players active across borders (e.g., Worldline/Ingenico, Adyen, Chase Paymentech Europe, Global Payments, WorldPay), technological innovation and recent legislation at European and national level.

Nexi, Nets and SIA face competition from large players, including large international acquirers, such as Worldline/ Ingenico, Adyen, Evo Payments and others, and international processors, such as Global Payments/TSYS, Fiserv/First Data and Elavon. These competitors offer along the value chain similar services to those provided by Nexi, Nets and SIA. In some cases, competitors may have financial, technological and marketing resources that are significantly higher than those of Nexi, Nets and SIA and they may have gained greater experience in other markets. If Nexi's, Nets' and SIA's competitors are better able to exploit these advantages, the Combined Group may not be able to attract or retain customers, which could have a material adverse effect on the Combined Group's business, financial condition, reputation and results of operations. Furthermore, if Nexi, Nets or SIA fail to respond to technological changes or consumer payment preferences, the Combined Group may lose its market share compared to competitors.

Nexi, Nets and SIA face new competitive pressure from international payment companies focused on e-commerce and m-commerce sectors. Given that these market segments are very attractive, they are characterized by strong competitive pressure from international payment companies which provide omni-channel propositions, such as Adyen, Stripe and, with specific reference to e-commerce and m-commerce, PayPal. Other non-traditional payment service providers, such as Google, Apple, Samsung and Amazon, could become significant competitors of the Combined Group should they decide to increase their focus on payments, becoming competitors in one or more payment services that Nexi, Nets and SIA provide. 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 the Combined Group's business, financial condition and results of operations could be materially adversely affected, in particular through e-commerce and m-commerce. In addition, Nexi, Nets and SIA face new competitive pressure from other international players, such as SumUp and iZettle, on the acquiring side, and challenger banks, such as Revolut, N26, or Hype, on the issuing side.

Nexi, Nets and SIA also face competitive pressure with respect to their POS services from alternative payment methods, such as QR code payments on the acquiring side (and, particularly, e-commerce transactions), which are provided by several competitors, including PayPal, Satispay or MobilePay, that are generally account-to-account based payments (IBAN-based).

In addition, Nexi, Nets and SIA 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 new next generation PSD2 services), and the threat of disintermediation of Nexi's, Nets' and SIA's 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 (AISPs), i.e., licensed payment service providers who can offer the possibility of aggregating customers account information from multiple accounts (accessible online) into a single instrument; and

- Payment Initiation Service Providers (PISPs), i.e., licensed payment service providers who can offer 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 of the traditional value chain of digital payments, for example in the area of e-commerce, where payment services providers could initiate a transfer from the payer's account to the merchant's account, provided valid customer's consent. In this case, open banking could accelerate the penetration of A2A payment methods. Such services are already available in some European countries, even pre-PSD2 (e.g. Klarna/Sofort in Germany and other western EU countries) 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), companies refunds (B2P), or institutions (P2G). Given the current limits affecting the user experience of payment initiation services ("PIS"), we currently expect competition from this type of providers to arise only in the medium term, provided that these services will develop their UX. Furthermore, the portfolio of services provided by Nexi, Nets and SIA already include this kind of services, which allows the Combined Group to provide these services to its customers, should PIS services gain significant future traction on the market.

Nexi, Nets and SIA also face increased competition from traditional payment participants, in particular from international schemes like Visa and MasterCard. These companies may adopt increasingly aggressive strategies to expand their market share in the markets in which Nexi, Nets and SIA operate, for instance by exploiting new regulations, Nexi's, Nets' and SIA's dependence on maintaining operating licenses or memberships with them, or Nexi's, Nets' and SIA's dependence on the use of certain technology they may control. In particular, both MasterCard and Visa are enriching their offer by creating new services across the entire value chain (e.g., account-to-account payments) See also "—*Nexi, Nets and SIA are exposed to risks arising from their reliance on payment networks*." Finally, the Combined Group might face new competition, even though on a medium-long term period, emerging from non-traditional players which may offer alternative payment methods, types, currencies, technologies and databases that generally bypass the traditional systems. Such non-traditional competitors include, for example, providers of blockchain solutions (or, relatedly, bitcoin solutions), which do not rely on traditional card schemes or banking networks to process digital payments. Blockchain solutions facilitate payments without the need to go through a third party, by processing transactions via a network of computers that continuously records transactions processed through it. In the long term, the evolution of blockchain and distributed ledger technology might 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 (such as Bitcoin or Ethereum), including for large international payments (such as Ripple). Should cryptocurrencies become a payment method largely used by consumers, Nexi, Nets and SIA would start face competition also from these players, as these new technologies may affect one or more aspects of the digital payments ecosystem in which the Combined Group will operate and could have a material adverse effect on the Combined Group's business, financial condition, and results of operations.

Some of Nexi's, Nets' and SIA's competitors may offer a range of products and services that is wider and more comprehensive than those of the Combined Group. For example, Nexi's, Nets' and SIA's competitors may offer integration with mobile device to a greater degree than they do. Nexi's, Nets' and SIA's competitors may also introduce new products to rival or even replace certain products they offer. In addition, Nexi's, Nets' and SIA's competitors may have a greater ability than Nexi, Nets and SIA to develop, and to devote financial and operational resources to, the research, development, marketing and/or acquisitions of new technologies and services. Nexi's, Nets' and SIA's competitors may use more effective advertising and marketing strategies, may have or achieve broader brand recognition or merchant acceptance than any of Nexi, Nets or SIA, or may develop better security solutions and/or more competitive pricing arrangements than us.

A decline in the markets for any of Nexi's, Nets' and SIA's 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 Nexi's, Nets' and SIA's 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 Nexi, Nets and SIA are not able to develop products that customers appreciate or that are easy for them to use, the Combined Group could lose market share as customers move to Nexi's, Nets' and SIA's competitors or as a result of Nexi's, Nets' and SIA's failure to attract new customers.

Any failure to remain competitive could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The digital payments industry could experience a decline in digital payment transactions, including a decline in the use of recurring and one-time account-based payments and credit or debit cards as a payment mechanism for consumers, as well as other adverse developments.

Despite historical growth trends in markets where the Combined Group will operate, if the number of digital payment transactions does not continue to grow or if consumers or business do not continue to use Nexi's, Nets' and SIA's products and services, it could have a material adverse effect on the Combined Group's business, financial condition, and results of operations.

A substantial part of Nexi's, Nets' and SIA's business is linked to credit and debit card payments. If consumers do not continue to use credit or debit cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit and debit cards and other payment forms that is adverse to the Combined Group, or if the Combined Group is unable to continue to expand the number of agreements with merchants in Nexi's, Nets' or SIA's markets at current or historical levels, this could have a material adverse effect on the Combined Group's business, financial condition and results of operations. The facilitation of direct access to accounts as a result of PSD2 may result in increased competition and opportunities for traditional and non-traditional payment providers (including those which compete with us) which offer alternative payment methods and may result in growth in account-based payments more broadly. For example, peer-to-peer payment platforms such as MobilePay in Denmark could shift from card-based payments to account-based payments which could have an adverse effect on Nets' revenues and earnings.

To the extent that the overall card-based payment market decreases and such decrease occurs faster than the increase in the market for digital payments effected through account-based payments, the Combined Group's revenues and earnings could also be adversely affected. In addition, if margins are lower in these new areas, then the Combined Group's profitability could decrease, at least temporarily and until such margins increase and/or the initial development expenses are absorbed. Moreover, if there is an adverse development in the credit or debit card payment industry in general, such as new legislation or regulation that makes it more difficult for the Nexi's, Nets' or SIA's customers to do business or for consumers to use credit or debit cards as a payment mechanism for their transactions, or if consumers or business do not continue to adopt Nexi's, Nets' or SIA's products and services, the Combined Group's business, financial condition and results of operations may be adversely affected.

The Combined Group's business requires funding to manage settlement needs.

Nexi and Nets rely on third party funding to manage settlement needs. For example, Nexi relies on third party funding to manage its 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 Nexi's needs is primarily provided by (i) the Nexi Factoring Agreement, for a total amount of outstanding factored receivables not exceeding €3,200,000,000, (ii) the Factorit Agreement, providing for a revolving credit line for up €350,000,000, (iii) the Credit Mandate, 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 €450,000,000, (iv) the Mercury Funding Facility, providing for a current account credit facility in an available amount of up €200 million, (v) certain bilateral credit facilities with an aggregate available amount of €1,310.0 million (which are utilized to cover acquiring activities, receivables from issuing activity not covered by the Nexi Factoring Agreement, the Factorit Agreement or by revolving credit facilities and other potential short run operational funding needs) as well as (vi) the Revolving Credit Facility (providing a €350 million line available to cover potential general liquidity shortfalls and business needs). See also "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations.*" Also Nets' relies on third party funding to manage its settlement needs, which, depending on the business line involved, may require coverage of between one and 40 days, or, in some cases, an even longer period of time. Funding to cover Nets' needs is primarily provided by €125.0 million in committed funds under the Securitization Agreement, up to €200,000,000 of receivables purchased by the receivables purchaser under the Cooperation Agreement, and certain bilateral credit facilities in an amount of €788 million (equivalent) in respect of overdraft, intra-day clearing facilities and money market lines sourced by other banks to mainly cover activities in the Merchant Services business segment. See "*Description of Certain Financing Arrangements—Nets' Settlement Obligations.*" In addition, one of SIA's subsidiaries, Greece SIA S.A., has entered into a bilateral credit facility utilized to cover its short run operational funding needs, which was drawn in an amount of €5.9 million as of the date of this offering memorandum. See "*Description of Certain Financing Arrangements—SIA Indebtedness—SIA's Funding Sources.*"

Nexi and Nets face the risk that they may not be able to renew these facilities at all or on equivalent terms, or that their counterparties may terminate their agreements with us. For example, the Credit Mandate entered into between Nexi Payments and Depobank (now merged into BFF) shall expire on June 30, 2022, with a tacit renewal for recurring one-year periods. While Nexi Payments and BFF have entered into a term sheet to amend certain terms of the Credit Mandate, including its duration, no guarantee could be given that the Credit Mandate will be actually amended. In addition, the Nexi Factoring Agreement grants UniCredit Factoring S.p.A. the right to revoke factoring plafond assigned to Nexi's 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 Nexi if the latter ceases to be registered on the register of electronic money institutions, or fails to comply with capital adequacy requirements. Moreover, the Nexi Factoring Agreement and certain of the bilateral facilities contain change of control and/or cross default provisions. Similarly, the Securitization Agreement and the Cooperation Agreement entered into by Nets' subsidiary RatePay grant the relevant receivables purchasers the right to terminate the contracts upon the occurrence of certain events of default, including certain change of control events.

In terms of settlement needs, Nexi experiences a daily cash shortage to be covered in its Merchant Services & Solutions business line for the period between the date Nexi credits the merchant and the date Nexi is reaccredited by the schemes. This period can last from one to three days, with amounts averaging approximately €162 million on a daily basis in the year ended December 31, 2020. In Nexi's Cards & Digital Payments business, the period between the date the cardholder effects a transaction and the date the cardholder 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 Nexi then covers. The amount of cash resources required for this business line is, on average, equal to €1.6 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 Nexi experiences 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. In terms of Nets' settlement needs in its acquiring business, Nets typically settles the payable owed by the card scheme to the merchant after receiving the corresponding amount by the card scheme. In some circumstances, Nets settles 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 either later that same day or on the next subsequent business day. In its "pay later" solution, Nets' subsidiary RatePay pays merchants the amount owed by consumers, nets of its fees and commissions, in advance of having received funds from consumers, while in the "installment payment" solution, Nets' subsidiary RatePay offers selected consumers the option to pay for goods and services via installments over up to 48 months, with the majority of installments falling below 12 months. See also "*Description of Certain Financing Arrangements—Nets' Settlement Obligations.*"

While Nexi, Nets and SIA believe that they have sufficient funding to cover their short term settlement needs, they may in the future be required to replace an existing lender or counterparty under their funding agreements, which could lead to increased expenses or a potentially lengthy interruption in 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 the Combined Group's business, financial condition and results of operations.

The Combined Group may incur liabilities for the actions of Nexi's, Nets' and SIA's directors, employees, agents, representatives and intermediaries.

Conducting business in an ethical manner is of crucial importance for the Combined Group's reputation, status with regulators and business prospects. Any contact by Nexi's, Nets' or SIA's 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 Nexi's, Nets' or SIA's employees and could result in them being involved in investigations relating to such activities. Furthermore, Nexi's, Nets' and SIA's business activities may also involve risks relating to potential claims which may result from activities or errors by their employees and may result in breaches of security measures or damage to third parties. Nexi, Nets and SIA are also exposed to the risk that their directors, employees or agents may commit cybercrimes such as breaches of the computer systems of their competitors, gain unlawful access to bank data (including customer data) and may cause damage to the Combined Group's computer systems and documents.

As of the date of this offering memorandum, Nexi and SIA have adopted an organizational, management and control model pursuant to Legislative Decree No. 231/2001 ("Decree 231"), as a defense against the administrative responsibility that could be attributed to Nexi or SIA pursuant to Decree 231 for offenses committed in the Nexi's or SIA's interest or for Nexi's or SIA's benefit by Nexi's or SIA's employees, directors and representatives. However, the adoption of 231 model by Nexi and SIA is not sufficient on its own to prevent sanctions under Decree 231. While maintaining, implementing and updating the internal control systems, Nexi and SIA may not be able to prevent or detect the commission of the offences covered in Decree 231, especially given the nature and size of the Combined Group. Any proceedings relating to alleged offences covered by Decree 231, 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 the Combined Group's 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 the Combined Group to civil and administrative penalties under the provisions of Decree 231 and cause damage to the Combined Group's reputation. Specifically, under Decree 231, each of Nexi and SIA can be held liable for certain offenses committed in their interest or 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 Nexi or SIA, as applicable, at the time of committing the offense in question, including third party agents, partners or intermediaries, unless Nexi or SIA, as applicable, can demonstrate that such persons intentionally violated their internal control models and that it would have been impossible for Nexi or SIA, as applicable, to prevent such breach. In such circumstances, Nexi and SIA 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 Nexi's or SIA's 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 the Combined Group's business, financial condition and results of operations.

Nexi, Nets and SIA are exposed to risks arising from their reliance on payment networks.

Part of the Nexi's and Nets' business is conducted through license agreements with card scheme operators, such as Visa and MasterCard. Pursuant to these license agreements, the card scheme operators periodically issue binding rules (i.e., mandates) aimed at ensuring compliance with technical standards regarding Nexi's and Nets' 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. In addition, SIA provides technological solutions to customers operating on payment networks.

Whenever a new mandate is issued, Nexi and Nets 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 Nexi or Nets or the partner banks rather than bear such costs, with a consequent adverse effect on the Combined Group's 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 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.

From time to time, card scheme operators change both the interchange fees and card scheme fees that they charge to Nexi or Nets as well as to the merchant acquirers (for example, MasterCard announced that it will impose a fivefold increase in interchange fees for online credit card payments from the UK to the European Union, starting October 2021). Due to competitive pressures, merchant expectations, or for other reasons, Nexi or Nets may be unable to pass a portion or all of such fee increases to their customers through corresponding increases in Nexi's or Nets' charges, which could result in Nexi or Nets absorbing a portion or all of such increases in the future. In addition, interchange and other fees are subject to increased scrutiny by regulators, and new regulations impose a cap on interchange fees and require greater pricing transparency of the breakdown in fees which could lead to increased price-based competition, lower margins and higher rates of customer churn.

In some cases, payment networks are in competition with Nexi and Nets 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 Nexi or Nets. For example, Nets operates national debit card networks in Denmark (through Dankort) and Norway (through BankAxept) that compete with other card schemes, including the international credit and debit card schemes of Visa and MasterCard. Furthermore, as certain Dankort and BankAxept cards are co-badged with Visa as Visa/Dankort cards, or Visa/BankAxept cards, Nets is exposed to risks related to competition with, changes to and an increase in use of or preference for, Visa's card scheme in Denmark or Norway, which are two of Nets' key countries of operation. Such competition has increased as a result of requirements under the EU Interchange Fee Regulation, which provides payers and payees with the ability to select their preferred payment brand or application when engaging in payment transactions that involve co-badged payment instruments. Pursuant to this requirement, Nexi and Nets must ensure that the terminal products and services that they offer can facilitate this. Failure to do this could expose the Combined Group to the risk of litigation from international card schemes. See "*—The EU Interchange Fee Regulation may adversely affect the Combined Group's results of operations.*" and "*—Competition for each of Nexi's, Nets' or SIA's business is intense and the Combined Group may lose market share, fail to gain market share or face downward pricing pressure.*" Domestic debit card payment systems in the United Kingdom, Ireland, Luxembourg, the Netherlands and Finland have progressively been eliminated as a result of the establishment of the Single Euro Payments Area and competition from Visa Debit and Debit MasterCard products that compete directly with such domestic products, and the can be no guarantee that domestic payment networks that Nexi, Nets or SIA operate will continue to be able to compete with large international providers.

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, the Combined Group's business could be adversely affected. In addition, if Nexi or Nets 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 Nexi's and Nets' limited ability to provide transaction processing services to their customers, the Combined Group's business, financial condition and results of operations could be materially adversely affected.

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

Failure to comply with the credit card system rules could also entail the restriction, suspension or termination of Nexi's or Nets' 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, the Combined Group would not be able to process transactions by using the credit card system in question, with a material adverse effect on the Combined Group's business, financial condition and results of operations.

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

Lastly, a significant portion of SIA's business relates to the provision of payment acceptance- and issuing-related services through its Card & Merchant Solutions business line, with regard to domestic (e.g. Pagobancomat), and international (e.g. Visa, MasterCard, Alipay etc.) schemes. SIA's services in the sector encompass processing and value-added services that allow for payments through traditional (e.g. card-based) and digital (ApplePay, SamsungPay, etc.) payment services. As such, SIA therefore relies on the relationships between its customers and the relevant payment schemes, and may be materially adversely affected if any of its customers fails to comply with the rules of the system, or if their license is restricted, suspended or otherwise terminated.

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:

- these measures are calculated solely on the basis of the historical data of Nexi, Nets and SIA;
- 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 the Combined Group's 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 the definition and calculation of APMs presented in this offering memorandum, may not be homogeneous with the criteria adopted by other groups and therefore, APMs may presented in this offering memorandum not be comparable with similarly titled APMs presented by other groups;
- APMs must be read together with the Financial Statements; and
- the APMs presented in this offering memorandum 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 the Combined Group's 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 Combined Group's results of operations.

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 may impact merchant acquirers' operations in EU markets in which the Combined Group operates in terms of client billing, pricing and contracting. 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 Nexi's and Nets' 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 the Combined Group's systems and operations. This could have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects.

The Combined Group may not be able to attract, integrate, manage and retain qualified personnel or key employees.

Nexi's, Nets' and SIA's operating results depend in significant part upon the continued contribution of their boards of directors, key senior management and of highly qualified technical, financial and operations personnel. Nexi's, Nets' and SIA's operations require, among other things, stringent control of financial systems and operations, the continued development of 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 Nexi's, Nets' and SIA's key management are important to the conduct of their business. If Nexi, Nets or SIA were to unexpectedly lose a member of their key management or fail to maintain one of the strategic relationships of their key management teams, the Combined Group's business and results of operations could be materially adversely affected.

In particular, the success of the Combined Group's business depends on its 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, fintech, technical support, finance and controls, sales, administration and operations, and requires the Combined Group to retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of the Combined Group's business and operations. The market for qualified personnel is competitive and the Combined Group may not succeed in recruiting additional personnel, or 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 there can be no certainty that the Combined Group will be able to identify or employ qualified internal or external candidates within a reasonable timeframe. In addition, the Combined Group's competitors may increase remuneration packages for desirable personnel, which may result in an inability to recruit suitable personnel or may force the Combined Group to increase remuneration of certain categories of employees or of new recruits. The Combined Group 's efforts to retain and develop personnel may also result in additional expenses, which could adversely affect the Combined Group's profitability. The Combined Group cannot guarantee that key personnel, including executive officers, will remain in their employment or that it will be able to attract and retain qualified personnel in the future, which could have a material adverse effect on the Combined Group's business. Certain of Nexi's, Nets' and SIA's employees have not entered into non-compete agreements, which may result in adverse consequences should any of such employees become employed by a competitor. The Combined Group's rapid increase in scale and the integration of the component business of the Combined Group may result in insufficient integration of its operations, which may in turn result in inefficiencies in its operations and suboptimal management and decision-making processes. In addition, the Mergers may result in difficulties in retaining qualified employees as a result of, among other things, discontent with the Mergers or with their execution.

Nexi's, Nets' and SIA's risk management policies and procedures may not be fully effective in mitigating their risk exposure.

Nexi's, Nets' and SIA's risk management policies and procedures may not be fully effective in identifying, controlling and managing the risks to which they are exposed. Some of Nexi's, Nets' and SIA's 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 Nexi's, Nets' and SIA's policies and procedures are not fully effective, or if they are unable to detect all the risks which Nexi, Nets or SIA are or could be exposed to, the Combined Group could suffer damage to its 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 the Combined Group's business, financial condition and results of operations. See also "*—The Combined Group may incur liabilities for the actions of Nexi's, Nets' and SIA's directors, employees, agents, representatives and intermediaries.*"

Nexi's, Nets' and SIA's insurance coverage may not be adequate to cover all possible losses and the insurance costs may increase.

Nexi, Nets and SIA 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 employees. Such insurance policies do not cover all types of losses and liabilities that directors and officers may face in the performance of business activities and are in any case subject to limits, sub limits, overdrafts and/or deductibles, exclusions and conditions. There can be no guarantee that Nexi's, Nets' and SIA's insurance policies will be sufficient to cover the full amount of damages or liabilities that they may face, nor can it be guaranteed that they will be able to renew current insurance policies on favorable terms and conditions or to renew them without interruptions in coverage. Furthermore, if Nexi, Nets and SIA or other payment services providers suffer significant losses or make significant insurance claims, their ability to obtain insurance coverage in the future at commercially reasonable rates could be adversely affected, with a material adverse effect on the Combined Group's business, financial condition and results of operations. It is unclear if, and how, insurance policies of Nexi, Nets and SIA will cover any damages that they may suffer in relation to the COVID-19 outbreak and how their insurers will handle any related requests for damages in the future. Should the insurance providers of Nexi, Nets and SIA fail to cover losses or damages as a result of the COVID-19 outbreak, or should they modify their approach in the future, the business, financial condition, results of operations and prospects of the Combined Group could be adversely affected. Finally, there can be no assurance of the financial abilities of the insurance companies to meet their claim payment obligations.

Joint ventures and other partnerships arrangements may expose the Combined Group to risks.

From time to time Nexi, Nets and SIA enter into joint ventures and other partnership arrangements with other parties in relation to projects in which they have an interest. For example, Nets has entered into a number of joint ventures, and is expected to continue to do so, including in relation to the establishment of P24Dotcard sp. z o.o. and PayPro S.A., two Polish payments processors. In addition, Nets operates a joint venture with PostNord AB (formerly, Post Danmark A/S), in connection to the joint operation of e-Boks A/S. Joint ventures and partnership arrangements can often require unanimous approval of the parties to the joint venture or partnership arrangement or their representatives for certain fundamental decisions, which means that each party may have a veto right with respect to such decisions. This could, in turn, lead to a deadlock in the operations of the joint venture or partnership. Further, Nexi, Nets and SIA may be unable to exert control over strategic decisions made in respect of such joint venture or partnership. Any failure of such other parties to meet their obligations to Nexi, Nets or SIA or to third parties, or any disputes with respect to the parties' respective rights and obligations, could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group's business may suffer if Nexi, Nets or SIA are sued for infringing the intellectual property rights of third parties, or if they are unable to obtain rights to third party intellectual property on which the Combined Group's business depends.

Nexi, Nets and SIA rely on the strategic protection of their intellectual property rights, including through the use of trademarks, copyrights and licenses. Nexi, Nets and SIA also rely on trade 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 their services and develop, maintain and strengthen their competitive position. However, it cannot be excluded that, in the future, third parties might bring claims for infringement of their intellectual property rights by Nexi's, Nets' or SIA's systems or products. Such infringement claims, even if without merit, may cause Nexi, Nets or SIA to incur significant costs in defending those claims. Nexi, Nets or SIA may be required to discontinue using any infringing technology and selling any related services, to expend resources to develop non-infringing technology, or to purchase licenses or pay royalties for other technology. Future disputes and/or claims by third parties in relation to intellectual property rights may adversely affect the Combined Group's business, financial condition and results of operations.

In addition, if Nexi, Nets and SIA are unable to protect their technology and intellectual property, their competitors may, even temporarily, misappropriate Nexi's, Nets' and SIA's technologies and intellectual property rights and develop competing services, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Nexi's, Nets' and SIA's use of trade secrets creates the risk that they may be unable to prove ownership of certain products. For example, SIA has not registered certain proprietary technologies which it has developed internally to conduct its business, and relies instead on trade secrets to protect such technologies from adoption by competitors. This may make it difficult for SIA to prove its ownership of such technologies and the fact that it developed such technologies before other third parties. This may, in turn, increase the difficulty of protecting such technologies through court proceedings. SIA is currently involved in a dispute with Itside S.r.l. and Mobysign Limited in connection, among others, with the alleged violation of a patent by its Jiffy solution, and has not recorded provisions to account for any damages arising therefrom. While SIA does not believe this dispute to be material, it cannot be excluded that the Combined Group will not be involved in material intellectual property disputes in the future.

In addition, Nexi, Nets and SIA may be required to bring legal action to protect their industrial secrets and know how, or to enforce their rights or contest the scope and validity of the property rights of third parties. Nexi, Nets and SIA may not be successful in defending against challenges brought against their intellectual property rights, may be required to pay royalties for the use of patents or trademarks of third parties for key technologies or may need to make substantial investments to research and develop suitable alternatives. Finally, Nexi, Nets and SIA rely on their 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 Nexi's, Nets' and SIA's business or be unwilling to grant such rights on terms that are favorable to Nexi, Nets and SIA. As a result, Nexi, Nets and SIA may not be able to continue offering the products and services on which Nexi's, Nets' and SIA's business depends, with a consequent material adverse effect on the Combined Group's business, financial condition and results of operations.

Any court proceedings Nexi, Nets and SIA commence could be expensive and time consuming and may divert management's attention from other business aspects. Furthermore, Nexi, Nets and SIA 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. While Nexi, Nets and SIA are not currently involved in any material intellectual property litigation, it cannot be guaranteed that this will continue to be the case, or that Nexi, Nets and SIA will be successful should such a dispute arise.

Failure to protect Nexi's, Nets' and SIA's intellectual property rights could reduce the Combined Group's competitive advantage and result in losing customers to competitors, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group may require additional capital in the future, which may not be available on commercially favorable terms, or at all.

In response to changes to the Combined Group's strategy, to accelerate strategy implementation, or to unanticipated changes to the regulatory or competitive environment, the Combined Group may need to raise additional capital in order to:

- take advantage of expansion or growth opportunities, as was the case, for example, for the ISP Acquisition, through which Nexi acquired Intesa Sanpaolo's over 380,000 points of sale;
- acquire, form joint ventures with or make investments in complementary businesses or technologies;
- develop new products, services or capabilities; or
- respond to competitive pressures.

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

If any of Nexi, Nets or SIA experience labor disputes or work stoppages, the Combined Group's business could be materially adversely affected.

Each of Nexi, Nets and SIA is subject to several collective bargaining agreements in certain countries in which they operate, such as Italy, and have a variety of labor agreements with unions and government authorities. See "*Issuer's Business—Employees,*" "*Nets' Business—Employees*" and "*SIA's Business—Employees.*" While we believe that each of Nexi, Nets and SIA have good relations with unions and employees generally, there can be no assurance that their relations will not deteriorate and that they will not experience labor disputes in the future. Any failure to extend or renegotiate collective bargaining agreements on terms favorable to the Combined Group, or at all, could have a material adverse effect on the Combined Group's business. There can be no assurance that the Combined Group's employees will not make claims or that the Combined Group will not incur work stoppages in the future, which if they occurred, would have a material adverse effect on its business, financial condition or results of operations. In addition, 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. Nexi's and SIA's employees may go on strike in the future, including as a result of the Mergers and associated reorganization efforts. Any work stoppages resulting from employee strikes could hinder Nexi's and SIA's ability to provide standard level of customer service.

Furthermore, in the event of a market downturn, or other events leading to a decrease in the Combined Group's business volume, including in relation to any actions taken in response to the outbreak of the COVID-19 pandemic, the Combined Group may have to downsize their activities, including by reducing staff and discontinuing some operations. In response to the outbreak of the COVID-19 pandemic, Nexi, Nets and SIA have taken measures aimed at reducing labor costs, such as submitting requests to redundancy funds for eligible employees. Flexibility in human resource management is, however, significantly affected by labor laws and regulations and by the terms of the agreements between each of Nexi, Nets and SIA, unions and government authorities. Labor law and union practices provide significant protections for worker rights in various countries where Nexi, Nets and SIA operate, including Italy. If there is a market decline or a reduction in business and the Combined Group is unable to reorganize its workforce consistently with the resulting fluctuation in work load, or otherwise to adjust its production capacity, or is required to incur significant costs in connection therewith, this could have a material adverse effect on the Combined Group's business, financial condition, results of operations and on the Issuer's ability to perform its obligations under the Notes.

Goodwill, intangibles and investment impairments may have negative effects on the Combined Group's results of operations.

As at December 31, 2020, Nexi had intangible fixed assets of €3.7 billion (of which €2.9 billion related to goodwill). Such assets represented 58.7% of Nexi's total consolidated assets. All of Nexi's 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 Nexi cash flows. As at December 31, 2020, Nets had intangible fixed assets of €5.3 billion (of which €4.1 billion related to goodwill). Such assets represented 58.9% of Nets' total consolidated assets. Nets' financial assets at amortized cost are subsequently measured at amortizes cost using the effective interest rate method, less impairments. Interest income arising under the effective interest rate method is recognized in financial income in the income statement. Losses arising from impairment are recognized in the income statement under external expenses. Nets' goodwill arising from the acquisition of a business is carried at the date of acquisition of the business less accumulated impairment losses, if any goodwill is not amortized. The carrying amount of goodwill is tested annually and if events or changes in circumstances indicate impairment. As at December 31, 2020, SIA had intangible fixed assets of €0.8 billion (of which €0.5 billion related to goodwill). Such assets represented 62.5% of SIA's total consolidated assets. SIA's financial assets that are held according to a hold-to-collect business model and contractual terms of the financial asset call for cash flow at specific dates represented solely by payments of principal and interest on the principal amount outstanding are amortized at cost. On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, the financial assets in question are valued at amortized cost, using the effective interest rate method.

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 cash generating units, as goodwill is unable to produce cash flows on its own. See also "*Risks related to the Transactions—As a result of the Mergers, we expect to record a significant amount of goodwill, which could thereafter be subject to the risk of impairments in the event of adverse changes to the underlying assumptions as to the results and cash flows from the acquired businesses*."

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 the Combined Group's business, financial condition, results of operations and prospects.

Nets provides digital payment services to merchants that are active in certain high-risk industries including, among others, the gambling, dating, adult entertainment and nutrition industries and the exchange of cryptocurrency business.

Nets offers merchant acquiring and gateway services to European merchants that are active in operations that Nets considers to be high-risk, including as a result of their involvement in, among others, the gambling, dating, adult entertainment, and nutrition industries and in the exchange of cryptocurrency business. While Nets has put internal controls in place and its revenues from operations in the abovementioned industries are marginal, these categories of activities are exposed to increased fraudulent activity, including money laundering, among others. As a result, Nets may become liable for chargebacks and other liabilities in relation to payments processed for such customers. In addition, banks and payments networks may refuse to process payments to and from such customers. Nets' involvement in such activities could, in addition, result in reputational damage.

For example, regulation of the gambling industry changes from country to country, often substantially, and ranges from lack of regulation to models are necessary for the operation of a gambling business. Online, as opposed to in-person, gambling is also subject to stringent regulation. Often, regulation in the field of gambling is unclear, and the operation of gambling businesses tends to rely on established practice. Nets' operations in respect of its customers in the gambling industry may result, in any given jurisdiction where Nets provides its services, in either direct application of laws that limit or prohibit payment processing related to gambling, or in a secondary offence (e.g., aiding and abetting of illegal gambling) under specific laws or rules aimed at prohibiting payment processing related to gambling. As a result, Nets and its officers and directors may be subject to investigation, and may be found guilty of participating in or aiding and abetting illegal gambling operations, including under criminal laws. See "—*Certain companies within the Combined Group are subject to oversight by regulatory authorities and central banks and face risks relating to investigations*." In addition, Nets delivers products and services to customers that operate cryptocurrency exchanges. Cryptocurrencies are occasionally used for illicit ends, including money laundering, and, while Nets has internal controls in place, it may not be able to detect when its products and services are used for illicit ends.

Nexi, Nets and SIA are subject to risks in relation to potential failure to perform know-your-customer checks.

Nexi, Nets and SIA are required by applicable laws to perform know-your-customer check when contracting with certain parties. While Nexi, Nets and SIA perform know-your-customer checks on new customers, Nexi, Nets and SIA do not, or might not, have complete know-your-customers files on all clients. While Nexi, Nets and SIA do not believe that such complete files are required, they do not intend to terminate their contractual relationship with such clients, authorities may take a different view.

Changes in tax laws or challenges to the tax position of each of Nexi, Nets and SIA could adversely affect the Combined Group's results of operations and financial condition.

Nexi, Nets and SIA are subject to complex tax laws. Changes in tax laws could adversely affect the tax position of each of Nexi, Nets and SIA, including in relation to effective tax rate or tax payments. Nexi, Nets and SIA 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 Nexi's, Nets' and SIA's interpretation of these laws. If Nexi's, Nets' or SIA's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require Nexi, Nets and SIA to pay taxes that they currently do not collect or pay or increase the costs of their services to track and collect such taxes, which could increase their costs of operations or their effective tax rate and have a negative effect on their business, financial condition and results of operations. The occurrence of any of the foregoing tax risks could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

The Combined Group may fail to achieve its growth strategy within the timeframe expected, or at all.

The Combined Group may fail to implement its growth strategy on time or with the expected results. During the 2019-2020 period, each of Nexi, Nets and SIA incurred non-recurring costs related to strategic initiatives to implement their growth strategy. In particular, during the 2019-2020 period, Nexi recorded €146.9 million of non-recurring costs related to, among the others, the rebranding from CartaSi to Nexi, the reorganization of the Nexi business, the restructuring plan of certain subsidiaries, the ISP Acquisition, and acquisitions and costs associated with integrating acquired companies into Nexi, in addition to the costs relating to the non-recurring financing transactions and to developing new products, and €34.9 million of capital expenditure relating to investments in IT and strategy transformation projects for the year ended December 31, 2020. During the 2019-2020 period, Nets recorded €531.6 million of non-recurring costs related to reorganization, restructuring and refurbishment, business set-ups, acquisitions and disposals, transformation programme and costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc. Over the same period, SIA recorded €27.0 million of non-recurring costs related to M&A and corporate projects and restructuring charges.

If the Combined Group is not able to fully implement its growth strategy initiatives or if it fails to achieve the expected results, it may incur unexpected costs or fail to realize revenue, which could have a material adverse effect on the Combined Group's business, financial condition or results of operations.

Nexi, Nets and SIA enter into agreements with related parties; such transactions could result in inefficiencies in the resource allocation process, expose the Combined Group to risks that are not adequately measured or monitored, and cause damage to the Combined Group and its stakeholders.

As part of their business, each of Nexi, Nets and SIA enter into agreements with related parties on a regular basis. These agreements mainly relate to ICT outsourcing services, credit mandate and facility services, commercial services and other consulting services. Transactions with related parties entail risks, including tax risks, associated with transactions with parties that, being part of the Combined Group's 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 the Combined Group to risks that are not adequately measured or monitored; and cause damage to the Combined Group, its stakeholders and/or its subsidiaries.

The Combined Group's market position may expose it to risks arising from antitrust regulation.

The Combined Group's business is subject to European and national competition laws, rules and regulations. The Combined Group is exposed to antitrust risks at both the European and national level in the markets in which it operates, for instance in acquiring, card issuing and clearing services. 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 noncompliance with relevant regulatory requirements. The Combined Group holds relevant market shares, for instance, with respect to clearing and acquiring activities in Italy. 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 Nexi's 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. Nexi 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.9776 – WORLDLINE/INGENICO (2021)), have suggested that the relevant geography for the issuing- and acquiring-related markets may be the entire European Union rather than the national market, especially with respect to e-commerce transactions. Nexi 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 ICT aspects has increased the uncertainty surrounding the difference between the payment processing and acquiring markets, thereby increasing competitive pressure in both markets. Notwithstanding a potential shift in defining the relevant market, regulators may maintain that the Combined Group holds a dominant position in certain markets. A similar view may be supported by the Bank of Italy's 2017 report on Nexi's markets, which attributed significant market share to Nexi, both in terms of value and volume, in particular for credit card transfers. If a regulator were to determine that the Combined Group holds a dominant position, this may result in regulatory restrictions on the Combined Group's ability to act freely in these markets, set the price of the Combined Group's products or services, or maintain existing operations or business segments, which could have a material adverse effect on the Combined Group's business, financial condition and results of operations. Moreover, any future acquisitions or disposals could be subject to in depth investigation by the antitrust authorities, particularly if the traditional definition of the relevant markets remains unchanged notwithstanding the technological and regulatory developments described above. See also "*Risks related to the Transactions—The Mergers are subject to certain conditions, uncertainties and risks and, if they are not consummated, the Issuer may redeem the Notes at 100% of the issue price, plus accrued and unpaid interest*."

Changes to accounting standards may affect reporting of Nexi's, Nets' and SIA's financial condition and results of operations.

Each of Nexi's, Nets' and SIA's Financial Statements are prepared and presented in accordance with IFRS. Any changes in these accounting standards may have a significant impact on Nexi's, Nets' and SIA's 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. Further, Nexi's, Nets' and SIA's assumptions, estimates and judgments related to complex accounting matters could significantly affect Nexi's, Nets' and SIA's financial results. IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to Nexi's, Nets' and SIA's 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 Nexi, Nets or SIA could require them to make changes to their accounting systems to implement these changes that could increase their operating costs, and could significantly change the Combined Group's reported or expected financial performance.

Certain companies within the Combined Group are subject to oversight by regulatory authorities and central banks and face risks relating to investigations.

Certain companies within the Combined Group are subject to oversight regulatory authorities and central banks in certain of the jurisdictions in which they operate. In the exercise of their supervisory and oversight powers, regulatory authorities and central banks may conduct periodic inspections of Nexi, Nets and SIA. 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 Nexi's, Nets' and SIA's subsidiaries, any of which could have a material adverse effect on the Combined Group's business, financial conditions and results of operations. For example, the Bank of Italy, one of the regulatory authorities that has supervisory powers over Nexi in 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 Nexi's 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. Between 2019 and 2021, several subsidiaries of Nets have been subject to inspection by competent authorities, including the German federal financial supervisory authority (BaFin), the Danish financial supervisory authority and the Polish financial supervisory authority, which carried out inspections related to several areas, including anti-money laundering. The competent authorities identified several areas of improvements, which Nets addressed or is in the process of addressing. For example, in the context of the BaFin's ongoing investigation, one of Nets's subsidiary was required to disclose its anti-money laundering and know-your-customer procedures applicable, among others, to its business related to high risk industries. See also "*—Nexi, Nets and SIA are subject to risks in relation to potential failure to perform know-your-customer checks*" and "*—Nets provides digital payment services to merchants that are active in certain high-risk industries including, among others, the gambling, dating, adult entertainment and nutrition industries and the exchange of cryptocurrency business*". While Nexi and Nets have taken measures to address the various findings identified by the competent authorities, it cannot be ruled out that Nexi, Nets and SIA and their subsidiaries will, in the future, be subject to additional assessments or specific requests. If this were the case and the supervised companies 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 the Combined Group's business, financial condition and results of operations.

Nexi is exposed to market and currency risks with respect to the securities it holds.

Nexi holds shares issued by Visa Inc. in the context of its acquisition of Visa Europe Limited, a company which used to manage the Visa circuit in Europe, in 2016. In particular, as of December 31, 2020, Nexi held both Class A Preferred shares, which are convertible into Class A ordinary shares of Visa Inc. and are traded on regulated markets, as well as Class C Visa Shares, which are convertible into Class A Preferred shares (and subsequently into Class A ordinary shares) of Visa Inc. on the basis of certain conversion criteria and are not traded securities, in an aggregate amount of €151.6 million (equivalent), based on their market value as of December 31, 2020. During the first quarter of 2021, Nexi converted into Class A ordinary shares, and subsequently sold, its Class A Preferred Visa shares almost entirely, for a value of €87.0 million (equivalent, at the date of sale). With respect to the shares in Visa Inc. it still holds, Nexi is exposed to the risk that the market value of such securities may fluctuate. In addition, Nexi is exposed to potential fluctuation in currency exchange rates with respect to the US dollar component of the shares in Visa Inc. it still owns. As of the date of this offering memorandum, Nexi did not hedge market risk in connection with its Visa Shares. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer—Qualitative Disclosure on Financial Risk—Market Risk*." A significant decrease in the market value of the Visa Inc. shares could have an adverse effect on the financial condition of Nexi.

As a beneficiary in the partial proportional demerger conducted in the context of the reorganization of Nexi in 2018, Nexi is jointly and severally liable with Depobank for Depobank's liabilities outstanding at the effective date of the demerger.

In 2018, Nexi completed a corporate reorganization which included, among other corporate transactions, the partial and proportional demerger of Depobank, in connection with which Depobank (subsequently merged into BFF Bank), as the demerged company, contributed certain assets and liabilities to Nexi as beneficiary company (*società beneficiaria*). Under Italian law, Nexi and Depobank remained 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 Nexi in its 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 Nexi 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 the Combined Group's business, financial condition and results of operations.

Estimates about Nexi's, Nets' or SIA's future performance are subject to a number of assumptions and Nexi's, Nets' and SIA's actual results may differ significantly from such estimates.

Nexi, Nets and SIA have occasionally made and may occasionally make statements about their estimated future performance, including by providing their ambitions and targets to the market. Such estimates, which include forward-looking statements, are based on projections prepared by the management of Nexi, Nets or SIA, as applicable. Estimates are based upon a number of assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Nexi, Nets and SIA and are based upon specific assumptions with respect to future business decisions, some of which will change. For example, the outbreak of COVID-19 pandemic caused inevitable uncertainty as to the prospects for future recovery and had an impact on the ability of Nexi, Nets and SIA to achieve the ambitions or targets which they communicated to the market. See also "*—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*" Estimates are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the estimates that each of Nexi, Nets or SIA make will not materialize or will vary significantly from actual results. Actual results may vary from any estimates made and the variations may be material. See also "*Industry and Market Data*."

Risks related to the disposals of non-core businesses.

As part of the Combined Group's strategy to consolidate the Combined Group's competitive position in the digital payments business, Nexi, Nets and SIA have sold, or are in the process of selling, their shares in non-core businesses. For example, on March 5, 2021, Nets completed the Centurion Disposal, the disposal of the Nets' account-to-account based services including clearing and instant payment services, and e-billing solutions. In connection with disposals, Nexi, Nets and SIA provide customary representations, warranties and indemnities to their counterparties. Although these indemnity obligations are subject to certain limitations, if Nexi, Nets and SIA were to be required to make payments or assume liability as a result of such obligations, including with respect to claims by third parties, the Combined Group's business, financial condition and results of operations could be materially adversely affected.

In addition, disposals may last for prolonged periods of time and may require substantial investments of resources and capabilities. For example, as part of the Centurion Disposal, Nets undertook to continue to provide services to the acquirer of the disposed business, including financial, IT and back office services for several years, which may result in substantial expenditure of resources and capabilities on the Combined Group. In addition, disposals, including the Centurion Disposal, may require the attention of the Combined Group's senior management, reducing its senior management's attention to its core business operations.

The information about the Combined Group's, Nexi's, Nets' and SIA's industry, market share and competitive position in this offering memorandum may not be accurate and relies on certain estimates and assumptions.

This offering memorandum contains some key information regarding the Combined Group's. Nexi's, Nets' and SIA's business activities and information on their competitive positioning in the markets in which they operate, as well as forecasts on future market developments, which are made by Nexi, Nets and SIA on the basis of their specific knowledge of the sector, available data and experience, including certain estimates and assumptions. For instance, this information is set out in the description of the Combined Group's, Nexi's, Nets' and SIA's business activities, markets and competitive positioning, their future plans and strategies, as well as in expected trends. Such information has not been verified by independent third parties. See also "*Industry and Market Data*."

Moreover, the underlying definitions of the markets, operators, related activities, instruments and business models, as well as the data calculation methodologies, may diverge from those that may be relevant in connection with any regulatory filings. For instance, unless otherwise specified, data and information on the industry, the market and the parties to the Mergers provided in this offering memorandum are aggregated data, which cover various levels of the value chain of the payment sector, as well as different services and business models. Furthermore, Nexi's, Nets' and SIA's results, competitive positioning and performance in their 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, and Nexi's, Nets' and SIA's estimates and assumptions may prove to be wrong.

Furthermore, certain market share information and other industry data and information presented in this offering memorandum and, in particular, the estimated market growth rates and other industry related forecasts, were prepared prior to or concurrently with the outbreak of the COVID-19 pandemic, which has since had an adverse effect on Nexi's, Nets' and SIA's business. Not all of this data or information has been updated to account for the ongoing impact and adverse effect of the COVID-19 pandemic on the markets in which they operate. Consequently, the Combined Group's, Nexi's, Nets' and SIA's market shares and growth rate thereof following the impact of the COVID-19 pandemic could materially deviate from those presented in this offering memorandum. See "*—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which the Combined Group operates, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*"

Nexi's, Nets' and SIA's board members and senior executives may have conflict of interests.

Certain members of Nexi's, Nets' and SIA's boards of directors and certain senior executives have interests or obligations that may result in a conflict of interests with their duties towards Nexi, Nets and SIA. If such directors are faced with decisions with potentially different implications for Nexi, Nets and SIA and for their personal interests or obligations, this may create a conflict of interests or the appearance of a conflict of interests.

Nets and SIA are exposed to currency risk.

Due to their international operations, Nets and SIA are exposed to currency risk. Currency risk refers to the risk that fluctuations in the foreign exchange market will negatively affect cash flow, net result and equity. Currency exposure, defined as all unhedged exposure in foreign currency, is split into two types of exposure: transaction exposure and translation exposure. Nets and SIA sell their products in currencies other than the euro and are, therefore, exposed to transaction risk. Transaction exposure arises from commercial and finance-related transactions and payments in a currency other than an operation's functional currency (i.e., from internal purchases, sales between manufacturing units and market companies, external sales and purchases as well as from financing transactions in foreign currencies). Firm commitments to acquire businesses may also expose Nets and SIA to foreign currency transaction risk. Nets' and SIA's financial statements are both exposed to translation exposure, which arises as a result of foreign exchange fluctuations, as these affect the translation of subsidiaries' assets and liabilities denominated in foreign currencies.

Risks Related to the Transactions

The Issuer does not currently control Nets or SIA, will not control Nets until the consummation of the Nets Merger, and will not control SIA until the consummation of the SIA Merger.

The Issuer will not obtain control of Nets until the consummation of the Nets Merger and will not obtain control of SIA until the consummation of the SIA Merger. The current shareholders of Nets and SIA may not operate the business of Nets and SIA in the same way that we would.

In addition, Nets, prior to the consummation of the Nets Merger, and SIA, prior to the consummation of the SIA Merger, will not be subject to the covenants described in the "*Description of the Notes*" to be included in the Indenture. We cannot assure you that Nets, prior to the consummation of the Nets Merger, and SIA, prior to the consummation of the SIA Merger, will not take any action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

Furthermore, gaining control of Nets and SIA will likely continue to require substantial time and focus from management, which could adversely affect management's resources to operate the business. Likewise, employees may be uncomfortable with the Mergers or feel otherwise affected by it, which could have an impact on work quality and retention. Any of the risks associated with the Issuer's lack of control over Nets and SIA until the consummation of the Mergers or the risks associated with gaining control over Nets and SIA could have a material adverse effect on the Combined Group's business, financial position and results of operations.

The Mergers may entitle certain customers of each of Nexi, Nets and SIA and certain of their other respective business partners and joint ventures to terminate their agreements, or otherwise request changes to the terms of contracts with them as a result of change of control and other contractual provisions or otherwise.

Each of the Nets Merger and the SIA Merger may constitute a change of control under certain agreements entered into by, respectively, Nexi, Nets and SIA and their respective subsidiaries or joint ventures, including license agreements with card scheme operators, and may entitle these third parties to terminate their agreements with Nexi, Nets and SIA, or, in some cases, request adjustments of the terms of the agreements.

In the event of termination of any material contract as a result of the Nets Merger or the SIA Merger, as applicable, there can be no assurance that the Combined Group would be able to successfully replace the products or services that were provided under the relevant contract at attractive prices or at all. Likewise, if the Combined Group were required to amend any such contract, there can be no assurance that the terms of such amendment will not be materially adverse to the Combined Group or will not otherwise impact the Combined Group's business or operations. Accordingly, any termination or amendment of a significant contract as a result of the change of control could materially or adversely affect the Combined Group's business and the ability to provide services to the Combined Group's customers. It is also possible that material supply contracts could be terminated or amended in other circumstances. If the Combined Group fails to become a party to a material contract that historically has formed part of any of the Nexi's, Nets' or SIA's respective businesses or any such arrangement is terminated, this could have a material adverse effect on the Combined Group's business, results of operations and financial condition.

The Mergers may give rise to a change of control event under certain existing financing agreements.

The Mergers may in certain circumstances constitute a change of control under certain financing agreements to which Nexi, Nets or SIA are party to. A change of control may result in a mandatory prepayment of certain of the existing indebtedness of Nexi, Nets and SIA, and may entitle lenders or noteholders to terminate their agreements with any of Nexi, Nets and SIA, or, in some cases, request adjustments of the terms of the agreements. In such circumstances, any of Nexi, Nets and SIA may not have sufficient funds available to enable it to repay their respective existing indebtedness in full, and they may also be unable to refinance their debt on commercially acceptable terms, or at all. See "*—The Issuer may not be able to repurchase the Notes upon a change of control repurchase event*" and "*Description of Certain Financing Arrangements*." Any failure to repay or otherwise refinance such indebtedness could result in an event of default thereunder and under any future debt agreements. All or any of the above may have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Nets and SIA may have liabilities that are not known to us or that are greater than anticipated, and any indemnities under the Nets Framework Agreement or the SIA Framework Agreement or other agreements may be insufficient.

Nets and SIA may have liabilities that we failed or were unable to discover in the course of performing due diligence investigations in connection with the Mergers, which have been carried out in accordance with the applicable antitrust regulations and the limitations arising therefrom. In addition, the extent of liabilities we discovered in connection with the due diligence investigations or after the Mergers may be greater than we expected. We may learn of additional information about Nets and SIA that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws and regulations. For example, we could become liable for overdue payables of Nets and SIA to suppliers and employees that are not currently known to us, or we could become subject to tax or pension liabilities in respect of historical periods that we are not currently aware of or the amount of which we underestimated. In conducting our due diligence in connection with the Mergers, we were required to rely on resources available to us, including public information, information provided by Nets and SIA and third-party consultants and advisers. Additionally, some information contained in this offering memorandum has been derived from public sources and, in the case of historical information relating to Nets and SIA, has been provided to us by Nets and SIA, and we have relied on such information supplied to us in the preparation of this offering memorandum. There can be no assurance that the due diligence we undertook has revealed or highlighted all relevant facts necessary or helpful in evaluating the Mergers. Any such unknown or previously underestimated liabilities, individually or in the aggregate, could have a material adverse effect on the Combined Group's business, financial condition and results of operations and the ability of the Issuer to fulfil its obligations under the Notes.

The due diligence process is inherently subjective. If the due diligence investigation failed to identify material information regarding the Mergers, we may later be forced to write down or write off the value of certain assets, significantly modify the Combined Group's business plan or incur impairment or other charges.

Similarly, if the materialization of certain risks, which may or may not be identified during due diligence, occurs, it may lead to a loss of property, loss of value and, potentially, subsequent contractual and statutory liability to various parties.

As a result of the Mergers, we expect to record a significant amount of goodwill, which could thereafter be subject to the risk of impairments in the event of adverse changes to the underlying assumptions as to the results and cash flows from the acquired businesses.

We expect to record substantial amounts of goodwill in connection with the Mergers. Following the recording of the definitive amounts of goodwill, we may subsequently experience unforeseen issues with Nets' and SIA's businesses, which may adversely affect the anticipated returns or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for Nets and SIA. In accordance with IFRS, goodwill is tested for impairment annually, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts units are determined on the basis of value in use calculations, which depend on certain key assumptions. If management's projections change, the estimate of the recoverable amount of goodwill could fall significantly and result in impairment. While impairment does not affect reported cash flows, the decrease of the estimated recoverable amount and the related non-cash charge in the income statement could have a material adverse effect on the Combined Group's results of operations, net equity or financial condition.

The Combined Group may not be able to enforce claims relating to a breach of the representations and warranties provided in connection with the Nets Framework Agreement and the SIA Framework Agreement, and the Combined Group's ability to recover losses suffered as a result of such a breach may be limited.

In connection with the Mergers, certain parties to the Nets Framework Agreement and to the SIA Framework Agreement have given certain customary representations and warranties and indemnities. Nonetheless, third parties could seek to hold the Combined Group responsible for certain of the liabilities such persons have agreed to retain, and the Combined Group may not be able to enforce its claims against such persons relating to breaches of these representations and warranties. The liability of the Combined Group's counterparties under these agreements can be very limited. Moreover, even if the Combined Group is able to eventually recover any losses resulting from a breach of these representations and warranties, the Combined Group may temporarily be required to bear these losses itself. In addition, if one of the Combined Group's counterparties in connection with the Nets Framework Agreement and the SIA Framework Agreement becomes insolvent or files for bankruptcy, the Combined Group's ability to recover any losses suffered as a result of that counterparty's breach may be limited by the liquidity of the counterparty or the applicable laws governing the bankruptcy proceedings. In the event of such breach, the Combined Group could incur losses, which could adversely impact the Combined Group's business, results of operations, financial condition and prospects.

Your decision to invest in the Notes is made at the time of purchase. Changes in the Combined Group's business or financial condition, or the terms of the Mergers or the financing thereof, between the Issue Date and the completion date of the Mergers, may have an impact on the Combined Group's creditworthiness and you will not be able to rescind your decision to invest in the Notes as a result thereof.

Amendments made to the Nets Framework Agreement and the SIA Framework Agreement may have adverse consequences for holders of the Notes.

The Nets Merger is expected to be consummated in accordance with the terms of the Nets Framework Agreement and the SIA Merger is expected to be consummated in accordance with the terms of the SIA Framework Agreement. However, such agreements may be further amended and the closing conditions may be waived at any time by the mutual consent of the parties thereto, without the consent of holders of the Notes. Furthermore, any amendments made to the Nets Framework Agreement and the SIA Framework Agreement may make the Nets Merger or the SIA Merger, as applicable, less attractive. The Indenture which will govern the Notes will not restrict the Issuer from amending either of the Nets Framework Agreement and the SIA Framework Agreement and any such amendment made to the Nets

Framework Agreement and the SIA Framework Agreement may be materially adverse to holders of the Notes, which, in turn, may have an adverse effect on the return the holders expect to receive on the Notes.

We may be unable to complete the Nets Merger or the SIA Merger within the anticipated time frame, or at all.

We intend to merge the Issuer with Nets and SIA, with the Issuer being the surviving entity. In order to complete both the Nets Merger and the SIA Merger, there are various steps that we must take, including the preparation of merger plans, reports by the directors of the companies involved in the Mergers (*relazioni dell'organo amministrativo*) and reports by an independent expert appointed by the court, assessing the fairness of the exchange ratios agreed in the context of the Mergers, as well as the obtainment of relevant consents from third parties, including competent authorities. There can be no assurance that the independent expert to be appointed in connection with the SIA Merger will release their report or that the other steps required for the Mergers will be taken in a timely manner, or at all. Subject to certain exceptions, the Mergers can only be implemented following the expiration of 60 days after the latest filing with the competent companies' registry of the resolutions approving the Nets Merger or the SIA Merger, as applicable. Within this 60-day deadline, the creditors of the companies involved in the Nets Merger or the SIA Merger, respectively, are entitled to challenge the Nets Merger or the SIA Merger, as applicable.

The Combined Group may not be able to realize the anticipated cost savings, revenue synergies and capital expenditure efficiencies in connection with the Mergers.

Following each of the Nets Merger and the SIA Merger, the Combined Group expects to realize certain operational efficiency and cost saving measures. In particular, the Combined Group intends to achieve estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers, of which approximately €170 million have been identified in connection with the Nets Merger and approximately €150 million have been identified in connection with the SIA Merger, arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which are expected to be achieved through a clear and focused integration plan. In particular, (i) approximately 90% of cost savings, amounting to approximately €195 million, are expected to be achieved by 2024, (ii) approximately €75 million have been identified as the EBITDA impact of estimated revenue synergies (equivalent to an impact of approximately €112 million at revenue level), and (iii) approximately €50 million are expected to be achieved as recurring capital expenditures resulting from the Mergers. Estimated additional €65 million from one-off capex savings are expected to be realized from the SIA Merger.

The Combined Group may not be able to realize these measures, either in the amount or within the timeframe currently anticipated, and the costs of achieving these measures may be higher than expected. The Combined Group's ability to realize such cost savings, revenue synergies and capital expenditure efficiencies may be affected by a number of factors, including increases in expenses related to the Mergers, substantial time and focus from management, which could adversely affect their ability to operate the business of the Combined Group. These factors may offset, partially or in whole, the cost savings from the Mergers.

Moreover, successful integration and the realization of synergies following the completion of the Mergers require, among other things, proper co-ordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training as well as the ability to adapt information and computer systems. Any difficulties encountered in combining operations following the completion of the Mergers could result in higher integration costs and lower savings or revenues than expected. There will accordingly be uncertainty as to the extent to which anticipated synergies will be achieved and the timing of their realization. Moreover, the integration of Nexi's existing operations with the operations of Nets and SIA could interfere with the respective businesses and divert management's attention from other aspects of the Combined Group's business, which could have a negative impact on the Combined Group's business and results of operation.

In addition, the Combined Group's ability to realize the anticipated cost savings, revenue synergies and capital expenditure efficiencies is subject to business, economic and competitive uncertainties and contingencies, many of which are beyond its control, such as labor laws, changes to government regulation governing or otherwise impacting its industry, employee strikes, changes in the political environment in countries where the Combined Group operates, obtaining appropriate approvals and licenses, operating difficulties, customer preferences, changes in competition and general economic or industry conditions. Consequently, the Combined Group may overestimate the cost synergies that will result from the Mergers or underestimate the cost of implementing such synergies. Failure to realize the expected synergies could have a material adverse effect on the Combined Group's business, financial condition and results of operations. In addition, antitrust authorities may consider that the Combined Group holds a dominant position in certain markets and this may ultimately result in potential limitations to its freedom to act on the market. Any of these factors could materially adversely affect our ability to execute our strategy and the Combined Group's business, financial condition and results of operations.

The Combined Group may fail to identify and acquire appropriate companies or assets to further the Combined Group's growth or it may fail to integrate any acquired companies, including Nets and SIA into Nexi, or realize expected synergies and may be responsible for liabilities attributable to the acquired businesses.

As part of its growth strategy, the Combined Group will evaluate opportunities for acquiring complementary businesses that may supplement the Combined Group's internal growth. Each of Nexi, Nets and SIA acquire businesses on a regular basis. For example, in 2019, Nexi completed the acquisition of the merchant acquiring business of Intesa Sanpaolo through the ISP Acquisition. See also "*Presentation of Financial and Other Information—Historical Financial Information of the Issuer—ISP Acquisition.*" Nets also has undergone a rapid increase in size as a result of M&A activity. Between 2019 and 2020, Nets acquired majority stakes in several companies, including the acquisition of the entire capital stock of PayPro S.A., Dotcard Sp. z.o.o., Poplatek OY and Poplatek Payments OY, Centrum Rozliczeń Elektronicznych Polskie ePlatnosci and CCV. In addition, in 2019 Nets expanded into Germany through its merger with the Concardis Payment Group GMBH. At the same time, SIA completed significant acquisition in 2018, acquiring the central and south-eastern European card processing business of First Data Corporation, which included the entire capital stock of certain subsidiaries in Greece and Slovakia, among others.

However, the Combined Group may also not be able to identify and acquire appropriate companies or assets. In addition, any acquisition or other strategic transaction that the Combined Group 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. The Combined Group may encounter difficulties in integrating acquired entities into the Combined Group's existing business, incur higher than expected costs or fail to achieve the benefits or synergies expected from such acquisitions, and integrations of acquired entities could change the Combined Group's relations with employees, customers and suppliers. The Combined Group may also face the risk that its competitors may follow similar acquisition strategies and have greater financial resources available for investment or accept less favorable conditions than those which the Combined Group is able to accept, preventing it from acquiring such targets, to the benefit of the Combined Group's competitors.

Furthermore, the abovementioned acquisitions were 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 abovementioned acquisitions, the Combined Group has entered into commercial partnerships with the selling parties, further complicating the integration process. The execution and completion of acquisitions on terms and conditions that are different from those anticipated could jeopardize the Combined Group's ability to compete with other operators in the industry and, consequently, to consolidate its position, which would have a material adverse effect on the Combined Group's business, financial condition and results of operations.

If the Combined Group is unable to efficiently manage, in whole or in part, the processes which are necessary to effectively integrate an acquired business, including Nets or SIA, this would have a material adverse effect on the Combined Group's margins and on its ability to generate cash and, as a consequence, have repercussions on the sustainability of its financial indebtedness. In addition, if the Combined Group invests in acquisitions and/or research and development to target new products, services and solutions for markets or trends that do not develop as anticipated or at all, it could have difficulty recovering the costs that it has incurred in relation to any acquisitions or in researching and developing these new products, services and solutions and, to the extent that such investments have been capitalized, incur significant write-offs.

Furthermore, even if the Combined Group will be in a position to integrate an acquired business, it may be unable to do so successfully. For example, there can be no assurance that the Combined Group will be able to fully integrate Nets' and SIA's operations into Nexi without encountering difficulties, which may include, among other things, the loss of key employees, diversion of management's attention, the disruption of Nexi's, Nets' or SIA's respective ongoing businesses or possible inconsistencies in standards, procedures and policies. Certain of Nets' and SIA's international contracts have terms and conditions that are different from Nexi's standard contracts, and the Combined Group may not be able to integrate them as quickly as it would like. Moreover, in the context of the Mergers, the Combined Group has entered into commercial partnerships with the selling parties, further complicating the integration process. The integration process may disrupt the businesses and, if implemented ineffectively, would restrict the realization of the full expected benefits. The failure to meet the challenges involved in integrating Nets' and SIA's businesses and to realize the anticipated benefits of the Mergers could cause an interruption of, or a loss of momentum in, the Combined Group's activities and could have a material adverse effect on the Combined Group's business, financial condition and results of operation. In addition, the Combined Group may not have, or be able to retain, employees with the appropriate skill sets for the tasks associated with the integration plan of the Combined Group and could experience employee departures and early retirement, all of which could adversely affect the integration.

An acquisition may also require the approval of governmental, regulatory or antitrust authorities at the national or European Union level, which may block, impose conditions on, or delay the transaction, which could prevent the Combined Group from completing such acquisitions in a timely manner or at all, thereby preventing it from taking full advantage of growth opportunities. For example, the SIA Merger is subject to clearance by the competent authorities, including antitrust authorities which may impose commitments.

Integration of acquired businesses involves risks, including, for example, managing geographically separated organizations, systems, and facilities, management of risk, client onboarding processes, integrating personnel with diverse business backgrounds and organizational cultures, complying with foreign regulatory requirements, fluctuations in currency exchange rates, enforcement of intellectual property rights in some foreign countries, difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets, and general economic and political conditions. In addition, if the Combined Group fails to integrate successfully and efficiently any acquisition, it could be subject to increased financial costs, additional burdens on management time or degradation in the quality of the Combined Group's products and services, particularly with respect to the products and services offered by the acquired entity. Moreover, the Combined Group may acquire liabilities in connection with the acquired businesses, including legal risks related to the compliance practices of such acquired business, such as anti-money laundering, anti-bribery and other sanctions controls. While the Combined Group may have the benefit of representations, warranties and indemnities from its relevant counterparties, such indemnities are subject to certain limitations and exclusions, and may be insufficient to completely cover the Combined Group against claims and legal actions by third parties, unforeseen costs and liabilities that were not discovered during its due diligence exercise or with respect to which it is not possible, for whatever reason, to obtain compensation. In the event in which the Combined Group is held liable for the abovementioned liabilities and the indemnification provisions contained in the agreements regulating the relevant acquisition are not, in whole or in part, effective, or, in any case, insufficient to cover such liabilities, the Combined Group's business, financial condition and results of operations could be materially adversely affected.

The Mergers are subject to certain conditions, uncertainties and risks, and, if either Merger is not consummated, some or all of the Notes may be redeemed at 100% of the issue price, plus accrued and unpaid interest.

The Mergers are subject to certain conditions, including, among others, customary antitrust and regulatory approvals. Concurrently with the issuance of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the Offering into the Segregated Account, pending consummation of the first to occur of the Nets Merger or the SIA Merger. If neither Merger has occurred by the Longstop Date, or if certain other events have occurred, the Issuer will be required to redeem all the Notes at a price equal to 100% of the issue price of the Notes, plus any accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, such redemption date. If a Special Mandatory Redemption occurs, you may not obtain the return you expect to receive on the Notes.

The proceeds deposited in the Segregated Account will be limited to the gross proceeds of the offering of the Notes and will not be sufficient to pay the Special Mandatory Redemption price, which is equal to 100% of the aggregate issue price of the Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of the Special Mandatory Redemption. Any shortfalls in the funds available in the Segregated Account will have to be paid by the Issuer, and the claims of the holders of Notes will be an unsecured claim against the Issuer that is structurally and effectively subordinated to certain other claims. Moreover, the Segregated Account will not be secured in favor of the holders of the Notes or the Trustee, so any claim in respect of funds held in the Segregated Account will be an unsecured claim against the Issuer. There can be no assurance that the Issuer will have access to the funds necessary to pay the full amount of the required redemption price in the event of a Special Mandatory Redemption. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption*." Your decision to invest in the Notes is made at the time of purchase. In addition, although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use the remaining proceeds from the Notes for any general corporate purpose (including to repay its existing indebtedness), and is under no obligation to undertake a Special Mandatory Redemption in respect of the Notes so long as one of the Mergers occurs prior to the Longstop Date. Changes in the business or financial position of Nexi, or the terms or occurrence or non-occurrence of the Mergers, between the Issue Date and the date of the release of the proceeds from the Segregated Account, may have an impact on our creditworthiness, and you will not be able to rescind your decision to invest in the Notes as a result thereof.

If a bankruptcy or reorganization case is commenced, bankruptcy laws may prevent or delay the release of the funds from the Segregated Account.

If we or any of our subsidiaries commence a bankruptcy or reorganization case, or one is commenced against us or any of our subsidiaries, while amounts remain in the Segregated Account, applicable bankruptcy laws may prevent the release of the proceeds deposited in the Segregated Account, applying those funds to effect a Special Mandatory Redemption of the Notes or otherwise applying those funds for the benefit of the holders of the Notes. The court adjudicating such a case could find that the Segregated Account are the property of the bankruptcy estate. While the Segregated Account will be segregated from other assets of the Issuer, the Segregated Account will not be secured in favor of the holders of the Notes or the Trustee, so any claim in respect of funds held in the Segregated Account will be an unsecured claim against the Issuer. As a result, holders of the Notes may not be able to reclaim the proceeds deposited in the Segregated Account in a bankruptcy or reorganization case with respect to the Issuer.

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 the results of operations and financial condition of the Combined Group 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 balance sheet of the Issuer as at December 31, 2020, and the income statement of the Issuer as of and for the year ended December 31, 2020, of the following transactions: (i) the Nets Merger, the Nets Reorganization and the repayment of the Existing Nets Indebtedness, (ii) the SIA Merger and the repayment of the Existing SIA Indebtedness, (iii) the ISP Acquisition and the financing of the ISP Acquisition, (iv) the historical acquisition by Nets of Polskie ePlatnosci, (v) the Centurion Disposal, (vi) the UniCredit Master Service Agreement Extension and (vii) the payment of costs, fees and expenses related to the foregoing (collectively, the "Pro Forma Transactions").

While the Unaudited Pro Forma Consolidated Financial Information is based on available information and assumptions that the Issuer believes to be reasonable and has been prepared on the basis of the accounting principles used to prepare the Issuer's Consolidated 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 the Issuer's financial condition or results of operations that it would have reported had the Pro Forma 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 the Issuer's results of operations or financial condition for any future period. The Unaudited Pro Forma Consolidated Financial Information should not be considered in isolation or be used as a substitute for an analysis of the historical operating results of each of Nexi, Nets or SIA. The Issuer's 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 "*Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information*." Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards. Any reliance you place on this information should fully take this into consideration.

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

This offering memorandum contains certain unaudited non-GAAP managerial information for the year ended December 31, 2020. The unaudited non-GAAP managerial information presented in this offering memorandum has been prepared for illustrative purposes only to reflect the effect of the Pro Forma Transactions and may not necessarily be representative of the results of the Combined Group for such prior periods or any future period. 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—Non-GAAP and Other Performance Measures*."

The normalized or adjusted data included in this offering memorandum has been presented to facilitate comparison of results between periods; it is not indicative of future performance of any of Nexi, Nets and SIA, 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 or adjusted data derived from the Financial Statements that have been adjusted to exclude certain revenues and charges of a non-recurring nature. Normalization (which Nexi uses to prepare, inter alia, Operating revenues, Normalized EBITDA, and Normalized EBITDA margin) and adjustments (which SIA uses to prepare, inter alia, Adjusted EBITDA and Nets uses to prepare EBITDA b.s.i. and Adjusted EBIT) seek to represent the financial performance of each of Nexi, Nets or SIA, as applicable, net of the effects of certain non-recurring events and transactions. With respect to the interpretation of such normalized or adjusted data, it should be noted that: (i) normalized or adjusted data differ significantly from the corresponding data that are included in or can be inferred from the accounts of each of Nexi, Nets and SIA, considering the significance of the corresponding corporate transactions, (ii) normalized or adjusted data is calculated exclusively on the basis of historical data of each of Nexi, Nets and SIA and are not indicative of their future performance, (iii) normalized or adjusted data may be inconsistent with data adopted by other companies/groups and, as such, may not be comparable, and (iv) normalized or adjusted data must be read in conjunction with the Financial Statements. The normalized data start from, but are different in nature from, the Financial Statements. PricewaterhouseCoopers S.p.A. performed its audit activity in order to express its opinion on the Issuer's Consolidated Financial Statements, PricewaterhouseCoopers Société Coopérative in order to express its opinion on the Nets Consolidated Financial Statements and Deloitte & Touche S.p.A. in order to express its opinion on the SIA Consolidated Financial Statements. None of PricewaterhouseCoopers S.p.A., PricewaterhouseCoopers Société Coopérative or Deloitte & Touche S.p.A. have performed audit procedures with the objective of expressing an opinion on individual balance sheet items or on the normalized or adjusted data presented in this offering memorandum and therefore have not expressed any opinion on individual balance sheet items or on the normalized or adjusted data.

Use of the normalized or adjusted 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 Issuer's substantial debt service obligations could have a material effect on its business and could prevent it from fulfilling its obligations with respect to the Notes.

The Issuer has 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 Pro Forma Transactions, on a consolidated basis the Issuer would have had an aggregate principal amount of third-party financial debt of €6,358.4 million outstanding, excluding unamortized debt issuance costs, pass-through fee payments and settlement obligations. The Issuer would also be subject to certain settlement obligations and settlement factoring agreements carried out on and off balance sheet, which require it to sell a substantial portion of its settlement obligation receivables to the factoring counterparties. In addition, the Issuer has €350.0 million available for borrowing under the Revolving Credit Facility. See "*Capitalization*" and "*Description of Certain Financing Arrangements*."

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

- making it difficult for the Issuer to satisfy its obligations with respect to the Notes;
- increasing its vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of its 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 its flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which it operates;
- limiting its ability to borrow additional funds and increasing the cost of any such borrowing; and
- limiting its ability to upstream cash from the Issuer's subsidiaries, none of whom will initially guarantee the Notes to help meet its obligations under the Notes.

Any of these or other consequences or events resulting from the Issuer's substantial indebtedness could have a material adverse effect on the Issuer's ability to satisfy its debt obligations, including under the Notes. Although the terms of the Indenture limit the Issuer's 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 Issuer'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 financial condition and results of operations of the Combined Group.

The Indenture will require the Issuer to comply with various covenants, and the Credit Facilities and the Existing Indenture require, 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 Credit Facilities include 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, in the Existing Indenture, in the 2027 Trust Deed and in the 2028 Trust Deed. If an event of default occurs under the Credit Facilities, the Existing Indenture, the Indenture, the 2027 Trust Deed, the 2028 Trust Deed 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 Credit Facilities 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, and the terms of the Existing Indenture, of the 2027 Trust Deed and of the 2028 Trust Deed 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 are subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*" and "*Description of Certain Financing Arrangements*." Additionally, the Issuer may be subject to restrictive debt covenants under its other debt financing agreements, including those relating to the Credit Facilities. The covenants to which the Group is subject could limit the Issuer's ability to finance its future operations and capital needs and its ability to pursue business opportunities and activities that may be in its interest.

In addition, the Issuer will be subject to affirmative and negative covenants contained in the Facilities Agreements, 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 the Issuer's financial position and ability to fulfill its obligations under the Notes.

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

The 2026 Notes will mature on April 30, 2026, the 2029 Notes will mature on April 30, 2029, the Existing Senior Notes on October 31, 2024, the 2027 Existing Senior Convertible Notes on April 24, 2027 the 2028 Existing Senior Convertible Notes on February 24, 2028, the 2024 Term Loan Facility and the Revolving Credit Facility on May 31, 2024, and the 2025 Term Loan Facility on June 30, 2025. If the Issuer is unable to pay interest on its indebtedness when due, or to repay or refinance the principal amount of its indebtedness when due, the Issuer will be in default under the terms of the documents governing such indebtedness, including the Indenture if the Issuer does not pay interest or principal when due under the Notes. If that happens, the holders of the Notes and of the Issuer's 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 the Issuer's indebtedness could exert pressure on the Issuer 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 Issuer or holders of the Issuer's debt securities, including the Notes. If the Issuer attempts an asset sale, whether on its own initiative or as a result of pressure from lenders or holders of its indebtedness, the Issuer may not be able to complete a sale on terms acceptable to it. Ultimately, this could result in non-payment of amounts due under the Notes. Any default under the Issuer's indebtedness, or the perception that the Issuer may default, would also adversely affect the trading value of the Issuer's debt securities, including the Notes.

A portion of the Issuer's indebtedness bears interest at floating rates and the Issuer is therefore subject to interest rate volatility.

The Issuer does not currently hedge the risk of interest rate changes, although it is exposed to the risk that significant interest rate fluctuations could occur. Without giving effect to the Transactions, as of December 31, 2020, 53% of the Issuer's outstanding financial indebtedness bore interest at floating rates, particularly EURIBOR. In addition, the Factoring Agreement and the majority of the Issuer's bilateral facilities bear interests at floating rates. Interest rate fluctuation is the result of various factors that are outside of the Issuer's control, such as monetary policies and macroeconomic trends in general, as well as the economic and political uncertainty in the European countries in which the Issuer operates, including Italy in particular. For more information on the risks associated with the economic situation and political uncertainty in Italy, see *"—Risks Related to the Combined Group's Business and Industry—Economic conditions and political uncertainty in the markets in which each of Nexi, Nets and*

SIA operate may adversely affect consumer spending and economic activity, which may adversely impact the Combined Group's revenue and profitability." Changes in interest rates affect the market value of the Issuer's financial assets and liabilities and the level of the Issuer's financial expenses, since some of the Issuer's debt bears interest at variable rates. Although the Issuer has 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 the Issuer's indebtedness would have a material adverse effect on its business, financial condition, results of operations and prospects.

The Issuer is a holding company and relies on its subsidiaries for cash to service its indebtedness, including the Notes.

The Issuer is a holding company with no business operations other than management of the equity interests it holds in its subsidiaries. The Issuer is dependent upon the cash flow from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. The Issuer's subsidiaries may not always generate distributable profits and, if they do, they may choose not to distribute them. Any negative results recorded by the Issuer's subsidiaries, as well as any decline in values of the Issuer's equity investments in them, could negatively affect the Combined Group's business, financial condition and results of operations. In addition, the Combined Group's subsidiaries, SIApay and Nexi Payments, are Payment Institutions (*Istituti di Pagamento*). In addition, Nexi Payments is an Electronic Money Institution (*Istituto di Moneta Elettronica*). As a result, both Nexi Payments and SIApay are regulated entities whose ability to distribute dividends is subject to compliance with applicable capital requirements. The distribution of dividends by Nexi Payments and SIApay could be prohibited or limited by the need to comply with the applicable capital requirements. For more information on the capital requirements applicable to Nexi Payments and SIApay, see "*Regulation*." In addition, certain Nets' subsidiaries, namely Nets Denmark A/S, Concardis GmbH, Paytrail Oy, RatePay GmbH, Paypro S.A., Ecard S.A., Dotpay Sp. z o.o., Paylane Sp. z o.o., BillBird S.A. as well as Nets' associate WEAT Electronic Datenservice GmbH (in which Nets holds 40% of its share capital) are regulated entities in their respective jurisdictions. Applicable tax laws may also subject any distribution of dividends to further taxation. Applicable laws may limit the amounts that some of the Issuer's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. In particular, the ability of the Issuer's subsidiaries to pay dividends to the Issuer will generally be limited to the amount of distributable reserves available to each of them and the ability to pay its debt when due.

Our Significant Shareholders may control or otherwise influence important actions we take, and their interests may conflict with yours.

After giving effect to the Transactions, Evergood H&F, AB Europe, Eagle (AIBC), Mercury, CDPE, FSIA Investimenti, Intesa Sanpaolo and GIC Pte Ltd (the "*Significant Shareholders*") will own between 63% and 67% of the issued and outstanding ordinary shares of the Issuer. Consequently, the Significant Shareholders will have a significant influence over matters submitted to a shareholder vote, including, for example, approval of the Issuer's Consolidated Financial Statements, the distribution of dividends, and the appointment and revocation of the Board of Directors and the Board of Statutory Auditors.

The Significant Shareholders can take actions which could potentially lead to a change of control under certain outstanding debt instruments of Nexi, Nets and SIA. For example, the Significant Shareholders may grant a pledge on their shares in the Issuer as security of their obligations under certain financing arrangements they are, or may become, party to (such as, for example, margin loans or similar agreements). If a sufficient percentage of the Significant Shareholders enter or have entered into such arrangements and breach their respective obligations under their financing arrangements secured by a pledge on their shares in the Issuer, this could lead to a change of control of the Issuer, which in turn may trigger a change of control under certain outstanding debt instruments of Nexi, Nets and SIA. In addition, the Significant Shareholders can decide to sell some or all of their shares in the Issuer, which could, in certain circumstances, trigger a change of control under certain outstanding debt instruments of Nexi, Nets and SIA.

A downgrade of the Issuer's 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. In addition, after giving effect to the Transactions, certain debt of Nets and SIA, such as the Nets Notes, will become financial indebtedness of the Combined Group at the subsidiary level, which may affect the Issuer's credit rating. See also "*Description of Certain Financing Arrangements—Nets Indebtedness*".

The Issuer and the Issuer's Existing Senior Notes are currently rated Ba3 with a positive outlook by Moody's, BB- with positive creditwatch by S&P Global, and BB- with positive rating watch by Fitch.

Moreover, these changes in the rating might not promptly reflect changes in the Issuer's solvency situation or creditworthiness. In determining the rating assigned to the Issuer and the Issuer's Notes, the rating agencies take into account, and continue to monitor, various indicators relating to the Issuer's creditworthiness, including, by way of example, profitability, liquidity, and asset quality. Should the Issuer be unable to maintain adequate levels for one or more of these indicators, its rating might be lowered (known as downgrading). A downgrading could have an adverse effect on the Issuer's ability to access various liquidity instruments, as well as on the Issuer's ability to compete in the capital markets, with an increase in financing costs and consequent material adverse effect on the Combined Group's business, financial condition and results of operations. In addition to the foregoing, the rating attributed to the Issuer 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 the Issuer's rating or that of the Notes. Since the Issuer's rating and the Issuer's Notes' rating are sub-investment grade, the Issuer's 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, the Issuer 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 the Issuer's business, financial condition, results of operations and prospects.

Certain entities of the Combined Group must comply with capital adequacy requirements, which may limit or adversely affect their business.

Certain entities of the Combined Group are regulated entities. In Italy, the Combined Group's subsidiaries, SIApay and Nexi Payments, are a Payment Institution (*Istituto di Pagamento*) and an Electronic Money Institution (*Istituto di Moneta Elettronica*), respectively. As a result, SIApay and Nexi Payments 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 Electronic 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 "CRR"—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 for Payment Institutions and Electronic Money Institutions. The Bank of Italy may also allow Payment Institutions and Electronic Money Institutions to hold capital up to 20% lower than the base amount. Nexi Payments' and SIApay'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 the Combined Group's subsidiaries' business and investments. As of December 31, 2020, Nexi Payments and SIApay had capital ratios in excess of the applicable minimum requirements by €32.0 million and €1.8 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 SIApay or the Combined 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 SIApay to comply with the capital requirements, any of which could have a material adverse effect on the Combined Group's business, financial condition and results of operations. In addition, certain Nets' subsidiaries, namely Nets Denmark A/S, Concardis GmbH, Paytrail Oy, RatePay GmbH, Paypro S.A., Ecard S.A., Dotpay Sp. z o.o., Paylane Sp. z o.o., BillBird S.A. as well as Nets' associate WEAT Electronic Datenservice GmbH (in which Nets holds 40% of its share capital) are regulated entities in their respective jurisdictions. While as of the date of this offering memorandum all regulated entities part of the Combined Group maintain capital ratios in excess of the applicable capital requirements, a failure by any of these entities to comply with applicable regulation may have a material adverse effect on the Combined Group's business, financial condition and results of operations.

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.

The Issuer is organized under the laws of Italy and is 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 the Issuer's 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, the Issuer 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. The Issuer is 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 the Issuer or the Issuer's 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 the Issuer believes 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 (most recently by Ministerial Decree of March 23, 2017) 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 o 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— The Issuer is a holding company and relies on its subsidiaries for cash to service its indebtedness, including the Notes.*" 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 the applicable 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 and Other Considerations*."

Your right to receive payments on the Notes will be effectively subordinated to the rights of the Issuer's existing and future secured creditors and structurally subordinated to claims against the Issuer's 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 the Issuer's 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 the Issuer's 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 the Issuer's 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, the Issuer 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 center 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. For further information on the insolvency laws of Italy, see "*Certain Insolvency Law and other Considerations*" below.

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 the Issuer cannot satisfy its 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, the Issuer cannot assure you that it 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.

The Issuer 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, the Issuer's 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 the Issuer's 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 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 Existing Notes, the Facilities Agreements 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, the Existing Notes and the Facilities Agreements.

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. The Issuer's 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 and Other Considerations*."

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

Although the Notes will be listed on the Official List of the Luxembourg Stock Exchange and will be 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.

Changes in U.S. federal income tax law may affect the tax treatment of the Notes.

All statements contained in this offering memorandum concerning the U.S. federal income tax (or other tax) consequences of the purchase, ownership and disposition of the Notes are based on existing law and interpretations thereof. Changes in U.S. federal income tax law could materially affect the tax consequences to U.S. Holders of the purchase, ownership and disposition of the Notes. Accordingly, no assurance can be given that the currently anticipated tax treatment of the purchase, ownership and disposition of the Notes will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of a holder.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The Indenture will not be required to, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the "TIA") and will not incorporate or include and will not be subject to any of the provisions of the TIA. Consequently, the holders of Notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the trustee or conflicting interests of the trustee. See "*Description of the Notes*."

THE TRANSACTIONS

We refer to the Offering, including the use of proceeds from the Offering, the Mergers, the Refinancing, and the payment of fees and expenses in connection therewith, collectively as the "Transactions." On the Issue Date, we expect to consummate the Offering. On the Nets Merger Closing Date, we expect to consummate the Nets Merger and the refinancing of the Existing Nets Indebtedness. On the SIA Merger Closing Date, we expect to consummate the SIA Merger and the refinancing of the Existing SIA Indebtedness. See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements*," and "*Description of the Notes*."

The Nets Merger

On November 15, 2020, we entered into the Nets Framework Agreement (as amended from time to time) pursuant to which we agreed to merge with Nets in an all-share merger, with Nexi being the surviving entity. The Nets Merger is expected to close between May and June 2021 (the "Nets Merger Closing Date").

The consummation of the Nets Merger is subject to the satisfaction of certain conditions precedent which are listed in the Nets Framework Agreement, including the obtainment of applicable regulatory and foreign direct investments authorizations. Under the terms of the Nets Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the Nets Merger. Upon satisfaction of the conditions precedents to the Nets Merger, Nexi and Nets will enter into a deed of merger which will include the key terms of the Nets Merger. If these conditions are not satisfied on or prior to February 15, 2022, and such date has not been extended by the parties, the Nets Framework Agreement may be terminated. The Nets Framework Agreement contains customary warranties and indemnities given by Nets and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of Nets and Nexi pending the completion of the Nets Merger. The liability of the shareholders of Nets for any breach of a warranty is subject to certain thresholds and limitations. The Nets Framework Agreement also provides for (i) an earn-out provision linked to the financial performance of Nets in the year ended December 31, 2021, in favor of the Nets' existing shareholders, which will be payable through the issuance of between zero and 40,000,000 additional ordinary shares by the Issuer, representing an amount that will not exceed in any event €250.0 million (the "Nets Earn-Out"), and (ii) an earn-out linked to the Centurion Disposal, in favor of the Nets' existing shareholders of the Issuer, depending on the actual price paid by MasterCard in connection with the Centurion Disposal, which will be payable through the issuance of between zero and 25,000,000 additional ordinary shares by the Issuer or through a cash payment from the Nets' existing shareholders in favor of the Issuer (the "Centurion Earn-Out").

The consummation of the Nets Merger (including the repayment of the Existing Nets Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net amount of the Existing Nets Indebtedness will be financed through (i) a portion of the proceeds of the Notes, in the aggregate principal amount of €1,044.0 million and (ii) the proceeds from the 2028 Existing Senior Convertible Notes in the aggregate principal amount of €1,000.0 million. A portion of the existing indebtedness of Nets related to funding needs in connection with its settlement obligations in the amount of approximately €1,113.0 million, and financial liabilities mainly related to leasing contracts of Nets in the amount of €85.7 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—Nets Indebtedness*." In addition, on the Nets Merger Closing Date, the Issuer is expected to issue 406,628,176 newly-issued ordinary shares. In connection with the Nets Merger, on December 30, 2020, the Issuer entered into the Nets Commitment Letter, providing for a committed bridge facility of €1,700.0 million available to finance a portion of the Nets Merger, refinance the Existing Nets Indebtedness and the related transaction fees and expenses and/or for general corporate purposes of the Issuer. Following the issuance of the 2028 Existing Senior Convertible Notes, on March 5, 2021, the Nets Commitment Letter was amended to reduce the amount of the committed bridge facility to €1,000.0 million. On or about the Issue Date, the Nets Commitment Letter is expected to be terminated.

Prior to the Nets Merger Closing Date, Nets will issue new ordinary shares to be subscribed in full by its direct shareholder Nets Topco, with the subscription price for such new ordinary shares to be set off against (i) the aggregate amount owed by Nets under existing shareholder loans as at the date of issuance of such new ordinary shares and (ii) the aggregate amount owed by Nets under existing preferred equity certificates held by Nets Topco in Nets as at the date of issuance of such new ordinary shares (the "Nets Reorganization"). As of December 31, 2020, the aggregate amounts outstanding under (i) the existing shareholders loans was €1,632.7 million and (ii) the existing preferred equity certificates was €772.8 million. Following the Nets Reorganization, the abovementioned shareholder loans and preferred equity certificates will be converted into equity and the related liabilities will be cancelled. See also "*Unaudited Pro Forma Consolidated Financial Information—Transactions—Nets Reorganization*."

The SIA Merger

On February 11, 2021, we entered into the SIA Framework Agreement pursuant to which we agreed to merge with SIA in an all-share merger, with Nexi being the surviving entity. The SIA Acquisition is expected to close by December 31, 2021 (the "SIA Merger Closing Date").

The consummation of the SIA Merger is subject to the satisfaction of certain conditions precedent which are listed in the SIA Framework Agreement, including (i) clearance by the antitrust authorities, (ii) obtainment of applicable regulatory and foreign direct investments authorizations and (iii) approval by the SIA and the Issuer's shareholders' meetings (including, with respect to the Issuer's shareholders' meeting, for the purposes of exempting the triggering of mandatory tender offer obligations connected with the SIA Merger). Under the terms of the SIA Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the SIA Merger. Upon satisfaction of the conditions precedents to the SIA Merger, Nexi and SIA will enter into a deed of merger which will include the key terms of the SIA Merger. If these conditions are not satisfied on or prior to June 30, 2022, and such date has not been extended by the parties, the SIA Framework Agreement may be terminated. The SIA Framework Agreement contains customary warranties and indemnities given by SIA and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of SIA and Nexi pending the completion of the SIA Merger. The liability of the shareholders of SIA for any breach of a warranty is subject to certain thresholds and limitations. The SIA Framework Agreement also provides for an option by CDPE, one of the Issuer's shareholders following the SIA Merger, to request a capital increase of SIA to mitigate the dilutive effects of the Nets Merger on the shareholdings to be held by the SIA shareholders in the Issuer following the SIA Merger (the "SIA Capital Increase").

The consummation of the SIA Merger (including the repayment of the Existing SIA Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net principal amount of the Existing SIA Indebtedness will be financed through a portion of the proceeds of the Notes in the aggregate principal amount of €991.0 million. A portion of the existing indebtedness of SIA related to funding needs in connection with its settlement obligations in the amount of €5.9 million, and financial liabilities mainly related to leasing contracts of SIA in the amount of €103.0 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—SIA Indebtedness*." In addition, on the SIA Merger Closing Date, the Issuer is expected to issue 270,054,060 newly-issued ordinary shares (or a higher number of shares in case the SIA Capital Increase is exercised).

The Refinancing

On the Issue Date, we will use (i) a portion of the proceeds from the Offering in the aggregate principal amount of €1,044.0 million, together with the proceeds of the 2028 Existing Senior Convertible Notes, to refinance the net principal amount of the Existing Nets Indebtedness, (ii) a portion of the proceeds from the Offering in the aggregate principal amount of €991.0 million, to refinance the net amount of the Existing SIA Indebtedness and (iii) the remaining portion of the proceeds from the Offering in the aggregate principal amount of €66.0 million, to pay fees and expenses incurred in connection with the Mergers and the foregoing transactions (collectively, the "Refinancing"). Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use the remaining proceeds from the Notes for any general corporate purpose (including to repay its existing indebtedness). See "*—Sources and Uses of the Refinancing*" and "*Use of Proceeds*."

The Segregated Account

Concurrently with the issuance of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the Offering into the Segregated Account, pending consummation of the first to occur of the Nets Merger or the SIA Merger. All of the proceeds may be released from the Segregated Account to the Issuer upon the earlier to occur of (i) the date that is two business days before the expected occurrence of the Nets Merger Closing Date or (ii) the date that is two business days before the expected occurrence of the SIA Merger Closing Date (the date on which the proceeds may be released from the Segregated Account being referred to as the "Release Date"). On the Release Date, the Issuer may retain such proceeds for use in the other Merger and/or for general corporate purposes, including repayment of existing indebtedness of the Issuer. See "*Use of Proceeds*" and "*Capitalization*." In the event that, in the reasonable judgment of the Issuer, neither Merger will be consummated on or prior to July 14, 2022 (the "Longstop Date"), or upon the occurrence of certain other events described herein, the Issuer will be required to redeem all the Notes (the "Special Mandatory Redemption") at a price equal to 100% of the issue price of the Notes, plus any accrued and unpaid interest and additional amounts, if any, on the Notes to, but excluding, such redemption date. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption.*"

USE OF PROCEEDS

The gross proceeds from the Offering will be €2,100 million. On the Issue Date, the gross proceeds from the Offering will be deposited into the Segregated Account. See "*Description of the Notes—Deposit into Segregated Bank Account; Special Mandatory Redemption*." On the Nets Merger Closing Date, we intend to use a portion of the proceeds of the Notes in the aggregate principal amount of €1,044.0 million, together with the proceeds of the 2028 Existing Senior Convertible Notes, to refinance the net amount of the Existing Nets Indebtedness. On the SIA Merger Closing Date, we intend to use a portion of the proceeds of the Notes in the aggregate principal amount of €991.0 million, to refinance the net amount of the Existing SIA Indebtedness. On the Release Date, we intend to use a portion of the proceeds of the Notes in the aggregate principal amount of €66.0 million to pay fees and expenses incurred in connection with the Mergers and the foregoing transactions. Proceeds of the Notes will be released from the Segregated Account no more than two business days prior to the earlier to occur of the Nets Merger Closing Date or the SIA Merger Closing Date. Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use the remaining proceeds from the Notes for any general corporate purpose (including to repay its existing indebtedness). This "*Use of Proceeds*" assumes that both the Nets Merger Closing Date and the SIA Merger Closing Date occur prior to the Longstop Date.

The following table illustrates the estimated sources and uses of the proceeds from the Offering based on the assumptions described herein. Actual amounts may differ from estimated amounts depending on several factors, including accrued interest on the Existing Nets Indebtedness and the Existing SIA Indebtedness being repaid, the actual date of repayment of the Existing Nets Indebtedness and the Existing SIA Indebtedness and the occurrence of the Mergers as contemplated in this offering memorandum.

Sources of Funds	**(€ million)**	**Uses of Funds**	**(€ million)**
2026 Notes offered hereby[(1)]	1,050.0	Refinancing of Existing Nets Indebtedness[(4)]	2,044.0
2029 Notes offered hereby[(2)]	1,050.0	Refinancing of Existing SIA Indebtedness[(5)]	991.0
2028 Existing Senior Convertible Notes[(3)]	1,000.0	Fees and expenses[(6)]	66.0
Total Sources	**3,100.0**	**Total Uses**	**3,100.0**

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(1) Represents the estimated gross proceeds of the 2026 Notes offered hereby.

(2) Represents the estimated gross proceeds of the 2029 Notes offered hereby.

(3) Represents the gross proceeds of the 2028 Existing Senior Convertible Notes.

(4) Represents the net portion of the principal amount of the Existing Nets Indebtedness which is expected to be repaid on or about the Nets Merger Closing Date.

(5) Represents the net portion of the principal amount of the Existing SIA Indebtedness which is expected to be repaid on or about the SIA Merger Closing Date.

(6) Represents estimated expenses in connection with the Transactions, including advisory and other fees, transaction costs, interests and fees in relation to the Segregated Account, and professional expenses related to the Transactions and the Notes. These fees and expenses have been estimated as of the date of this offering memorandum and may differ from the actual amount.

CAPITALIZATION

The following table sets forth (i) the cash and cash equivalents and capitalization of the Issuer as of December 31, 2020, as set forth in the Issuer's Consolidated Financial Statements, and (ii) the Issuer's pro forma consolidated cash and cash equivalents and capitalization as of December 31, 2020, as adjusted to give effect to the Transactions and other effects, including the use of proceeds from this Offering as described in "*Use of Proceeds,*" as if the Transactions had occurred on December 31, 2020.

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 Transactions, all of which are assumed to have been completed as contemplated in this offering memorandum. 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 of the Issuer,*" "*Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations,*" "*SIA's 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.

(€ million)	Actual	SIA Pro Forma adjustments reflected in the Unaudited Pro Forma Consolidated Financial Information	Nets Pro Forma adjustments reflected in the Unaudited Pro Forma Consolidated Financial Information	Offering and other adjustments	Total
Cash and cash equivalents[(1)(9)(11)(14)]	**647.1**	**172.5**	**366.5**	**(539.0)**	**647.1**
Indebtedness:					
2024 Term Loan Facility[(2)]	1,000.0	—	—	—	1,000.0
2025 Term Loan Facility[(3)]	466.5	—	—	—	466.5
2027 Existing Senior Convertible Notes[(4)]	500.0	—	—	—	500.0
2028 Existing Senior Convertible Notes[(5)(14)]	—	—	—	1,000.0	1,000.0
Revolving Credit Facility[(6)]	—	—	—	—	—
Existing Senior Notes[(7)]	825.0	—	—	—	825.0
Issuer's other liabilities[(8)]	58.6	—	—	—	58.6
SIA total financial indebtedness[(10)(14)]	—	1,131.6	—	(1,028.6)	103.0
Nets Notes[(12)]	—	—	219.6	—	219.6
Nets other financial indebtedness[(13)(14)]	—	—	2,191.5	(2,105.8)	85.7
Notes offered hereby[(14)(15)]	—	—	—	2,100.0	2,100.0
Total Debt	**2,850.1**	**1,131.6**	**2,411.1**	**(34.4)**	**6,358.4**
Net equity[(14)(16)]	1,557.8	317.4	3,221.1	6,932.1	12,028.4
Total capitalization	**4,407.9**	**1,449.0**	**5,632.2**	**6,897.7**	**18,386.8**

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(1) Cash and cash equivalents includes (i) €159.1 million of cash at the Issuer, (ii) €340.0 million of cash held at subsidiaries of the Issuer, (iii) €148.0 million (equivalent, at the date of sale) of Visa shares. Cash and cash equivalents excludes the ISP Earn-Out (see footnote (8) below). As adjusted for the Transactions, cash and cash equivalents does not include any cash and cash equivalents for SIA and Nets, as Nets' and SIA's cash and cash

equivalents are expected to be used for general corporate purposes of SIA or Nets or to repay the Existing Nets Indebtedness and the Existing SIA Indebtedness on or prior to the Nets Merger Closing Date or the SIA Merger Closing Date, respectively.

(2) The 2024 Facilities Agreement provides for aggregate borrowings of €1,000 million under the 2024 Term Loan Facility and €350 million under the Revolving Credit Facility. While the 2024 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, leaving €350.0 million of available borrowing capacity.

(3) The 2025 Term Loan Facility provides for aggregate borrowings of €466.5 million under the 2025 Term Loan Facility. The 2025 Term Loan Facility was fully drawn on June 30, 2020 in connection with the ISP Acquisition.

(4) Represents the outstanding aggregate principal amount of the 2027 Existing Senior Convertible Notes, excluding accrued and unpaid interest and deferred debt issuance costs.

(5) Represents the outstanding aggregate principal amount of the 2028 Existing Senior Convertible Notes, excluding accrued and unpaid interest and deferred debt issuance costs.

(6) The 2024 Facilities Agreement provides for aggregate borrowings of €1,000 million under the 2024 Term Loan Facility and €350 million under the Revolving Credit Facility. While the 2024 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, leaving €350.0 million of available borrowing capacity.

(7) Represents the outstanding aggregate principal amount of the Existing Senior Notes, excluding accrued and unpaid interest and deferred debt issuance costs.

(8) Represents the aggregate principal amount of (i) credit lines with an aggregate principal amount of €0.6 million in place at Nexi Payments, (ii) €58.0 million of other financial liabilities of the Issuer, mainly related to (a) leasing contracts in the amount of €30.7 million, which are accounted for as financial liabilities following adoption of IFRS 16, and (b) the ISP Earn-Out, in the amount of €27.3 million. This amount excludes (i) settlement obligations and pass through fee payments of the Issuer, consisting of (a) settlement obligations in an amount of €299.4 million in respect of the recourse component of the Factoring Agreement relating to the settlement of payments with charge cards, €181.3 million in respect of overdraft facilities made available by partner banks to settle payments with credit cards, €373.7 million in respect of bilateral bank lines or overdraft sourced by other banks to mainly fund the merchant acquiring settlement exposure, and (b) pass-through fee payments in an amount of €199.5 million of obligations due to partner banks in respect of their share of card payment fees. See "*Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information*" and "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations*."

(9) SIA Pro Forma adjustments reflected in the Unaudited Pro Forma Consolidated Financial Information represents total Pro Forma adjustments affecting SIA's "Liquidity" and "Current financial receivables". See the Pro Forma Net Financial Positon in "*Unaudited Pro Forma Consolidated Financial Information*".

(10) Represents SIA's pro forma total financial indebtedness for €1,128.4 net of deferred debt issuance costs for €3.2 million. See "*Unaudited Pro Forma Consolidated Financial Information*". This amount excludes €5.9 million drawn under a bilateral credit facility in place at Greece SIA S.A., a subsidiary of SIA, which is utilized to cover its short run operational funding needs. See "*Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information*" and "*Description of Certain Financing Arrangements—SIA Indebtedness*."

(11) Nets Pro Forma adjustments reflected in the Unaudited Pro Forma Consolidated Financial Information represents total Pro Forma adjustments affecting Nets' "Liquidity" and "Current financial receivables". See the Pro Forma Net Financial Positon in "*Unaudited Pro Forma Consolidated Financial Information*".

(12) Represents the outstanding aggregate principal amount of the Nets Notes, excluding accrued and unpaid interest and deferred debt issuance costs for €1.8 million. See "*Unaudited Pro Forma Consolidated Financial Information*".

(13) Represents the outstanding Nets financial indebtedness other than the Nets Notes, excluding accrued and unpaid interest and deferred debt issuance costs for €22.1 million. See "*Unaudited Pro Forma Consolidated Financial Information*". This amount excludes: (i) settlement obligations of Nets, consisting of (a) €788 million (equivalent) in respect of overdraft, intra-day clearing facilities and money market lines sourced by other banks to mainly fund the merchant acquiring settlement exposure, and (b) €125 million in respect of the settlement lines made available under the Securitization Agreement relating to the "pay later" solution business of RatePay. See "*Presentation of Financial and Other Information—Unaudited Pro Forma Consolidated Financial Information*" and "*Description of Certain Financing Arrangements—Nets' Settlement Obligations*."

(14) A portion of available cash and cash equivalents together with the proceeds from this Offering and the 2028 Existing Senior Convertible Notes is expected to: (i) repay a portion of the SIA's pro forma total financial indebtedness: the remaining balance, equal to €103.0, mainly relates to leasing contracts which are accounted for as financial liabilities following adoption of IFRS 16, (ii) repay a portion of the Net's pro forma other financial indebtedness: the remaining balance, equal to €85.7 relates to leasing contracts which are accounted for as financial liabilities following adoption of IFRS 16, (iii) be absorbed in the period from January 1, 2021 until the Nets Merger Closing Date and the SIA Merger Closing Date mainly by (a) interest expenses, foreign currency costs and derivative financial instruments

mark to market accruing on existing Nets financial indebtedness to be reimbursed at closing, (b) the acquisition by Nets of Checkout Finland Oy consummated in January 2021 (with closing of the transaction expected to occur in April 2021) (c) financing of new SIA's investments and capital expenditures (as of the date of this offering memorandum, SIA is in the process of potentially acquiring a strategic asset aimed at increasing its presence in a European country in which it already operates. The acquisition is expected to be financed through committed financing available at SIA which is planned to be refinanced with proceeds from the Offering), (d) payments of advisory fees and other related expenses incurred by Nets in 2021 and (e) other cash costs or expenses incurred in the period.

(15) Represents the aggregate principal amount of the Notes, disregarding the accounting impact of deferred debt issuance costs and assuming that no Special Mandatory Redemption occurs.

(16) Offering and other adjustments represents (i) €7,100.1 million of positive pro forma impact on net equity deriving from the pro forma adjustments "Accounting for Nets Merger and Transaction Costs", "Refinancing" and "Accounting for SIA Merger," as further described in "*Unaudited Pro Forma Consolidated Financial Information*", (ii) €168.0 million of expected negative impact on net equity deriving from the portion of cash which will be absorbed until the Nets Merger Closing Date and the SIA Merger Closing Date, as further described in footnote (14) above.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Introduction

This section includes the unaudited pro forma balance sheet as at December 31, 2020, and the unaudited pro forma income statement and total profitability as of and for the year ended December 31, 2020 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 March 11, 2021.

The Unaudited Pro Forma Consolidated Financial Information has been prepared for the purpose of inclusion in the offer documents relating to the Offering, including this offering memorandum.

In particular, the Unaudited Pro Forma Consolidated Financial Information has been prepared in order to represent the main effects on the balance sheet as at December 31, 2020 and the income statement for the year ended December 31, 2020, of the following transactions (collectively, the "Pro Forma Transactions"):

- the Nets Merger, defined as the merger of the Issuer with Nets, with the Issuer being the surviving entity, pursuant to the Nets Framework Agreement, and the Nets Reorganization as more fully described under "*Summary—The Transactions—The Nets Merger*";
- the repayment of the Existing Nets Indebtedness, through (i) the proceeds from the issuance of the 2028 Existing Senior Convertible Notes and (ii) a portion of the proceeds from the Offering, as more fully described under "*Summary—The Transactions—The Refinancing*;"
- the SIA Merger, defined as the merger of the Issuer with SIA, with the Issuer being the surviving entity, pursuant to the SIA Framework Agreement, as more fully described under "*Summary—The Transactions—The SIA Merger*";
- the repayment of the Existing SIA Indebtedness, through a portion of the proceeds from the Offering, as more fully described under "*Summary—The Transactions—The Refinancing*;"
- the ISP Acquisition and the financing of the ISP Acquisition;
- the historical acquisition by Nets of Polskie ePlatnosci;
- the Centurion Disposal;
- the UniCredit Master Service Agreement Extension; and
- the payment of costs, fees and expenses related to the foregoing.

The Unaudited Pro Forma Consolidated Financial Information has been prepared on the basis of the historical data extracted from the Issuer's Consolidated Financial Statements approved by the Board of Directors on March 11, 2021.

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 Pro Forma Transactions on the Group's equity, financial and economic situation, as if they had occurred on December 31, 2020 with respect to the statement of financial position and, on January 1, 2020, 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 Pro Forma 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 Pro Forma 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 Pro Forma Transactions with reference to the pro forma balance sheet and the pro forma income statement, these statements must be read and interpreted without seeking accounting links between them.

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

The Nets Merger

On November 15, 2020, we entered into the Nets Framework Agreement (as amended from time to time) pursuant to which we agreed to merge with Nets in an all-share merger, with Nexi being the surviving entity. The Nets Merger is expected to close on or about June 2021 (the "Nets Merger Closing Date").

The consummation of the Nets Merger is subject to the satisfaction of certain conditions precedent which are listed in the Nets Framework Agreement, including the obtainment of applicable regulatory and foreign direct investments authorizations. Under the terms of the Nets Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the Nets Merger. Upon satisfaction of the conditions precedents to the Nets Merger, Nexi and Nets will enter into a deed of merger which will include the key terms of the Nets Merger. If these conditions are not satisfied on or prior to February 15, 2022, and such date has not been extended by the parties, the Nets Framework Agreement may be terminated. The Nets Framework Agreement contains customary warranties and indemnities given by Nets and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of Nets and Nexi pending the completion of the Nets Merger. The liability of the shareholders of Nets for any breach of a warranty is subject to certain thresholds and limitations. The Nets Framework Agreement also provides for (i) an earn-out provision linked to the financial performance of Nets in the year ended December 31, 2021, in favor of the Nets' existing shareholders, which will be payable through the issuance of additional ordinary shares by the Issuer in an amount which will not exceed in any event €250.0 million (the "Nets Earn-Out"), and (ii) an earn-out linked to the Centurion Disposal, in favor of the Nets' existing shareholders of the Issuer, depending on the actual price paid by MasterCard in connection with the Centurion Disposal, which will be payable through the issuance of between zero and 25,000,000 additional ordinary shares by the Issuer or through a cash payment from the Nets' existing shareholders in favor of the Issuer (the "Centurion Earn-Out").

The consummation of the Nets Merger (including the repayment of the Existing Nets Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net amount of the Existing Nets Indebtedness will be financed through (i) a portion of the proceeds of the Notes, in the aggregate principal amount of €1,044.0 million and (ii) the proceeds from the 2028 Existing Senior Convertible Notes in the aggregate principal amount of €1,000.0 million. A portion of the existing indebtedness of Nets related to funding needs in connection with its settlement obligations in the amount of €788.0

million, and financial liabilities mainly related to leasing contracts of Nets in the amount of €85.7 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—Nets Indebtedness*." In addition, on the Nets Merger Closing Date, the Issuer is expected to issue 406,628,176 newly-issued ordinary shares. In connection with the Nets Merger, on December 30, 2020, the Issuer entered into the Nets Commitment Letter, providing for a committed bridge facility of €1,700.0 million available to finance a portion of the Nets Merger, refinance the Existing Nets Indebtedness and the related transaction fees and expenses and/or for general corporate purposes of the Issuer. Following the issuance of the 2028 Existing Senior Convertible Notes, on March 5, 2021, the Nets Commitment Letter was amended to reduce the amount of the committed bridge facility to €1,000.0 million. On or about the Issue Date, the Nets Commitment Letter is expected to be terminated.

The Nets Reorganization

Prior to the Nets Merger Closing Date, Nets will issue new ordinary shares to be subscribed in full by its direct shareholder Nets Topco, with the subscription price for such new ordinary shares to be set off against (i) the aggregate amount owed by Nets under existing shareholder loans as at the date of issuance of such new ordinary shares and (ii) the aggregate amount owed by Nets under existing preferred equity certificates held by Nets Topco in Nets as at the date of issuance of such new ordinary shares (the "Nets Reorganization"). As of December 31, 2020, the aggregate amounts outstanding under (i) the existing shareholders loans was €1,632.7 million and (ii) the existing preferred equity certificates was €772.8 million. Following the Nets Reorganization, the abovementioned shareholder loans and preferred equity certificates will be converted into equity and the related liabilities will be cancelled.

The SIA Merger

On February 11, 2021, we entered into the SIA Framework Agreement pursuant to which we agreed to merge with SIA in an all-share merger, with Nexi being the surviving entity. The SIA Acquisition is expected to close by December 31, 2021 (the "SIA Merger Closing Date").

The consummation of the SIA Merger is subject to the satisfaction of certain conditions precedent which are listed in the SIA Framework Agreement, including (i) clearance by the antitrust authorities, (ii) obtainment of applicable regulatory and foreign direct investments authorizations and (iii) approval by the SIA and the Issuer's shareholders' meetings (including, with respect to the Issuer's shareholders' meeting, for the purposes of exempting the triggering of mandatory tender offer obligations connected with the SIA Merger). Under the terms of the SIA Framework Agreement, we have agreed to take all necessary steps to obtain the required clearances to consummate the SIA Merger. Upon satisfaction of the conditions precedents to the SIA Merger, Nexi and SIA will enter into a deed of merger which will include the key terms of the SIA Merger. If these conditions are not satisfied on or prior to June 30, 2022, and such date has not been extended by the parties, the SIA Framework Agreement may be terminated. The SIA Framework Agreement contains customary warranties and indemnities given by SIA and its shareholders as to capacity, title and disclosure as well as customary covenants regarding, among other things, the conduct of the business and the affairs of SIA and Nexi pending the completion of the SIA Merger. The liability of the shareholders of SIA for any breach of a warranty is subject to certain thresholds and limitations. The SIA Framework Agreement also provides for an option by CDPE, one of the Issuer's shareholders following the SIA Merger, to request a capital increase of SIA to mitigate the dilutive effects of the Nets Merger on the shareholdings to be held by the SIA shareholders in the Issuer following the SIA Merger (the "SIA Capital Increase").

The consummation of the SIA Merger (including the repayment of the Existing SIA Indebtedness, as well as the payment of estimated transaction fees and expenses) is expected to require a combination of debt financing and equity. In particular, the repayment of the net amount of the Existing SIA Indebtedness will be financed through a portion of the proceeds of the Notes in the aggregate principal amount of €991.0 million. A portion of the existing indebtedness of SIA related to funding needs in connection with its settlement obligations in the amount of €5.9 million, and financial liabilities mainly related to leasing contracts of SIA in the amount of €103.0 million, is expected to be rolled-over into the Issuer following the Nets Closing Date. See also "*Description of Certain Financing Arrangements—SIA Indebtedness*." In addition, on the SIA Merger Closing Date, the Issuer is expected to issue 270,054,060 newly-issued ordinary shares (or a higher number of shares in case the SIA Capital Increase is exercised).

The Refinancing

On the Issue Date, we will use (i) a portion of the proceeds from the Offering in the aggregate principal amount of €1,044.0 million, together with the proceeds of the 2028 Existing Senior Convertible Notes, to refinance the net principal amount of the Existing Nets Indebtedness, (ii) a portion of the proceeds from the Offering in the aggregate principal amount of €991.0 million, to refinance the net amount of the Existing SIA Indebtedness and (iii) the remaining portion of the proceeds from the Offering in the aggregate principal amount of €66.0 million, to pay fees and expenses incurred in connection with the Mergers and the foregoing transactions (collectively, the "Refinancing"). Although the Issuer intends to use the proceeds of the Notes in connection with the Mergers, the Issuer may elect as of the Release Date to use the remaining proceeds from the Notes for any general corporate purpose (including to repay its existing indebtedness). See "*—Sources and Uses of the Refinancing*" and "*Use of Proceeds*."

The Centurion Disposal

On August 6, 2019, Nets entered into the Centurion Acquisition Agreement, pursuant to which it agreed to sell its account-to-account based services including clearing and instant payment services, and e-billing solutions to MasterCard/Europay U.K. Limited and MasterCard International Incorporated (the "Centurion Disposal"). As a result of the Centurion Disposal, the operations Nets previously conducted through its account-to-account business were classified as discontinued operations in the audited consolidated financial statements as of and for the year ended December 31, 2019. The Centurion Disposal was consummated on March 5, 2021.

ISP Acquisition

On December 19, 2019, the Issuer entered into the ISP Acquisition Agreement, pursuant to which it agreed to buy the merchant acquiring business of Intesa Sanpaolo (the "ISP Acquisition"). The ISP Acquisition was consummated on June 30, 2020. As a consequence the ISP Acquisition is not reflected in Nexi's profit and loss for the first six months of 2020.

PeP Acquisition

On October 26, 2020, Nets consummated the acquisition of Polskie ePlatnosci (the "PeP Acquisition"). As a consequence, the PeP Acquisition is reflected in Nets' profit and loss for the last two months of 2020.

The UniCredit Master Service Agreement Extension

In 2016, SIA and UniCredit entered into a master services agreement, pursuant to which SIA agreed to provide certain card processing services and services relating to the management of POS and ATM terminals to UniCredit (the "UniCredit Master Service Agreement"). In February 2021, SIA and UniCredit entered into a revised master services agreement (the "UniCredit Master Service Agreement Extension"), pursuant to which the parties agreed to extend the duration of the UniCredit Master Service Agreement, which had an initial duration of ten years, to 2036 and renegotiated certain terms of the UniCredit Master Service Agreement. In order to strengthen its relationship with UniCredit, SIA made a payment of €48.2 million to UniCredit, to settle certain requests pertaining to events and circumstances relating to SIA's subsidiary P4cards in the period from 2016 to 2020. These circumstances (including, among others, a significant recorded increase in transaction volumes) have ultimately resulted in an alteration of the contractual balance as negotiated in the UniCredit Master Service Agreement.

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 Pro Forma 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 Pro Forma 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 Pro Forma Transactions, without taking into account the potential effects due to changes in management policies and operational decisions resulting from the Pro Forma 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 Pro Forma 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 accounting links between them.

Pro Forma Balance Sheet at December 31, 2020

The following table shows the pro forma adjustments made to represent the significant effects of the Pro Forma Transac
31, 2020:

(in € million)	Consolidated balance sheet	Nets - Pro-forma Consolidated balance sheet	Accounting for Nets Merger and Transaction Costs	Refinancing	Pro-forma Consolidated balance sheet for Nets Merger
		Pro Forma adjustments			
	(1)	**(2)**	**(3)**	**(4)**	
ASSETS					
Cash and cash equivalents	159.1	367.0	(97.8)	533.3	961.6
Financial assets at fair value through profit or loss	—	9.1	—	—	9.1
Financial assets at fair value through OCI	151.7	—	—	—	151.7
Financial assets measured at amortized cost	1,540.6	1,095.6	—	—	2,636.2
a) loans and receivables with banks	578.7	44.2	—	—	622.9
b) loans and receivables with financial entities and clients	961.9	1,051.4	—	—	2,013.3
Equity investments	—	36.0	—	—	36.0
Property, equipment	186.9	183.1	—	—	370.0
Investment property	2.1	—	—	—	2.1
Intangible assets	3,707.4	5,295.2	3,401.1	—	12,403.7
of which: goodwill	2,856.5	4,064.6	3,401.1	—	10,322.2
Tax assets	54.9	34.9	—	—	89.8
a) current	4.4	—	—	—	4.4
b) deferred	50.5	34.9	—	—	85.4
Non-current assets held for sale and discontinued operations	1.7	—	—	—	1.7

Other assets	481.7	395.1	—	—	876.8
Total assets	**6,286.1**	**7,416.0**	**3,303.3**	**533.3**	**17,538.7**
LIABILITIES					
Financial liabilities measured at amortized cost	3,862.9	3,054.8	—	419.9	7,337.6
a) due to banks	2,226.4	1,950.7	—	419.9	4,597.0
b) due to financial entities and clients	370.8	1,104.1	—	—	1,474.9
c) securities issued	1,265.7	—	—	—	1,265.7
Financial liabilities at fair value through profit or loss	22.9	351.0	—	135.5	509.4
Hedging derivatives	—	7.8	—	—	7.8
Tax liabilities	243.3	222.6	(23.5)	(5.3)	437.1
a) current	19.1	12.5	(23.5)	(5.3)	2.8
b) deferred	224.2	210.1	—	—	434.3
Liabilities associated with non-current assets held for sale and discontinued operations	0.5	—	—	—	0.5
Other liabilities	557.5	515.6	—	—	1,073.1
Post-employment benefits	14.8	6.1	—	—	20.9
Provisions for risks and charges	26.4	37.0	—	—	63.4
Equity	1,557.8	3,221.1	3,326.8	(16.8)	8,088.9
Group equity	1,548.1	3,087.7	3,326.8	(16.8)	7,945.8
Equity attributable to non-controlling entities	9.7	133.4	—	—	143.1
Total liabilities and net equity	**6,286.1**	**7,416.0**	**3,303.3**	**533.3**	**17,538.7**

Pro Forma Income Statement for the Year Ended December 31, 2020

The following table shows the pro forma adjustments made to represent the significant effects of the Pro Forma Transactions on the income statement for the year ended December 31, 2020:

(in € million)	Consolidated income statement	Pro Forma adjustments: Nets - Pro-forma Consolidated income statement	Pro Forma adjustments: Refinancing	Pro Forma adjustments: ISP Acquisition	Pro-forma Consolidated income statement for Nets Merger	Pro Forma adjustments: SIA - Pro-forma Consolidated income statement	Pro Forma adjustments: UniCredit Master Service Agreement Extension	Pro-forma Consolidated income statement for Nets Merger and SIA Merger
	(1)	(2)	(3)	(4)		(5)	(6)	
Fee for services rendered and commission income	1,644.0	1,742.4	—	153.4	3,539.8	758.6	—	4,298.4
Fee for services received and commission expense	(637.8)	(723.7)	—	(100.5)	(1,462.0)	(14.6)	—	(1,476.6)
Net fee and commission income..............	**1,006.2**	**1,018.7**	—	**52.9**	**2,077.8**	**744.0**	—	**2,821.8**
Interest and similar income ...	15.3	12.2	—	—	27.5	0.5	—	28.0
Interest and similar expense ..	(87.9)	(112.5)	10.2	(18.2)	(209.8)	(16.7)	—	(225.1)
Net interest income..............	**(72.6)**	**(100.3)**	**10.2**	**(18.2)**	**(182.3)**	**(16.2)**	—	**(197.1)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss....................	(0.1)	26.0	—	—	25.9	—	—	25.9
Dividends and profit / loss from investments and sale of assets at fair value through OCI...................	(6.6)	—	—	—	(6.6)	(1.9)	—	(8.5)
Financial and operating income..............	**926.9**	**944.5**	**10.2**	**34.7**	**1,914.9**	**725.9**	—	**2,642.2**
Personnel expenses............	(180.6)	(375.7)	—	(1.3)	(557.6)	(207.9)	—	(765.5)
Other administrative expenses............	(350.0)	(460.8)	—	(1.1)	(811.9)	(266.8)	—	(1,078.7)
Total administrative expenses............	**(530.6)**	**(836.5)**	—	**(2.4)**	**(1,369.5)**	**(474.7)**	—	**(1,844.2)**
Other operating income, net.........	(4.4)	10.7	—	—	6.3	4.2	—	10.5
Net value adjustments on assets measured at amortized cost....................	(6.9)	(25.5)	—	(5.4)	(37.8)	(1.1)	—	(38.9)
Net accruals to provisions for risks and charges..............	0.2	(19.4)	—	—	(19.2)	(52.9)	—	(72.1)

Amortization depreciation and net impairment losses on tangible and intangible assets	(175.3)	(338.0)	—	—	(513.3)	(164.6)	(11.3)	(689.2)
Operating margin	**209.9**	**(264.3)**	**10.2**	**26.9**	**(18.6)**	**36.8**	**(11.3)**	**8.3**
Profit (Loss) from equity investments and disposal of investments	(0.2)	1.1	—	—	0.9	(0.1)	—	0.8
Pre-tax profit from continuing operations	**209.7**	**(263.2)**	**10.2**	**26.9**	**(17.7)**	**36.7**	**(11.3)**	**9.1**
Income taxes	(79.7)	15.9	(2.4)	(10.3)	(76.2)	(21.7)	2.7	(95.5)
Profit (Loss) after tax from discontinued operations	(0.7)	—	—	—	(0.7)	—	—	(0.7)
Profit for the year	**129.3**	**(247.3)**	**7.8**	**16.6**	**(94.6)**	**15.0**	**(8.6)**	**(87.1)**
Profit for the year attributable to the owners of the parent	127.9	(255.1)	7.8	16.3	(104.2)	15.0	(8.6)	(96.6)
Profit for the year attributable to non-controlling interests	1.4	7.8	—	0.3	9.5	—	—	9.5
Items that will be reclassified subsequently to profit or loss	30.8	(0.3)	—	—	30.5	(0.7)	—	29.8
Items that will be reclassified subsequently to profit or loss	(0.2)	(115.9)	—	—	(116.1)	(1.0)	—	(117.1)
Other comprehensive income (net of tax)	**30.6**	**(116.2)**	—	—	**(85.6)**	**(1.7)**	—	**(87.3)**
Total comprehensive income	**159.9**	**(363.5)**	**7.8**	**16.6**	**(180.3)**	**13.3**	**(8.6)**	**(174.4)**
Comprehensive income attributable to the parent company	158.3	(364.7)	7.8	16.6	(183.1)	13.3	(8.6)	(177.2)
Comprehensive income attributable to non-controlling interests	1.6	1.2	—	—	2.8	—	—	2.8

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 year ended December 31, 2020 taken from the Issuer's Consolidated Financial Statements, in order to simulate the main equity, financial and economic effects that could derive from the Pro Forma Transactions.

The accounting standards adopted for the preparation of the Unaudited Pro Forma Consolidated Financial Information are the same used for the preparation of the Issuer's Consolidated Financial

Statements and, in particular, the 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.

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 Issuer's consolidated balance sheet at December 31, 2020, extracted from the Issuer's Consolidated Financial Statements.

Note 2— Nets Pro Forma Consolidated balance sheet

The column includes the Nets Pro-forma Consolidated balance sheet at December 31, 2020, extracted from the Nets Consolidated Financial Statements, prepared as shown below:

		Pro Forma adjustments		
(in € million)	**Nets Consolidated balance sheet**	**Nets Reorganization**	**Project Centurion**	**Nets Pro-forma Consolidated balance sheet**
	(2A)	(2B)	(2C)	
ASSETS				
Cash and cash equivalents	172.5	—	194.5	367.0
Financial assets at fair value through profit or loss	9.1	—	—	9.1
Financial assets at fair value through OCI	—	—	—	—
Financial assets measured at amortized cost	1,095.6	—	—	1,095.6
a) loans and receivables with banks	44.2	—	—	44.2
b) loans and receivables with financial entities and clients	1,051.4	—	—	1,051.4
Equity investments	36.0	—	—	36.0
Property, equipment	183.1	—	—	183.1
Investment property	—	—	—	—
Intangible assets	5,295.2	—	—	5,295.2
of which: goodwill	4,064.6	—	—	4,064.6
Tax assets	34.9	—	—	34.9
a) current	—	—	—	—
b) deferred	34.9	—	—	34.9
Non-current assets held for sale and discontinued operations	1,779.9	—	(1,779.9)	—
Other assets	395.1	—	—	395.1
Total assets	**9,001.4**	—	**(1,585.4)**	**7,416.0**

LIABILITIES				
Financial liabilities measured at amortized cost	7,069.1	(1,623.8)	(2,390.5)	3,054.8
a) due to banks	5,965.0	(1,623.8)	(2,390.5)	1,950.7
b) due to financial entities and clients	1,104.1	—	—	1,104.1
c) securities issued	—	—	—	—
Financial liabilities at fair value through profit or loss	1,123.8	(772.8)	—	351.0
Hedging derivatives	44.6	—	(36.8)	7.8
Tax liabilities	417.6	—	(195.0)	222.6
a) current	207.5	—	(195.0)	12.5
b) deferred	210.1	—	—	210.1
Liabilities associated with non-current assets held for sale and discontinued operations	44.5	—	(44.5)	—
Other liabilities	515.6	—	—	515.6
Post-employment benefits	6.1	—	—	6.1
Provisions for risks and charges	37.0	—	—	37.0
Equity	(256.9)	2,396.6	1,081.4	3,221.1
Group equity	(390.3)	2,396.6	1,081.4	3,087.7
Equity attributable to non-controlling entities	133.4	—	—	133.4
Total liabilities and net equity	**9,001.4**	—	**(1,585.4)**	**7,416.0**

Note 2A— Nets Consolidated balance sheet

The column includes the Nets consolidated balance sheet at December 31, 2020, extracted from the Nets Consolidated Financial Statements and reclassified using the balance sheet statement adopted by Nexi. It should be noted that such reclassifications have been identified, for the purposes of preparing the Unaudited Pro Forma Consolidated Financial Information, taking into account the information available to Nexi at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information. It should also be noted that the analysis carried out, up to the date of preparation of this document, did not reveal any significant differences between the accounting policies adopted by the two groups.

Note 2B— Nets Reorganization

As a result of the Nets Reorganization, the financial liabilities of Nets arising from the existing shareholder loans and the existing preferred equity certificates will be extinguished and converted into equity. This column shows the effects of the extinguishment of such financial liabilities and the corresponding increase in shareholders' equity.

Note 2C— Centurion Disposal

On March 5, 2021, Nets completed the Centurion Disposal, receiving the total amount of the sale price amounting to €2,850 million, net of the cash and cash equivalents held by the perimeter of the companies disposed. As provided by the Nets Framework Agreement, these proceeds will be used, prior to the Nets Merger Closing Date, to repay certain loans held by Nets and to extinguish certain derivative financial instruments associated with them.

The column shows the effects of the extinguishment of financial liabilities relating to the loans and derivative financial instruments in question, including unamortized transaction costs.

The column also includes i) the elimination of the assets and liabilities associated with the Centurion Disposal accounted for in the line " Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations", ii) the estimated, ii) the recognition in shareholders' equity of the capital gain deriving from these disposals, equal to €1,114.6 million, net of the €33.2 million of unamortized transaction costs associated with the loans.

Note 3— Accounting for Nets Merger

The Nets Merger, if analyzed not considering the SIA Merger, is a business combination as a result of which, Nexi acquires control over Nets.

These transactions fall within the scope of IFRS 3 - Business combinations, which provides that the purchaser, on the effective date of the transaction, records the identifiable assets acquired, the liabilities and contingent liabilities assumed at fair value, with the exception of deferred tax assets and liabilities, assets and liabilities relating to employee benefits and assets held for sale which are recognized on the basis of the relevant accounting standards.

Provisional determination of the consideration for the Nets Merger

The determination of the consideration of the net assets acquired is carried out, in accordance with the provisions of IFRS 3, on the basis of fair values as of the date in which control is acquired (i.e., the Nets Merger Closing Date).

As previously indicated, the Nets Merger provides for the issuance of a fixed number of Nexi Shares at the Nets Merger Closing Date plus additional Nexi Shares associated with the Nets Earn-Out and the Centurion Earn-Out.

The consideration will be determined on the basis of the stock market prices at the Nets Merger Closing Date.

For the purposes of the preparation of the Unaudited Pro Forma Consolidated Financial Information, the consideration for the Nets Merger has been provisionally determined assuming that the shares for the Nets Earn-Out and the Centurion Earn-Out will actually be issued and assuming such earn-outs, on the basis of the evidence available at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information, equal to €194.1 million and €109.9 million respectively.

On the basis of the foregoing, the Nexi Shares to be issued to service the Nets Merger are estimated as a total 426.6. The consideration is therefore equal to €6.5 billion (the “Nets Consideration”) based on the value of a Nexi Share at a date close to the date of preparation of the Unaudited Pro Forma Consolidated Financial Information.

In accordance with IFRS 3, on the Nets Merger Closing Date, the difference between the Nets Consideration and the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed is recognized: i) if positive, as goodwill, or ii) if negative as a gain in profit and loss. In this circumstance, since the fair values of the identifiable assets acquired, the liabilities and contingent liabilities is not yet available at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information, in accordance with paragraph no. 45 of IFRS 3, the aforementioned difference was determined provisionally, as the difference between the Nets Consideration and the value of the net book equity of Nets at 31 December 2020, i.e., the most updated values available at the date of this document, as shown below.

(in € million)	
Nets Consideration	6,488.8
Provisional fair values of the net assets acquired	3,087.7
Provisional Goodwill	**3,401.1**

It should be noted that, in accordance with IFRS 3, the Provisional Goodwill may change with respect to what is shown here as a result of i) the definition of the fair values of the identifiable assets acquired and the identifiable liabilities assumed, net of the related tax effect, where applicable, ii) the value of a Nexi Share on the Nets Merger Closing Date and iii) the actual value of the Nets Earn-Out and the Centurion Earn-Out. In this regard, paragraph no. 45 of IFRS 3 provides for a "valuation period" during which the Company must proceed with a preliminary initial accounting for the acquisition and complete the valuation of the net assets acquired at a later time and in any case within 12 months from the date of the transaction.

Additional costs to the Mergers

For the completion of the Mergers, Nexi has estimated that it will incur non-recurring costs for a total of €113.4 million, of which €15.6 million already reflected in the consolidated profit loss for the year ended December 31, 2020. This column also shows therefore the recognition of the costs that will still have to be incurred for the completion of the Mergers, equal to a total of €97.8 million, and the related tax effect, estimated at 24%.

Note 4— Refinancing

The column includes the effects of the refinancing of the Existing Nets Indebtedness and the Existing SIA Indebtedness using the proceeds from the Offering together with the proceeds of the 2028 Existing Senior Convertible Notes.

Specifically, the following table shows the proceeds deriving from the Offering and from the 2028 Existing Senior Convertible Notes:

(in € million)	
Offering (notional amount)	(2,100.0)
Transaction costs	23.0
Book value (a)	**(2,077.0)**
2028 Existing Senior Convertible Notes - notional amount (b)	(1,000.0)
Present value	135.5
Transaction costs (c)	14.2
Book value	**(850.3)**
Nets cash and cash equivalent (a)+(b)+(c)	**3,062.8**
Initial recognition of the convertible option of the 2028 Existing Senior Convertible Notes	(135.5)

The following table shows the outstanding notional amounts of the Existing Nets Indebtedness and the Existing SIA Indebtedness:

(in € million)	
Nets financial indebtedness (book value)	1,618.3
Transaction costs to be amortized	22.1
Notional amount outstanding	**1,640.4**
SIA financial indebtedness (book value)	889.1
Notional amount outstanding	**889.1**

The following table shows the cumulative effects of the use of the Offering and from the 2028 Existing Senior Convertible Notes to repay the outstanding notional amounts of the Existing Nets Indebtedness and the Existing SIA Indebtedness on the items "Financial liabilities measured at amortized cost" and "Cash and cash equivalents":

(in € million)	
Financial liabilities measured at amortized cost	
Offering	2,077.0
2028 Existing Senior Convertible Notes	850.3
Existing SIA Indebtedness	(889.1)
Existing Nets Indebtedness	(1,618.3)
	419.9
Cash and cash equivalent	
Offering	2,077.0
2028 Existing Senior Convertible Notes	985.8
Existing SIA Indebtedness	(889.1)
Existing Nets Indebtedness	(1,640.4)
	533.3

Note 5— SIA Pro Forma Consolidated balance sheet

The column includes the SIA Pro-forma Consolidated balance sheet at December 31, 2020, extracted from the SIA Consolidated Financial Statements, prepared as shown below:

(in € million)	SIA Consolidated balance sheet	Pro Forma adjustments UniCredit Master Service Agreement Extension	SIA Pro-forma Consolidated balance sheet
	(5A)	**(5B)**	
ASSETS			
Cash and cash equivalents	161.4	—	161.4
Financial assets at fair value through profit or loss	—	—	—
Financial assets at fair value through OCI	—	—	—
Financial assets measured at amortized cost	11.1	—	11.1
a) loans and receivables with banks	—	—	—
b) loans and receivables with financial entities and clients	11.1	—	*11.1*
Equity investments	0.7	—	0.7
Property, equipment	153.2	—	153.2
Investment property	-	—	—
Intangible assets	820.4	—	820.4
of which: goodwill	521.0	—	*521.0*
Tax assets	94.8	—	94.8
a) current	67.3	—	*67.3*
b) deferred	27.5	—	*27.5*
Non-current assets held for sale and discontinued operations	—	—	—
Other assets	260.8	180.0	440.8
Total assets	**1,502.4**	**180.0**	**1,682.4**
LIABILITIES			
Financial liabilities measured at amortized cost	857.9	267.3	1,125.2
a) due to banks	857.9	267.3	*1,125.2*
b) due to financial entities and clients	—	—	—
c) securities issued	—	—	—
Financial liabilities at fair value through profit or loss	—	—	—
Hedging derivatives	3.2	—	3.2
Tax liabilities	64.0	(4.7)	59.3
a) current	13.0	(4.7)	*8.3*
b) deferred	51.0	—	*51.0*
Liabilities associated with non-current assets held for sale and discontinued operations	—	—	—
Other liabilities	163.5	(19.5)	*144.0*
Post-employment benefits	26.9	—	*26.9*
Provisions for risks and charges	54.6	(48.2)	*6.4*
Equity	332.3	(14.9)	317.4
Group equity	332.3	(14.9)	*317.4*
Equity attributable to non-controlling entities	—	—	—
Total liabilities and net equity	**1,502.4**	**180.0**	**1,682.4**

Note 5A— SIA Consolidated balance sheet

The column includes the SIA consolidated balance sheet at December 31, 2020, extracted from the SIA Consolidated Financial Statements and reclassified using the balance sheet statement adopted by Nexi. It should be noted that such reclassifications have been identified, for the purposes of preparing the Unaudited Pro Forma Consolidated Financial Information, taking into account the information available to SIA at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information. It should also be noted that the analysis carried out, up to the date of preparation of this document, did not reveal any significant differences between the accounting policies adopted by the two groups.

Note 5B— UniCredit Master Service Agreement Extension

The column represents the effects of the accounting of the UniCredit Master Service Agreement Extension.

Specifically, the UniCredit Master Service Agreement Extension resulted in a cash-out of €267 million, including VAT of €39 million (of which €19,5 million not deductible), incurred by drawing on the resources of a bridge loan (made available in an amount equal to Euro 400 million, actually used by SIA in an amount of Euro 267 million).

With reference to the non-deductible portion of VAT, the related estimated tax effect of 24% was considered.

It should be noted that, for the purposes of the SIA Group financial statements, the lump sum of €180 million paid for the UniCredit Master Service Agreement Extension qualifies as a consideration paid to the customer as part of a contractual amendment, according to IFRS 15.70 and IFRS 15.20, with recognition of the consideration as a non-current asset and transfer to the income statement as a reduction of the revenues of the service covered by the contract over the period of extension of the performance obligation in which the corresponding benefits are expected, i.e., the period 2027-2036, in direct correlation to the expected revenue volumes.

Note 6— Accounting for SIA Merger

The SIA Merger qualifies as a "roll-up transaction", that is a business combination as a result of which none of the entities involved obtains control over the others. The entity resulting from the Mergers will therefore be a public company without a controlling shareholder.

These transactions fall within the scope of application of IFRS 3 - Business Combinations, which provides that for any business combination transaction, even in the event that none of the entities involved obtains control over the others, an accounting acquirer is in any case identified, on the basis of the parameters identified in IFRS 3 paragraphs B14 – B18, and such acquirer, at the effective date of the transaction, accounts for the same by recording the identifiable assets acquired, the liabilities and the contingent liabilities assumed at their fair values, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefits and assets held for sale which are recognized on the basis of the relevant accounting standards.

Specifically, Nexi was identified as an accounting acquirer taking into account the parameters identified in IFRS 3 paragraphs B14 – B18 and in particular the following elements:

- Nexi is the entity that issues shares and which does not terminate as a result of the Mergers;
- the composition of the senior management of the entity resulting from the Mergers: the current CEO of Nexi will be confirmed as CEO of the entity resulting from the Mergers and will have the power to decide the management of the same;

- Nexi is the combining entity whose relative dimensions are significantly greater than those of the other entities involved in the Merger.

Provisional determination of the consideration for the SIA Merger

The determination of the consideration of the net assets acquired is carried out, in accordance with the provisions of IFRS 3, on the basis of the fair values at the date in which control is acquired (i.e., the SIA Merger Closing Date).

As previously indicated, the SIA Merger provides for the issuance of a fixed number of Nexi Shares at the SIA Merger Closing Date effective.

Specifically, the consideration will be determined on the basis of the stock market prices at the SIA Merger Closing Date. Based on the foregoing, the consideration is therefore equal to Euro 4.1 billion (the "SIA Consideration") based on the value of a Nexi Share at a date close to the date of preparation of the Unaudited Pro Forma Consolidated Financial Information.

In accordance with IFRS 3, on the SIA Merger Closing Date, the difference between the SIA Consideration and the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed is recognized: i) if positive, as goodwill , or ii) if negative as a gain in profit and loss. In this circumstance, since the fair values of the identifiable assets acquired, the liabilities and contingent liabilities is not yet available at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information, in accordance with paragraph no. 45 of IFRS 3, the aforementioned difference was determined provisionally, as the difference between the SIA Consideration and the value of the net book equity of SIA at 31 December 2020, i.e., the most updated values available at the date of this document, as shown below.

(in € million)	**SIA Merger**
SIA Consideration	4,107.5
Provisional fair values of the net assets acquired	317.4
Provisional Goodwill	**3,790.1**

It should be noted that, in accordance with IFRS 3, the Provisional Goodwill may change with respect to what is shown here as a result of i) the definition of the fair values of the identifiable assets acquired and the identifiable liabilities assumed, net of the related tax effect, where applicable, and ii) the value of a Nexi Share on the SIA Merger Closing Date. In this regard, paragraph no. 45 of IFRS 3 provides for a "valuation period" during which the Company must proceed with a preliminary initial accounting for the acquisition and complete the valuation of the net assets acquired at a later time and in any case within 12 months from the date of the transaction.

Finally, it should be noted that this column also represents the effects of the accounting of the UniCredit Master Service Agreement Extension. Specifically, as part of the SIA Merger, Nexi will have to account for the fair value the identifiable assets acquired, including the value of SIA's client relationships. In this perspective, the UniCredit Master Service Agreement Extension qualifies as a portion of the value of the larger contract that SIA has in place with the UniCredit Group. Therefore, although the fair value of the identifiable assets acquired, of the liabilities and potential liabilities assumed is not available in its entirety at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information, the UniCredit Master Service Agreement Extension has been reclassified among the client relationships within Intangible assets.

Unaudited Pro Forma Income Statement

Note 1—Consolidated income Statement

The column includes the consolidated income statement for the year ended December 31, 2020 extracted from the Issuer's Consolidated Financial Statements.

Note 2— Nets Pro Forma Consolidated income statement

The column includes the Nets Pro-forma income statement for the year ended December 31, 2020, extracted from the Nets Consolidated Financial Statements, prepared as shown below:

(in € million)	Nets Consolidated income statement	Pro Forma adjustments			Nets Pro-forma Consolidated income statement
		Nets Reorganization	Project Centurion	PeP Acquisition	
	(2A)	(2B)	(2C)	(2D)	
Fee for services rendered and commission income	1,567.4	—	—	175.0	1,742.4
Fee for services received and commission expense	(592.3)	—	—	(131.4)	(723.7)
Net fee and commission income	**975.1**	—	—	**43.6**	**1,018.7**
Interest and similar income	12.2	—	—	—	12.2
Interest and similar expense	(326.1)	88.9	127.6	(2.9)	(112.5)
Net interest income	**(313.9)**	**88.9**	**127.6**	**(2.9)**	**(100.3)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss	26.0	—	—	—	26.0
Dividends and profit / loss from investments and sale of assets at fair value through OCI	—	—	—	—	—
Financial and operating income	**687.2**	**88.9**	**127.6**	**40.8**	**944.5**
Personnel expenses	(361.0)	—	—	(14.7)	(375.7)
Other administrative expenses	(450.2)	—	—	(10.6)	(460.8)
Total administrative expenses	**(811.2)**	—	—	**(25.3)**	**(836.5)**
		—	—		
Other operating income, net	10.7	—	—	—	10.7
Net value adjustments on assets measured at amortized cost	(25.5)	—	—	—	(25.5)
Net accruals to provisions for risks and charges	(19.4)	—	—	—	(19.4)
Amortization depreciation and net impairment losses on tangible and intangible assets	(321.1)	—	—	(16.9)	(338.0)
Operating margin	**(479.3)**	**88.9**	**127.6**	**(1.5)**	**(264.3)**
Profit (Loss) from equity investments and disposal of investments	1.1	—	—	—	1.1
Pre-tax profit from continuing operations	**(478.2)**	**88.9**	**127.6**	**(1.5)**	**(263.2)**
Income taxes	20.8	—	(3.6)	(1.3)	15.9
Profit (Loss) after tax from discontinued operations	61.5	—	(61.5)	—	—
Profit for the year	**(395.9)**	**88.9**	**62.5**	**(2.8)**	**(247.3)**
Profit for the year attributable to the owners of the parent	(403.7)	88.9	62.5	(2.8)	(255.1)
Profit for the year attributable to non-controlling interests	7.8	—	—	—	7.8
Items that will be reclassified subsequently to profit or loss	(0.3)	—	—	—	(0.3)

Items that will be reclassified subsequently to profit or loss	(115.9)	—	—	—	(115.9)
Other comprehensive income (net of tax)	**(116.2)**	**—**	**—**	**—**	**(116.2)**
Total comprehensive income	**(512.1)**	**88.9**	**62.5**	**(2.8)**	**(363.5)**
Comprehensive income attributable to the parent company	(513.3)	88.9	62.5	(2.8)	(364.7)
Comprehensive income attributable to non-controlling interests	1.2	—	—	—	1.2

Note 2A— Nets Consolidated income statement

The column includes the Nets consolidated income statement for the year ended December 31, 2020, extracted from the Nets Consolidated Financial Statements and reclassified using the income statement adopted by Nexi. It should be noted that such reclassifications have been identified, for the purposes of preparing the Unaudited Pro Forma Consolidated Financial Information, taking into account the information available to Nexi at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information. It should also be noted that the analysis carried out, up to the date of preparation of this document, did not reveal any significant differences between the accounting policies adopted by the two groups.

Note 2B— Nets Reorganization

As a result of the Nets Reorganization, the financial liabilities of Nets arising from the existing shareholder loans and the existing preferred equity certificates will be extinguished and converted into equity. This column shows the effects of the extinguishment of such financial liabilities and the corresponding decrease in Interest and similar expense.

Note 2C— Project Centurion

On March 5, 2021, Nets completed the Centurion Disposal, receiving the total amount of the sale price amounting to €2,850 million, net of the cash and cash equivalents held by the perimeter of the companies disposed. As provided by the Nets Framework Agreement, these proceeds will be used, prior to the Nets Merger Closing Date, to repay certain loans held by Nets and to extinguish certain derivative financial instruments associated with them.

The column represents the effects of the elimination of financial charges accounted for in the Nets Consolidated Financial Statements in relation to the above mentioned loans and derivative financial instruments. The column also includes the elimination of the results of the assets and liabilities associated with the Centurion Disposal accounted for in the line "Profit / loss of assets held for sale after taxes".

Note 2D— PeP Acquisition

The column reflects the costs and revenues of PeP relating to the period of the fiscal year 2020 prior to the acquisition and, therefore, not included in the Nets Consolidated Financial Statements.

Note 3— Refinancing

The column shows the effects on the financial charges of the early repayment of the Nets Financial Debt to be implemented, following the Nets Merger, using a portion of the proceeds of the Offering, as detailed in the following table:

(in € million)	
Existing Nets Indebtedness	
Elimination of interest expense incurred	60.9
Transaction costs to be amortized	(22.1)
	38.8
Tax impact	(14.6)
Existing SIA Indebtedness	
Elimination of interest expense incurred	11.7
Tax impact	(2.7)
Offering	
Interest expenses	(40.8)
Tax impact	9.8
Convertible bond	
Interest expenses	(21.1)
Tax impact	5.1

Note 4—ISP Acquisition

As mentioned above, the ISP Acquisition was completed on 30 June 2020. This column reflects the costs and revenues of the merchant acquiring activities acquired by ISP for the first half of 2020.

Note 5— SIA Pro Forma Consolidated income statement

The column includes the SIA Pro-forma Consolidated income statement for the year ended December 31, 2020, extracted from the SIA Consolidated Financial Statements, prepared as shown below:

		Pro Forma adjustments	
(in € million)	SIA Consolidated income statement	UniCredit Master Service Agreement Extension	SIA Pro-forma Consolidated income statement
	(5A)	(5B)	
Fee for services rendered and commission income	758.6	—	758.6
Fee for services received and commission expense	(14.6)	—	(14.6)
Net fee and commission income	**744.0**	**—**	**744.0**
Interest and similar income	0.5	—	0.5
Interest and similar expense	(14.3)	(2.4)	(16.7)
Net interest income	**(13.8)**	**(2.4)**	**(16.2)**
Profit / loss on trading activity / hedging on financial assets and liabilities designated at FV through profit or loss	—	—	—
Dividends and profit / loss from investments and sale of assets at fair value through OCI	(1.9)	—	(1.9)
Financial and operating income	**728.3**	**(2.4)**	**725.9**
Personnel expenses	(207.9)	—	(207.9)
Other administrative expenses	(266.8)	—	(266.8)
Total administrative expenses	**(474.7)**	**—**	**(474.7)**
Other operating income, net	4.2	—	4.2

Net value adjustments on assets measured at amortized cost	(1.1)	—	(1.1)
Net accruals to provisions for risks and charges	(52.9)	—	(52.9)
Amortization depreciation and net impairment losses on tangible and intangible assets	(164.6)	—	(164.6)
Operating margin	**39.2**	**(2.4)**	**36.8**
Profit (Loss) from equity investments and disposal of investments	(0.1)	—	(0.1)
Pre-tax profit from continuing operations	**39.1**	**(2.4)**	**36.7**
Income taxes	(22.3)	0.6	(21.7)
Profit (Loss) after tax from discontinued operations	—	—	—
Profit for the year	**16.8**	**(1.8)**	**15.0**
Profit for the year attributable to the owners of the parent	16.8	(1.8)	15.0
Profit for the year attributable to non-controlling interests	—	—	—
Items that will be reclassified subsequently to profit or loss	(0.7)	—	(0.7)
Items that will be reclassified subsequently to profit or loss	(1.0)	—	(1.0)
Other comprehensive income (net of tax)	**(1.7)**	**—**	**(1.7)**
Total comprehensive income	**15.1**	**(1.8)**	**13.3**
Comprehensive income attributable to the parent company	15.1	(1.8)	13.3
Comprehensive income attributable to non-controlling interests	—	—	—

Note 5A— SIA Consolidated income statement

The column includes the SIA income statement for the year ended December 31, 2020, extracted from the SIA Consolidated Financial Statements and reclassified using the income statement adopted by Nexi. It should be noted that such reclassifications have been identified, for the purposes of preparing the Unaudited Pro Forma Consolidated Financial Information, taking into account the information available to SIA at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information. It should also be noted that the analysis carried out, up to the date of preparation of this document, did not reveal any significant differences between the accounting policies adopted by the two groups.

Note 5B— UniCredit Master Service Agreement Extension

The column includes the effects of the financial charges deriving from the bridge loan agreement entered into by SIA to support the disbursements connected to the UniCredit Master Service Agreement Extension and the related tax effects.

Note 6— UniCredit Master Service Agreement Extension

As part of the SIA Merger, Nexi will have to account for the identifiable assets acquired at fair value, including the value of SIA's client relationships. In this perspective, the UniCredit Master Service Agreement Extension qualifies as a portion of the value of the larger contract that SIA has in place with the UniCredit Group. Therefore, although the fair value of the identifiable assets acquired, of the liabilities and potential liabilities assumed is not available in its entirety at the date of preparation of the Unaudited Pro Forma Consolidated Financial Information, the UniCredit Master Service Agreement Extension has been reclassified among the client relationships within the Intangible assets.

The column shows the effects of the UniCredit Master Service Agreement Extension and, specifically, the effects of the depreciation of this asset by on a straight-line basis up to the expected end date of the UniCredit Agreements (2036). It should be noted that the Unaudited Pro Forma Income Statement does not include: (i) non-recurring costs that will still have to be incurred for the completion of the Mergers, equal to a total of €97.8 million, and the related tax effect, estimated at 24%, (ii) Nets' unamortized issuance costs for €22.1 million in relation to the Existing Nets Indebtedness and (iii) SIA's non-recurring VAT costs for €19.6 million and the related tax effect.

Pro Forma Reclassified Income Statement

Set forth below is a summary of the Pro Forma Reclassified Income Statement, as at December 31, 2020.

		Pro Forma adjustments				Pro Forma adjustments		
(in € million)	**Consolidated income statement**	**Nets - Pro-forma Consolidated income statement**	**Refinancing**	**ISP Acquisition**	**Pro-forma Consolidated income statement for Nets Merger**	**SIA - Pro-forma Consolidated income statement**	**UniCredit Master Service Agreement Extensions**	**Pro-forma Consolidated income statement for Nets Merger and SIA Merger**
Operating revenue.....................	**993.9**	**1,018.7**	—	**50.0**	**2,062.6**	**748.2**	—	**2,810.8**
Personnel expenses....................	(155.3)	(323.5)	—	(1.3)	(480.0)	(209.3)	—	(689.3)
Operating costs	(284.9)	(327.5)	—	(1.1)	(613.5)	(260.1)	—	(873.6)
Total Costs	**(440.2)**	**(651.0)**	—	**(2.3)**	**(1,093.5)**	**(469.4)**	—	**(1,562.9)**
Normalized EBITDA	**553.7**	**367.7**	—	**47.7**	**969.1**	**278.8**	—	**1,247.9**
Amortization & depreciation	(145.0)	(226.2)	—	—	(371.2)	(164.5)	—	(535.7)
Amortization & depreciation(customer contracts)	(32.2)	(111.8)	—	—	(144.0)	—	(11.3)	(155.3)
Interest and financing costs..........................	(65.2)	(74.3)	10.2	(20.8)	(151.5)	(18.2)	—	(168.3)
Non-recurring items	(102.3)	(218.6)	—	—	(320.9)	(59.3)	—	(380.2)
Pre-tax profit...........	**208.9**	**(263.2)**	**10.2**	**26.9**	**(18.6)**	**36.8**	**(11.3)**	**8.3**
Income taxes	(79.6)	15.9	(2.4)	(10.3)	(76.1)	(21.7)	2.7	(95.4)
Profit for the year	**129.3**	**(247.3)**	**7.8**	**16.6**	**(94.7)**	**15.1**	**(8.6)**	**(87.1)**
Profit for the year attributable to non-controlling interests.....................	1.4	7.8	—	0.3	9.5	—	—	9.5
Profit for the year attributable to the owners of the parent.......................	**127.9**	**(255.1)**	**7.8**	**16.3**	**(104.2)**	**15.1**	**(8.6)**	**(96.6)**

Pro Forma Net Financial Positon

Set forth below is a summary of the Pro Forma Net Financial Position, as at December 31, 2020.

(in € million)	Consolidated net financial position	Pro Forma adjustments Nets - Pro-forma Consolidated net financial position	Refinancing	Transaction costs	SIA - Pro-forma Consolidated net financial position	Pro-forma Consolidated net financial position for Nets Merger and SIA Merger
A. Cash	159.1	172.0	533.3	(97.8)	—	766.6
B. Other cash and cash equivalents	340.0	194.5	—	—	161.4	695.9
C. Securities held for trading	—	—	—	—	—	—
D. Liquidity (A) + (B) + (C)	**499.1**	**366.5**	**533.3**	**(97.8)**	**161.4**	**1462.5**
E. Current financial receivables	**—**	**—**	**—**	**—**	**11.1**	**11.1**
F. Current bank payables	(10.3)	(8.0)	—	—	(397.8)	(416.1)
G. Current portion of non-current debt	—	(498.5)	—	—	(86.0)	(584.5)
H. Other current financial payables	(4.4)	(570.9)	—	—	(45.3)	(620.6)
I. Current financial debt (F) + (G) + (H)	**(14.7)**	**(1,077.4)**	**—**	**—**	**(529.1)**	**(1,621.2)**
J. Net current financial position (I) + (E) + (D)	**484.4**	**(710.9)**	**533.3**	**(97.8)**	**(356.6)**	**(147.6)**
K. Non-current bank payables	(44.0)	(1,226.3)	(419.9)	—	(535.8)	(2,226.0)
L. Notes issued	(1,265.7)	—	—	—	—	(1,265.7)
M. Other non-current financial payables	(1,456.7)	(83.5)	—	—	(63.5)	(1,603.7)
N. Non-current financial debt (K) + (L) + (M)	**(2,766.4)**	**(1,309.8)**	**(419.9)**	**—**	**(599.3)**	**(5,095.4)**
O. Net financial position (J) + (N)	**(2,282.0)**	**(2,020.7)**	**113.4**	**(97.8)**	**(955.9)**	**(5,243.0)**

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

This "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer" section is based on information extracted from our Consolidated Financial Statements and should be read in conjunction with our Consolidated Financial Statements included elsewhere herein and the sections in this offering memorandum titled "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

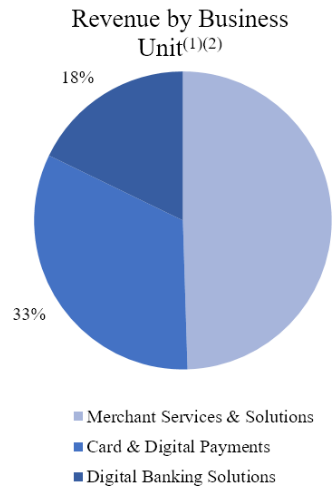
We are creating the new European Paytech leader through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe for 2019, according to management estimates. We expect the Combined Group's collective reach will expand to manage transactions at various levels of the payments value chain in relation to approximately 160 million payment cards.

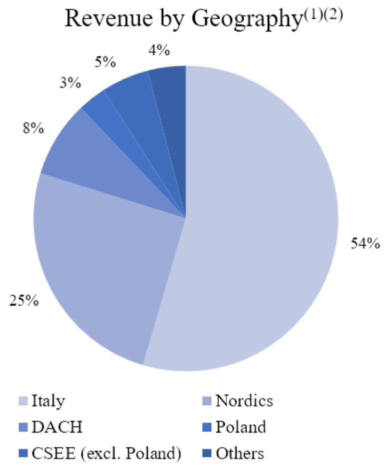
We are expanding Nexi's addressable market in Europe by more than 4x in terms of consumer spend, according to management estimates based on data as of December 31, 2019. The Combined Group will be one of the major players in the European paytech sector, with prominent positions in some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland, and the addressable market in core European countries in which the Combined Group will operate will amount to approximately €4.6 trillion, according to management estimates. The Combined Group's footprint will cover attractive European markets for growth, with an average card payments penetration of only 32% across the key markets in which the Combined Group will operate, compared to an average of 46% for Western Europe, according to management estimates based on data as of December 31, 2019, to which the Combined Group will apply its full solution portfolio across the payment ecosystem.

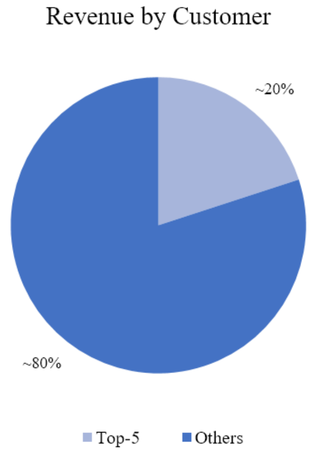
We expect that the Combined Group's footprint, combined with its best-in-class products, technology and capabilities, and with a scaled acquiring and enhanced e-commerce proposition, will result in material financial and strategic benefits for the Combined Group, which will be well positioned to drive the European transition to cashless transactions.

We expect the Combined Group to benefit from enhanced scale, geographic diversification, e-commerce exposure, lower customer concentration and strong growth potential in underpenetrated markets, resulting in a strong profitability and cash generation at scale. If these strategic transactions had been completed on January 1, 2020, the Combined Group would have had Pro Forma Operating Revenues of €2,810.8 million, Pro Forma Normalized EBITDA of €1,247.9 million, Pro Forma Run Rate Operating Revenues of €2,866.6 million and Pro Forma Run Rate Normalized EBITDA of €1,503.8 million.

The following tables show the revenue mix by business, geography and customer concentration of the Combined Group, net of intercompany adjustments, as estimated by management for the year ended December 31, 2020.







(1) Following the completion of the Mergers and the integration of Nets and SIA into Nexi's existing business, the business segments of the Combined Group may differ from the current business segments of Nexi, and the revenue mix by business, geography and customer concentration presented in these tables may vary.

(2) Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

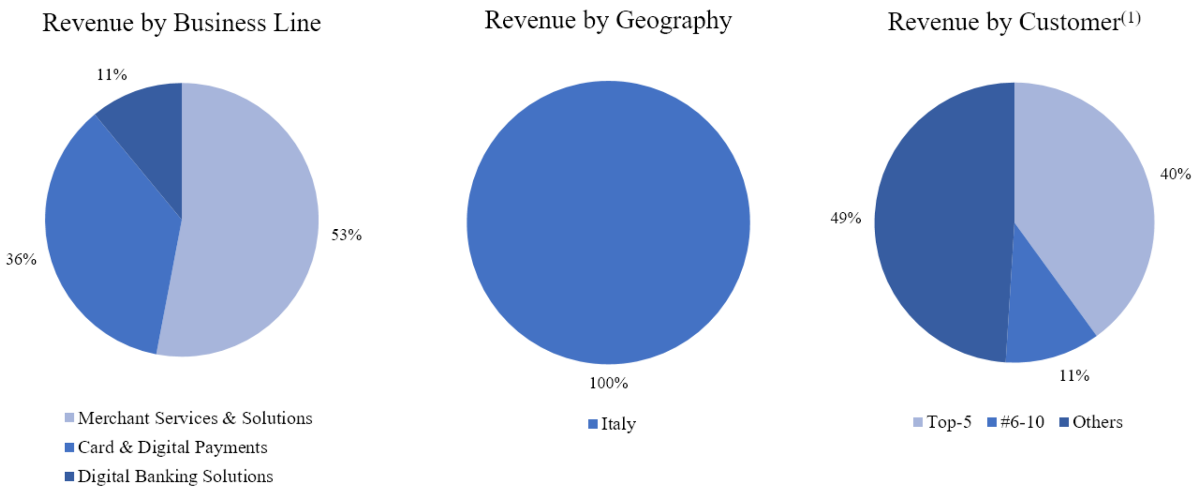
We also estimate that the Combined Group's online acquiring activities would have represented approximately 20% of the Combined Group's Merchant Services & Solutions business unit's revenues for the year ended December 31, 2020, according to management estimates.

We have identified estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which we expect to achieve through a clear, focused integration plan that will be implemented by our strong and experienced leadership team. We expect approximately 90% of the cost synergies, amounting to approximately €195 million, to be achieved by 2024. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA Merger.

Each of Nexi, Nets and SIA provides compelling justifications for achieving our goal of creating the leading European Paytech player at scale.

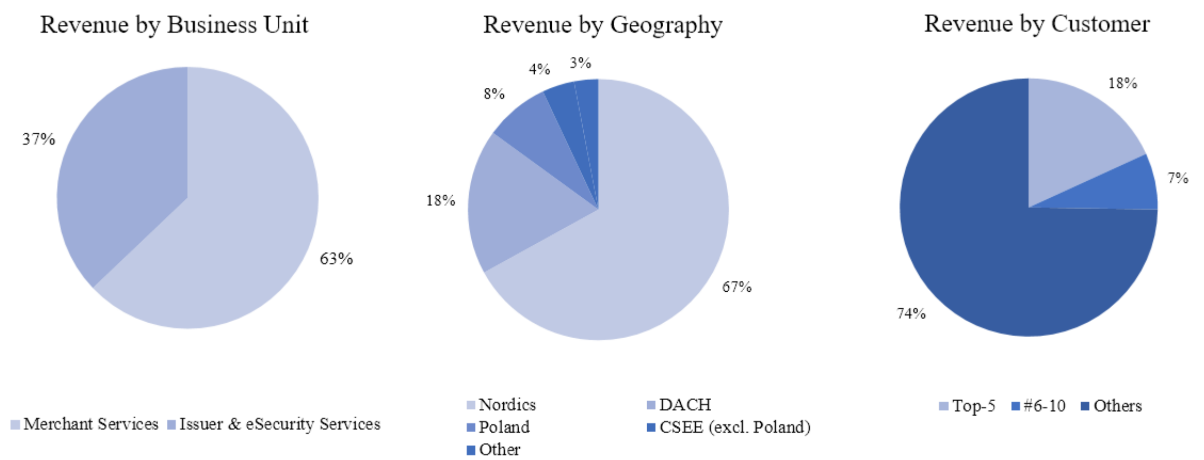
Nexi is the major paytech company in Italy. As of December 31, 2020, Nexi managed directly or through its partner banks transactions related to over 43 million payment cards and transactions carried out by approximately 900,000 merchants. Nexi's technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Nexi's 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, 2020. In the year ended December 31, 2020, Nexi managed approximately 6 billion transactions at various levels of the payments value chain, with a combined transaction value of approximately €417 billion. For the year ended December 31, 2020, Nexi generated operating revenues of €1,043.9 million and Normalized EBITDA of €601.4 million, in each case after giving full-year effect to the ISP Acquisition.

The following tables show the revenue mix by business, geography and customer concentration of Nexi, on a standalone basis, estimated for the year ended December 31, 2020, after giving full-year effect to the ISP Acquisition.



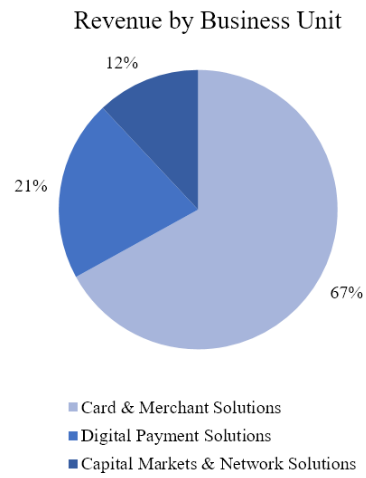
(1) Nexi's customers under the Referral model are included in the "Others" category.

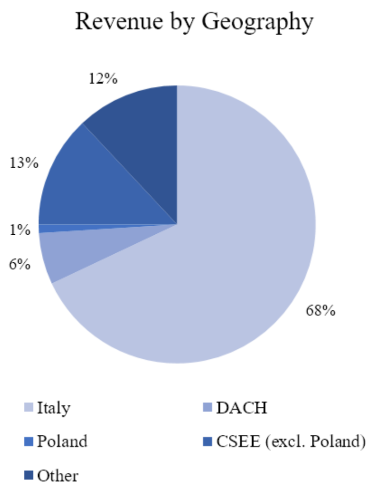
Nets is one of the largest integrated European paytech companies with a well-established position in the Nordics, one of the most digitally advanced regions globally, as well as in underpenetrated geographies with significant growth potential (such as DACH, Poland and Southern and Eastern Europe). Through its two business units (Merchant Services and Issuer & eSecurity Services), Nets managed transactions in respect of over 740,000 merchant revenue generating units (RGUs), over 40 million cards and more than 250 financial institutions in the year ended December 31, 2020. Over the same period, Nets managed more than 6 billion transactions in its Issuer & eSecurity Services business unit and processed transactions with a transaction value of approximately €104 billion in its Merchant Services business unit. Furthermore, Nets has developed a strong multi-regional e-commerce offering over the last three years. For the year ended December 31, 2020, Nets generated gross revenue of €1,567.4 million and EBITDA b.s.i. of €344.1 million. The following tables show the net revenue mix by business, geography and customer concentration of Nets, pro forma for the acquisition of Polskie ePlatnosci, estimated for the year ended December 31, 2020.

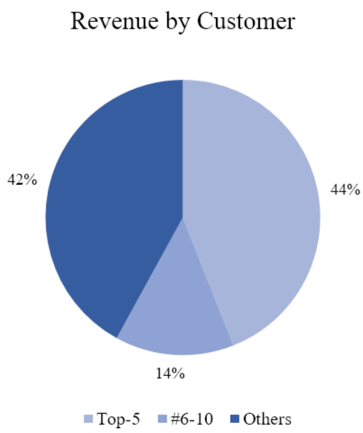


Note: Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

SIA is the major European player in the market for payment technologies and infrastructure services. SIA provides key infrastructure and technological services to financial institutions, central banks, companies and public administrations. Headquartered in Italy, SIA has expanded its footprint internationally into some of the most structurally attractive markets in Europe for digital payments and currently operates in over 50 countries. SIA is among the main players in Greece, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia. Through its three business units (Card & Merchant Solutions, Digital Payment Solutions and Capital Markets & Network Solutions), SIA managed more than 17 billion card payment transactions at various levels of the payments value chain and provided services for over 4,800 EBA's STEP2 participants in 2020. SIAnet, the SIA network service, consists of approximately 209,000 km of fiber optics cables that carried approximately 3.6 terabytes of data in 2020, serving over 100 brokers and traders in 18 countries and 38 trading venues, connecting more than 590 customers. Its network is capable of handling over 350 million deal proposals daily and achieved 100% reliability during 2020. With its card and digital payment businesses, SIA managed approximately 35.6 billion transactions in 2020, of which 17.3 billion pertaining to card payment transactions in relation to all services provided by its Card & Merchant Solutions business unit and 18.3 billion to digital payment in relation to all services provided by its Digital Payment Solutions business unit, respectively. For the year ended December 31, 2020, SIA generated revenues from sales and services of €758.6 million and Adjusted EBITDA of €284.5 million. The following tables show the revenue mix by business, geography and customer concentration of SIA, on a standalone basis, estimated for the year ended December 31, 2020.







Through the Mergers, we intend to create a diversified platform in terms of revenue mix by business segment, geography and customer concentration, significantly diversifying the business compared to Nexi on a standalone basis.

Key Factors Affecting Our Results of Operations and Financial Condition

Our results of operations are affected by a combination of factors, including factors which are beyond our control. We believe that our results of operations, and particularly the results of operations during the periods under review, have been primarily affected by the following factors.

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 "*Issuer's Business—Our Services*." The value of card payment transactions in Italy between 2017 and 2019 recorded a growth of 8.0% per year and penetration of consumer card payments (in terms of value) was 24% in 2019, according to management estimates based on data as of December 31, 2019. For further details, see also "*Industry*."

With reference to the offer of products and services relating to the Merchant Services & Solutions business unit, we managed transactions in relation to approximately 900,000 merchants as of December 31, 2020, with relevant volumes on the acquiring side in the year ended December 31, 2020, amounting to 3.1 billion transactions across various levels of the payments value chain (equivalent to €222 billion by payment transactions value). With respect to the Cards & Digital Payments business unit, we managed across various levels of the value chain and under various business models transactions in relation to approximately 43 million payment cards as of December 31, 2020, with volumes on the issuing side of the digital payments business in the year ended December 31, 2020, amounting to 2.6 billion transactions across various levels of the payments value chain (equivalent to €196 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. We also provide a service bundle aimed at the B2B Corporate digital payments market, for which we are the largest Italian corporate provider, helping a number of banks and corporates, granting approximately 480,000 licenses of our e-banking platform. In addition, as of December 31, 2020, we managed approximately 13,000 ATMs on behalf of 15 partner banks. Of those, approximately 4,300 are cash in terminals, allowing cash deposits in addition to withdrawals.

Partner Banks

The majority of operating revenues 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, retain the commercial/economic relationship with the customers and 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. Most of the relationships with our partner banks, including our top partner banks by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. In the year ended December 31, 2020, partner banks accounted for approximately 70% of our operating revenues. Our top five and top ten partner banks represented approximately 40% and 51% of our total operating revenues for the year ended December 31, 2020, pro forma for the ISP Acquisition. In the year ended December 31, 2020, after giving effect to the ISP Acquisition, approximately 11% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or prior to 2024, 25% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or after 2025, and 29% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or after 2025 and from recurring annual contracts. No material contract with our partner banks expires in 2021. See also "*—Material Contracts—Agreements with Partner Banks.*"

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—The Issuer's Settlement Obligations.*" 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 without funding us. In addition, Mercury Payment utilizes capacity available under the Mercury Funding Facility. In addition, the Revolving Credit Facility is available to finance or refinance our settlement obligations and/or for general corporate purposes. Funding exposure in connection with charge cards are managed through the use of several factoring facilities under the Nexi Factoring Agreement and the Factorit Agreement. See also "*Description of Certain Financing Arrangements—The Issuer's Settlement Obligations*." 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 consolidated statement of financial position is impacted by our funding activity, because the consolidated 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 Consolidated 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 clients, and we recognize associated liabilities under liabilities due to banks and liabilities due to financial entities and customers.

Seasonality

Our results of operations are affected by seasonality. Our Issuing and Acquiring businesses are characterized by seasonal phenomena, and the largest volumes are usually concentrated in the second half of the year. Such concentration is primarily attributable to summer holidays in the third quarter and Christmas holidays in the fourth quarter of the year. Both drive a sharp boost in consumption, with a consequent positive impact in terms of cardholder spending and trading volumes on affiliated networks. Further increases in trading volumes are also caused by significant influxes of foreign tourists in the summer period. In particular, approximately 45% of overall issuing volumes for 2020 were concentrated in the first half of the year, while approximately 55% in the second half. Similarly, in 2019, approximately 48% of overall issuing volumes were concentrated in the first half of the year, while 52% in the second half. Acquiring volumes also show a slightly higher concentration in the second half of the year compared to the first half. In particular, 56% of overall acquiring volumes for 2020 were concentrated in the second half of the year, while approximately 44% in the first half. Similarly, in 2019, approximately 52% of overall acquiring volumes were concentrated in the second half of the year, while approximately 48% in the first half. This difference in distribution is reflected in our operating and financial margins, which are higher in the second half of the year compared to the first half. The impact of seasonality is slightly higher for our Normalized EBITDA, due to the effect of fixed structural costs. Consequently, our Normalized EBITDA margin for the first half of the year, also due to the abovementioned lower volume concentration, is lower than our Normalized EBITDA margin for 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 2020, Nexi's capital expenditure was €135.2 million, of which €34.9 million related to investments in IT and strategy transformation projects. In 2019, Nexi's capital expenditure was €167.3 million, of which €64.5 million related to IT and strategy transformation projects. 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

The COVID-19 Pandemic

The COVID-19 outbreak significantly impacted the Issuer's operational and financial performance for the year ended December 31, 2020. In particular, following the outbreak of COVID-19, the Issuer recorded a decrease in operating revenues across its three business segments, excluding the contributions of the ISP Acquisition. The impact of the COVID-19 pandemic on the Issuer's operations limits the comparability of the Issuer's results for year ended December 31, 2020, with the year ended December 31, 2019. See "*Summary—COVID-19 Update—The Issuer*" for additional information on the measures that the Issuer implemented and the Issuer's financial performance following the outbreak of the COVID-19 pandemic.

Acquisitions

On December 19, 2019, the Issuer entered into the ISP Acquisition Agreement, pursuant to which it agreed to buy the merchant acquiring business of Intesa Sanpaolo (the "ISP Acquisition"). The ISP Acquisition was consummated on June 30, 2020. See also "*Presentation of Financial and Other Information—Historical Financial Information of the Issuer—ISP Acquisition.*" The ISP Acquisition has affected our results of operations in a number of ways. First, our financial results and key performance indicators for the period during which the ISP Acquisition took 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 with respect to the Issuer include, among others, the ISP Acquisition, consultancy expenses related to extraordinary transactions and business combinations, stock-grant compensations and bonus compensations in connection with the Issuer's long term incentive plan and costs related to the Issuer's digital transformation process. 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 revenues and charges of a non-recurring nature.

In addition, the format of our consolidated 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 interest and financing costs, 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.

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 Consolidated 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 consists of wages and salaries, social security charges, post-employment benefits, pension and similar costs, accrual for post-employment benefits, accrual for pension and similar provisions, payments to external supplementary pension funds, costs of share based payment plans and other employee benefits.

Other administrative expenses

Other administrative expenses consists of third party services, rent and building management fees, insurance companies, rentals, maintenance, shipping costs, telephone and telegraph, cards and accessories, printed material and stationery, other taxes, legal, notary and consultancy services, agents' commissions and expense reimbursement, advertising, promotional materials and competition prizes, other commercial costs and other general expenses.

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

Amortization, depreciation and net impairment losses on tangible and intangible assets consists of depreciation and net impairment losses on property, equipment and investment property and amortization and net impairment losses on intangible assets.

Income taxes

Income taxes consists of (i) current tax expense, (ii) changes in current tax expense from previous periods, (iii) change in deferred tax assets and (iv) change in deferred tax liabilities.

Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table shows our consolidated income statement for the years ended December 31, 2020 and 2019, after giving effect to the ISP Acquisition from June 30, 2020.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Fee for services rendered and commission income	1,644.0	1,642.5	1.5	0.1%
Fee for services received and commission expense	(637.8)	(647.1)	9.3	(1.4%)
Net fee and commission income	**1,006.2**	**995.4**	**10.8**	**1.1%**
Interest and similar income	**15.3**	18.0	(2.7)	(15.0%)
Interest and similar expense	(87.9)	(183.5)	95.6	(52.1%)
Net interest income/(costs)	**(72.6)**	**(165.5)**	**92.9**	**(56.1%)**
Profit/loss on trading activity/hedging on financial assets and liabilities designated at fair value through profit or loss	(0.1)	(7.5)	7.4	(98.7%)
Dividends and profit/loss from investments and sale of assets at fair value through OCI	(6.6)	(8.7)	2.1	(24.1%)
Financial and operating income	**926.9**	**813.7**	**113.2**	**13.9%**
Personnel expenses	(180.6)	(223.7)	43.1	(19.3%)
Other administrative expenses	(350.0)	(391.0)	41.0	(10.5%)
Total administrative expenses	**(530.6)**	**(614.7)**	**84.1**	**(13.7%)**
Other operating income, net	(4.4)	(2.1)	(2.3)	n.a.
Net value adjustments on assets at amortized cost	(6.9)	(6.3)	(0.6)	9.5%
Net accruals to provisions for risks and charges	0.2	6.5	(6.3)	(96.9%)
Amortization, depreciation and net impairment losses on tangible and intangible assets	(175.3)	(155.8)	(19.5)	12.5%
Operating margin	**209.9**	**41.3**	**168.6**	**n.a.**
Profit (Loss) from equity investments and disposal of investments	(0.2)	(0.6)	0.4	(66.7%)
Pre-tax profit from continuing operations	**209.7**	**40.7**	**169.0**	**n.a.**
Income taxes	(79.7)	(4.1)	(75.6)	n.a.
Profit (Loss) after tax from discontinued operations	(0.7)	99.5	(100.2)	n.a.
Profit for the year	**129.3**	**136.1**	**(6.8)**	**(5.0%)**

Financial and operating income

Our financial and operating income increased by €113.2 million, or 13.9%, to €926.9 million for the year ended December 31, 2020, from €813.7 million for the year ended December 31, 2019. This increase was mainly due to: (i) a decrease of €92.9 million in net interest costs, from €165.5 million for the year ended December 31, 2019 to €72.6 million for the year ended December 31, 2020, and (ii) an increase of €10.8 million in net fee and commission income, from €995.4 million for the year ended December 31, 2019 to €1,006.2 million for the year ended December 31, 2020.

For the year ended December 31, 2020, our financial and operating income included interest and financing costs for €65.2 million, primarily including: (i) interests and commissions on existing financing indebtedness for €63.2 million, (ii) financial charges on IFRS 16 liabilities for €0.9 million, and (iii) interest expenses on other loans for €1.1 million. In addition our financial and operating income for the year ended December 31, 2020, also included non-recurring negative components for €2.0 million, mainly related to non-recurring commercial and marketing expenses.

For the year ended December 31, 2019, our financial and operating income included interest and financing costs for €159.9 million, primarily including: (i) interests and commissions on existing financing indebtedness amounting to €158.3 million, (ii) financial charges on IFRS 16 liabilities amounting to €1.3 million and (iii) interest expenses on other loans amounting to €0.3 million. In addition our financial and operating income for the year ended December 31, 2019, also included non-recurring negative components for €10.5 million, mainly related to: (i) a trading-book derivative in an amount of €8.3 million, and (ii) costs related to Bassilichi in an amount of €1.6 million.

Net of the abovementioned interest and financing costs and non-recurring components, our financial and operating income would have increased by €9.8 million, or 1.0%, from €984.1 million for the year ended December 31, 2019 to €993.9 million for the year ended December 31, 2020.

The table below shows our financial and operating income, net of interest and financing costs and non-recurring components for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Financial and operating income	926.9	813.7	113.2	13.9%
Interest and financing costs	65.2	159.9	(94.7)	(59.2%)
Non-recurring expenses and income	2.0	10.5	(8.5)	(81.0%)
Operating costs/(income)	(0.2)	—	(0.2)	n.a.
Operating revenues	**993.9**	**984.1**	**9.8**	**1.0%**

Operating revenues

Operating revenues are defined as the financial and operating income normalized in respect of non-recurring expenses and income, excluding, where applicable, interest and financing costs.

The following table shows a breakdown of our operating revenues by business segment for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Merchant Services & Solutions	500.0	479.0	21.0	4.4%
Cards & Digital Payments	380.0	387.4	(7.4)	(1.9%)
Digital Banking Solutions	113.9	117.7	(3.8)	(3.2%)
Operating revenues	**993.9**	**984.1**	**9.8**	**1.0%**

Operating revenues in our Merchant Services & Solutions business segment increased by €21.0 million, or 4.4%, to €500.0 million for the year ended December 31, 2020, from €479.0 million for the year ended December 31, 2019, primarily as a result of the consolidation of the ISP merchant business starting from June 30, 2020 following the ISP Acquisition. This increase has been partly offset by the reduction of cross-border and domestic transactions, caused by the outbreak of COVID-19.

Operating revenues in our Cards & Digital Payments business segment decreased by €7.4 million, or 1.9%, to €380.0 million for the year ended December 31, 2020, from €387.4 million for the year ended December 31, 2019, primarily as a result of reduced transaction volumes, particularly with regard to international schemes, following a reduction in international tourism flows and in the amount spent by means of commercial cards. This decrease has been partly offset by an increase in the overall number of cards under management in 2020.

Operating revenues in our Digital Banking Solutions business segment decreased by €3.8 million, or 3.2%, to €113.9 million for the year ended December 31, 2020, from €117.7 million for the year ended December 31, 2019, primarily as a result of the reduction of international traffic on ATM terminals and clearing platforms.

Personnel expenses

The table below shows a breakdown of our personnel expenses for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Employees				
Wages and salaries	109.2	121.1	(11.9)	(9.8%)
Social security charges	29.0	30.6	(1.6)	(5.2%)
Post-employment benefits	1.4	1.3	0.1	7.7%
Accrual for post-employment benefits	0.5	0.2	0.3	n.a.
Payments to external supplementary pension funds	7.9	7.2	0.7	9.7%
Defined contribution plans	*7.9*	*7.2*	*0.7*	*9.7%*
Costs of share-based payment plans	26.4	53.8	(27.4)	(50.9%)
Other employee benefits	5.2	7.2	(2.0)	(27.8%)
Other personnel	**1.0**	**2.3**	**(1.3)**	**(56.5%)**
Total personnel expenses	**180.6**	**223.7**	**(43.1)**	**(19.3%)**

Personnel expenses decreased by €43.1 million, or 19.3%, to €180.6 million for the year ended December 31, 2020, from €223.7 million for the year ended December 31, 2019, primarily as a result of a reduction in variable remuneration, as well as a reduction in travel expenditures, caused by the outbreak of COVID-19.

For the year ended December 31, 2020, personnel expenses included non-recurring expenses for €25.3 million, mainly relating to stock-grant compensations and bonus compensations in connection with our long term incentive plan.

For the year ended December 31, 2019, personnel expenses included non-recurring expenses for €57.1 million, mainly relating to: (i) €51.4 million of stock-grant compensations, and (ii) €4.4 million of bonus compensations, both in connection with our initial public offering.

Net of the abovementioned non-recurring expenses, personnel expenses would have decreased by €11.3 million, or 6.8%, from €166.6 million for the year ended December 31, 2019 to €155.3 million for the year ended December 31, 2020.

Other administrative expenses

The table below shows a breakdown of our other administrative expenses for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Third-party services	154.4	191.5	(37.1)	(19.4%)
Rent and building management fees	2.4	2.4	—	0.0%
Insurance companies	2.4	2.0	0.4	20.0%
Rental	8.6	6.5	2.1	32.3%
Maintenance	43.6	47.1	(3.5)	(7.4%)
Shipping costs	16.7	18.3	(1.6)	(8.7%)
Telephone and telegraph	12.7	12.1	0.6	5.0%
Cards and accessories	5.3	4.8	0.5	10.4%
Printed material and stationery	5.0	4.3	0.7	16.3%
Other taxes	7.0	8.0	(1.0)	(12.5%)
Legal, notary and consultancy services	46.7	35.1	11.6	33.0%
Agents' commissions and expenses reimbursement	0.1	0.1	—	0.0%
Advertising	2.9	5.2	(2.3)	(44.2%)
Promotional material and competition prizes	17.3	24.9	(7.6)	(30.5%)
Other commercial costs	0.4	1.9	(1.5)	(78.9%)
Other general expenses	24.5	26.8	(2.3)	(8.6%)
Total other administrative expenses	**350.0**	**391.0**	**(41.0)**	(10.5%)

Other administrative expenses decreased by €41.0 million, or 10.5%, to €350.0 million for the year ended December 31, 2020, from €391.0 million for the year ended December 31, 2019, primarily as a result of: (i) the reduction in volumes processed; (ii) the reduction in overhead and variable costs, caused by the outbreak of COVID-19; and (iii) positive effects of efficiency initiatives realized in previous years, which included (a) the renegotiation of contracts with certain of our main suppliers, (b) economies of scale on card purchases, and (c) the implementation of more efficient IT processes.

For the year ended December 31, 2020, other administrative expenses included non-recurring expenses of €77.4 million, mainly relating to: (i) €24.0 million of costs for our digital transformation process, (ii) €21.9 million of expenses for the ISP Acquisition; (iii) €16.0 million of consultancy expenses related to extraordinary transactions and business combinations, including the Nets Merger and the SIA Merger; and (iv) €4.1 million of expenses for the adoption of COVID-19 mitigation measures.

For the year ended December 31, 2019, other administrative expenses included non-recurring expenses of €85.1 million, mainly relating to: (i) €30.5 million of costs for the completion of our rebranding program and the launch of new products, including our YAP solution; (ii) €17.7 million of non-recurring costs related our initial public offering; (iii) €14.5 million of expenses for reorganization projects and acquisitions, including relevant non-deductible tax expenses; (iv) €5.4 million of expenses related to the disposition of non-core business units of our Bassilichi subsidiary; and (v) €2.5 million of expenses in connection with the ISP Acquisition.

Net of the abovementioned non-recurring expenses, other administrative expenses would have decreased by €33.3 million, or 10.9%, from €305.9 million for the year ended December 31, 2019 to €272.6 million for the year ended December 31, 2020.

Other operating income, net

Other operating income, net, which primarily includes the recovery of expenses and losses on regular transactions, decreased by €2.3 million, to a loss of €4.4 million for the year ended December 31, 2020, from a loss of €2.1 million for the year ended December 31, 2019.

For the year ended December 31, 2020, other operating income, net, includes net non-recurring income for €1.9 million.

For the year ended December 31, 2019, other operating income, net, includes net non-recurring income for €3.2 million, mainly relating to: (i) €5.3 million of costs for non-recurring commitments with regard to agreements with ICT providers and customers; (ii) €3.7 million of income related to the sale of non-core business units of our Bassilichi subsidiary; and (iii) €4.4 million of non-recurring recovery of expenses on transactions.

Net of the abovementioned non-recurring components, our other operating income, net, would have decreased by €1.0 million, or 18.9%, from a loss of €5.3 million for the year ended December 31, 2019 to a loss of €6.3 million for the year ended December 31, 2020.

Net value adjustments on assets at amortized cost

The table below shows a breakdown of our net value adjustments on assets at amortized cost for the years ended December 31, 2020 and 2019.

	Year ended December 31,		**Changes**	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Loans and receivables with banks	—	—	—	n.a.
Loans and receivables with customers	6.9	6.3	0.6	9.5%
Total net value adjustments on assets at amortized cost	**6.9**	**6.3**	**0.6**	**9.5%**

Net value adjustments on assets at amortized cost increased by €0.6 million, or 9.5%, to €6.9 million for the year ended December 31, 2020, from €6.3 million for the year ended December 31, 2019. This increase was mainly due to net value adjustments on receivables from customers, primarily associated with the direct issuing and acquiring activities.

Net accruals to provisions for risks and charges

The table below shows a breakdown of our net accruals to provisions for risks and charges for the years ended December 31, 2020 and 2019.

	Year ended December 31,		**Changes**	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Net accruals to provisions for risks and charges	—	(7.6)	7.6	100.0%
Net accruals to provisions for fraud of Nexi Payments	(0.2)	1.1	(1.3)	n.a.
Total net accruals to provisions for risks and charges	**(0.2)**	**(6.5)**	**6.3**	**(96.9%)**

Net accruals to provisions for risks and charges decreased by €6.3 million, or 96.9%, to an income of €0.2 million for the year ended December 31, 2020, from an income of €6.5 million for the year ended December 31, 2019. This decrease was mainly due to the provisions being used in connection with: (i) contractual commitments made in the context of our acquisition of Bassilichi, and (ii) the disposal of non-core business units of Bassilichi.

For the year ended December 31, 2020, net accruals to provisions for risks and charges includes non-recurring net allocations for €0.7 million.

For the year ended December 31, 2019, net accruals to provisions for risks and charges includes non-recurring net allocations for €4.1 million, mainly relating to the release of a €4.0 million provision for potential tax disputes regarding the implementation of certain benefits.

Net of the abovementioned non-recurring allocations, net accruals to provisions for risks and charges decreased by €1.5 million, or 62.5%, from an income of €2.4 million for the year ended December 31, 2019 to an income of €0.9 million for the year ended December 31, 2020.

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

The table below shows a breakdown of our amortization, depreciation and net impairment losses on tangible and intangible assets for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Depreciation and net impairment losses on property, equipment and investment property	59.2	61.8	(2.6)	(4.2%)
Amortization and net impairment losses on intangible assets	116.1	94.0	22.1	23.5%
Total amortization, depreciation and net impairment losses on tangible and intangible assets	**175.3**	**155.8**	**19.5**	**12.5%**

Amortization, depreciation and net impairment losses on tangible and intangible assets increased by €19.5 million, or 12.5%, to €175.3 million for the year ended December 31, 2020, from €155.8 million for the year ended December 31, 2019.

For the year ended December 31, 2020, amortization, depreciation and net impairment losses on tangible and intangible assets includes depreciation and amortization for €32.2 million relating to customer contracts or intangible assets deriving from purchase price allocations, and is impacted by €1.9 million of non-deductible VAT.

For the year ended December 31, 2019, amortization, depreciation and net impairment losses on tangible and intangible assets includes depreciation and amortization for €36.7 million relating to customer contracts or intangible assets deriving from purchase price allocations, and is impacted by €1.9 million of non-deductible VAT.

Net of the abovementioned amortization, depreciation and non-deductible VAT, amortization, depreciation and net impairment losses on tangible and intangible assets would have increased by €24.0 million, or 19.8%, from €121.0 million for the year ended December 31, 2019 to €145 million for the year ended December 31, 2020. This increase would have been mainly due to the effect of significant investments in software and technological developments. Lower amortization expenses of customer contracts during the year 2020 with respect to the year 2019, caused by the extension of the useful life of certain issuing processing customer contracts relating to Mercury Payment Services are also recorded.

Operating margin

Operating margin increased by €168.6 million, to €209.9 million for the year ended December 31, 2020, from €41.3 million for the year ended December 31, 2019. This increase was mainly due to: (i) an increase in financial and operating income, from €813.7 million for the year ended December 31, 2019 to €926.9 million for the year ended December 31, 2020; (ii) a decrease in personnel expenses, from €223.7 million for the year ended December 31, 2019 to €180.6 million for the year ended December 31, 2020; (iii) a decrease in other administrative expenses, from €391.0 million for the year ended

December 31, 2019 to €350.0 million for the year ended December 31, 2020, partly offset by (iv) an increase in amortization, depreciation and net impairment losses on tangible and intangible assets, from €155.8 million for the year ended December 31, 2019 to €175.3 million for the year ended December 31, 2020.

For the year ended December 31, 2020, our operating margin included: (i) interest and financing costs for €65.2 million, (ii) non-recurring expenses impacting financial and operating income for €2.0 million, (iii) net non-recurring expenses for €101.3 million, mainly related to personnel expenses and other administrative costs, (iv) amortization relating to customer contracts amounting for €32.2 million, and (v) non-deductible VAT for €1.9 million in relation to the right to use assets.

For the year ended December 31, 2019, our operating margin included: (i) interest and financing costs for €159.9 million, (ii) non-recurring expenses impacting financial and operating income for €10.5 million, (iii) net non-recurring expenses for €135.0 million, mainly related to personnel expenses and other administrative costs, (iv) amortization relating to customer contracts for €36.7 million, and (v) non-deductible VAT for €1.9 million in relation to the right to use assets.

Net of the abovementioned expenses, our operating margin would have increased by €27.2 million, or 7.1%, from €381.5 million for the year ended December 31, 2019 to €408.7 million for the year ended December 31, 2020.

The table below shows our operating margin, net of non-recurring components, amortization related to customer contracts, interest and financing costs and VAT impact, for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Operating margin	209.9	41.3	168.6	n.a.
Interest and financing costs	65.2	159.9	(94.7)	(59.2%)
Non-recurring expenses and income	2.0	10.5	(8.5)	(81.0%)
Non-recurring expenses with impact on the operating margin	101.3	135.0	(33.7)	(25.0%)
Amortization related to customer contracts	32.2	36.7	(4.5)	(12.3%)
Non-deductible VAT related to the right to use assets	(1.9)	(1.9)	(0.0)	n.a.
Normalized operating margin[(1)]	**408.7**	**381.5**	**27.2**	**7.1%**

(1) We define Normalized operating margin as the operating margin normalized for: (i) interests and financing cost, (ii) non-recurring expenses and income with an impact on financial and operating income, (iii) non-recurring income and expenses with an impact on the operating margin, (iv) amortization related to customer contracts, and (v) non-deductible VAT related to the right to use assets.

Income taxes

The table below shows a breakdown of our income taxes for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Current tax expense	62.2	19.8	42.4	n.a.
Changes in current tax expense from previous periods	(0.2)	(0.2)	—	n.a.
Change in deferred tax assets	17.4	(12.2)	29.6	n.a.
Change in deferred tax liabilities	0.3	(3.3)	3.6	n.a.
Total income taxes	**79.7**	**4.1**	**75.6**	**n.a.**

Income taxes increased by €75.6 million to €79.7 million for the year ended December 31, 2020, from €4.1 million for the year ended December 31, 2019. In percentage terms, our average tax rate increased to 38% in the year ended December 31, 2020, from 10% for the year ended December 31, 2019. Income taxes for the year ended December 31, 2019, benefited from the utilization of previous tax losses for €21.8 million, which were not recognized given the uncertainty as to their effective possible future use.

Profit for the year

Profit for the year decreased by €6.8 million, or 5.0%, to €129.3 million for the year ended December 31, 2020, from €136.1 million for the year ended December 31, 2019. This decrease was due to the combined effect of: (i) the increase in income taxes, from €4.1 million for the year ended December 31, 2019, to €79.7 million for the year ended December 31, 2020, and (ii) the decrease in profit (loss) after tax from discontinued operations, from an income €99.5 million for the year ended December 31, 2019 to a loss of €0.7 million for the year ended December 31, 2020, partly offset by (iii) the increase in the pre-tax profit from continuing operations, from €40.7 million for the year ended December 31, 2019 to €209.7 million for the year ended December 31, 2020. For the year ended December 31, 2019, profit (loss) after tax from discontinued operations, amounting to €99.5 million, included the impact of the sale of Oasi.

Normalized EBITDA

Normalized EBITDA is defined as the profit for the year for the period adjusted for the following items: (i) profit (loss) after tax from discontinued operations; (ii) income taxes; (iii) profit (loss) from equity investments and disposal of investments; (iv) interest and financing costs; (v) amortization, depreciation and net impairment losses on tangible and intangible assets; and (vi) non-recurring expenses and income; and (vii) other non-recurring expenses/income impacting EBITDA. Normalized 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 consolidated financial statements for the assessment of our economic performance. Set forth below is a reconciliation of Normalized EBITDA to profit for the year which we believe is its closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019. See also “*Summary of Financial Information and Other Data of the Issuer—Other Financial Data*.”

(in € million)	Year ended December 31, 2020	2019
Profit for the year	**129.3**	**136.1**
Profit (Loss) after tax from discontinued operations	0.7	(99.5)
Income taxes	79.7	4.1
Profit (Loss) from equity investments and disposal of investments	0.2	0.6
Interests and financing costs	65.2	159.9
Amortization, depreciation and net impairment losses on tangible and intangible assets	175.3	155.8
Non-recurring expenses and income	2.0	10.5
Other non-recurring expenses and income impacting EBITDA	101.3	135.0
Normalized EBITDA	**553.7**	**502.5**

Liquidity and Capital Resources

Our principal source of liquidity (other than funding in respect of settlement activities) is expected to 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 a certain extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the "*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 Nexi Factoring Agreement and the Factorit Agreement. As of December 31, 2020, we had €1,053.9 million of obligations in respect of pass-through fee payments and settlement obligations. See "*Description of Certain Financing Arrangements— The Issuer's Settlement Obligations*."

Cash Flow Information

The following table shows our consolidated cash flow statements derived from the Consolidated Financial Statements for the years ended December 31, 2020 and 2019:

	Year ended December 31, 2020	2019
	(in € million)	
Net cash flows generated by operating activities	178.5	180.2
Net cash flows used in investing activities	(1,080.4)	(16.7)
Net cash flows generated by (used in) financing activities	945.6	(88.8)
Net cash flows for the year	**43.7**	**74.7**

Net Cash Flows Generated by Operating Activities

Net cash flows generated by operating activities amounted to €178.5 million and €180.2 million respectively for the years ended December 31, 2020 and 2019. This increase was mainly due to: (i) an increase in cash flows generated by operations to €390.1 million for the year ended December 31, 2020, from €198.8 million for the year ended December 31, 2019; and (ii) an increase in cash flows generated by financial assets to €77.9 million for the year ended December 31, 2020, from €3.9 million for the year ended December 31, 2019, partly offset by (iii) an increase of cash flows used in financial liabilities to €289.5 million for the year ended December 31, 2020, from €22.5 million for the year ended December 31, 2019.

Net Cash Flows used in Investing Activities

Net cash flows used in investing activities amounted to €1,080.4 million used for the year ended December 31, 2020 and €16.7 million for the year ended December 31, 2019, primarily attributable to the ISP Acquisition, in relation to which we paid a total consideration, net of acquired cash, of €945.2 million.

Net Cash Flows Generated by (used in) Financing Activities

Net cash flows generated by financing activities amounted to €945.6 million for the year ended December 31, 2020, while net cash flows used in financing activities amounted to €88.8 million for the year ended December 31, 2019. With reference to 2020, the main cash flow relates to the issuance of debt securities for a total amount of €954.6 million, primarily related to the issuance of the 2027 Existing Senior Convertible Notes and the granting of the 2025 Credit Facility. This available funding was mainly used to finance the ISP Acquisition.

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 December 31, 2020, on an adjusted basis after giving effect to the Transactions, excluding amounts in respect of settlement obligations:

	Less than 1 year	**1 - 5 years**	**More than 5 years**	**Total**
		(in € million)		
2024 Term Loan Facility[1]	—	1,000.0	—	1,000.0
2025 Term Loan Facility[2]	—	466.5	—	466.5
2027 Existing Senior Convertible Notes[3]	—	500.0	—	500.0
2028 Existing Senior Convertible Notes[4]	—	—	1,000.0	1,000.0
Existing Senior Notes[5]	—	825.0	—	825.0
Notes offered hereby[6]	—			2,100.0
Other liabilities[7]	14.6	44.0	—	58.6
Total	**14.6**			**5,950.1**

(1) Represents the aggregate principal amount of the 2024 Term Loan Facility excluding future interest payments. Excludes the Revolving Credit Facility, which we expect to be undrawn on the Issue Date and which provides for borrowing amounts up to €350.0 million.

(2) Represents the aggregate principal amount of the 2025 Term Loan Facility excluding future interest payments.

(3) Represents the aggregate principal amount of the 2027 Existing Senior Convertible Notes excluding future interest payments.

(4) Represents the aggregate principal amount of the 2028 Existing Senior Convertible Notes excluding future interest payments.

(5) Represents the aggregate principal amount of the Existing Senior Notes excluding future interest payments.

(6) Represents the aggregate principal amount of the Notes offered hereby excluding future interest payments.

(7) Other liabilities represents the aggregate principal amount of (i) credit lines with an aggregate principal amount of €0.6 million in place at Nexi Payments, which have been repaid in full as of the date of this offering memorandum, (ii) €58.0 million of other financial liabilities of Nexi, mainly related to (a) leasing contracts in the amount of €30.7 million, which are accounted for as financial liabilities following adoption of IFRS 16, and (b) the ISP Earn-Out, in the amount of €27.3 million.

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 Financial Risk

In the ordinary course of business, we are exposed to a variety of financial risks, including liquidity risk, market risk, operational risk, credit risk interest rate risk and foreign exchange risk. Our global risk management focuses on uncertainty in the financial markets and aims to minimize potential adverse effect on our profits. We actively works to reduce the effects of these risks through preventive measures and, when such preventive measures are not available, we occasionally hedge or insure the risk.

We have established an internal control system to, among other things, manage financial risk. Our internal control system standardized control mechanisms and rules across our organization and operates through a three-tier control mechanism. *Tier 1* consists of line controls aimed at ensuring the correct performance of day-to-day operations. *Tier 2* consists of risk management controls aimed at defining risk management techniques and review of consistency of Tier 1 operations across our business. *Tier 3* consists of internal audits aimed at identifying breaches of our internal control system and other internal regulations. Our board of directors oversees the implementation and enforcement of our internal control system through its dedicated risk committee. In performing its functions, our risk committee is assisted by an audit department. See also "*Risk Factors*."

Liquidity Risk

Liquidity risk consists in the lack of sufficient funds to pay foreseen and unforeseen expenditures, including our ability to service and repay our indebtedness. We have substantial indebtedness in respect of which we incur substantial interest payments. This may have negative consequences on our ability to repay our indebtedness as it becomes due. In order to mitigate this risk, our treasury monitors our cash pools, bank agreements and liquidity to ensure at all times that there is sufficient liquidity.

Market Risk

We hold a substantial amount of Class C Visa Shares and Class A Preferred Visa Shares. As a result, we are exposed to the risk that the market value of such securities may fluctuate. As of the date of this offering memorandum, we do not hedge market risk in connection with our Class A Preferred and Class C Visa Shares as a result of current and prospective fair value considerations of the shares and as a result of costs incurred in connection with hedging such market risk. We may however renew our hedging arrangements should circumstances change. See also "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nexi is exposed to market and currency risks with respect to the securities it holds.*"

Operational Risk

The Group may incur liabilities and may suffer damages, including to its own reputation, in relation 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. To manage operational risk, we have developed a framework for the identification, management and monitoring of operational risk based on national and international regulations and best-practices. We have sophisticated systems in place for the detection of suspect transactions. To further mitigate operational risk, we have also entered into an insurance policy that we deem suitable for the risk covered.

Reputational Risk

Reputational risk is defined as the current or prospective risk of a loss, of a downturn to the business volume or profits or of a decline in the value of securities that is the product of a negative perception of the Group's image by customers, counterparties, shareholders, investors, supervisory authorities or other stakeholders. Such risk may also affect our capacity to maintain or create new business relations and to continue to access funding resources also through the capital markets or through banks. To mitigate reputational risk, we continuously monitor the effects of events on our reputation and their perception by third-parties.

Credit Risk

Credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. We are exposed to credit risk in our acquiring activities, issuing activities and in servicing and associate activities.

We are exposed to credit risk in our acquiring activities as a result of merchants holding funds for a certain amount of time prior to such funds being transferred to us. In addition, funds are occasionally paid prior to goods being delivered and may be challenged by cardholders. We are exposed to credit risk our with issuing activities as a result of granting credit to credit card holders for purchases paid for through our credit cards. This risk is in part mitigated as a result of cards issued through partner banks, since partner banks are liable for unpaid amounts drawn. We are potentially liable for unpaid credits drawn on credit cards that we issue directly. We are exposed to credit risk in our servicing and associate activities as a result of counterparty risk as a result of exposure to customer banks and merchants using our POS and ATM terminals.

In order to mitigate credit risk, we carefully monitor it to ensure that credit remains within pre-established limits set at the start of each financial year. We also carefully score each agreement with new merchants or cardholders. Our dedicated risk management department continuously monitors credit risk and escalates situations as necessary.

Interest Rate Risk

Interest rate risk refers to the effect that changes in interest rates would have a negative impact on our results and could affect our long-term competitiveness. There is a risk of interest rates moving both upwards and downwards. Interest rate changes impact the amount of our interest payments in respect to variable rate debt and, therefore, our future earnings and cash flows. As of December 31, 2020, we are exposed for a significant percentage to sources of funding at a variable interest rate. We are continuing to evaluate various hedging strategies that we may decide to put in place in the future to mitigate interest rate risk. As of December 31, 2020, we have not subscribed to any instruments to hedge our interest rate risk. Furthermore, the have credit facilities in place which we deem sufficient, in terms of operational modalities and amounts, to cover the financial needs of our working capital requirements.

Foreign Exchange Risk

Currency risk refers to the risk that fluctuations in the foreign exchange market will negatively affect our cash flow, net result and equity. We believe we are only marginally exposed to 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, and such transactions represent the vast majority of transactions that flow through our business. We are also exposed to potential fluctuation in currency exchange rates with respect to the US dollar component of the shares in Visa Inc. we own. See also "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nexi is exposed to market and currency risks with respect to the securities it holds.*"

Critical Accounting Policies

The preparation of our consolidated annual accounts and related disclosures requires management to make estimates, judgments and assumptions that affect the amounts reported in our Consolidated Financial Statements. Management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

We periodically review these estimates and underlying assumptions. We recognize the effects of revisions to accounting estimates in the period in which estimates are revised if the revision affects only that period, or also in later periods if the revision affects both current and future periods. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed in the notes to our Consolidated Financial Statements included elsewhere in this offering memorandum. See "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nexi's, Nets' and SIA's risk management policies and procedures may not be fully effective in mitigating their risk exposure.*"

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

This "Nets' Management's Discussion and Analysis of Financial Condition and Results of Operations" section is based on information extracted from the Nets Consolidated Financial Statements and should be read in conjunction with the Nets Consolidated Financial Statements included elsewhere herein and the sections in this offering memorandum titled "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 Nets' results of operations and financial condition contains forward-looking statements. Nets' actual results could differ materially from those that are discussed 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."

Key Factors Affecting Nets' Results of Operations and Financial Condition

Nets' results of operations are affected by a combination of factors, including factors which are beyond Nets' control. We believe that Nets' results of operations, and particularly the results of operations during the periods under review, have been primarily affected by the following factors.

Industry Dynamics

Nets' industry is characterized by continuing change, which is primarily driven by technological innovation continuing to drive growth in digital payments and evolving international regulation. The factors and trends set out below have had and may continue to have a significant impact on the performance of the Nets' business.

Shift to Digital Payments

Nets generates its gross revenue from the processing of digital payment transactions charged primarily on a per transaction basis (based on the number of transactions processed) or, with respect to Nets' Merchant Services acquiring business, on an *ad valorem* basis (based on the value of the transactions acquired). Consumer acceptance of the digitization of money and the shift from cash to digital payments has been and continues to be driven by a number of factors, including increased acceptance of digital payments by consumers and merchants in stores, growth in e-commerce and mobile commerce transactions and government initiatives to encourage digital payments. This shift in payments away from cash has resulted in a significant increase in the number of transactions processed by Nets. In addition, new digital payment methods such as mobile wallets and person-to-person e-wallets are creating new non-card-based methods for digital payments that Nets believes will help to drive an increase in the number of transactions going forward.

Technology Investments

Technology is integral to both business segments within Nets, and strategic investments in technology have been a core feature of the Nets transformation program. Nets makes significant investments in order to maintain secure, stable and scalable platforms across all of its business segments. In 2020 and 2019, Nets' capital expenditure amounted to €141.4 million and €211.7 million, respectively, of which €93.7 million and €110.1 million, respectively, related to investments in its operating platforms.

Regulatory Changes

Nets' gross revenue is impacted by the level of interchange fees and processing fees Nets is required to pay to card schemes and card issuing banks. Regulatory changes in Europe have significantly decreased interchange fees which has had an immediate positive impact on Nets' revenue and increased the ability of payment institutions to access all of Europe and not just the member state in which they have a license (i.e., a license from Visa/ MasterCard or another card scheme) to undertake merchant acquiring activities.

However, a portion of this reduction in interchange fees may be passed on to merchant customers, and therefore the increase in gross revenue may not directly correspond to the reduction in interchange fees. For example, Nets has made price adjustments in relation to agreements with certain of its Merchant Services customers and it may enter into further such negotiations (including as part of discussions focused on providing bundled solutions to its customers). It is also possible that in the future there are additional indirect effects from the reduction in interchange fees, including the possibility that customers within the Issuer & eSecurity Services business segment who are issuers (and who are now receiving lower levels of interchange) may seek to reduce their costs and, as part of this, may seek to reduce their fees paid to Nets so as to offset their decline in revenues.

Nets transformation program

In 2018, Hellman & Friedman successfully led the taking-private of the Nets group. In this context, Nets implemented a transformation program focused on strengthening its international presence, by increasing its exposure to high-growth markets, reducing net debt by disposing of underperforming divisions, increasing its e-commerce exposure and enhancing investments in product propositions and go-to-market initiatives, as well as innovation and technology. In addition, Nets maintained its commitment to enhance its commercialization across the business, product development and customer retention initiatives (including, for example, through investment in sales infrastructure), as well as through increased customer service, and the pursuit of selected strategic and value-creating acquisitions. See also "—*Acquisitions*" and "—*Merger of Concardis GmbH*." The transformation program has also led to the accelerated delivery of product and infrastructure innovation. For example, the transformation of Nets' infrastructure allowed to provide efficiency gains due to converged operations, while further potential initiatives are being developed with regard to application modernization and automated services. The ongoing implementation of the transformation program has also generated significant recurring cost savings and operational efficiencies, for example, by optimizing the use of business data for commercial decision making within the Merchant Services business segment, reducing vendor prices as a result of procurement initiatives, enhancing efficiencies associated with running Nets' technology platforms, improving the cost of application of development and maintenance (partly driven by a more cost-efficient sourcing mix) and initiating projects focused on strengthening stability and security, which have positively impacted the financial performance of both business segments. For more information, see "—*Nets' Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019—Special Items*."

Acquisitions

Nets has historically driven innovation through a combination of in-house research and development, partnering with other technology innovators, and selectively pursuing acquisitions. Nets may look to use acquisitions as a way to expand or enhance the range of products and services that it offers to customers as well as its technological capabilities and to improve its presence in certain strategic geographies. Since 2019, Nets has completed the following acquisitions: Dotcard Sp.z.o.o. and PayPro S.A. in 2019, Polskie ePlatnosci, Poplatek Oy and Poplatek Payments Oy and CCV. In January 2021, Nets consummated the acquisition of Checkout Finland Oy, a rapidly growing company within the e-commerce business segment, with closing of the transaction expected to occur in April 2021. These acquisitions are part of Nets' strategy of enhancing its product portfolio in the Merchant Services business segment, and strengthening its presence in certain strategic geographies in order to drive future growth. For a discussion of the costs related to these acquisitions, see "—*Nets' Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019—Special Items*."

Nets has certain contractual rights and obligations, including put and call options, in relation to mergers and acquisition activities. The price for the remaining shares of the respective acquisitions are dependent on future performance, but all include a minimum and maximum payment. As of December 31, 2020, Nets accounted for deferred consideration of €19.7 million and put option liabilities of €330 million. Liabilities have been measured to account for earn-outs/put-options clauses in various agreements to estimate discounted future cash flow obligations and is based on management's best estimates.

Merger of Concardis GmbH

In June 2018, Nets signed an agreement to merge with Concardis Payment Group ("Concardis"). The merger closed in January 2019. The merger consisted of an issuance of shares and preferred equity certificates for a total consideration of €698 million. Both Nets and Concardis offer their customers a broad portfolio of payment services including offline, online, mobile, recurring payments and real-time services. Nets and Concardis are prominent players in the Nordic and DACH regions in the market for merchant payment solutions.

Investments in Associates consolidated with the equity method

Nets holds a 50% ownership stake in the Danish entity e-Boks A/S. The other 50% stake is held by PostNord AB. e-Boks A/S provides corporate customers, financial institutions and public authorities solutions for electronically sending, presenting and archiving invoices, documents, letters, pay slips, bank statements and other items. In 2020, e-Boks A/S had net revenue of €30.9 million and profit for the year of €5.3 million (of which €2.6 million was Nets' share). As of December 31, 2020, the total carrying amount on the balance sheet for e-Boks A/S amounted to €28.4 million.

Nets holds a 40% ownership stake in WEAT Electronic Datenservice GmbH ("WEAT"). WEAT provides electronic billing and cashless payment services in the mineral oil industry. In 2020, WEAT had net revenues of €11.4 million and profit for the year of €2.0 million. As of December 31, 2020, the total carrying amount on the balance sheet for WEAT amounted to €8.5 million.

Nets holds a 20.84% ownership stake in Orderbird AG. Orderbird AG is a cloud provider of an iPad and Android POS system for the hospitality industry and the SMB market. In 2020, Orderbird AG sustained a loss for the year of €2.2 million. As of December 31, 2020, the total carrying amount on the balance sheet for Orderbird AG amounted to €9.4 million.

Foreign Currency Translation

Nets' reporting currency is the euro, but its gross revenue and expenses are denominated in the local currencies of the jurisdictions in which it operates (the functional currencies), mainly DKK, NOK, SEK, PLN and HRK. A change in the average EUR/NOK, EUR/SEK, EUR/PLN, EUR/HRK by 10% and EUR/DKK rates (which are pegged) by 1% would have had an impact on the Nets' revenue net of interchange fees and processing fees of €16.8 million, €5.7 million, €5.0 million, €2.6 million and €3.1 million, respectively, for the year ended December 31, 2020, and €20.2 million, €6.5 million, €1.8 million, €4.9 million and €3.1 million, respectively, for the year ended December 31, 2019. A hypothetical 10% change in NOK, SEK, PLN and HRK and 1% in DKK would have a total impact of foreign currency translation of €15.7 million and €16.8 million on Nets' EBITDA for the years ended December 31, 2020 and 2019, respectively.

Nets operates across Europe and is exposed to foreign exchange risk and interest rate risk. Nets' treasury policy includes a target to hedge a minimum of 50% of Nets' exposure to variable interest rates. This is done through a combination of interest rate swaps and cross-currency swaps. In total, 52% of Nets' exposure to variable interest rates was hedged as at December 31, 2020. In general, cross-currency swaps are used to match interest expenses (in NOK and EUR) with the currency in which Nets' cash flow is generated. By doing so, Nets is able to minimize its exposure to foreign exchange rates while at the same time hedging the exposure to floating rate exchange rates. The fixed rate EUR interest and notional exposure related to the corporate bonds (notional of €220 million) has been swapped to fixed rate DKK and NOK, respectively. The DKK/NOK currency swap ratio is determined based on the forecasted consolidated EBITDA origination in DKK and NOK, respectively. The cross-currency swaps used to hedge foreign exchange risk from the corporate bonds are classified as a cash flow hedge (EUR/DKK) and a hedge of net investment in a foreign operation (EUR/NOK), respectively, as the EUR/DKK swap is assessed to not qualify as a hedge of a net investment in a foreign operation.

Due to the ERM II exchange rate mechanism agreed between the Danish Central Bank and the European Central Bank (ECB), that limits the EUR/DKK fluctuation band to +/- 2.25%, the hedge is considered effective. The swaps in place to hedge foreign exchange risk from the corporate bonds matches the EUR payments on the bond until maturity in 2024. The cross-currency swaps replace the fixed EUR interest rate of 2.88% with a fixed DKK interest rate of 2.93% and a fixed NOK interest rate of 4.70%, respectively.

Nets' term loans are denominated in EUR and NOK. The floating rate interest exposure from the EUR denominated debt is hedged through interest rate swaps (notional value of €1,400 million) and EUR/SEK cross-currency swaps (notional value of €279 million). The floating rate interest exposure from the NOK-denominated debt is hedged through interest rate swaps (notional value of NOK 3,995 million). Both the EUR and NOK interest rate swaps are classified as cash flow hedges, as they swap floating rate interest rate exposure into fixed rates. The EUR/NOK cross-currency swaps are classified as a hedge of net investment in foreign operation. The swaps in place to hedge exposure to variable interest rates match the payment dates of the term loans until 2022 and 2023.

Furthermore, a portion of Nets' balances in foreign currency is naturally hedged by underlying business activities.

Seasonality

Although Nets' operations typically are not exposed to strong seasonal variations, during the last month of the year as well as the Easter and summer holiday periods, Nets experiences higher revenue from a higher number of transactions as spending increases during peak holiday periods. A range of other factors could cause or contribute to period-to-period fluctuations, including non-renewals of significant customer contracts in a given period.

Nets has a high fixed cost base (with fixed costs (defined as costs related to staff, hardware, software, outsourcing and administrative costs) which it estimates represents 78% of total costs for the year ended December 31, 2020. Consequently, Nets' EBITDA before special items on a quarterly basis is expected to be impacted by the seasonal development in revenue. This means that EBITDA before special items margins are expected to be lower in the first quarter and higher in the third quarter than the average of EBITDA before special items margins for the calendar year.

Key Factors Affecting the Comparability of Nets' Results of Operations

The COVID-19 Pandemic

The COVID-19 outbreak significantly impacted Nets' operational and financial performance for the year ended December 31, 2020. In particular, following the outbreak of COVID-19, Nets recorded a decrease in gross revenues in the Merchant Services business segment and a decrease in gross revenues in the Issuer & eSecurity Services business segment. The impact of the COVID-19 pandemic on Nets' operations limits the comparability of Nets' results for year ended December 31, 2020, with the corresponding period in 2019. See also "*Risk Factors—Risks Related to the Combined Group's Business and Industry—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*"

Acquisitions

The acquisitions completed by Nets in 2020 and 2019 have affected Nets' results of operations in a number of ways. First, Nets' 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 Nets' consolidated results. Because Nets' only consolidates acquired companies from the date of their acquisition, the full impact of these companies' results is only reflected in the subsequent financial year. Second, Nets' results are negatively impacted by integration costs and positively impacted by operating synergies (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 acquired businesses may carry a significant amount of goodwill and finite life intangible assets. Under IFRS, Nets evaluates 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.

In order to allow comparability of Nets' financial condition and results of operations for the periods presented in this offering memorandum, a discussion of revenues and charges deriving from the acquisitions completed in 2020 has been included.

Impact of Non-Recurring Items

Non-recurring items impact Nets' historical results. The impact of these items can affect comparability between periods. During the periods presented, Nets recognized certain non-recurring income and/or charges which reflect measures aimed at revenue increases, cost savings, organizational improvements and M&A initiatives. In particular, non-recurring items in the periods presented in this offering memorandum include, among others, costs arising from the bankruptcy of Thomas Cook, investments on Nets' transformation programme, costs associated with business set-ups, acquisitions and disposals, and expenses related to re-organization and restructuring. In order to allow comparability of Nets' financial condition and results of operations for the periods presented in this offering memorandum, a discussion of revenues and charges of a non-recurring nature has been included.

Key Components of Nets' Consolidated Income Statement

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

Revenue, gross

Nets earns revenue from its customers on a transactional basis and on a non-transactional basis:

i. Transaction based revenue—includes revenue generated through a combination of (a) a fee per transaction processed (which represents the primary revenue model in the Issuer & eSecurity Services business segment) and (b) an *ad valorem* fee based on the value of transactions acquired (which represents the primary revenue model of the Merchant Services business segment).

ii. Non-transaction based revenue—includes revenue generated through provision of subscription-based fees related to the sale and rental of POS and related solutions, fees related to the sale of value-added services and revenue from development projects across all two business segments.

Due to the nature of Nets' business, some of the gross revenue cash flow from Nets' customers is passed on to other parties in the ecosystem. This particularly applies to the acquiring business in Merchant Services and for international card schemes. These cash flows (e.g., interchange fees) are normally set by the card schemes or as part of the business agreement between the parties and thus result in a given cash outflow per transaction and/or as a percentage of card spend. Nets therefore focuses its reporting on revenue (i.e., revenue, net of interchange fees and processing fees), as this reflects the effect of a decreasing or increasing spread due to lower or higher gross prices as well as any changes in paid fees due to changes in the terms of the business agreement between the parties or changes in interchange fee rates.

Interchange Fees and Processing Fees

Interchange fees and processing fees predominantly consist of interchange fees that Nets passes through to card issuing banks, as well as card scheme franchise, membership and processing fees for each transaction that Nets processes through the third-party card schemes (such as, by way of example, Visa and MasterCard), and other third-party processing fees, sales commission and other fees.

Cost of Sales

Cost of sales comprises all costs related to products and services which have been sold. This mainly represents the costs of terminals sold and costs related to the pay-later solution.

External Expenses

External expenses incurred in generating the revenue for the year include the costs associated with the outsourced provision of certain IT-related services, operating leases for software, maintenance and development costs, premises-related expenses, and other marketing, sales and distribution costs, loss and fraud. Immaterial other gains and losses of a nature secondary to the main activities of Nets are recognized within external expenses.

Staff Costs

Staff costs include wages, salaries, pension contributions, social security contributions, annual leave and sick leave, and bonuses recognized in the year in which the associated services are rendered by employees of Nets.

Special Items

Special items are costs or income, net, that are recognized in the consolidated income statement and cannot be attributed directly to Nets' ordinary activities. They are therefore separately disclosed to allow a more comparable view of underlying operating performance. The use of special items entails management judgment in the separation from other cost items in the consolidated income statement. Nets' management carefully considers changes to ensure the correct distinction between the operating activities of Nets and non-recurring expenses incurred to enhance the future earnings potential of Nets, with only the latter comprising special items.

Special items costs are split into four main categories: (i) reorganization, restructuring and refurbishment costs, (ii) costs associated with business set-up, acquisitions and disposals, (iii) transformation program costs, and (iv) costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc. Reorganization and restructuring costs include extraordinary severance costs related to the new Nets' business model. Costs associated with business set-up, acquisitions and disposals include extraordinary costs related to external advisors in connection with acquisitions and M&A related activities. Transformation program costs include extraordinary costs related to the launch and execution of the Nets transformation program. In particular, these costs relate to the development of a target operating model, of the related corporate strategy, and investments in security and stability programs as well as the implementation of cost optimization programs related to technology, operations and procurement. The cost of third-party consultants represents the majority of the costs relating to the Nets transformation program.

Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses are presented in the consolidated income statement as (i) amortization of business combination intangibles, customer agreements & impairment losses and

(ii) underlying depreciation and amortization. Underlying depreciation and amortization is depreciation and amortization adjusted for amortization of business combination intangibles, customer agreements & impairment losses.

Amortization of business combination intangibles includes the amortization of intangible assets acquired, but not booked in the acquired accounts, in business combinations and recognized separately from goodwill, including customer agreements and development projects. The useful life of customer agreements is determined based on periodic assessments of customer churn or actual useful life and the intended use for those assets. At each reporting date, Nets assesses whether there is any indication that its intangible assets or plant and equipment are impaired. If any such indication exists, Nets estimates the recoverable amount of the asset and the impairment loss (if any). If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. If the recoverable amount of an intangible asset or plant and equipment is less than its carrying value, an impairment loss is recognized immediately in the consolidated income statement.

Underlying depreciation and amortization include the amortization of internal development projects meeting capitalization criteria in accordance with IAS 38, as well as the depreciation of acquired leaseholds, terminals leased by Nets to third parties under operational lease agreements, and plant and machinery. The useful life of development projects is determined based on periodic assessments of actual useful life and the intended use for those assets. Such assessments are completed or updated when new events occur.

Financial Income and Expenses, net

Financial income and expenses comprise interest income and expenses, amortization of capitalized finance costs, realized and unrealized gains, and dividends, losses on transactions denominated in foreign currencies and securities and subsequent changes to contingent acquisitions costs.

Financial expenses - refinancing costs

Financial expenses - refinancing costs comprises extraordinary amortization of transaction costs in connection with refinancing.

Income Taxes

Tax for the year comprises current income tax, change in deferred tax and adjustments from prior years. Tax is recognized in the consolidated income statement except to the extent that it relates to items recognized in other comprehensive income or equity.

Nets and its Danish, German and Norwegian subsidiaries are jointly taxed. The current Danish corporation tax allocated between the jointly taxed companies in proportion to their taxable income is recognized in the consolidated income statements. The tax saving as a result of losses is also refunded proportionately. These Nets subsidiaries are taxed under the on-account tax scheme. Interest/refunds relating to the tax payment are included in interest income and expense and similar items.

Nets' Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table shows Nets' consolidated income statement for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Continuing operations				
Revenue, gross	1,567.4	1,883.2	(315.8)	(16.8%)
Interchange fees and processing fees	(592.3)	(872.4)	280.1	32.1%
Revenue, net of interchange fees and processing fees	**975.1**	**1,010.8**	**(35.7)**	**(3.5%)**
Cost of sales	(69.3)	(63.6)	(5.7)	9.0%
External expenses	(252.9)	(257.3)	4.4	(1.7%)
Staff costs	(308.8)	(326.9)	18.1	(5.5%)
Operating result before depreciation and amortization (EBITDA) before special items (EBITDA b.s.i.)	**344.1**	**363.0**	**(18.9)**	(5.2%)
Special items	(214.4)	(317.2)	102.8	(32.4%)
Operating result before depreciation and amortization (EBITDA)	**129.7**	**45.8**	**83.9**	**>100.0%**
Amortization of business combination intangibles, customer agreements & impairment losses	(193.0)	(186.5)	(6.5)	3.5%
Underlying depreciation and amortization	(128.1)	(109.1)	(19.0)	17.4%
Operating result (EBIT)	**(191.4)**	**(249.8)**	**58.4**	**(23.4%)**
Result from associates after tax	1.1	0.5	0.6	>100.0%
Fair value adjustment on liability related to Visa shares	—	(1.6)	1.6	(100.0%)
Fair value adjustment of Visa shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden	0.4	5.0	(4.6)	(92.0%)
Financial income and expenses, net	(279.2)	(304.5)	25.3	(8.3%)
Financial expenses - refinancing costs	(9.1)	—	(9.1)	n.a.
Net financials	**(286.8)**	**(300.6)**	**13.8**	**(4.6%)**
Result before tax	**(478.2)**	**(550.4)**	**72.2**	**(13.1%)**
Income taxes	20.8	34.0	(13.2)	(38.8%)
Result from continuing operations	**(457.4)**	**(516.4)**	**59.0**	**(11.4%)**
Result from discontinuing operations	61.5	35.7	25.8	72.3%
Result for the year	**(395.9)**	**(480.7)**	**84.8**	(17.6%)

Revenue, gross

Revenue, gross, decreased by €315.8 million, or 16.8%, €1,883.2 for the year ended December 31, 2019, to €1,567.4 million for the year ended December 31, 2020. This decrease was mainly due to reduced transaction volumes caused by the outbreak of COVID-19, partly offset by a growth in e-commerce volumes and by an increase in fees and volumes from the digital business.

Interchange fees and processing fees

Interchange fees and processing fees decreased by €280.1 million, or 32.1%, from €872.4 million for the year ended December 31, 2019 to €592.3 million for the year ended December 31, 2020. This decrease was mainly due to reduced transaction volumes caused by the outbreak of COVID-19.

Revenue, net of interchange fees and processing fees

Revenue net of interchange fees and processing fees decreased by €35.7 million, or 3.5%, from €1,010.8 million for the year ended December 31, 2019 to €975.1 million for the year ended December 31, 2020. This decrease was mainly due to reduced transaction volumes caused by lockdowns imposed in response to the COVID-19 outbreak.

The table below shows Nets' revenue net of interchange fees and processing fees by business segment for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Merchant Services	599.1	605.9	(6.8)	(1.1%)
Issuer & eSecurity Services	376.0	404.9	(28.9)	(7.1%)
Revenue, net of interchange fees and processing fees	**975.1**	**1,010.8**	**(35.7)**	**(3.5%)**

Nets' revenue, net of interchange fees and processing fees relating to the Merchant Services business segment, decreased by €6.8 million, or 1.1%, from €605.9 million for the year ended December 31, 2019 to €599.1 million for the year ended December 31, 2020, despite the contributions of Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €6.0 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €9.1 million. Excluding the effects of these acquisitions, revenue net of interchange fees and processing fees relating to the Merchant Services business segment would have decreased by €21.9 million, or 3.6%, from €605.9 million for the year ended December 31, 2019, to €584.0 million for the year ended December 31, 2020. This decrease was mainly due to reduced card turnover volumes in the travel, transport and hospitality business sectors caused by the outbreak of COVID-19. This decrease has partly been offset by: (i) growth of e-commerce volumes in the Nordics, Germany (through the buy now, pay later model) as well as in Poland, following the integration of the P24/DotPay/eCard services, and (ii) growth in Nets' business relating to SME in DACH countries, which recorded a 10% increase in long-term rentals in 2020 compared with 2019, following investments into direct sales channels with integrated SmartPay proposition sales.

Nets' revenue, net of interchange fees and processing fees relating to the Issuer & eSecurity Services business segment decreased by €28.9 million, or 7.1%, from €404.9 million for the year ended December 31, 2019 to €376.0 million for the year ended December 31, 2020. This decrease was mainly due to reduced transaction volumes in the Issuer & eSecurity business segment, caused by the outbreak of the COVID-19 pandemic. This decrease has been partly offset by increasing volumes and fees from Nets' digital business.

The growth of Nets' organic revenue, which includes the pro forma impact of the acquisitions completed in 2019 and 2020, presented at constant foreign exchange rates, decreased by 3.1% for the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease was due to a reduction of Merchant Services organic growth, which decreased by 2.1%, and a decrease of 4.8% in Issuer & eSecurity Services. The following table sets forth organic revenue growth by business segment for the year ended December 31, 2020 compared to the year ended December 31, 2019:

	Percentage change 2020 v 2019
	(in %)
Merchant Services	(2.1%)
Issuer & eSecurity Services	(4.8%)
Organic revenue growth	**(3.1%)**

The growth of Nets' underlying revenue, obtained by excluding non-recurring eID revenue and pricing rebasing for the Issuer & eSecurity business segment from Nets' organic revenue, decreased by 1.2% for the year ended December 31, 2020 compared to the year ended December 31, 2019. This decrease was due to a reduction of the underlying growth of the Merchant Services business segment, which decreased by 2.1%, and a growth of 0.6% in the Issuer & eSecurity Services business segment.

The following table sets forth underlying revenue growth by business segment for the year ended December 31, 2020 compared to the year ended December 31, 2019:

	Percentage change 2020 v 2019
	(in %)
Merchant Services	(2.1%)
Issuer & eSecurity Services	0.6%
Underlying revenue growth	**(1.2%)**

Cost of sales

Cost of sales increased by €5.7 million, or 9.0%, from €63.6 million for the year ended December 31, 2019 to €69.3 million for the year ended December 31, 2020. This increase includes the contributions of Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €1.0 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €0.5 million. Excluding the effects of these acquisitions, cost of sales would have increased by €4.2 million, or 6.6%, from €63.6 million for the year ended December 31, 2019 to €67.8 million for the year ended December 31, 2020, mainly due to growth in the e-commerce business.

External expenses

External expenses decreased by €4.4 million, or 1.7%, from €257.3 million for the year ended December 31, 2019 to €252.9 million for the year ended December 31, 2020. This decrease was mainly due to the impact of efficiency and transformation initiatives aimed at improving Nets' competitiveness. The decrease was partly offset by external expenses related to the Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €1.1 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €0.6 million. Excluding the effects of these acquisitions, external expenses would have decreased by €6.1 million, or 2.4%, from €257.3 million for the year ended December 31, 2019 to €251.2 million for the year ended December 31, 2020.

Staff costs

The table below shows a breakdown of Nets' staff costs for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Wages and salaries	314.1	290.7	23.4	8.0%
Share-based payment cost	1.7	0.1	1.6	>100.0%
Pensions - defined contribution plans	26.6	25.8	0.8	3.1%
Pensions - defined benefit obligations	0.3	0.6	(0.3)	(50.0%)
Other social security contributions	22.2	21.0	1.2	5.7%
Other employee costs	28.4	42.9	(14.5)	(33.8%)
Total staff costs for the year	**393.3**	**381.1**	**12.2**	**3.2%**
Staff costs included in development projects	(35.6)	(25.2)	(10.4)	41,3%
Total staff costs expensed in the income statement	**357.7**	**355.9**	**1.8**	**0.5%**
Staff costs included in special items	(48.9)	(29.0)	(19.9)	68.6%
Total staff costs included in EBITDA b.s.i.	**308.8**	**326.9**	**(18.1)**	(5.5%)

Staff costs decreased by €18.1 million, or 5.5%, from €326.9 million for the year ended December 31, 2019 to €308.8 million for the year ended December 31, 2020. This decrease was mainly due to the impact of efficiency and transformation initiatives aimed at improving Nets' competitiveness. The decrease was partly offset by external expenses related to the Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €3.3 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €3.0 million. Excluding the effects of these acquisitions, staff costs would have decreased by €24.4 million, or 7.5%, from €326.9 million for the year ended December 31, 2019 to €302.5 million for the year ended December 31, 2020.

Special items

The table below shows a breakdown of Nets' special items for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Reorganization, restructuring and refurbishing costs	36.9	29.5	7.4	25.1%
Business set-up, acquisitions and disposals	36.8	33.7	3.1	9.2%
Transformation programme	57.8	60.6	(2.8)	(4.6%)
Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.	82.9	193.4	(110.5)	(57.1%)
Special items	**214.4**	**317.2**	**(102.8)**	**(32.4%)**

Special items costs decreased by €102.8 million, or 32.4%, from €317.2 million for the year ended December 31, 2019 to €214.4 million for the year ended December 31, 2020. This decrease was mainly due to the negative consequences of the insolvency of Nets' customer Thomas Cook. In particular, Nets is liable for refunding card schemes and/or issuing banks for potential refunds that may be claimed by customers of Thomas Cook who did not receive the services already paid for.

For the year ended December 31, 2020, Nets' special items were related to: (i) Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc., in an amount of €82.9 million (of which €13.7 million relate to costs incurred in relation with the insolvency of Thomas Cook); (ii) investments on Nets' transformation programme, in an amount of €57.8 million; (iii) costs associated with business set-ups, acquisitions and disposals, in an amount of €36.8 million; and (iv) costs related to re-organization, restructuring and refurbishment, in an amount of €36.9 million.

For the year ended December 31, 2019, Nets' special items were related to: (i) Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc., in an amount of €193.4 million; (ii) investments on Nets' transformation programme, in an amount of €60.6 million; (iii) costs associated with business set-ups, acquisitions and disposals, in an amount of €33.7 million; and (iv) costs related to re-organization, restructuring and refurbishment, in an amount €29.5 million.

Amortization of Business Combination Intangibles, Customer Agreements & Impairment Losses

Amortization of business combination intangibles, customer agreements & impairment losses increased by €6.5 million, or 3.5%, from €186.5 million for the year ended December 31, 2019 to €193.0 million for the year ended December 31, 2020, including the contributions of Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €1.3 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €1.6 million. Excluding the effects of these acquisitions, amortization of business combination intangibles, customer agreements & impairment losses would have increased by €3.6 million, or 1.9%, from €186.5 million for the year ended December 31, 2019 to €190.1 million for the year ended December 31, 2020, primarily due to the depreciation of certain assets related to acquisitions completed in 2019.

Underlying depreciation and amortization

Underlying depreciation and amortization increased by €19.0 million, or 17.4%, from €109.1 million for the year ended December 31, 2019 to €128.1 million for the year ended December 31, 2020, including the contributions of Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €0.2 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €1.9 million. Excluding the effects of these acquisitions, underlying depreciation and amortization would have increased by €16.9 million, or 15.5%, from €109.1 million for the year ended December 31, 2019 to €126.0 million for the year ended December 31, 2020, primarily due to completed software developments, depreciation from new acquisitions and investments in intangibles in 2020.

Operating result (EBIT)

Operating result (EBIT) increased by €58.4 million, or 23.4%, from a loss of €249.8 million for the year ended December 31, 2019, to a loss of €191.4 million for the year ended December 31, 2020. This increase was mainly due to a decrease in special items partly offset by: (i) a decrease in EBITDA b.s.i. from €363 million for the year ended December 31, 2019 to €344.1 million for the year ended December 31, 2020, (ii) an increase in amortization of business combination intangibles, customer agreements & impairment losses from €186.5 million for the year ended December 31, 2019 to €193.0 million for the year ended December 31, 2020, and (iii) an increase in underlying depreciation and amortization from €109.1 million for the year ended December 31, 2019 to €128.1 million for the year ended December 31, 2020.

Financial income and expenses, net

The table below shows a breakdown of Nets' financial income and expenses, net, for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Financial income				
Net foreign exchange gains	12.2	2.8	9.4	>100.0%
Fair value adjustment of financial liabilities	2.2	—	2.2	n.a.
Other income etc.	23.4	—	23.4	n.a.
Total financial income, exclusive of refinancing costs	**37.8**	**2.8**	**35.0**	**>100.0%**
Financial expenses				
Interest expense	(181.6)	(165.3)	(16.3)	9.9%
Interest expense preferred equity certificates	(56.5)	(102.4)	45.9	(44.7%)
Interest expense lease liabilities	(2.6)	(2.6)	—	—
Net foreign exchange loss	(3.9)	(1.2)	(2.7)	>100.0%
Interest expense loans from owner	(32.3)	—	(32.3)	n.a.
Fair value adjustment of financial liabilities	—	(10.8)	10.8	(100.0%)
Amortization of transaction costs	(22.3)	(13.9)	(8.4)	60.4%
Other fees etc.	(17.7)	(11.2)	(6.6)	59.5%
Total financial expenses, exclusive of refinancing costs	**(317.0)**	**(307.4)**	**(9.7)**	**3.2%**
Financial income and expenses, net	**(279.2)**	**(304.5)**	**25.3**	(8.3%)

Financial income and expenses, net, decreased by €25.3 million, or 8.3%, from a loss of €304.5 million for the year ended December 31, 2019 to a loss of €279.2 million for the year ended December 31, 2020. This decrease was mainly due to the restructuring of Nets' shareholder debt. This decrease was partly offset by an increase in financial expenses caused by the acquisition of the Polskie ePlatnosci group, completed during 2020. See note 5.4 to the Nets Consolidated Financial Statements included elsewhere in this offering memorandum.

Financial expenses - refinancing costs

Financial expenses - refinancing costs incurred for the year ended December 31, 2020, relate to an acceleration in the amortization of ancillary costs relating to indebtedness that is expected to be subject to early repayments in 2021.

Income Taxes

The table below shows a breakdown of Nets' income taxes for the years ended December 31, 2020 and 2019.

	Year ended December 31,		**Changes**	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Current tax on result for the year	17.0	(34.8)	51.8	(>100.0%)
Deferred tax on result for the year	2.3	69.4	(67.1)	(96.7%)
Adjustments related to previous years - current tax.	1.5	(0.6)	2.1	(>100.0%)
Income taxes	**20.8**	**34.0**	**(13.2)**	**(38.8%)**

Income taxes decreased by €13.2 million, or 38.8%, from €34.0 million for the year ended December 31, 2019 to €20.8 million for the year ended December 31, 2020. This decrease was mainly due to an increase in non-deductible financial expenses and non-recognized tax losses.

Result for the year

Result for the year increased by €84.8 million, or 17.6%, from a loss of €480.7 million for the year ended December 31, 2019, to a loss of €395.9 million for the year ended December 31, 2020. This increase was mainly due to: (i) the improvement of the operating result (EBIT) from a loss of €249.8 million for the year ended December 31, 2019 to a loss of €191.4 million for the year ended December 31, 2020, (ii) the decrease in Net Financials, from €300.6 million for the year ended December 31, 2019 to €286.8 million for the year ended December 31, 2020, and (iii) the increase in result from discontinuing operations, from an income of €35.7 million for the year ended December 31, 2019 to an income €61.5 million for the year ended December 31, 2020.

EBITDA b.s.i.

EBITDA b.s.i. (before special items) is defined as EBITDA excluding (i) investments in transformation programme, (ii) business setups, acquisitions and disposals, (iii) reorganization, restructuring and refurbishment costs, and (iv) costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc. Adjusted EBIT represents EBITDA b.s.i., adjusted for underlying depreciation and amortization.

Set forth below is a reconciliation of EBITDA b.s.i. to results for the year, which we believe is its closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019:

(in € million)	Year ended December 31,	
	2020	2019
Result for the year	**(395.9)**	**(480.7)**
Result from discontinuing operations	(61.5)	(35.7)
Income taxes	(20.8)	(34.0)
Financial expenses - refinancing costs	9.1	—
Financial income and expenses, net	279.2	304.5
Fair value adjustment of VISA shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden	(0.4)	(5.0)
Fair value adjustment on liability related to Visa shares	—	1.6
Results from associates after tax	(1.1)	(0.5)
Underlying depreciation and amortization	128.1	109.1
Amortization of business combination intangibles, customer agreements & impairment losses	193.0	186.5
EBITDA	**129.7**	**45.8**
Reorganization, restructuring and refurbishment	36.9	29.5
Business setups, acquisitions and disposals	36.8	33.7
Transformation programme	57.8	60.6
Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.	82.9	193.4
EBITDA b.s.i.	**344.1**	**363.0**

EBITDA b.s.i. decreased by €18.9 million, or 5.2%, from €363.0 million for the year ended December 31, 2019 to €344.1 million for the year ended December 31, 2020, despite the contributions of Nets' newly acquired subsidiaries Poplatek and Poplatek Payments for the year ended December 31, 2020, amounting to €0.6 million, and Polskie ePlatnosci for the last two months of the year ended December 31, 2020, amounting to €5.0 million. Excluding the effects of these acquisitions, EBITDA b.s.i. would have decreased by €24.5 million, or 6.7%, from €363.0 million for the year ended December 31, 2019, to €338.5 million for the year ended December 31, 2020. This decrease was mainly due to (i) a reduction in revenue net of interchange fees and processing fees, from €1,010.8 million for the year ended December 31, 2019 to €960.0 million for the year ended December 31, 2020, and (ii) an increase in cost of sales from €63.6 million for the year ended December 31, 2019, to € 67.8 million for the year ended December 31, 2020, partly offset by (i) a decrease of external expenses from €257.3 million for the year ended December 31, 2019, to €251.2 million for the year ended December 31, 2020, and by (ii) a decrease in staff costs from €326.9 million for the year ended December 31, 2019, to €302.5 million for the year ended December 31, 2020.

Liquidity and Capital Resources

General

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

Cash Flow Information

The following table shows Nets' consolidated cash flow statements derived from the Nets Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019
	(in € million)	
Cash flows used in operating activities excluding clearing-related balances	(8.6)	(53.3)
Change in clearing-related balances	(256.5)	179.1
Cash flows generated by (used in) investing activities	(524.4)	400.4
Net cash flows generated by financing activities	579.7	346.4
Net cash flow for the year	**(209.8)**	**872.8**

Net Cash Flows used in Operating Activities Excluding Clearing-related Balances

Net cash flows used in operating activities, excluding clearing-related balances, decreased by €44.7 million, or 83.9%, to €8.6 million for the year ended December 31, 2020 from €53.3 million for the year ended December 31, 2019. This decrease was primarily attributable to a reduction of pay-out accrued charge-back losses to Thomas Cook, amounting to €40.4 million in the year ended December 31, 2020 and €162.0 million in the year ended December 31, 2019. This decrease has been partly offset by (i) a decrease of the EBITDA b.s.i from €363.0 million for the year ended December 31, 2019 to €344.1 million for the year ended December 31, 2020, and (ii) an increase in special items from continuing operations, amounting to €200.7 million in the year ended December 31, 2020 and €128.0 million in the year ended December 31, 2019.

Net Cash Flows Generated by (used in) Investing Activities

Net cash flows used in investing activities decreased by €924.8 million, to €524.4 million used for the year ended December 31, 2020 from €400.4 million generated for the year ended December 31, 2019. This decrease was primarily attributable to: (i) net cash flows used in investments and mergers amounting to €386.9 million used for the year ended December 31, 2020, mainly related to the acquisitions of Poplatek and Poplatek Payments and Polskie ePlatnosci, and to €572.6 million generated for the year ended December 31, 2019, mainly related to the merger with Concardis GmbH; (ii) net cash flows used in the purchase of intangible assets amounting to €116.9 million and €130.9 million for the year ended December 31, 2020 and 2019, respectively, mainly related to investments in development projects and other intangibles, such as a new card processing platform in Nets' Issuer & eSecurity Services business segment, as well as certain new payment solutions within the Merchant Service business segment; and (iii) net cash flow used in the purchase of plant and equipment amounting to €26.8 million and €44.1 million for the year ended December 31, 2020 and 2019, respectively.

Net Cash Flows Generated by Financing Activities

Net cash flows generated in financing activities increased by €233.1 million, or 67.3%, to €579.7 million for the year ended December 31, 2020 from €346.4 million for the year ended December 31, 2019. This increase was primarily attributable to new borrowings to fund acquisitions in an amount of €651.1 million entered into in the year ended December 31, 2020, which was partly offset by (i) the repayment of existing indebtedness for €51.2 million, and (ii) the repayment of finance lease liabilities for €24.2 million as of December 31, 2020.

Contractual Obligations

The following table summarizes certain of Nets' contractual obligations and commitments owed to third parties, by period, as of December 31, 2020, without giving effect to the Nets Merger and the repayment of the Existing Nets Indebtedness, excluding amounts in respect of settlement obligations:

	Less than 1 year	1 - 5 years	More than 5 years	Total
		(in € million)		
Term facilities[(1)(2)]	168.4	3,364.8	666.7	4,199.9
Nets Revolving Credit Facilities[(1)(3)]	718.2	—	—	718.2
Nets Notes[(1)(4)]	7.5	232.4	—	239.9
Clearing Working Capital Facilities[(1)]	8.0	—	—	8.0
Preferred Equity Certificates[(1)]	1,334.5	—	—	1,334.5
Interest bearing loan from owners[(1)]	1,380.0	283.2	—	1,663.2
Other liabilities[(5)]	334.0	15.7	—	349.7
Leases[(1)]	20.8	45.9	28.7	95.4
Total contractual obligations	**3,971.4**	**3,942.0**	**695.4**	**8,608.8**

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(1) The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates.

(2) The term facilities include a combination of first lien term loans amounting to €1,640 million, €595 million, €300 million and NOK 2,795 million, respectively, and second lien term loans, amounting to €190 million, €100 million and NOK 3,844 million, respectively.

(3) The Nets Revolving Credit Facilities consist of: (i) a six and a half-year, multicurrency, revolving credit facility due in August 2024; (ii) a seventeen month, multi-currency, additional revolving credit facility due in February 2021; and (iii) a twelve month, multi-currency, revolving facility due in April 2021.

(4) The aggregate principal amount of the Nets Notes is equal to €219.6 million. Future payments on the Nets Notes have been swapped to DKK, in an amount equal to DKK 1,204 million, and NOK, in an amount equal to NOK 530 million, with fixed interest rates until maturity and final payment of notional value at maturity. See also "*Description of Certain Financing Arrangements—Nets Indebtedness—Nets Notes*."

(5) Includes deferred consideration of €19.7 million and put option liabilities of €330.0 million.

Off-Balance Sheet Arrangements

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

Qualitative Disclosure on Market Risk

Nets is exposed to various market risks, including foreign exchange risk, interest rate risk and credit risk and liquidity and financing risk associated with its underlying assets, liabilities, foreign exchange transactions and financial commitments.

Foreign Currency Risk

Nets operates predominantly in northern Europe and Central Europe and is primarily exposed to exchange rate fluctuations from revenues and liabilities in DKK, NOK, SEK PLN and HRK, and to a minor degree USD, GBP and ISK. DKK-based exposure is considered low, given the de facto fixed rate policy that the Danish Central Bank maintains against the euro. Nets has only minor exposure to currencies other than those mentioned above. Furthermore, while borrowings under the Nets Notes are denominated in EUR and bear interest in EUR at a fixed rate, future payments under the Nets Notes have been swapped to DKK and NOK with fixed interest rates until maturity and final exchange of notional at maturity. See "*Risk factors—Risks Related to the Combined Group's Business and*

Industry—Nets and SIA are exposed to currency risk" and notes 2.4 and 5.2 to the Nets Consolidated Financial Statements included elsewhere in this offering memorandum.

Interest Rate Risk

Nets is exposed to interest rate risk on loans, credits and cash balances as well as mismatches on maturities between loans and cash, resulting in floating interest cash flows. Nets' loan arrangements are based on floating basis interest rates. Cash held at floating rates partly offset risk arising from changing interest rates on Nets' loans and credits. See note 2.4 to the Nets Consolidated Financial Statements included elsewhere in this offering memorandum.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Nets. Nets has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Nets is exposed to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a chargeback lies with the merchant, in the event that the merchant is no longer in business, Nets has a liability to re-compensate the card scheme or the issuing bank. In addition, Nets is exposed to the risk of unpaid merchant service charges where a customer ceases to trade. To manage this risk, Nets maintains credit risk exposure in line with approved appetite for risk whilst achieving appropriate risk-versus-reward performance and ensuring that customers will be able to meet their obligations to Nets.

Liquidity and Financing Risk

Liquidity management is executed on an ongoing daily basis, with a view to securing required liquidity of Nets by appropriate cash management, and maintaining adequate liquidity reserves at any time through a combination of readily available cash, liquid investment portfolios and uncommitted as well as committed credit facilities. Nets has established cash pooling arrangements to ensure cost-efficient and secure cash management. Nets continuously monitors actual and future cash flows to match the maturity profiles of financial assets and liabilities. A part of Nets' liquidity positions relates to its settlement activities (settlement cash). Nets ensures that it has sufficient liquidity at any time to meet its settlement payment obligations as they fall due. This is achieved by holding significant cash balances and maintaining sufficient credit lines. See "*—Liquidity and Capital Resources*."

Critical Accounting Policies

The preparation of Nets' consolidated annual accounts and related disclosures requires management to make estimates, judgments and assumptions that affect the amounts reported in the Nets Consolidated Financial Statements. Management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

Estimates and judgements used in the determination of reported results are continuously revaluated and are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Nets recognizes the effects of revisions to accounting estimates in the period that estimates are revised if the revision affects only that period, or also in later periods if the revision affects both current and future periods. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed in the notes to Nets Consolidated Financial Statements included elsewhere in this offering memorandum.

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

This "SIA's Management's Discussion and Analysis of Financial Condition and Results of Operations" section is based on information extracted from the SIA Consolidated Financial Statements and should be read in conjunction with the SIA Consolidated Financial Statements included elsewhere herein and the sections in this offering memorandum titled "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 SIA's results of operations and financial condition contains forward-looking statements. SIA's actual results could differ materially from those that are discussed 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."

Key Factors Affecting SIA's Results of Operations and Financial Condition

SIA's results of operations are affected by a combination of factors, including factors which are beyond SIA's control. We believe that SIA's results of operations, and particularly the results of operations during the periods under review, have been primarily affected by the following factors.

Market for Digital Payments

SIA is among the main players in the European digital payments market, both with regard to issuing activities as well as to acquiring activities. In particular, SIA is the main European operator for EBA Clearing activities, allowing through its technology a significant portion of EBA Clearing's activities on its STEP2 platform. The market for digital payments is undergoing significant changes, as new competitors are now entering the market in light of new business opportunities (i.e., value-added services), new consumer preferences (i.e., increase in the preference for digital payments to the detriment of cards) and the implementation of new technologies (i.e., instant payments). The aforementioned factors enable these new entrants (i.e., fintechs, neobanks, e-commerce, m-commerce, over-the-top operators as well as certain large corporates) to compete with traditional operators on the market. See "*SIA's Business—SIA's Services*." The revenues from sales and services of SIA's Card & Merchant Solutions and Digital Payment Solutions business segments depend on the volume and value of the transactions processed on SIA's infrastructure and technological platforms. 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 electronic transactions processed by SIA. Furthermore, the revenues from sales and services of these business segments depend on the business model applied.

Market for the Capital Markets and Network Services

The network services market is characterized by a significant presence of companies operating in the telecommunication industry, which are able to offer broadband services integrated by a wide range of applications. SIA's services differ from the aforementioned operators, as SIA aims to provide high-degree service levels (in terms of availability, security, resilience and latency) key to financial services, which the abovementioned operators are unable to offer. Within the *secure messaging* market segment, however, SIA faces competition by operators with characteristics similar to the ones of SIA (e.g. SWIFT). This market segment is also undergoing a rapid change, both from a technological and regulatory standpoint. On the technological front, operators are increasingly moving from secure messaging to APIs, which offer a safer and more flexible infrastructure capable of managing flows of financial information in real time. On the regulatory front, SIA registers an undergoing increased harmonization effort towards common standards (e.g. the new messaging interface provided by ISO 20022).

Information and Communications Technology

The financial sector is characterized by dependence on information, information systems and computer networks and hence increasingly exposed to cyber threats due to the importance of the data processed and its critical nature for the economy. The occurrence of threats to the data processed by the services offered by SIA, or interruptions to SIA's operational continuity, can determine significant effects on the services themselves and on SIA's customers, while conversely also affecting SIA's reputation. As a result, expenditures for and investments in information systems and computer networks are critical in SIA's industry. In addition, the decision to insource or outsource the development, provision and maintenance of these systems affects SIA's results of operations. Technological changes in SIA's industry could also require significant additional investment, which would affect its results of operations.

Technology Investments

Technology is integral to all of SIA's business segments. SIA makes significant investments in order to maintain secure, stable and scalable platforms across all of its business segments. In 2020 and 2019, SIA's capital expenditure amounted to €92.9 million and €91.0 million, respectively, of which: (i) €37.8 million and €14.5 million, respectively, related to investments for the technological integration projects of the companies acquired by SIA in 2018; and (ii) €22.2 million in 2019 related to intangible assets primarily in relation to progress and advances mainly in relation with technology projects developed for bank customers.

Key Factors Affecting the Comparability of SIA's Results of Operations

General economic conditions and the COVID-19 Pandemic

The COVID-19 outbreak affected SIA's operational and financial performance for the year ended December 31, 2020. Notwithstanding the outbreak of COVID-19, SIA recorded a slight increase in revenues from sales and service in the Card & Merchant Solutions and the Digital Payment Solutions business segments in the year ended December 31, 2020, and only a slight decrease in the Capital Market & Network Solutions business segment over the same period. The impact of the COVID-19 pandemic on SIA's operations limits the comparability of SIA's results for year ended December 31, 2020, with the corresponding period in 2019. See also "*Risk Factors—Risks Related to the Combined Group's Business and Industry—The outbreak of the COVID-19 pandemic and the resulting economic downturn that has and is expected to continue to have a material adverse effect on the business, liquidity and results of operations of the Combined Group. The spread of the COVID-19 pandemic has caused significant disruptions in Italy and the other European markets in which Nexi, Nets and SIA operate, as well as in the wider global economy, the extent of the impact and duration of which is not yet known. Any future outbreak or pandemic of any other highly infectious or contagious disease could have a similar impact.*"

Impact of Non-Recurring Items

Non-recurring items impact SIA's historical results. The impact of these items can affect comparability between periods. During the periods presented SIA 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, expenses related to the SIA Merger, consultancy costs related to a potential initial public offering of SIA, subsequently discontinued, and investments related to technological integration projects of the entities acquired by SIA in previous years. Non-recurring charges also include taxes on completed M&A transactions. In order to allow comparability of SIA's financial condition and results of operations for the periods presented in this offering memorandum, certain revenues and charges of a non-recurring nature have been included.

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 SIA Consolidated Financial Statements.

Revenues from sales and services

Revenues deriving from the rendering of services falling within SIA's business segments are mainly related to: (i) volumes of transactions of payments and cards for the Card & Merchant Solutions and Digital Payment Solutions business segments: and (ii) traffic volumes for the Capital Market & Network Solutions business segment.

Costs for raw materials, supplies, consumables and goods

Costs for raw materials, supplies, consumables and goods mainly refer to hardware and materials for debit/credit card production.

Cost for Services

Costs for services include rental, maintenance, network, outsourcing, building, professional services, royalties, general expenses and insurance costs.

Payroll costs

Payroll costs include wages and salaries, social charges, severance indemnities, payments to pension funds, charges for restructuring, travel, wages of directors and auditors, and capitalized internal staff costs.

Other operating expenses

Other operating expenses primarily includes expenses related to non-deductible VAT and other charges.

Depreciation and amortization

Depreciation and amortization includes depreciation of tangible assets and amortization of intangible assets.

Adjustment to tangible and intangible assets

Adjustment to tangible and intangible assets includes write-offs to tangible and intangible assets.

Provision for risks

Provision for risks includes provisions for risks set aside during the relevant financial year.

Financial income

Financial income includes interest income and other financial income.

Financial expenses

Financial expenses includes interest expenses and bank charges.

Income Taxes

Income taxes consist of the sum of current taxes, prepaid/deferred taxes and taxes from previous years.

Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

The following table shows SIA's consolidated statement of profit and loss for the years ended December 31, 2020 and 2019.

	Year ended December 31,		**Changes**	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Revenues from sales and services	758.6	733.2	25.4	3.5%
Other revenues and income	3.2	3.3	(0.1)	(3.0%)
Variation in inventories and commission	1.0	0.8	0.2	25.0%
Costs for raw materials, supplies, consumables and goods	(12.7)	(14.2)	1.5	(10.6%)
Costs for services	(237.5)	(217.2)	(20.3)	9.3%
Payroll costs	(207.9)	(215.0)	7.1	(3.3%)
Other operating expenses	(31.2)	(33.0)	1.8	(5.5%)
Adjusted operating margin	**273.5**	**257.9**	**15.6**	6.0%
Depreciation and amortization	(115.2)	(110.8)	(4.4)	4.0%
Adjustments to tangible and intangible assets	(49.3)	(3.6)	(45.7)	n.s.
Adjustments to trade receivables	(1.1)	(3.7)	2.6	(70.3%)
Provision for risks	(52.9)	(1.7)	(51.2)	n.s.
Operating income	**55.0**	**138.1**	**(83.1)**	**(60.2%)**
Profit/(loss) from equity investments	(0.1)	—	(0.1)	n.a.
Profit/(loss) from equity investments	**(0.1)**	**—**	(0.1)	n.a.
Profit / (loss) on financial assets and liabilities management	(1.9)	—	(1.9)	n.a.
Management / trading of financial assets and liabilities	**(1.9)**	**—**	**(1.9)**	**n.a.**
Interest income	0.5	0.4	0.1	25.0%
Other financial income	—	2.2	(2.2)	(100.0%)
Financial income	0.5	2.6	(2.1)	(80.8%)
Interest expenses	(13.8)	(17.5)	3.7	(21.1%)
Bank charges	(0.6)	(0.6)	—	—%
Financial expenses	**(14.4)**	**(18.1)**	**3.7**	**(20.4%)**
Net income before taxes	**39.1**	**122.6**	**(83.5)**	**(68.1%)**
Income taxes	(22.3)	(27.3)	5.0	(18.3%)
Net income from continuing operations	16.8	95.3	(78.5)	(82.4%)
Profit/(loss) for the year	**16.8**	**95.3**	**(78.5)**	**(82.4%)**

Revenues from sales and services

SIA's revenues from sales and services increased by €25.4 million, or 3.5%, from €733.2 million for the year ended December 31, 2019 to €758.6 million for the year ended December 31, 2020, primarily as a result of the increase in long-term rental based revenues, by 7.0%, and a 1.0% increase in transaction volumes managed, partly offset by the decrease of revenues deriving from project activities, due to reduced planned investments in certain strategic initiatives as a consequence of COVID-19.

The table below shows a breakdown of SIA's revenues from sales and services by business segment for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Card & Merchant Solutions	511.9	490.5	21.4	4.4%
Digital Payment Solutions	155.3	150.8	4.6	3.0%
Capital Market & Network Solutions	91.4	92.0	(0.6)	(0.7%)
Total revenues from sales and services	**758.6**	**733.2**	**25.4**	**3.5%**

SIA's revenues from sales and services from its Card & Merchant Solutions business segment increased by €21.4 million, or 4.4%, from €490.5 million for the year ended December 31, 2019 to €511.9 million for the year ended December 31, 2020, primarily as a result of the increase in the performance of e-commerce activities, partly offset by a decrease in total volumes for in-store payment transactions, due to COVID-19. Further factors were an increasing customer base, particularly in relation to direct acquiring services, and to the implementation of new services dedicated to banks, financial institutions and transport companies.

SIA's revenues from sales and services from its Digital Payment Solutions business segment increased by €4.5 million, or 3.0%, from €150.8 million for the year ended December 31, 2019 to €155.3 million for the year ended December 31, 2020, primarily as a result of an increase in the volumes managed. In particular, this increase has been driven by: (i) the positive contribution of progressive onboarding of new customers by EBA Clearing, primarily for the instant payments and SEPA services managed through the SIA Easyway platform; and (ii) enhanced services offered by means of the Payment Gateway Platform, with specific regard to those services that enable an interaction with the digital channels managed by PSPs and the Pago PA and Cbill electronic infrastructures.

SIA's revenues from sales and services from its Capital Market & Network Solutions business segment decreased by €0.6 million, or 0.7%, from €92.0 million for the year ended December 31, 2019 to €91.4 million for the year ended December 31, 2020, primarily as a result of a decrease in managed volumes, partly offset by: (i) the strengthening of the partnership with the London Stock Exchange Group as main technological partner for MTS and Monte Titoli, following the introduction of new trading fixed income and post-trading T2S solutions; and (ii) a growth in connectivity services, driven by an increase of approximately 30% in SIANet's network total volumes compared to 2019.

Costs for raw materials, supplies, consumables and goods

SIA's costs for raw materials, supplies, consumables and goods decreased by €1.5 million, or 10.6%, from €14.2 million for the year ended December 31, 2019 to €12.7 million for the year ended December 31, 2020. This decrease was mainly due to reduced production volumes for cards, and reduced purchasing volumes for POS and hardware for resale.

Costs for services

The table below shows a breakdown of SIA's costs for services for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Rental	23.5	24.2	(0.7)	(2.9%)
Maintenance	45.5	36.9	8.6	23.3%
Network	16.7	16.2	0.5	3.1%
Outsourcing	33.2	34.3	(1.1)	(3.2%)
Building	8.4	7.9	0.5	6.3%
Professional services	72.1	66.5	5.6	8.4%
Royalties	30.1	19.6	10.5	53.6%
General expenses	6.6	10.2	(3.6)	(35.3%)
Insurance	1.4	1.4	—	—
Total	**237.5**	**217.2**	**20.3**	**9.3%**

SIA's costs for services increased by €20.3 million, or 9.3%, from €217.2 million for the year ended December 31, 2019 to €237.5 million for the year ended December 31, 2020. This increase was mainly due to (i) increased investments for the modernization of the existing technological infrastructure and the strengthening of cyber-security services; (ii) increased non-recurring consulting expenses, relating to intra-group reorganization projects and M&A activity involving SIA; (iii) increased royalties resulting from the expansion of SIApay's acquiring services. These increases have been partly offset by reduced general expenses caused by a reduction in overhead costs as a consequence of COVID-19.

For the year ended December 31, 2020, costs for services include non-recurring items for €12.2 million, mainly relating to: (i) €5.8 million of expenses incurred in connection with the SIA Merger; (ii) €1.9 million costs incurred in connection with a potential initial public offering of SIA, subsequently discontinued; (iii) €1.8 million costs incurred for investments in the technological integration of companies acquired by SIA in previous years; (iv) €1.5 million legal and tax consulting fees incurred in connection with planned acquisitions; and (v) €1.2 million costs incurred with regard to SIA's internal reorganization process.

For the year ended December 31, 2019, costs for services include non-recurring items for €7.3 million, mainly relating to: (i) €4.6 million legal and tax consulting fees incurred in connection with planned acquisitions; (ii) €2.2 million costs incurred in connection with integration projects for companies acquired during the course of 2018; and (iii) €0.5 million of other legal, tax and corporate consulting fees.

Net of the abovementioned non-recurring items, costs for services would have increased by €15.4 million, or 7.3%, from €209.9 million for the year ended December 31, 2019, to €225.3 million for the year ended December 31, 2020.

Payroll costs

The table below shows a breakdown of SIA's payroll costs for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Wages and salaries	154.2	154.9	(0.7)	(0.5%)
Social charges	37.9	39.9	(2.0)	(5.0%)
Severance indemnities	6.0	5.8	0.2	3.4%
Payments to pension funds	5.0	4.3	0.7	16.3%
Charges for restructuring	2.5	4.8	(2.3)	(47.9%)
Other costs	6.6	9.0	(2.4)	(26.7%)
Travel	0.9	4.0	(3.1)	(77.5%)
Other staff	0.5	0.4	0.1	25.0%
Directors and auditors	1.7	1.5	0.2	13.3%
Recoveries seconded staff	0.0	—	—	n.a.
Refunds seconded staff	0.2	0.2	—	—
Capex internal staff costs	(7.6)	(9.8)	2.2	(22.4%)
Total	**207.9**	**215.0**	**(7.1)**	**(3.3%)**

SIA's payroll costs decreased by €7.1 million, or 3.3%, from €215.0 million for the year ended December 31, 2019 to €207.9 million for the year ended December 31, 2020. This decrease was mainly due to (i) an overall reduction in salaries and social charges in light of €2.4 million in income support benefits received in the context of the COVID-19 outbreak; (ii) a reduction in non-recurring management cash incentives; (iii) reduced restructuring costs caused by eligible employees subscribing to the category solidarity fund; (iv) an overall reduction in other personnel costs and travel expenses, due to lower provisions for unaccrued holidays and lower travelling costs, respectively. This decrease has been partly offset by a reduction in capitalized payroll costs.

For the year ended December 31, 2020, payroll costs include non-recurring items for €1.4 million, mainly relating to: (i) €1.5 million in gains recorded in connection with cash incentives to management connected to the achievement of long term results; (ii) €2.4 million of benefits deriving from extraordinary income support measures received in the context of the COVID-19 outbreak; and (iii) €2.5 million of intra-group reorganization expenses.

For the year ended December 31, 2019, payroll costs include non-recurring items for €10.5 million, mainly relating to: (i) €5.7 million in cash incentives to management connected to the achievement of long term goals; and (ii) €4.8 million of intra-group reorganization expenses.

Net of the abovementioned non-recurring items, payroll costs would have increased by €4.8 million, or 2.3% , from €204.5 million for the year ended December 31, 2019 to €209.3 million for the year ended December 31, 2020.

Other operating expenses

The table below shows a breakdown of SIA's other operating expenses for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Non-deductible VAT	27.2	28.5	(1.3)	(4.6%)
Tax expenses	0.7	0.8	(0.1)	(12.5%)
Losses on disposal of assets	0.4	0.2	0.2	100.0%
Other charges	2.9	3.5	(0.6)	(17.1%)
Total	**31.2**	**33.0**	**(1.8)**	**(5.5%)**

SIA's other operating expenses decreased by €1.8 million, or 5.5%, from €33.0 million for the year ended December 31, 2019 to €31.2 million for the year ended December 31, 2020. This decrease was mainly due to a reduction of non VAT-deductible costs, caused by a significant increase in revenues not subject to VAT (with particular regard to revenues from the processing of transactions).

For the years ended December 31, 2020, and December 31, 2019, other operating expenses include non-recurring items for €0.3 million and €0.6 million, respectively, relating to consulting fees incurred in connection with completed acquisitions and expenses related to intra-group reorganization.

Net of the abovementioned non-recurring items, other operating expenses would have decreased by €1.5 million, or 4.6%, from €32.4 million for the year ended December 31, 2019 to €30.9 million for the year ended December 31, 2020.

Adjusted operating margin

SIA's adjusted operating margin increased by €15.6 million, or 6.0%, from €257.9 million for the year ended December 31, 2019, to €273.5 million for the year ended December 31, 2020, primarily due to: (i) an increase in revenues from sales and services from €733.2 million for the year ended December 31, 2019 to €758.6 million for the year ended December 31, 2020, (ii) a decrease in costs for raw materials, supplies, consumables and goods from €14.2 million for the year ended December 31, 2019 to €12.7 million for the year ended December 31, 2020, (iii) a decrease in payroll costs from €215 million for the year ended December 31, 2019 to €207.9 million for the year ended December 31, 2020, and (iv) a decrease in other operating expenses from €33.0 million for the year ended December 31, 2019 to €31.2 million for the year ended December 31, 2020, only partly offset by an increase in costs for services from €217.2 million for the year ended December 31, 2019 to €237.5 million for the year ended December 31, 2020.

The table below shows a breakdown of SIA's adjusted operating margin by business line for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Card & Merchant Solutions	184.1	172.4	11.7	6.8%
Digital Payment Solutions	57.3	52.3	5.0	9.6%
Capital Market & Network Solutions	32.1	33.2	(1.1)	(3.3%)
Adjusted operating margin	**273.5**	**257.9**	**15.6**	**6.0%**

SIA's adjusted operating margin from its Card & Merchant Solutions business segment increased by €11.7 million, or 6.8%, from €172.4 million for the year ended December 31, 2019 to €184.1 million for the year ended December 31, 2020, primarily as a result of the increase in revenues from sales and services from the Card & Merchant Solutions business line from €490.5 million for the year ended December 31, 2019 to €511.9 million for the year ended December 31, 2020, partly offset by the related increase in costs for services.

SIA's adjusted operating margin from its Digital Payment Solutions business segment increased by €5.0 million, or 9.6%, from €52.3 million for the year ended December 31, 2019 to €57.3 million for the year ended December 31, 2020, primarily as a result of the increase in revenues from sales and services from the Digital Payment Solutions business line from €150.8 million for the year ended December 31, 2019 to €155.3 million for the year ended December 31, 2020, partly offset by the related increase in costs for services.

SIA's adjusted operating margin from its Capital Market & Network Solutions business segment decreased by €1.1 million, or 3.3%, from €33.2 million for the year ended December 31, 2019 to €32.1 million for the year ended December 31, 2020, primarily as a result of the decrease in revenues from sales and services from the Capital Market & Network Solutions business line from €92 million for the year ended December 31, 2019 to €91.4 million for the year ended December 31, 2020, and the increase in costs related to planned strategic initiatives.

Depreciation and amortization

The table below shows a breakdown of SIA's depreciation and amortization for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	**2019**	**2020 vs. 2019**	**%**
	(in € million, except for %)			
Tangible assets	19.4	21.4	(2.0)	(9.3%)
Leased tangible assets	18.1	14.9	3.2	21.5%
Total tangible assets	**37.5**	**36.3**	**1.2**	**3.3%**
Goodwill	—	—	—	n.a.
Software licenses	21.8	11.3	10.5	92.9%
Internally developed software	16.4	23.9	(7.5)	(31.4%)
Other intangible assets	39.5	39.3	0.2	0.5%
Intangible assets in progress	—	—	—	n.a.
Total intangible assets	**77.7**	**74.5**	**3.2**	**4.3%**
Total	**115.2**	**110.8**	**4.4**	**4.0%**

Depreciation and amortization increased by €4.4 million, or 4.0%, from €110.8 million for the year ended December 31, 2019 to €115.2 million for the year ended December 31, 2020. This increase was mainly due to increased investments for leased equipment and software licenses.

Adjustment to tangible and intangible assets

The table below shows a breakdown of SIA's adjustment to tangible and intangible assets for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Tangible assets	—	—	—	n.a.
Leased tangible assets	—	—	—	n.a.
Total tangible assets	**—**	**—**	**—**	**n.a.**
Goodwill	48.1	2.5	45.6	n.s.
Software licenses	—	—	—	n.a.
Internally developed software	1.2	0.2	1.0	n.s.
Other intangible assets	—	0.7	(0.7)	(100.0%)
Intangible assets in progress	—	0.2	(0.2)	(100.0%)
Total intangible assets	**49.3**	**3.6**	**45.7**	**n.s.**
Total	**49.3**	**3.6**	**45.7**	**n.s.**

Adjustment to tangible and intangible assets increased by €45.7 million, from €3.6 million for the year ended December 31, 2019 to €49.3 million for the year ended December 31, 2020. This increase was mainly due to a write-down in 2020 of €48.1 million to the carrying value of the consolidated goodwill carried from the acquisition of SIA Greece. SIA Greece revised its revenue growth estimates downwards due to the consequences of the COVID-19 outbreak and the related changes in the future prospects of its reference market.

Provision for risks

Provision for risks increased by €51.2 million, from €1.7 million for the year ended December 31, 2019 to €52.9 million for the year ended December 31, 2020. This increase was mainly due to the accrual of a provision of €48.2 million in relation to certain claims received by UniCredit in relation to certain services provided by SIA's subsidiary P4cards in favor of UniCredit during the period 2016-2020 under the UniCredit Master Service Agreement. See "*—SIA's Business—Material Contracts—Agreement with UniCredit*."

Operating income

Operating income decreased by €83.1 million, or 60.2%, from €138.1 million for the year ended December 31, 2019 to €55.0 million for the year ended December 31, 2020. This decrease was mainly due to: (i) the increased adjustments to tangible and intangible assets, from €3.6 million for the year ended December 31, 2019 to €49.3 million for the year ended December 31, 2020 and (ii) increased provisions for risks from €1.7 million for the year ended December 31, 2019 to €52.9 million for the year ended December 31, 2020, partly offset by an increase in Adjusted operating margin, from €257.9 million for the year ended December 31, 2019 to €273.5 million for the year ended December 31, 2020.

Financial income

The table below shows a breakdown of SIA's financial income for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Interest income	0.5	0.4	0.1	25.0%
Other financial income	—	2.2	(2.2)	(100.0%)
Total	**0.5**	**2.6**	**(2.1)**	**(80.8%)**

Financial income decreased by €2.1 million, or 80.8%, from €2.6 million for the year ended December 31, 2019 to €0.5 million for the year ended December 31, 2020. This decrease was mainly due to the non-recurring nature of a payment related to a purchase price adjustment received in 2019 from the sellers of SIA Greece and SIA Slovakia to SIA.

Financial expenses

The table below shows a breakdown of SIA's financial expenses for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Interest income	8.8	12.7	(3.9)	(30.7%)
Interest expenses on derivatives	2.4	2.7	(0.3)	(11.1%)
Interest expenses on lease liabilities IFRS 16	2.5	2.1	0.4	19.0%
Bank charges	0.7	0.6	0.1	16.7%
Total	**14.4**	**18.1**	**(3.7)**	**(20.4%)**

Financial expenses decreased by €3.7 million, or 20.4%, from €18.1 million for the year ended December 31, 2019 to €14.4 million for the year ended December 31, 2020. This decrease was mainly due to reduced indebtedness.

Income Taxes

The table below shows a breakdown of SIA's income taxes for the years ended December 31, 2020 and 2019.

	Year ended December 31,		Changes	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Current taxes	47.3	38.4	8.9	23.2%
Prepaid/deferred taxes	(25.3)	(11.3)	(14.0)	n.s.
Taxes from previous years	0.3	0.2	0.1	50.0%
Total	**22.3**	**27.3**	**(5.0)**	**(18.3%)**

Income taxes decreased by €5.0 million, or 18.3%, from €27.3 million for the year ended December 31, 2019 to €22.3 million for the year ended December 31, 2020. In terms of percentage over net income before taxes, the effective tax rate increased from 22.3% for the year ended December 31, 2019 to 57.0% for the year ended December 31, 2020. This decrease was mainly due to the abovementioned write-down to intangible assets, which is not deductible for tax purposes.

Profit/(loss) for the year

Profit/(loss) for the year decreased by €78.5 million, or 82.4%, from €95.3 million for the year ended December 31, 2019, to €16.8 million for the year ended December 31, 2020. This decrease was mainly due to the €83.1 million decrease in operating income from €138.1 million for the year ended December 31, 2019 to €55.0 million for the year ended December 31, 2020, partly offset by the €5.0 million decrease in income taxes from €27.3 million for the year ended December 31, 2019 to €22.3 million for the year ended December 31, 2020.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA excluding (i) management/trading of financial assets and liabilities; (ii) impairment of tangible and intangible assets, (iii) impairment of trade receivables, (iv) provision for risks, (v) consultancy costs for M&A and corporate projects, (vi) non-deductible VAT on consultancy costs for M&A and corporate projects, (vii) long-term incentives, (viii) restructuring charges, (ix) income support benefits, and (x) other income and costs. Set forth below is a reconciliation of Adjusted EBITDA to profit/(loss) for the year, which we believe is their closest comparable IFRS measure, for each of the years ended December 31, 2020 and 2019. See also "*Summary of Financial Information and Other Data of SIA—Other Financial Data*."

	Year ended December 31,	
(in € million)	**2020**	**2019**
Profit/(loss) for the year	**16.8**	**95.3**
Income taxes	22.3	27.3
Financial expenses	14.4	18.1
Financial income	(0.5)	(2.6)
Bank charges	(0.6)	(0.6)
Depreciation and amortization	**115.2**	110.8
EBITDA	**167.6**	**248.3**
Profit/(loss) from equity investments	0.1	—
Management / trading of financial assets and liabilities	1.9	—
Impairment of tangible and intangible assets	49.3	3.6
Impairment of trade receivables	1.1	3.7
Provision for risks	52.9	1.7
Consultancy costs for M&A and corporate projects	12.5	7.3
Non-deductible VAT on consultancy costs for M&A and corporate projects	—	0.6
Long-term incentives	(1.5)	5.7
Restructuring charges	2.5	4.8
Income support benefits	(2.4)	—
Other income and costs	0.5	—
Adjusted EBITDA	**284.5**	**275.7**

Liquidity and Capital Resources

SIA's principal source of liquidity is expected to be cash flows from its operations and from its subsidiaries, either by way of dividends or other means such as intercompany loans, as supplemented by drawings under bank loans. SIA's ability to generate sufficient cash for its debt service depends on SIA's operating performance and liquidity and on the operating performance and liquidity of its subsidiaries, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond SIA's control, as well as other factors discussed in the "*Risk Factors*."

Cash Flow Information

The following table shows SIA's consolidated cash flow statements derived from the SIA Consolidated Financial Statements for the years ended December 31, 2020 and 2019.

	Year ended December 31,	
	2020	2019(*)
	(in € million)	
Net cash from operating activities	227.7	140.3
Net cash used in investing activities	(66.5)	(76.6)
Net cash used in financing activities	(97.2)	(60.9)
Net cash flow for the year	**64.0**	**2.8**

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(*) The following items for the year ended December 31, 2019 have been reclassified in the consolidated cash flow statement of the SIA Consolidated Financial Statements as of and for the year ended December 31, 2019: (i) reclassification of the non-current portion of payables to social security institutions from the item Other current liabilities to the item Other non-current liabilities in an amount of €4.3 million; and (ii) reclassification of assets in progress from the item Intangible assets to the item Tangible assets in an amount of €0.5 million.

Net Cash Flow from Operating Activities

Net cash from operating activities increased by €87.4, or 62.3%, to €227.7 million for the year ended December 31, 2020 from €140.3 million for the year ended December 31, 2019. This increase was primarily attributable to (i) the increase in depreciation and write-off to tangible assets from €36.4 million for the year ended December 31, 2019 to €37.5 million for the year ended December 31, 2020; (ii) the increase in amortization and write-off to intangible assets, from €78.1 million for the year ended December 31, 2019 to €127.1 million for the year ended December 31, 2020; (iii) the increase in provision for risks from €1.7 million for the year ended December 31, 2019 to €52.9 million for the year ended December 31, 2020; (iv) a reduction in income taxes paid, from €46.2 million for the year ended December 31, 2019 to €19.1 million for the year ended December 31, 2020; and (v) a change in trade receivables equal to negative €34.8 million for the year ended December 31, 2019, and negative €2.4 million for the year ended December 31, 2020. This increase has been partly offset by a reduction in profit/(loss) for the year, from €95.3 million for the year ended December 31, 2019, to €16.8 million for the year ended December 31, 2020.

Net Cash Flows used in Investing Activities

Net cash flows used in investing activities decreased by €10.1 million, or 13.2%, to €66.5 million for the year ended December 31, 2020 from €76.6 million for the year ended December 31, 2019. This decrease was primarily attributable to: (i) lower cash flows used for the purchase of software licenses and for investments in the technological integration of the companies acquired by SIA in 2018, which were equal to €53.5 million for the year ended December 31, 2020 and €57.5 million for the year ended December 31, 2019, and (ii) lower cash flows used for the purchase of intangible assets, which were equal to €13.1 million for the year ended December 31, 2020, and €19.1 million for the year ended December 31, 2019.

Net Cash Flows used in Financing Activities

Net cash flows used in financing activities increased by €36.3 million, or 59.6%, to €97.2 million for the year ended December 31, 2020 from €60.9 million for the year ended December 31, 2019. This increase was primarily attributable to the combined effect of: (i) a €115 million repayment of credit lines, (ii) a €80.0 million principal repayment under SIA's medium/long term facilities (plus interests and differential relating to derivative contracts swapping the loan's variable rate with a fixed rate), and (iii) the drawing of €100.2 million facilities in 2020.

Contractual Obligations

The following table summarizes certain of SIA's contractual obligations and commitments owed to third parties (excluding any interest payments or accruals on such contractual obligations and commitments), by period, as of December 31, 2020, without giving effect to the Nets Merger and the repayment of the Existing SIA Indebtedness:

	Less than 1 year	1 - 5 years	More than 5 years	Total
		(in € million)		
Term Loan Facility(1)(2)	80.0	545.0	—	**625.0**
Credit Lines Facilities(1)(3)	129.7	—	—	**129.7**
Leases	22.6	41.2	18.7	**82.5**
Other financial debt(4)	19.6	—	—	**19.6**
Total	**251.9**	**586.2**	**18.7**	**856.8**

(1) The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates.

(2) The Term Loan Facility consists of the a facility agreement with UniCredit, amounting to €621.8 million as of December 31, 2020.

(3) The Credit Lines Facilities refer to a combination of committed and uncommitted credit lines agreements. As of December 31, 2020 the Credit Lines Facilities were drawn for €129.7 million.

(4) Includes financial debt related to the acquiring activity of SIApay.

Off-Balance Sheet Arrangements

As of the date of this offering memorandum, SIA has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on SIA's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Qualitative Disclosure on Market Risk

Exchange rate risk

SIA primarily operates in the Eurozone and its exposure to exchange rate risk is as a result limited. SIA monitors its strategic plans, revenues mix, costs and customers in currencies other than the euro in order to prevent unexpected fluctuations from affecting the results and the book value of its investments. If such risk were to occur, SIA would account for such risk through an impairment test. SIA also monitors exchange rate trends.

Credit Risk

SIA operates primarily with well-known customers with reliable credit, a large portion of whom operate in the financial industry. As a result, SIA is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. When new customers are acquired, checks are performed on the credit-worthiness of the potential customer. In relation to debt collection activities, procedures have been put in place to monitor expected cash flows and for any debt recovery that may be necessary, and such procedures are primarily aimed at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. SIA has not experienced material credit losses in the past.

Liquidity risk

In light of the periodic analyses of the variances between forecast and actual figures and the strategic objectives that SIA set itself, there are no liquidity risks as of December 31, 2020, even taking into account the short-term credit lines negotiated with certain banks to deal with any temporary cash imbalances.

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates would have a negative effect on SIA's results and could affect SIA's long-term competitiveness. There is a risk of interest rates moving both upwards and downwards. SIA is exposed to interest rate risk in relation to a long-term loan and certain finance leases that bear interest at floating rates. Interest rate changes impact the amount of SIA's interest payments in respect of floating rate debt and, therefore, SIA's future earnings and cash flows. To hedge the interest rate on its long-term loan, SIA entered into a hedging agreement with the lending banks using interest rate swaps.

Critical Accounting Policies

The preparation of SIA's consolidated annual accounts and related disclosures requires management to make estimates, judgments and assumptions that affect the amounts reported in SIA's Financial Statements. Management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

SIA periodically reviews these estimates and underlying assumptions. SIA recognizes the effects of revisions to accounting estimates in the period that estimates are revised if the revision affects only that period, or also in later periods if the revision affects both current and future periods. The significant estimates, accounting judgments and related assumptions for the accounting issues concerned are detailed in the notes to SIA's Consolidated Financial Statements included elsewhere in this offering memorandum.

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.

Key Trends in the Digital Payments Market

The digital payments market has shown the following key trends in recent years:

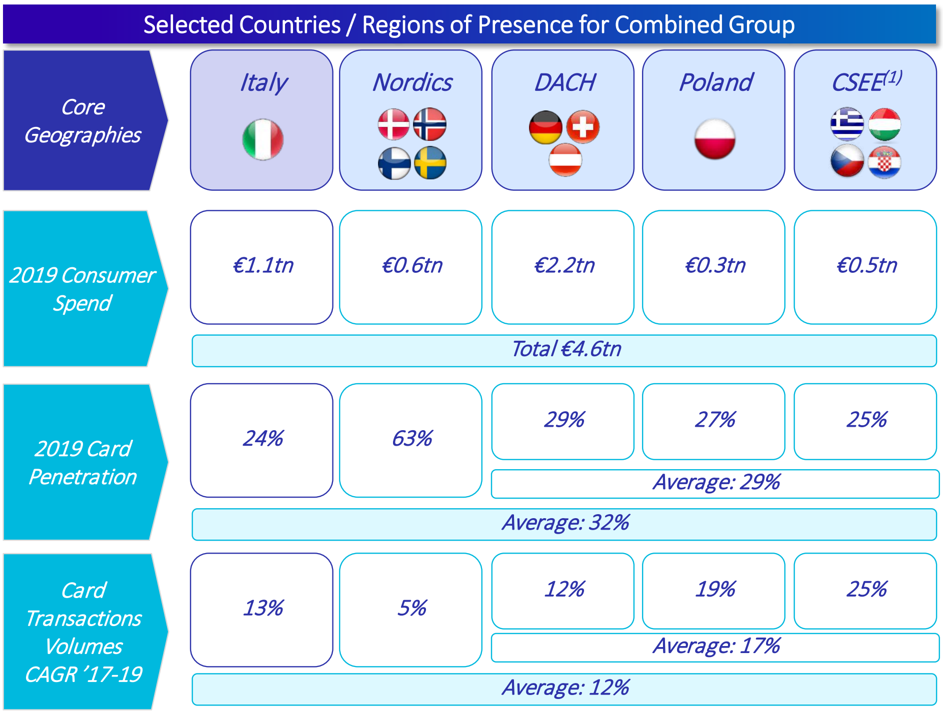
- the progressive replacement of cash payments with digital tools;
- the sustained growth of digital payments;
- changes in the behavior and needs of end customers (consumers, merchants and businesses);
- technological innovations; and
- regulatory interventions.

Reference Markets for the Combined Group

The Combined Group will be present in more than 50 countries, including some of the largest economies by consumer spending in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other more underpenetrated markets, such as CSEE and Poland. We are creating the new European Paytech leader through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest payment companies by number of merchants in Europe, one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe in 2019, according to management estimates. The Combined Group's footprint will cover attractive European markets for growth, with recorded average card payments penetration of only 32% in the year ended December 31, 2019, compared to a 46% average for Western Europe, according to management estimates based on data as of December 31, 2019. We are expanding Nexi's addressable market in Europe by more than 4x in terms of consumer spend, according to management estimates based on data as of December 31, 2019.

Total addressable market for the Combined Group will expand by more than 4x in terms of consumer spend in the year ended December 31, 2019 compared to Nexi on a standalone basis, according to management estimates based on data as of December 31, 2019, and the addressable market in core European countries in which the Combined Group will operate will amount to approximately €4.6 trillion, according to management estimates. Card transactions volumes for the portfolio of main countries and regions from which the Combined Group will generate the vast majority of its operating revenues, grew at an average CAGR of approximately 12% between 2017 and 2019, mainly driven by

(i) increasing card payments penetration, (ii) technological innovation and (iii) favorable regulatory tailwinds, according to management estimates based on data as of December 31, 2019.



(1) CSEE includes Greece, Slovakia, Croatia, Slovenia, Hungary, Czech Republic, Serbia, Romania, Albania and Bosnia, Bulgaria, Montenegro and Macedonia (only selected flags displayed).

The core European markets in which the Combined Group will operate, have historically been, and remain, underpenetrated compared to the Western European average, with the exception of the Nordics which is one of the most advanced and innovative regions globally for digital payments. In the year ended December 31, 2019, Italy and DACH, the largest markets in terms of consumer spending in which the Combined Group will operate, recorded a card payments penetration of 24% and 29%, respectively, compared to an average card payments penetration of 46% recorded in Western Europe, according to management estimates based on data as of December 31, 2019. Similarly, Poland and CSEE recorded a card payments penetration of 27% and 25% respectively, according to management estimates based on data as of December 31, 2019; between 2017 and 2019, Card Transactions Volumes in these markets grew at an average CAGR of approximately 19% for Poland and of 25% for CSEE, according to management estimates. Given the significant gap in the levels of Card Payments Penetration between the Combined Group's core markets in Europe and Western Europe as a whole, we believe the Combined Group will operate in a markets with strong potential for further growth.

We expect that Card Transactions Volumes in Europe will also accelerate driven by technological innovation. We believe that the numerous innovative payment technologies which have been developed in recent years, including contactless payment methods, online wallets and instant payment platforms, have driven a change in consumer preferences, with consumers becoming increasingly more exacting in the way they interact with commerce. We believe that new technological innovations, such as machine learning and AI, blockchain, IoT,biometry and open banking infrastructures, will further accelerate digital payments in the near future.

Additionally, growth of payments digitalization is also driven by the increasing focus of European governments and regulators to implement policies that favor digital payments to prevent tax avoidance, money laundering and corruption. See "*Industry—Regulatory Changes*" for a description of these initiatives.

We believe that the scale and positioning of the Combined Group following the Mergers enables the Combined Group to capitalize on these secular growth trends and favorable industry dynamics, which we expect to be confirmed in the mid- to long term, and also drive the European transition to cashless.

The shift in consumer preferences to cashless transactions has seen an acceleration driven by the unprecedented health and macro-economic crisis triggered by the COVID-19 pandemic. Whether in-store or online, individuals, merchants and corporates have increasingly adopted cashless transactions as a form of payment, in order to face the extraordinary measures and restrictions imposed by governments on economy in an attempt to contain the spread of the COVID-19 pandemic.

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 and/or services through computers and wireless devices such as smartphones and tablets, and wereables. 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.

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.

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

Services offered to merchants by PSPs are continuously growing from pure payment acceptance services to include an increasing number of value-added services in response to the evolving needs to merchants. 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. small- and medium-sized enterprises ("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

Traditional payment methods are still dominating the B2B and B2B2C payments flows, which could benefit massively from the digitization of payments and general business operations.

In light of this, 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 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, faster and more secure.

Technological innovation, paired with consumers' expectations, is leading the development of new payment methods. 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 schemes 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

- 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 AI;

- Distributed ledger, also known as blockchain;

- IoT; and

- Biometry.

AI, 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

For what concerns the PSD2 and SEPA regulatory framework, recent Italian governments have implemented certain legislative 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;

- the first Conte government (2018 - 2019) introduced a citizens' income ("Reddito di Cittadinanza"), that will be accessible by way of prepaid cards; and

- the second Conte government (2019 – 2021) introduced (i) a cash-back bonus for consumers paying using digital payments; (ii) a lottery on receipts in relation to which the chances of winning are higher for consumers paying with cards or electronic money; (iii) a 19% tax deduction on certain expenses (such as interests on mortgages, sport centers/school expenses) if payments are made by traceable instruments; (iv) 30% tax credit on merchant fees for card/digital transactions dedicated to small merchants; (v) a progressive reduction of cap on the use of cash per single purchase: from €3,000 to €2,000 from July 1, 2020 and to €1,000 from January 1, 2022.

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 BS PayOne by Ingenico Group (May 2018).

- Acquisition of iZettle by PayPal (May 2018);

- Acquisition of SIX Payments Services by Worldline (May 2018);

- Merger between Nets A/S and Concardis Payment Group (June 2018);

- Acquisition of Bambora by Ingenico (July 2018);
- Acquisition of First Data by Fiserv (January 2019);
- Acquisition of Worldpay by FIS (March 2019);
- Acquisition of Total System by Global Payments (May 2019);
- Acquisition of A2A business of Nets by MasterCard (August 2019);
- Acquisition of Ingenico Group by Worldline (February 2020);
- SIA Merger (announced, October 2020); and
- Nets Merger (announced, November 2020).

Following consummation of the Mergers and the recent combination between Worldline and Ingenico, the European payment landscape will see the creation of two leading players at scale capable of driving investment and accelerate growth in the digital payments space. Nonetheless, the European payment services market remains rather fragmented. The market includes international companies and national companies with strong positions in their domestic market. Continued innovation, development of new technologies, research for increased efficiency by businesses and availability of private and public capital are the basis for a flourishing evolution of the payments sector and a rather competitive landscape. The emergence of fintech payment platforms, the proliferation of Alternative Payments Methods ("APM"), the integration of payment and software companies and the growth of open banking and instant payments technologies, all provide for multiple avenues of expansion, while also increasing the complexity and competitiveness of the industry, which can only be sustained by staying at the forefront of technological innovation.

Following the wave of consolidation described above, the European acquiring and POS market will be comprised of two main local players, namely Worldline/Ingenico and the Combined Group, as well as a number of global players with operations in Europe, including FIS, FISERV, Elavon and EVO Payments, with other international players, e.g. Global Payments, looking to expand in Europe. Moving away from the traditional acquiring and POS market, large international acquirers that compete with us in the e-commerce market or with regard to services for large global merchants include Adyen, a listed firm based in Amsterdam, 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 Italy (Stripe provides the technical risk management infrastructure for internet businesses).

Merchant Acquiring

Italy

The main competitors in the country include:

- Banks, such as:

  (a) Banca Sella – Axerve: Banca Sella invested in the merchant acquiring segment: in 2018 they launched Axerve, a payments gateway solution for the acceptance of physical and e-commerce payments;

  (b) BNP Paribas – Axepta: BNP is one of the largest banking groups in Europe, in Italy active also as merchant acquirer, throughout Axepta, which is a company specialized in the management of electronic payments;

(c) UniCredit, among the largest merchant acquirers in Italy. Along with keeping competing on acquiring, as an effect of the SIA merger, UniCredit will become a key client of the Combined Group, thanks to the recently renewed partnership with SIA on the processing side;

- Payment Service Providers (PSPs) such as:

(a) Worldline, payment service provider which operates also throughout its subsidiaries: Equens, which offers mainly processing services, SIX Payment Services, which provides merchant acquiring, acquiring processing, issuing processing, and Ingenico, POS manufacturer/provider and merchant acquirer;

(b) Global Payments/TSYS, a global merchant acquiring and payment processing provider;

(c) Poste Italiane, which is the Italian largest player in logistics and mailing services and is active also in the Italian acquiring market, focusing on SMEs;

Alternative Foreign Players, such as SumUp, iZettle, Hobex, myPOS, that have progressively entered the Italian market setting up their distribution channel (mainly online) and providing merchant acquiring and POS terminals directly to merchants, thereby bypassing banks. Nexi historically had a limited share of the e-commerce/m-commerce market in Italy. Nexi renewed its offer of products and services in order to support the operators in its core market in its 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. As e-commerce and m-commerce are very attractive market segments, they are characterized by strong competitive pressure from international payment companies which provide omni-channel propositions, such as Adyen and Stripe and, with specific reference to e-commerce and m-commerce, PayPal. Furthermore, increasing competition may arise on the back of buy now pay later services, which are gradually gaining traction even on the Italian market, with several providers now offering this service, such as Klarna (which entered the Italian market by acquiring Moneymour), and the Italian-native Scalapay.

The Nordics

Denmark

Denmark is a stable country, with a high penetration of cashless transactions. Predominantly a debit market thanks to a widespread local scheme (Dankort). Cards payments still very popular also in e-commerce, where no A2A insurgent seems to be taking the lead.

The combined group will be a major player in acquiring, both at POS and in e-commerce. Main POS competitors include Swedbank, Handelsbanken as well as Bambora (EWL). In e-commerce, key competitors include ePAY, Quickpay, Point, Paypal, Stripe and Adyen. In addition, Nets competes with MobilePay and PayPal with respect to its next generation services, such as mobile payments.

Sweden

Also Sweden is a country with high cashless penetration, but with no local scheme (i.e. only international schemes). Direct payments are getting traction thanks to development of A2A systems mostly used in e-comm and for P2P transactions (e.g. Swish and Klarna)

Nets main competitors in acquiring include Swedbank as well as Wordline and Handelsbanken. In e-commerce key competitors include Klarna, PayEx, Paypal and Swish.

Norway

Also Norway is a country with high cashless penetration, with a widespread local scheme (Bankaxept), whose future depends on the innovation investments that will be made in the coming years.

Competitive market is fragmented between acquiring banks (e.g. Sparebank) and other monoliners (e.g. Elavon). In e-commerce key competitors include Klarna, PayEx, Paypal and Vipps.

Germany

Following the Nets Merger and the SIA Merger, the Combined Group will also compete in the Germany's payments market. In Germany, Nets performs only cards acquiring in physical and online channels, while SIA performs additional issuing processing activities.

Germany has a strong economy and high level of financial inclusion, despite consumers having a strong inclination towards cash for retail payments. Germany has a historically low penetration of credit card payments, while debit cards are a more widespreaded payment method, due to the historical presence of Girocard (local scheme). The Combined Group will be a major player in these markets, thanks to the Nets' acquisition of Concardis, and will compete mainly against Worldline (that recently acquired BS Payone) and Fiserv / First Data on the acquiring and acquiring processing side.

Germany sees also a progressive diffusion of Account-to-Account payments: such services were already available in Germany and other European countries even pre-PSD2 (e.g. Klarna/Sofort) and have now room for further expansion thanks to the introduction of the PSD2 directive. These services, along with the increasing popularity of many Buy-Now-Pay-Later solutions (e.g. Unzer) are contributing to the Germa shift from cash to digital payments. On the BNPL side, the acquisition of Concardis by Nets also allowed Nets to provide instalment and "pay later" services via RatePay.

Poland

Following the Nets Merger, the Combined Group will compete in the Polish payments market. In Poland, Nets only operates acquiring activities, both offline and online. Several acquisitions, especially PeP, have allowed Nets to consolidate its market position. Nets also maintains a strong position in online acquiring and is present in the market with P24 and Dotcard.

The Combined Group will compete mostly with:

- EVO Payments (through eService), independent international cards payments operator;
- Elavon, subsidiary of US Bank Bancorp, with an international presence in the card payments market and a strong foothold in Norway and Poland specifically;
- Bank Pekao, Polish banking and financial services group with one of the largest distribution networks and client bases; and
- Fiserv/First Data, one of the largest independent payments companies globally.

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 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 Nexi, operate in partnership with banks that do not have the scale or the strategic rationale to handle card issuing and management functions in-house.

Following the Nets Merger, the Combined Group will also be one of the major issuing processors in the Nordics, with Nets being the processor for some of the main Banks in the region (i.e. Nordea, DanskeBank, DNB). See *" Payment Services for Merchants (Acquiring and POS)"* for additional information about the payments market in the Nordics.

Following the SIA Merger, the Combined Group will also compete in the DACH's card issuing market, having few but important clients in the region (e.g. UniCredit).

The Combined Group main banking competitors include players such as UniCredit and ICCREA in Italy, Swedbank, DNB, Handelsbanken in the Nordics, Deutsche Bank, DZ Bank in DACH countries, PKO Bank Polski in Poland. A large portion of Polish banking issuers performs in-house the processing activities.

Card issuers other than 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. Among non-banking competitors, Worldline and Global Payments can be named for the German market, while players such as Fiserv and Elavon for the Polish one.

Among alternative issuers, competitors include also Revolut and N26, that are rapidly growing in customer base, although their relevance is still minimal compared to traditional issuers.

The Combined Group may also face competition in the card issuing business from other players that might partner with the Combined Group's partner banks. These include issuer processors that may offer payment transaction processing services directly to the Combined Group's partner banks and may choose to extend their coverage across the payments 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.

The Combined Group will compete on the clearing of Italian domestic payments against the other authorized *Centri Applicativi*, namely ICCREA (and, potentially, EquensWordline).

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 (such as STET in France and Belgium, EquensWordline in Germany and other European countries, Iberpay in Spain). Settlement of SEPA transactions is then executed by national central banks, or by the European Central Bank.

In Italy, the combined group will compete, inter alia, against EquensWorldine and ICCREA.

ISSUER'S BUSINESS

Overview

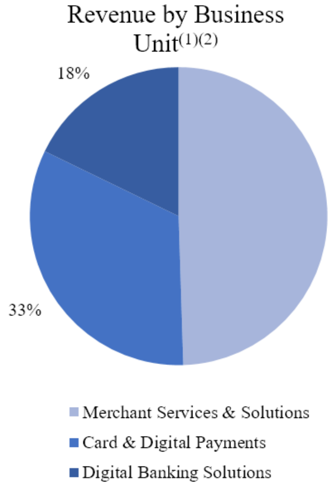
We are creating the new European Paytech leader through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe for 2019, according to management estimates. We expect the Combined Group's collective reach will expand to manage transactions at various levels of the payments value chain in relation to approximately 160 million payment cards.

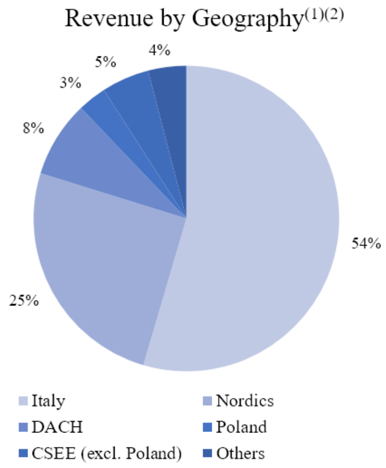
We are expanding Nexi's addressable market in Europe by more than 4x in terms of consumer spend, according to management estimates based on data as of December 31, 2019. The Combined Group will be one of the major players in the European paytech sector, with prominent positions in some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland, and the addressable market in core European countries in which the Combined Group will operate will amount to approximately €4.6 trillion, according to management estimates. The Combined Group's footprint will cover attractive European markets for growth, with an average card payments penetration of only 32% across the key markets in which the Combined Group will operate, compared to an average of 46% for Western Europe, according to management estimates based on data as of December 31, 2019, to which the Combined Group will apply its full solution portfolio across the payment ecosystem.

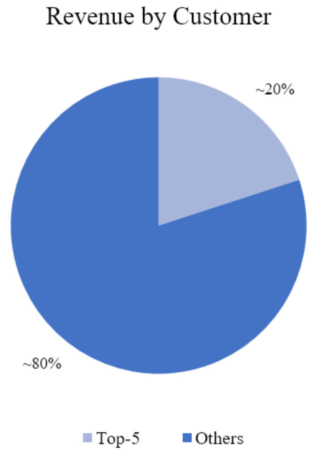
We expect that the Combined Group's footprint, combined with its best-in-class products, technology and capabilities, and with a scaled acquiring and enhanced e-commerce proposition, will result in material financial and strategic benefits for the Combined Group, which will be well positioned to drive the European transition to cashless transactions.

We expect the Combined Group to benefit from enhanced scale, geographic diversification, e-commerce exposure, lower customer concentration and strong growth potential in underpenetrated markets, resulting in a strong profitability and cash generation at scale. If these strategic transactions had been completed on January 1, 2020, the Combined Group would have had Pro Forma Operating Revenues of €2,810.8 million, Pro Forma Normalized EBITDA of €1,247.9 million, Pro Forma Run Rate Operating Revenues of €2,866.6 million and Pro Forma Run Rate Normalized EBITDA of €1,503.8 million.

The following tables show the revenue mix by business, geography and customer concentration of the Combined Group, net of intercompany adjustments, as estimated by management for the year ended December 31, 2020.







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(1) Following the completion of the Mergers and the integration of Nets and SIA into Nexi's existing business, the business segments of the Combined Group may differ from the current business segments of Nexi, and the revenue mix by business, geography and customer concentration presented in these tables may vary.

(2) Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

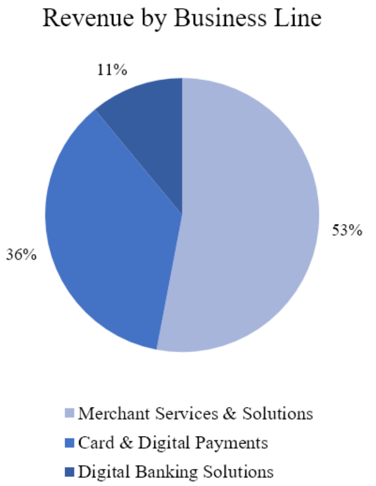
We also estimate that the Combined Group's online acquiring activities would have represented approximately 20% of the Combined Group's Merchant Services & Solutions business unit's revenues for the year ended December 31, 2020, according to management estimates.

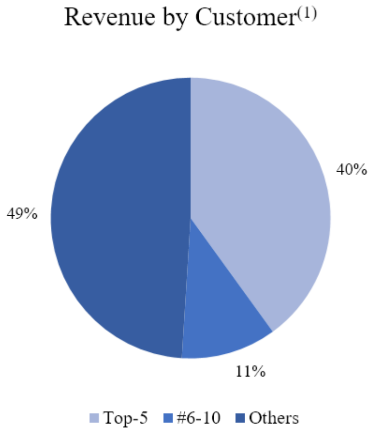
We have identified estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which we expect to achieve through a clear, focused integration plan that will be implemented by our strong and experienced leadership team. We expect approximately 90% of the cost synergies, amounting to approximately €195 million, to be achieved by 2024. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA Merger.

Each of Nexi, Nets and SIA provides compelling justifications for achieving our goal of creating the leading European Paytech player at scale.

Nexi is the major paytech company in Italy. As of December 31, 2020, Nexi managed directly or through its partner banks transactions related to over 43 million payment cards and transactions carried out by approximately 900,000 merchants. Nexi's technology connects banks, merchants, companies and consumers and enables them to make and receive digital payments. Nexi's 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, 2020. In the year ended December 31, 2020, Nexi managed approximately 6 billion transactions at various levels of the payments value chain, with a combined transaction value of approximately €417 billion. For the year ended December 31, 2020, Nexi generated operating revenues of €1,043.9 million and Normalized EBITDA of €601.4 million, in each case after giving full-year effect to the ISP Acquisition.

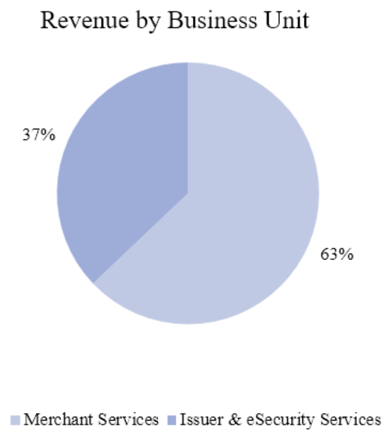
The following tables show the revenue mix by business, geography and customer concentration of Nexi, on a standalone basis, estimated for the year ended December 31, 2020, after giving full-year effect to the ISP Acquisition.

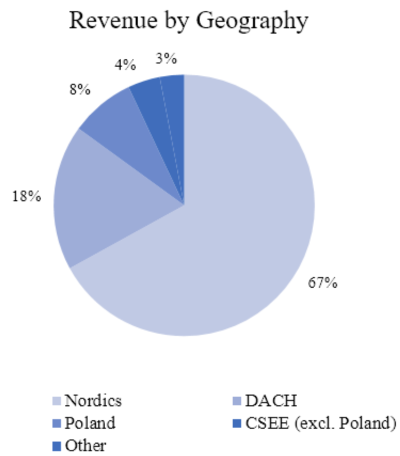


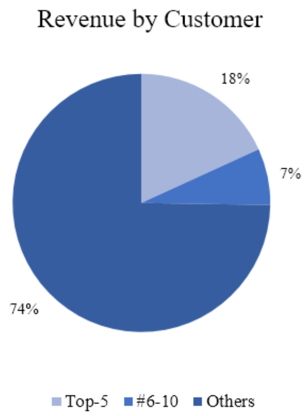


(1) Nexi's customers under the Referral model are included in the "Others" category.

Nets is one of the largest integrated European paytech companies with a well-established position in the Nordics, one of the most digitally advanced regions globally, as well as in underpenetrated geographies with significant growth potential (such as DACH, Poland and Southern and Eastern Europe). Through its two business units (Merchant Services and Issuer & eSecurity Services), Nets managed transactions in respect of over 740,000 merchant revenue generating units (RGUs), over 40 million cards and more than 250 financial institutions in the year ended December 31, 2020. Over the same period, Nets managed more than 6 billion transactions in its Issuer & eSecurity Services business unit and processed transactions with a transaction value of approximately €104 billion in its Merchant Services business unit. Furthermore, Nets has developed a strong multi-regional e-commerce offering over the last three years. For the year ended December 31, 2020, Nets generated gross revenue of €1,567.4 million and EBITDA b.s.i. of €344.1 million. The following tables show the net revenue mix by business, geography and customer concentration of Nets, pro forma for the acquisition of Polskie ePlatnosci, estimated for the year ended December 31, 2020.

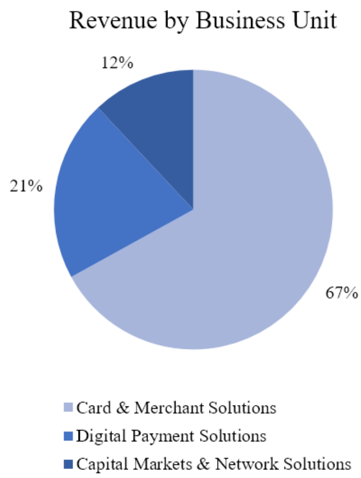


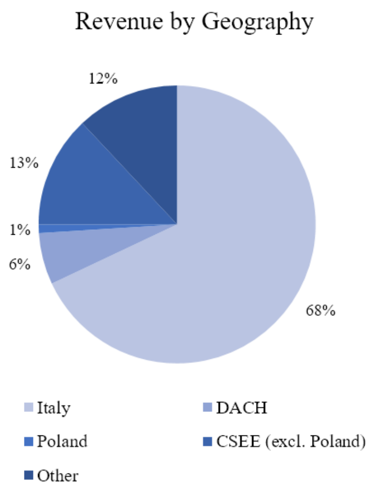


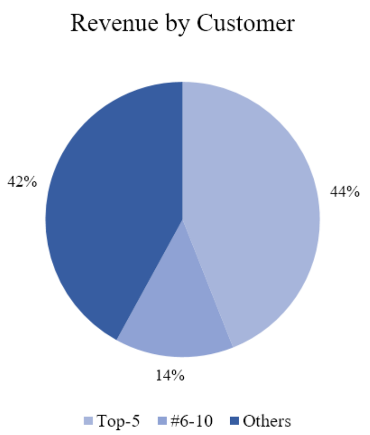


Note: Nets' revenue is presented pro forma for the acquisition of Polskie ePlatnosci and at constant FX rates.

SIA is the major European player in the market for payment technologies and infrastructure services. SIA provides key infrastructure and technological services to financial institutions, central banks, companies and public administrations. Headquartered in Italy, SIA has expanded its footprint internationally into some of the most structurally attractive markets in Europe for digital payments and currently operates in over 50 countries. SIA is among the main players in Greece, Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia. Through its three business units (Card & Merchant Solutions, Digital Payment Solutions and Capital Markets & Network Solutions), SIA managed more than 17 billion card payment transactions at various levels of the payments value chain and provided services for over 4,800 EBA's STEP2 participants in 2020. SIAnet, the SIA network service, consists of approximately 209,000 km of fiber optics cables that carried approximately 3.6 terabytes of data in 2020, serving over 100 brokers and traders in 18 countries and 38 trading venues, connecting more than 590 customers. Its network is capable of handling over 350 million deal proposals daily and achieved 100% reliability during 2020. With its card and digital payment businesses, SIA managed approximately 35.6 billion transactions in 2020, of which 17.3 billion pertaining to card payment transactions in relation to all services provided by its Card & Merchant Solutions business unit and 18.3 billion to digital payment in relation to all services provided by its Digital Payment Solutions business unit, respectively. For the year ended December 31, 2020, SIA generated revenues from sales and services of €758.6 million and Adjusted EBITDA of €284.5 million. The following tables show the revenue mix by business, geography and customer concentration of SIA, on a standalone basis, estimated for the year ended December 31, 2020.







Through the Mergers, we intend to create a diversified platform in terms of revenue mix by business segment, geography and customer concentration, significantly diversifying the business compared to Nexi on a standalone basis.

Our Strengths

The New European Paytech Leader

We are creating the leading European Paytech player at scale through the strategic combination of Nexi, Nets and SIA. We are building the largest Paytech company by 2020 EBITDA in Europe and one of the largest companies active on both the acquiring and the issuing side of digital payments by transaction value in Europe for 2019, according to management estimates. We expect the Combined Group's collective reach will expand to manage transactions at various levels of the payments value chain in relation to approximately 160 million payment cards.

Its scale and positioning following the Mergers will allow the Combined Group to serve its customers with one of the most comprehensive and technologically-advanced set of products and services available in the European paytech sector. The positioning of the Combined Group as a major player in the European paytech sector will allow it to take advantage of economies of scale and unlock significant industrial benefits, including enhanced operational scale driving cost competitiveness and industry leading margins through cost base optimization and operating leverage, an extensive and diversified products and services offering proposition across the entire payment ecosystem, with strong capabilities in acquiring and e-commerce, allowing the Combined Group to efficiently support local and international merchants with flexible solutions, the ability to serve banks across multiple business lines and on cross-national and ecosystem initiatives, as well as a best-of-breed technological platform underpinned by significant innovation and technology investment firepower. The Combined Group will benefit from long-standing relationships with a broad range of customers, ranging from banks and central institutions to large corporate clients and merchants, which each of Nexi, Nets and SIA have independently developed over the course of their history.

We expect the combination of best-of-breed innovative solutions, products, competences and market experiences across geographies with strong integration capabilities of each of Nexi, Nets and SIA will enable the Combined Group to take advantage of significant cross-selling opportunities and enhanced offering proposition.

Significant Growth Potential from Exposure to Key Attractive European Markets

The Combined Group will be well positioned to capitalize on secular growth trends and favorable industry dynamics in the European digital payments market, being one of the major players in the European paytech sector.

The Combined Group will have prominent positions in some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland. The Combined Group's footprint will cover attractive European markets for growth, with an average card payments penetration of only 32% across the key markets in which the Combined Group will operate, compared to an average of 46% for Western Europe, according to management estimates based on data as of December 31, 2019, to which the Combined Group will apply its full solution portfolio across the payment ecosystem. The following table shows consumer spend, card penetration and card transaction volumes for each of the core European markets in which the Combined Group will operate, according to management estimates based on data as of December 31, 2019:

Selected Countries / Regions of Presence for Combined Group					
Core Geographies	*Italy*	*Nordics*	*DACH*	*Poland*	*CSEE*(1)
2019 Consumer Spend	*€1.1tn*	*€0.6tn*	*€2.2tn*	*€0.3tn*	*€0.5tn*
	Total €4.6tn				
2019 Card Penetration	*24%*	*63%*	*29%*	*27%*	*25%*
			Average: 29%		
	Average: 32%				
Card Transactions Volumes CAGR '17-19	*13%*	*5%*	*12%*	*19%*	*25%*
			Average: 17%		
	Average: 12%				

(1) CSEE includes Greece, Slovakia, Croatia, Slovenia, Hungary, Czech Republic, Serbia, Romania, Albania and Bosnia, Bulgaria, Montenegro and Macedonia (only selected flags displayed).

The European digital payments market, from which the Combined Group will generate the vast majority of its operating revenues, recorded constant growth in recent years mainly driven by (i) increasing card payments penetration, (ii) continued technological innovation and (iii) favorable regulatory tailwinds.

Card transaction volume in the key markets in which the Combined Group will operate grew at an average CAGR of approximately 12% between 2017 and 2019, according to management estimates based on data as of December 31, 2019. As a result, we believe that the core European markets in which the Combined Group will operate have significant potential for further expansion in order to bring card payments penetration levels in line with the average in Western Europe. We expect that card transactions volumes in Europe will also accelerate driven by technological innovation. We believe that the numerous innovative payment technologies developed in recent years, including contactless payment methods, online wallets and instant payments platform, has driven a change in consumer preferences, with consumers becoming increasingly more focused on the manner in which they interact with commerce. We believe that new technological innovations, such as machine learning and AI, blockchain, IoT and biometry, will further accelerate digital payments in the near future. Additionally, growth of payments digitalization is also driven by the increasing focus of European governments and regulators to implement policies that favor digital payments to prevent tax avoidance, money laundering and corruption. See "*Industry—Regulatory Changes*" for a description of these initiatives.

We believe that the scale and positioning of the Combined Group following the Mergers will allow it not only to capitalize on these secular growth trends and favorable industry dynamics, which we expect to be confirmed in the mid- to long-term also in light of the further support to digital payments and e-commerce which we expect as a result of change in consumer preferences following the outbreak of COVID-19, but also to drive the European transition to cashless.

Full Solution Portfolio Across Payment Ecosystem, With Key Strengths in Acquiring and e-Commerce

The Combined Group will serve its customers with one of the most comprehensive and technologically advanced set of products and services available in the European paytech sector, including best-in-class innovative solutions.

The offering of products and services of the Combined Group includes core acquiring services and POS management services providing merchants with the necessary infrastructure to enable digital payment acceptance. Core acquiring services consist of a full range of services allowing merchants to accept payments, including settlement of card payments and technology services aimed at fast authentication of payment transactions. POS management services range from the configuration, activation and maintenance of physical and virtual POS terminals, as well as their integration into the merchant's accounting software and customer assistance services. The Combined Group will also provide merchants with a leading SME proposition (e.g. leading-edge SmartPOS terminal range, complete suite of digital VAS, data-enable products and other services) and one of the most advanced omni-channel propositions for large merchants, with leading-edge capabilities to support international merchants with vertical specific solutions across countries, payment channels and rails.

The Combined Group will also operate a European e-commerce platform at scale, providing customers with advanced gateway/PSP capabilities, including APM and pay-later solutions designed to manage transactions in relation to both local and regional merchants.

The Combined Group will offer 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 as well as other digital payment solutions. The offering will also include administrative services such as payment tracking, production of monthly statements, data analytics services and pricing services, as well as customer service, fraud management 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). The Combined Group will also provide an extensive range of new digital payment solutions, including mobile wallets, A2A payments solutions and mobile payment apps.

The Combined Group will also provide digital corporate banking services, clearing services, and ATM management services. With reference to the digital corporate banking services, the Combined Group will provide 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. Digital corporate banking services provide also banks and corporate clients with digital front-ends and advanced functionalities to help them manage their bank accounts and payments, such as a customizable e-banking platform Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. The Combined Group will operate as a clearing house for domestic and international SEPA payments. ATM management services range from the complete management of an ATM fleet for banks to the management of discrete parts of the value chain based on customer needs. The Combined Group will provide authentication and digital signing services, as well as network infrastructure services, trading platforms, and post-trading modular solutions. The Combined Group will also offer banks and its corporate clients with best-of-breed open banking solutions, such as PSD2-based payment initiation services ("PIS").

Best-of-Breed Technology Platform and Capabilities Leveraging on Complementarity and Scale

The Combined Group will benefit from a best-of-breed technological platform, leveraging on complementarity and scale, operating ten digital factories in Europe in which product and tech development specialists are focused on developing innovative products and solutions. In the year ended December 31, 2020, investments in IT and innovation of the Combined Group amounted to more than €320 million.

The Combined Group's technological capabilities will range from digital to processing, from gateway technologies to leading infrastructure. The Combined Group will benefit from cutting-edge development capabilities in e-commerce and omni-channel solutions. With a combined team of approximately 700 dedicated professional operating in seven centers of competence in seven European countries as of December 31, 2019, we estimate that the Combined Group will manage e-commerce transactions at various levels of the payments value chain with a combined transaction value of approximately €50 billion on three gateways. The Combined Group will provide its customers with a comprehensive set of next generation digital payments solutions. In the year ended December 31, 2019, on a combined basis, the Combined Group launched more than 30,000 new IT releases, including cloud-based platforms and AI-based antifraud and authentication solutions. Moreover, the Combined Group will have significant capabilities in processing and core platforms. The Combined Group will be a major provider of instant payments and A2A services in Europe processing, on a combined basis, more than 30 billion transactions per year and approximately 15 billion clearing transactions per year at various levels of the payments value chain and in respect to different services (including card payment transactions and other not card-based transactions), and have a full set of in-house processing capabilities with more than 1,000 dedicated professionals. The Combined Group's innovation strategy will benefit from multi-year relationships with its partner banks. As of December 31, 2019, more than 1,000 financial institutions were deeply integrated in mission-critical platforms of the Combined Group. The Combined Group will operate or process major gateways, such as CBI Globe Open (one of the most comprehensive national gateways in Europe, with the potential to host cooperative services and TPPs), key payments infrastructure (including RNI infrastructure that allows banks to access financial systems, clearing and settlement systems for central banks and payment solutions for government bodies) as well as major domestic debit card schemes (including Bancomat in Italy, Dankort in Denmark, and BankAxept in Norway). Lastly, the Combined Group will benefit from a market leading infrastructure, managing 42 data centers and more than 25,000 servers across Europe, with more than 35 PetaBytes in combined storage space, approximately 1,600 network nodes and a team of more than 800 dedicated professionals, based on data available as of December 31, 2019.

Strong Profitability and Cash Generation at Scale with Enhanced Resilience

The Combined Group will benefit from an attractive financial profile with strong profitability and cash generation at scale with enhanced resilience. On a combined basis, Pro Forma Operating Revenues of the Combined Group amounted to €2,810.8 million for the year ended December 31, 2020, Pro Forma Normalized EBITDA amounted to €1,247.9 million (with a Pro Forma Normalized EBITDA Margin of 44.4%), Pro Forma Run Rate Operating Revenues amounted to €2,866.6 million and Pro Forma Run Rate Normalized EBITDA amounted to €1,503.8 million (with a Pro Forma Run Rate Normalized EBITDA Margin of 52.5%).

We expect the growth profile of the Combined Group to benefit from the strong growth potential of the markets where the Combined group will operate, which will expand from a home-market focus to a pan-European reach, including some of the largest economies by consumer spend in Europe, such as Italy and DACH, highly advanced and innovative markets, such as the Nordics, as well as other structurally attractive markets, such as CSEE and Poland, with cross-selling opportunities with plug-in capabilities across geographies. We also expect the Mergers to result in an attractive financial profile with enhanced resilience stemming from e-commerce exposure, increased customer diversification and lower customer concentration, well-diversified revenue base in terms of both business and geography.

We expect our strong profitability profile to translate into consistently high cash generation on a normalized basis, with Pro Forma Cash Conversion, which amounted to 81.4%, on a pro forma basis for the year ended December 31, 2020, with capacity to support both de-leveraging and disciplined capital allocation.

The Combined Group will benefit from estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers, of which approximately €170 million have been identified in connection with the Nets Merger and approximately €150 million have been identified in connection with the SIA Merger, arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies, which are expected to be achieved through a clear and focused integration plan. In particular, (i) approximately 90% of cost savings, amounting to approximately €195 million, are expected to be achieved by 2024, (ii) approximately €75 million have been identified as the EBITDA impact of estimated revenue synergies (equivalent to an impact of approximately €112 million at revenue level), and (iii) approximately €50 million are expected to be achieved as recurring capital expenditures resulting from the Mergers. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA Merger.

Strong Leadership Team With Proven Track Record of Delivery

The Combined Group will be led by a highly experienced management team, which is widely recognized in the digital payments industry, with a track record of operational excellence and capacity to deliver. The chief executive officer of the Combined Group, Mr. Paolo Bertoluzzo, has significant experience in leading public companies with a large market capitalization, and its chief financial executive officer, Mr. Bernardo Mingrone, has wide knowledge of public companies and the Italian banking market with which we partner. Under their leadership, Nexi completed numerous successful acquisitions, including the recent ISP Acquisition in 2020, which allowed Nexi to consolidate its position in the market for merchant services in Italy. Nexi's management team will be strengthened through the addition of Nets' and SIA's highly qualified senior management, which have successfully grown their businesses to become leading companies in the digital payments market, bringing significant managerial experience to the Combined Group. In particular, Nets' management completed numerous acquisitions in the market for merchant services, expanding its presence in key geographies such as Poland, through the acquisitions of DotPay/eCard, P24, and PeP, Germany, Austria, and Switzerland, though its merger with Concardis, as well as Switzerland, through the acquisition of CCV, and Finland, through the acquisition of Checkout Finland Oy (an acquisition consummated in January 2021, with closing of the transaction expected to occur in April 2021). More recently, Nets' management successfully completed the Centurion Disposal, refocusing its business towards its core payments services including merchant services, e-commerce, issuing services and technological innovation. SIA's management played a crucial role in the creation of the major European player in the market for payment technologies and infrastructure services, expanding in recent years SIA's presence into some of the most dynamic and fastest growing regions in Europe in the electronic payments sector, such as Greece and Slovakia. The Combined Group will also benefit from the presence of its new anchor investor, CDP, which, as long-term institutional shareholder, will support the Combined Group's expansion process consistently with the organic and inorganic growth track that the Combined Group's significant shareholders have been following for Nexi, Nets and SIA. We believe that the combination of highly experienced management teams will guarantee the continued focus on delivering growth and development of the ordinary activities of each businesses while ensuring timely integration of Nets and SIA into Nexi's existing business.

Our Strategies

Successfully integrate Nets and SIA with our existing business

We intend to combine Nexi, Nets and SIA into a single operating group to create the leading European Paytech player at scale. We plan to leverage our management team's collective experience in integrating new businesses and rationalizing costs to effectively achieve this combination. Our plan is to achieve this combination through a clear, focused and phased integration plan. The key principles of our integration plan are (i) implementing one focused transformation program, with clear integration priorities and limited areas of overlap in the integration of the businesses, (ii) implementing identified fast-track joint initiatives, primarily focused on the enhancement of our e-commerce and omni-channel proposition, SME next generation proposition and technological platform, optimization of procurement and operating and capital expenditures and (iii) continuing to deliver growth for the ongoing business during the integration process, which will be guaranteed by the seniority and talent of the management team. Nets' management will be initially focused on continue delivering Nets' standalone growth plan. The integration plan will start with the integration of Nexi and SIA in Italy, following the completion of the SIA Merger and, starting from 2022, Nets will be integrated in the Combined Group with the goal of creating a single European platform.

Unlock synergy value from the Mergers

We intend to achieve estimated €320 million of total run-rate recurring cash synergies per annum in connection with the Mergers arising from operational improvements and cost savings, revenue synergies and capital expenditure efficiencies. Approximately 90% of total cost savings from the Mergers, amounting to approximately €195 million, are expected to be achieved by 2024. Synergies arising from the Nets Merger are mainly focused on merchant services, with respect to revenues synergies, and on synergies generated outside of Italy, with respect to cost synergies. In particular, we expect to realize approximately €170 million of annualized cost savings, revenue synergies and capital expenditure efficiencies in connection with the Nets Merger, consisting of cost synergies from rationalization of IT and technology platforms, the creation of shared services and competence centers to drive operational excellence and centralize procurement process, revenue synergies resulting from cross-selling opportunities and enhanced offering proposition, as well as capital expenditure efficiencies resulting from centralization of investments, joint investment planning with increasing efficiencies and the consolidation of processing platforms. Synergies arising from the SIA Merger are mainly focused on issuing and digital banking and corporate solutions, with respect to revenues synergies, and on synergies generated in Italy, with respect to cost synergies. In particular, we expect to realize approximately €150 million of annualized cost savings, revenue synergies and capital expenditure efficiencies in connection with the SIA Merger, consisting of cost synergies resulting from the optimization of IT and technology platforms, insourcing, increased operational efficiency and centralization of the procurement process, revenue synergies resulting from cross-selling opportunities and enhanced offering proposition, as well capital expenditure efficiencies resulting from optimization of investments in overlapping applications and new product and platform development. We have also identified an estimated additional €65 million from one-off capex savings expected from the SIA

Merger. See also "*Summary Unaudited Pro Forma Consolidated Financial Information and Other Data of the Combined Group—Other Pro Forma Financial Information*."

Further strengthen the advanced technological platform of the Combined Group by investing in cutting-edge technological assets and capabilities

The Combined Group will benefit from a best-of-breed technological platform, leveraging on complementarity and scale, operating ten digital factories in Europe in which more than 3,000 product and tech development specialists will develop innovative products and solutions. Along with consolidating and optimizing tech platforms, we intend to continue to invest in world-class technologies to fuel digital innovation and next-generation products and keep pace with a fluid, rapidly changing market. We intend to leverage the extensive IT and innovation capabilities of the Combined Group to shape and deliver innovation in key areas, such as e-commerce, next-generation digital and data innovation, cloud-based platforms, dedicated advanced analytics and AI, as well AI-based antifraud and authentication solutions.

Lead the Transition to Cashless

We intend to leverage the scale and positioning of the Combined Group in the European market to continue to grow across geographies by capturing the constant growth of the European digital payments market, benefitting from increased card payments penetration, continued technological innovation and favorable regulatory tailwinds. We expect the stable growth of digital payments and e-commerce to be confirmed in the mid- to long term, also in light of the further support to digital payments and e-commerce which we expect as a result of change in consumer preferences following the outbreak of COVID-19.

Further increase profitability and cash generation and support deleveraging

We intend to keep focusing on increasing profitability through improvements in positive free cash flow delivery, implementation of cost-savings measures and improvements to operational efficiency across the Combined Group. We believe that scale, geographic diversification, e-commerce exposure, lower customer concentration and strong growth potential in underpenetrated markets will allow the Combined Group to achieve a strong profitability and cash generation profile at scale. We intend to leverage the Combined Group's increased free cash flow to, among other things, implement disciplined capital allocation and delever the business.

Acquire and retain talents 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 initiatives, as evidenced by our track record of successfully completed projects, often completed simultaneously, since 2016. We intend to continue attracting and retaining highly-qualified personnel with cutting-edge skills, consistently with our corporate culture, in order to create an unparalleled industry and cross disciplinary background spanning payments, technology and banking.

Prepare the Combined Group to benefit from potential future growth opportunities

We intend to position the Combined Group to benefit from any potential future growth opportunities by increasing the breadth of its portfolio, market entrenchment and capabilities. In addition, we intend to continue to evaluate disciplined acquisition opportunities in the Italian and European markets, through potential transactions aimed at (i) consolidating the Combined Group's position in the markets in which it will operate (ii) further expanding in Europe and participating in the potential future consolidation of the international payment industry and (iii) enhancing the technological capabilities of the Combined Group in selected high-growth products.

Our History

We trace our roots to 1939, when six Italian banks joined to establish Istituto Centrale delle Banche Popolari Italiane S.p.A. or ICBPI, an 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, 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 position as the major paytech in Italy:

- 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 Capital 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: (i) investment in our technology infrastructure, including in application-based services and IT control; (ii) selective acquisitions in the payments sector, including Mercury Payment, Bassilichi and the acquiring businesses of BMPS, DB and Carige; (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; the acquiring business of BMPS, the acquiring business of DB and Bassilichi. These acquisitions provided us with direct access to BMPS customers (improving the monetization of our BMPS relationship), enhanced our offering of POS management and ancillary services (via Bassilichi) and further increased the overall number of our merchant customers.
- At the end of 2017, we commenced a review of our corporate structure 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, 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. Following the abovementioned review, the relevant commercial registers were updated to remove Nexi as a banking group and therefore, we are not subject to prudential supervision at consolidated level, while our subsidiary Nexi Payments remains subject to supervision by the Bank of Italy.
- In 2018, we expanded our leading Merchant Services & Solutions business unit capabilities by acquiring the merchant acquiring business of Carige, and 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."

- 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.

- In July 2019, we closed the sale of our entire stake in Moneynet S.p.A. to the Is Group.

- In December 2019, we entered into an agreement to purchase the merchant acquiring business of Intesa Sanpaolo for a consideration of approximately €1 billion, which closed on June 30, 2020. We also entered into a long-term marketing and distribution partnership, whereby Intesa Sanpaolo agreed to promote and distribute the technological solutions and innovative services developed by Nexi.

- In October 2020, we announced our intention to merge with SIA. SIA is one of the major European players in the market for payment technologies and infrastructure services. SIA provides key infrastructure and technological services to financial institutions, central banks, companies and public administrations.

- In November 2020, we announced our intention to merge with Nets. Headquartered in Denmark, Nets is one of the largest integrated European growth paytech companies with a well-established position in the Nordics, one of the most digitally advanced regions globally, as well as in underpenetrated geographies with significant growth potential (such as the Nordics, Germany, Austria, Switzerland, Poland and Southern and Eastern Europe).

- In April 2021, the acquiring, processing and issuing services of Mercury Payment have been transferred to Nexi Payments.

Our Services

We are the major paytech company in Italy. 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 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 three 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, without giving effect to the ISP Acquisition.

	Year ended December 31,	
	2020	2019
	(in € million)	
Merchant Services & Solutions	500.0	479.0
Cards & Digital Payments	380.0	387.4
Digital Banking Solutions	113.9	117.7
Operating revenues	**993.9**	**984.1**

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 is authorized by the relevant banking institution to operate as acquirer, provides a merchant with the infrastructure necessary to enable digital payment acceptance, and executes card payments on a 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 (with particular regard to e-commerce, we launched our *NexiGo* service in 2020, which allows users to publish catalogues on their social media pages, to receive orders and payments, and to organize deliveries, with embedded calendar options). Furthermore, 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 (for example, through our *Nexi Business* Merchant App). To provide this wide range of services, the Merchant Services & Solutions business unit makes use of approximately 450 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 €500.0 million, or 50.3%, (or €549.9 million, or 53.0%, after giving effect to the ISP Acquisition) of our operating revenues for the year ended December 31, 2020. 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 payments 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 (traditional-wired, portable or cordless) 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 on smartphones that allow online shopping (such as our innovative *SmartPOS* solution) without the need for a physical POS.

Depending on the service model, we manage different aspects of the payments 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. In relation to merchants under the Referral model, partner banks recruit and refer 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 services on the acquiring side and of POS management services, 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. Under these models, banks retain the commercial and economic relationship with the merchant and retain the role of acquirer at the retail level. See "*—Partnership-Based Acquiring and POS Management*."

We organize our Merchant Services & Solutions business unit across the business models described below.

Direct and Referral Acquiring and POS Management

In the direct acquiring model, we manage transactions in relation to 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 BMPS' and DB merchant acquiring and POS contracts on June 1 and July 1, 2017, respectively, of Carige's acquiring business in September 2018 and, more recently, the ISP Acquisition (which closed in June 2020), we significantly expanded the pool of merchants that we manage directly. For example, through the ISP Acquisition, we acquired the Intesa Sanpaolo's merchant acquiring business consisting of approximately 180,000 merchants, which generated a total volume of transactions equal to approximately €61.6 billion and had a positive impact of €102.3 million on our EBITDA, in each case for the year ended December 31, 2020. See also "*Presentation of Financial and Other Information—Historical Financial Information of the Issuer—ISP Acquisition*". In addition, we actively monitor the ongoing consolidation process in the banking sector, and may therefore complete other future acquisitions which could further expand our directly managed merchant pool.

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.

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 (such as SIA and equensWorldline; see also "*—Material Contracts—Agreements with ICT Providers—SIA Agreements*"). 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

<u>Traditional Licensing Model</u>

Under the traditional licensing model, we act as the acquirer almost exclusively on international payment schemes. 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, while partner banks retain the commercial and economic relationship with the merchant. 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 usually 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 set by our partner banks for the acceptance of payment transactions (a "merchant fee") and a service fee, set by our partner banks, 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.

<u>Associate Licensing Model</u>

Under our associate licensing model, we manage the relationship with the card scheme operators on behalf of a partner bank, providing value added services, POS management services and processing services (currently outsourced to SIA and equensWorldline). See also "*—Material Contracts—Agreements with ICT Providers—SIA Agreements.*" The partner bank then retains all acquiring functions as well as the commercial and economic relationship with the merchant and manages 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 value added services, processing services (which are currently outsourced to SIA and equensWorldline) and POS management services, which mainly relate to the set-up and maintenance of the merchant's payment acceptance hardware and software, as well as Bancomat's application center platform, 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.

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, 2020, we estimate that the aggregate value of acquiring transactions managed by us across various levels of the value chain and under different models through the Merchant Services & Solutions business unit amounted to €222 billion (a 14.5% decline compared to 2019, primarily due to the consequences on merchants of protracted COVID-19 related restrictions), including acquiring transactions on ATM withdrawals, with the total number of transactions amounting to 3.1 billion (a 12.9% decline compared to 2019). Under different models and across the payments value chain, as of December 31, 2020, we managed transactions in relation to approximately 900,000 merchants.

Impact of the Mergers

The Nets Merger will enhance our e-commerce offerings to merchants, from large corporate chains to small- and medium-sized enterprises and micro merchants, expand our distribution channels and reduce our current customer concentration. As of December 31, 2020, Nets had approximately 250 partner banks, 470 value-added resellers, and more than 460 direct sales representatives across its business lines. Nets' merchant customers are primarily based in the Nordics. Upon completion of the Nets Merger, the Combined Group will operate in all of the main European markets, including the Nordics, Germany, Austria, Switzerland, Poland and Southern Eastern Europe. The SIA Merger will strengthen our offering on the acquiring side as a result of the integration of SIA's processing, commerce and e-commerce services, data-analytics and infrastructure and infrastructure and data centers across the payments value chain.

Cards & Digital Payments

Overview

Through this unit, we provide, in cooperation with our partner banks, a wide range of issuing services, relating to the supply, issue and management of payment cards (including credit and prepaid 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, data analytics and pricing services, customer and dispute management services, communication services and customer development services (through promotional campaigns and loyalty programs such as, for example, customer engagement initiative through websites and applications for mobile phones). In addition, we also offer innovative smartphone and smartwatch payment solutions integrated with ApplePay, GooglePay and SamsungPay, among others.

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 463 dedicated professionals, belonging to different units, such as marketing, sales, ICT and operations, supported by 471 contact center staff.

Our Cards & Digital Payments business unit generated €380.0 million, or 38.2%, of our operating revenues for the year ended December 31, 2020. The 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.

Direct Issuing Agreements

When we issue deferred and prepaid cards directly, our customers are primarily companies that retain our services to manage their employees' expenses or retail customers. 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, 2020 represented approximately 1.8% of the total working capital generated by our issuing 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 2.1% of the aggregate credit exposure from all of our issuing activities.

Other Issuing Agreements

When we carry out activities in partnership with banks, 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. The allocation of additional services depends on the specific agreement with each partner bank. A key determinant in that respect is whether the partner bank has the necessary scale and strategic rationale to acquire its own BIN (*bank identification number*) from international card scheme operators.

Under a first category of agreements, we handle all card issuing functions, while the bank retains the commercial and economic relationship with the cardholder. In such cases, 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, while the bank retains the commercial and economic relationship with the cardholder. 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 such agreements 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 partner bank. Among our main customers adopting this solution are Banco BPM (with respect to the relationship with former Banco Popolare), Crédit Agricole-Cariparma, Mediolanum, Banca Popolare Sondrio, Carige, Credito Valtellinese and BPER (with respect to the relationship with former Unipol Banca). Pursuant to this first category of agreements, 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). A portion of these revenues are 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.

Under a second category of agreements, we manage the relationship with the card scheme operator on behalf of a partner bank which manages the relationship with the cardholder (for instance, with respect to revenue collection) and retains the commercial and economic relationship with the cardholder. BMPS is one of our key customers who cooperate with us based on this kind of agreement. Pursuant to these agreements, 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 on an annual basis or whenever needed (for example, in the event of regulatory changes), but the bank retains the commercial and economic relationship with the cardholder. Revisions to service fees are generally accepted as changes that result from a variation to services offered or general cost structure changes.

Under a category of agreements with banks, we provide a more limited range of card issuing services and also collect lower fees. In particular, pursuant to these agreements our partner banks are responsible for and handle product development, customer care, marketing, distribution, price setting and fee collection but rely upon us on an outsourcing basis for operational processing services (which we outsource to third parties) and other specific services in the payments value chain (e.g., card supply and claims management). 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. Agreements in this category are typically entered into with financial institutions that have sufficient scale and strategic rationale to insource part of their payment card issuing business. Examples of who cooperate with us based on such agreements include Intesa Sanpaolo, Deutsche Bank, Banco BPM (with respect to the relationship with former BPM), BPER, Credem and ICCREA. While these agreements are customized and thus their duration and renewal terms vary, on average these have a duration of at least three years. We receive a fee from the partner bank that is based on the volumes of cards stock, number of transactions and transaction value.

Market Position

As of December 31, 2020, we estimate that the aggregate value of issuing transactions managed by us across various levels of the payments value chain and for different kinds of customers through the Cards & Digital Payments business unit amounted to €196 billion (a 7.6% decrease compared to 2019 primarily due to the consequences of protracted COVID-19 related restrictions), with the total number of transactions amounting to 2.6 billion (a 4.0% decline compared to 2019).

Impact of the Mergers

The Nets Merger will enhance our back-end core payment processing, account management and fraud and dispute management services by integrating Nets' end-to-end issuer services, through which Nets managed transactions in respect of over 40 million cards in the year ended December 31, 2020, and Nets' significant footprint in the Nordics, the Baltics and in South Eastern Europe.

The SIA Merger will enhance our technological payment processing capabilities, by integrating SIA's processing platforms and by adding SIA's approximately 17.3 billion of card payment transactions managed in 2020, across the entire payments value chain and under all models, strengthen our position in the Italian debit card space, by integrating SIA's PagoBancomat and Bancomat networks, and integrating SIA's omnichannel payment services which leverages SIA's established relations with large Italian corporates.

Digital Banking Solutions

Overview

Through this business unit, we provide solutions including 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 €113.9 million, or 11.5%, of our operating revenues for the year ended December 31, 2020.

We organize our Digital Banking Solutions business unit across the three business lines described below.

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, 2020, we managed approximately 13,000 ATMs on behalf of 15 partner banks. Of those, approximately 4,300 are cash in terminals, allowing cash deposits in addition to withdrawals.

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 (in a limited number of cases), development of computer applications, management, function monitoring and maintenance or may cover only parts of the listed services (e.g., the provision in outsourcing of the listed 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 (which is managed by equensWorldline), we provide services related to 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, a multichannel platform 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.

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 to manage their bank (so called corporate customers) accounts and payments, as follows:

- *Electronic/mobile banking services*: we realize customized e-banking platforms for our bank customers or corporate customers. For the year ended December 31, 2020, we granted approximately 0.48 million licenses of our e-banking platform (a 2.4% increase compared to 2019).
- *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. As of December 31, 2020, we managed approximately 15 million transactions through the CBI Globe Open Banking Gateway.

- *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 including SMS alert services.

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.

Impact of the Mergers

The Nets Merger will strengthen our offering of processing, clearing and settlement services and will enhance our digitization services through the integration of Nets' authentication, digital signature, document e-access and bill payments hub businesses. Nets also developed and operates Denmark's eID scheme, used by over 99% of the Danish population. In addition, Nets has strong relationships with over 250 financial institutions in more than 15 European countries.

The SIA Merger will strengthen our portfolio and capabilities across the payments ecosystem, rails and payments value chain as a result of SIA's fully integrated end-to-end payments technologies. SIA is the payments processing partner of choice for a range of banks, central banks and other financial institutions and provides mission-critical payment technologies to over 2,300 clients across various levels of the payments value chain. Its products are best-in-class for quality and reliability. SIA employs over 1,100 internal product and technology development researchers and operates 8 data centers across Europe. We expect to integrate SIA's integrated collection platforms, ACH layer and ACH & clearing platform technologies, as well as its data & analytics technologies and infrastructure and data centers into our digital banking & corporate solutions business unit.

On a pro forma basis for the Mergers, we expect to provide mission-critical services to over 1,200 financial institutions, clearing approximately 15 billion transactions per year, and employing over 800 dedicated professionals. Our data centers and networks will include approximately 1,600 nodes, over 25,000 servers in 42 data centers allowing for over 35 petabytes of storage, based on data available as of December 31, 2019.

Customers

As of December 31, 2020, we managed, directly or through approximately 150 partner banks, transactions in relation to approximately 43 million payment cards relating to 30 million holders across various levels of the payments value chain and under various business models and approximately 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, 2020, our partner banks in respect of various services account for more than 80% of the Italian banking sector by number of branches. Our top five and top ten partner banks represented approximately 40% and 51% of our total operating revenues for the year ended December 31, 2020, after giving effect to the ISP Acquisition. In addition, we did not experience the loss any material partner bank, while we significantly strengthened our partnership with Intesa Sanpaolo by completing the ISP Acquisition and entering into other partnership agreements. See also "*—Material Contracts—Agreements with Partner Banks—Agreements with Intesa Sanpaolo*"). As such, our activities and prospects are dependent on us maintaining and growing our relationships with our partner banks. 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 that our partner banks are incentivized to outsource their payment activities due to their scale, which creates cost advantages across production, processing and oversight activities. In addition, we benefit 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 long-standing experience and expertise in the industry and our deep understanding of the customer base in the Italian market. 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. 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. In particular, on an adjusted basis without taking into account UBI-related operating revenues (in light of the successful takeover bid launched by Intesa over UBI in 2020), partners banks representing approximately 77% of our operating revenues for the year ended December 31, 2019 having agreements expiring in 2020, have renewed their contracts with us, with the remaining partner banks representing 23% of our operating revenues for the year ended December 31, 2019, having agreements expiring in 2020, renewing their contracts on a yearly basis. In addition, certain of our key partner banks have decided to maintain long-term relationship with us. For example, the acquiring contract with BMPS has terms to maintain their level of business with us for a period of ten years as of acquisition closing in December 2016 and during 2017, respectively. Furthermore, in the context of the ISP Acquisition we also agreed to provide Intesa Sanpaolo with card management services, as well as management services relating to manual cash disbursement transactions performed through payment cards on Intesa Sanpaolo's ATM network, for a period of twenty-five years (renewable for another ten years) as of the ISP Acquisition closing in June 2020 (see "*—Material Contracts—Agreements with Partner Banks—Agreements with Intesa Sanpaolo*"). 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.

Key Features of the Relationships with our Partner Banks

Most of the relationships with our partner banks, including our top partner banks by revenue, are governed by framework agreements setting out the terms and conditions of the partnership. In the year ended December 31, 2020, partner banks accounted for approximately 70% of our operating revenues. Our top five and top ten partner banks represented approximately 40% and 51% of our total operating revenues for the year ended December 31, 2020, pro forma for the ISP Acquisition. In the year ended December 31, 2020, after giving effect to the ISP Acquisition, approximately 11% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or prior to 2023, 25% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or after 2025, and 29% of our operating revenues was generated from framework agreements with our top five partner banks expiring on or after 2025 and from recurring annual contracts. No material contract with our partner banks expires in 2021. See also "*—Material Contracts—Agreements with Partner Banks.*"

The table below shows the percentage of operating revenues recorded in the year ended December 31, 2020, on a pro forma basis by residual maturity of framework contracts with partner banks divided by positioning in generating our operating revenues, after giving effect to the ISP Acquisition:

	Recurring Annual Contracts in 2021(1)	**2025+**	**2024**	**2023**	**2022**	**2021**	**Total**
Banks Nos. 1 - 5	3.3%	25.3%	—	10.4%	0.7%	—	39.7%
Banks Nos. 6 - 10	5.6%	1.9%	1.0%	—	2.5%	—	10.9%
Banks Nos. 11 - 20	6.7%	1.5%	—	—	1.1%	0.8%	10.1%
Other banks	9.7%	—	—	—	—	—	9.7%
Direct/referral	3.8%	25.7%	—	—	—	—	29.5%
Total	**29.1%**	**54.4%**	**1.0%**	**10.4%**	**4.3%**	**0.8%**	**100.0%**

(1) Recurring Annual Contracts includes contracts entered into with an open-ended duration or contracts with automatic renewal (in both cases unless terminated by one of the parties).

Our New Products and Services

We have introduced significant new products and services. Since 2018, we have been renewing our commercial offer for our various business lines. In particular, the most significant products launched since 2018 include:

Merchant Services & Solutions Business Line

New products and services in our Merchant Services & Solutions business line include:

(i) *New e-commerce payment gateway:* In particular, our online and mobile payment acceptance platform now includes the acceptance of alternative payment methods (e.g., PayPal, Alipay).

(ii) *Merchant App—Nexi Business:* Nexi Business App is a data-centric mobile application allowing 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. In addition, our Nexi Business App also provides a direct communication channel to merchants, and may therefore be used also for streamlining the provision of additional services or other products, as well as for marketing other commercial initiatives and promotions. 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.

(iii) *Micropayments:* This is an offer primarily aimed at small business merchants, that we launched to encourage these merchants to accept micropayments by providing for the reimbursement of all commissions on digital payments of up to €10.

(iv) *SmartPOS:* 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. The SmartPOS offering consists of advanced smart terminals and a powerful and flexible Android-based operating system. 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 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, our portable device solution) 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. Additional POS innovations include a new portfolio of available terminals, a premium service to guarantee assistance within four hours; and SmartPOS/SmartPOS Mini.

(v) *Nexi mPOS*: In 2020 we completely redesigned our mobile POS solutions, by developing this innovative app with multi-hardware capabilities. *Nexi mPOS* is tailored for the needs of small merchants, while targeting mobile customers.

(vi) *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.

(vii) *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).

(viii) *LAKA*: We are investing in the LAKA (Large and Key Accounts) segment, which includes our most sophisticated customers, to deploy omni-channel payments solutions providing a seamless purchasing experience to end customers, thereby serving sophisticated end-users operating under a multi-channel and, in some instances, multi-country model. In addition, we provide large merchants with integrated apps or software components for omni-channel mobile payments solutions, with specific offers for various industry segments.

(ix) *Xpay:* Xpay gateway, serving a wide range of customers the e-commerce space, 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.

(x) *Internet of Things:* We are well-positioned to capture the opportunities arising from invisible payments and the rise of IoT, payments. Xpay Invisible is our offer eliminating explicit exchange of credentials during each payment, thereby increasing efficiency of the payment experience and driving digital penetration domestically.

Cards & Digital Payments Business

New products and services in our Cards & Digital Payments business line include:

(i) *Mobile, app and digital solutions*: these are represented by the *Nexi Pay App* (an innovative tools for interaction with cardholders through a new smartphone app), *Mobile Payment services* (such as Apple Pay, Samsung Pay, Google Pay, Garmin Pay, Fitbit Pay, SwatchPAY and YAP, a mobile pay solution for prepaid cards dedicated to Millennials), *Bancomat C-less* (a card allowing holders of Bancomat payment cards to pay contactless using NFC technology), and developments to our core credit products to drive digitalization, usage and penetration (in particular, we are working on a dynamic credit limit extension that would bring potentially significant commission inflows while not absorbing capital).

(ii) *Innovations across our card products*: *Prepaid Cards* (by expanding offering to non-bank customers, non-resident citizens and teenagers), *International Debit* (by means of two newly developed international debit cards, one addressed to a mass market target and the second being an international premium debit card complemented by certain value added services; in addition, the former card is available as a corporate card for micro-entrepreneurs and independent professionals, allowing for online purchases, mobile payments and international payments), *Black Card* (a contactless, metal-veneer card with dedicated services, designed for high net-worth individuals), *Excellence and* Prestige (our premium credit cards), *Corporate Cards* (which now include centralized or individual debit, credit cards for SMEs and VAT numbers and debit cards for SMEs and VAT numbers), *Virtual Corporate* Cards (being our latest generation cards allowing an efficient management of B2B purchases of goods or services, as well as employee travel expenses), and *National Debit Cards* (where we are developing our business through virtualization, e commerce usage and selected mobile payment use cases).

(iii) *Instalment payment optionality (EasyShopping) and spending control*: these are services allowing for payment in instalments for single purchases and for customers to manage and control the use of the card by setting spending limits.

(iv) *Customer Engagement Programs*: these include *iosi* (a paying service dedicated to Nexi cardholders) with an entry level membership, *iosiSTART*, (which includes *ioSPECIALE*, a monthly portfolio of special offers and gift cards, *ioSICURO*, a set of additional security features and insurances to customers, and *ioVINCO*, our instant-win program based on transactions made in order to incentivize customers to increase their frequency of card use and access to our digital channels). In addition, we developed *iosiPLUS* for our premium customers; through *iosiPLUS*, on top of the entry level membership, customers receive access to *iosi PLUS COLLECTION* (our premium loyalty program allowing points to be accrued with every expense made and prizes to be consequently redeemed for our catalogue), *iosi PLUS EMOTION* (a service comprising a full selection of gifts, updated on a monthly basis, which customers can select and choose), and lastly *iosi PLUS TRAVEL* (a full-service dedicated online travel agency, providing special conditions and reserved add-on services including, among others, COVID-19 protection insurances). and

(v) *Customer Value Management Services*: a full set of services tailored for our partner banks and aimed at increasing customer value, based on customer behavior.

(vi) Moreover, through our *Customer Value Management*, we also support to Italian government's "Italia Cashless" program and offer an advanced data science team as well as marketing automation services to our partner banks, so as to improve the provision of payments solutions to end users.

Digital Banking Solutions Business Line

New products and services in our Digital Banking Solutions business line include: (i) *Check Image Truncation*, a service allowing for the electronic payment of checks through image exchange; (ii) *Instant Payments*, a platform for the interbank management of real time IBAN-based payments (average transaction execution time of 1.5 seconds) 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; (iii) *Digital Corporate Banking*, a service bundle, aimed at the B2B Corporate digital payments market, for which we are the largest Italian corporate front-end/digital banking solutions provider, already helping a number of banks and corporates, with approximately 480,000 licenses granted for our e-banking platform, to simplify their daily business, ensure easy, efficient payment operations and optimize finance management; and *ATM Revolution*, a renewal campaign targeting our ATM systems, which enabled us to provide a 360° offer to our customers, starting from the development of the physical interface with the customer to the implementation of an improved ATM cash-in mix offering. *ATM Revolution* covers 34% of our managed ATMs, a 2% increase compared to 2020.

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 (such as the TPP Gateway, developed in 2020, and the PIS solution, currently under development). 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 payments value chain in which we mainly operate.

- *YAP.* Launched in 2018, YAP is our mobile-centric payments platform with a fully digital onboarding process, offering instant issuing of prepaid virtual cards, mobile in-store payments (through ApplePay and GooglePay), online payments on e-commerce platforms and peer-to-peer (P2P) capabilities. YAP combines payments solutions with smart engagement characteristics, so as target unbanked or light-banked young Italians and their families, thus increasing penetration of digital payments and e-commerce. As of December 31, 2020, the YAP platform has approximately 870,000 customers (64% of whom are under 30), with 36% of registered customers being active in the fourth quarter of 2020. YAP boasts a strong net promoter score (averaging 50 in 2020), a rating of 4.8 in the App Store and 4.5 on the Android store, and a strong viral growth component (as approximately 75% of new customers are gained through member-gets-member initiatives). YAP supports our business by attracting the younger generations into our customer base, enabling at the same time their financial inclusion and education, while offering innovative payment methods. Lastly, partner banks are provided with a market-validated and fully-managed solution increasing their customer attraction capabilities.

- *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 and do not have any material exposure to single suppliers, 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 Thales and 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) and (v) suppliers of ATMs for our ATM management services. The services provided by SIA will be insourced following completion of the SIA Merger. 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 UnionPay International. Card schemes are payment networks linked to payment cards (such as debit, charge or credit cards) of which banks or other eligible financial institutions can become members. 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 the Combined Group's Business and Industry— Nexi, Nets and SIA are exposed to risks arising from their reliance on payment networks.*"

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.*"

Sustainability

We strive to operate our business sustainably. In 2020 we adopted a comprehensive sustainability policy, which enshrines our sustainability strategies and commitments. This policy defines the principles that guide us in the evaluation, planning, management, monitoring and reporting of our sustainability strategy. We strive to become a benchmark for Italy's sustainable growth.

Energy and other resources

Our IT infrastructure, including our data centers, inherently consume energy. We strive to minimize such energy usage. Our approach to energy efficiency is optimization through our products and services life-cycles, spanning design, planning and implementation, and extends to the operations phase via monitoring & control systems and technologies. In 2019 we completed the full insourcing of Nexi Payments' four data centers, which allows us to optimize and reduce energy consumption. These four data centers are now adopt energy-efficient solutions based on international best practices and tried-and-tested technologies, deliver more reliable and energy-efficient performance, and are also ISO 9001 and ISO 14001 certified. Efficient, environmentally friendly cooling is provided by groundwater in the summer months and by ambient air in the winter. Combined, this system delivers substantial energy savings compared to traditional cooling plants.

Furthermore, in 2020 we have expanded our insourcing to two data centers owned by Bassilichi, and to two further data centers owned by Mercury Payment. As a consequence, we have now delivered an even stronger degree of energy efficiency, decommissioning obsolete systems and using facilities equipped with state-of-the-art energy and cooling systems.

We are also actively planning to steadily phase out old IT systems and replace them with next generation ones that, when benchmarked against like performance, are less energy consuming. Future IT systems also stand to allow for reduced physical storage requirements by delivering higher performance per unit size, thus lowering demands on space and which in turn spell savings in terms of data center refrigeration requirements.

Greenhouse Gas Emissions

To minimize our impact on the environment, we seek to reduce GHG emissions that are generated by our operations. Recently, our efforts in this regard turned primarily on curbing emissions at our headquarters. In addition, we also encourage all of our employees to adopt sustainable behaviors and habits, especially in terms of mobility.

Material Contracts

In connection with our business activities, we entered into a large number of customer, license, supplier, service and partnership agreements. The below list contains certain selected material agreements, segmented with reference to different types of 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 and has the commercial and economic 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 such agreements, see "*Description of Certain Financing Arrangements— The Issuer's Settlement Obligations.*"

Card Issuing Cardholder Agreements (Traditional Licensing)

When operating under the traditional licensing model in our Cards & Digital Payments business unit, we enter into a contractual relationship with each cardholder customer referred to us by the partner bank, while the bank retains the commercial and economic relationship with the cardholder.

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 such agreements, see "*Description of Certain Financing Arrangements— The Issuer's 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) for cases where we do not operate through our Direct and Referral models. 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.

Most agreements are entered into on an open-ended basis, while certain agreements entered into prior to 1990 provide for two-year duration terms and a yearly tacit renewal. Under both agreement forms, 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. Still, the majority of agreements in our Digital Banking Solutions business have the following common characteristics: (i) short/medium term duration (three years on average) with a tacit yearly/two-year renewal provision and either party being able to withdraw by serving a three-month prior written notice (ii) obligation for us to provide our services in accordance with mutually agreed key performance indicators and service levels, breach of which triggers penalty payments in favor of the relevant partner bank.

For a description of the credit risk we incur in connection with such agreements, see "*Description of Certain Financing Arrangements— The Issuer's Settlement Obligations.*"

Agreements with Intesa Sanpaolo

<u>ISP New Issuing & ATM Agreements</u>

In the context of the ISP Acquisition, on June 30, 2020, we entered into an agreement with Intesa Sanpaolo, through our subsidiary Mercury Payment, pursuant to which we undertook to provide Intesa Sanpaolo with card management services, as well as management services relating to manual cash disbursement transactions performed through payment cards on Intesa Sanpaolo's ATM network (the "ISP New Issuing & ATM Agreement"). The ISP New Issuing & ATM Agreement has been subsequently assigned to Nexi Payments. These services were previously provided to Intesa Sanpaolo through Mercury Payment by virtue of a set of agreements entered into in 2015 (the "Original ISP Agreements"). Under the Original ISP Agreements, we also undertook to provide POS processing and servicing services. These are no longer included in the ISP New Issuing & ATM Agreements, as the relevant ISP business unit has been transferred to the Issuer by means of the ISP Acquisition.

ISP Distribution Agreement

In the context of the ISP Acquisition we also entered into a distribution agreement with Intesa Sanpaolo (the "ISP Distribution Agreement"). The ISP Distribution Agreement is a long-term agreement which establishes a long partnership in marketing and distribution, whereby Intesa Sanpaolo will promote and distribute to its merchant customers both current and future technological solutions and/or innovative services that will be developed by us as part of our "Merchant Digital Acceptance" business (the "MD&A Solutions"). Specifically, we will offer the MD&A Solutions to the merchant customers of Intesa Sanpaolo (and od its subsidiaries) in certain European countries, while in turn, Intesa Sanpaolo and its subsidiaries agreed to promote the MD&A products with their merchant customer base and to distribute them through their network in the abovementioned territories.

The ISP Distribution Agreement also includes an exclusivity commitment for a certain period, as well as, following the expiration thereof, privileged access rights to Intesa Sanpaolo's network (as well as to the networks of Intesa Sanpaolo's Italian subsidiaries) and certain guaranteed minimum supplying quotas. Furthermore, Intesa Sanpaolo agreed to retain us as preferred partner for the development and the servicing of new products and solutions in the "Merchant Digital Acceptance" business. As consideration for the aforementioned undertakings by Intesa Sanpaolo, we agreed to pay an annual retrocession fee based on the revenues that will be generated by distributing the MD&A Solutions on the Intesa Sanpaolo group network, subject to the achievement of previously agreed targets. Intesa Sanpaolo may terminate the ISP Distribution Agreement in the event in which, as a consequence of a direct or indirect change of control affecting Nexi Payments, control vests with a certain direct competitor of Intesa Sanpaolo (even when acting in concert with third parties). Upon expiration, the ISP Distribution Agreement is subject to tacit renewal for another 10-year period (provided no party exercised its right to withdraw by providing a one year written notice).

Additional ISP Agreements

In the context of the ISP Acquisition we have entered into:

(i) an ancillary services agreement relating to the management of the merchant acquiring business transferred to us with the ISP Acquisition, lasting until expiration or early termination of the ISP Distribution Agreement;

(ii) an interchange agreement governing "on us" transactions. These include transactions with payment cards issued by Intesa Sanpaolo for the purchase of goods and/or services by means of any of the MD&A Products at POS, among others, of merchants transferred to us by means of the ISP Acquisition. This agreement shall last until expiration or early termination of the ISP Distribution Agreement; and

(iii) a license agreement, whereby ISP granted us an exclusive right to use certain trademarks related to the transferred merchant acquiring business. Upon expiration, this agreement is tacitly renewable with either party able to withdraw by providing a six months 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 merchant acquiring business of BMPS, 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 Agreements

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"). As of July 2017, the POS services are no longer governed by the BMPS Framework Agreement as a result of the acquisition of the merchant acquiring business of BMPS. 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, e-commerce and POS rental, and (iii) services related to interbanking corporate payments service, including services related to the CBI Gateway.

On December 30, 2020, we entered into a new service agreement with BMPS relating to the issuing and integrated management of payment services on card scheme operators for international debit cards (the "New BMPS Agreement"). Pursuant to the New BMPS Agreement, we have been granted a five-year exclusivity period for providing our payment services in relation to transactions completed by holders of international debit cards. The New BMPS Agreement expires in December 2030 and BMPS can withdraw at this end of this period, by providing a one-year written notice. BMPS will also be able to withdraw between the expiration of the five-year exclusivity period and December 2030, subject to the payment of a penalty to us.

Agreements 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., as amended, 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 a certain period of time, 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 2027, 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.

Deutsche Bank S.p.A. Cash Advance and Remote Payment Agreement

We have entered into an agreement with Deutsche Bank S.p.A., pursuant to which, starting from July 2017, we will provide acquiring, cash advance and remote payment services for payment cards used on ATM terminals owned by Deutsche Bank S.p.A. (the "DB Cash Advance Agreement") In particular, under the DB Cash Advance and Remote Payment Agreement, we will provide the following services; (i) acquiring and cash advance services for international payment cards issued on the VISA and MasterCard card scheme operators; and (ii) acquiring and payment/remote payment services for Pagobancomat cards. The DB Cash Advance and Remote Payment Agreement is open-ended. Either party has the right to withdraw by providing a ninety-day notice. Furthermore, the DB Cash Advance and Remote Payment Agreement will automatically terminate in the event in which, following expiration or termination of the DB Marketing and Distribution Agreement (see above), we do reach an agreement with Deutsche Bank S.p.A. on an amended contractual relationship within six months.

Agreements with Banca Carige S.p.A.

Banca Carige S.p.A. Acquiring Cooperation Agreement

Following our acquisition of Banca Carige S.p.A.'s acquiring business in September 2018, we have entered into a cooperation agreement relating to the acquiring sector pursuant to which, starting from September 2018, Banca Carige S.p.A. and certain of its subsidiaries will promote and distribute certain of our products and services to their merchants (the "Carige Acquiring Cooperation Agreement"). The Carige Acquiring Cooperation Agreement also includes an exclusivity commitment for a certain period of time. Carige Acquiring Cooperation Agreement expires in September 2028, subject to tacit renewal for another five-year period (provided either party has not withdrawn by serving a one year written notice). Following expiration of this first five-year renewal period, the Carige Acquiring Cooperation Agreement is tacitly renewed for additional one year-periods, but either party may withdraw by serving a one-hundred-eighty day written notice.

Banca Carige S.p.A. Debit and Prepaid Cards Cooperation Agreement

We have entered into a cooperation agreement with Banca Carige S.p.A. in April 2018, whereby we undertook a joint development process of international debit cards and prepaid cards, both to be distributed under an exclusivity undertaking for a certain period through the network of Banca Carige S.p.A. and of certain of its Italian subsidiaries ("the Carige Debit and Prepaid Cards Cooperation Agreement").

The Carige Debit and Prepaid Cards Cooperation Agreement expires in 2028 subject to tacit renewal for another five-year period (provided either party has not withdrawn by serving a one year written notice). Following expiration of this first five-year renewal period, the Carige Debit and Prepaid Cards Cooperation Agreement is tacitly renewed for additional one year-periods, but either party may withdraw by serving a one-hundred-eighty day written notice.

Agreements with Depobank

IT Outsourcing Agreement

Pursuant to the outsourcing agreement dated June 29, 2018, entered into between us and Depobank (the "Outsourcing Agreement"), we agreed to provide Depobank with certain IT services. In particular, we manage the applications used by Depobank to provide its banking services and also manage Depobank's technology services. These services 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 pays us approximately €10 million per year. The Outsourcing Agreement expires in 2026 with regard to certain "core" services, and in 2021 for certain "non-core" services. In addition, the Outsourcing Agreement provides for customary termination clauses in case of serious breaches by the relevant party, penalties in case of failure by the Issuer 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. On May 12, 2020, we entered into a term sheet with Depobank to amend certain terms of the Outsourcing Agreement.

Commercial Services Agreement

Pursuant to the commercial services agreement dated June 29, 2018, as amended on January 14, 2020, entered into between us and Depobank (the "Commercial Services Agreement"), we agreed (i) to promote and market certain of Depobank's products related to the payments business to its current and potential customers and to manage the related commercial relations and (ii) 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 pays 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. The Commercial Services Agreement has an indefinite duration and, starting from December 31, 2025, both parties could withdraw by providing twelve-months advance notice. In addition, the Commercial Services Agreement provides for customary termination clauses in case of serious breaches by the relevant party, penalties in case of failure by us to provide certain level of services and a limited indemnification provision.

Credit Mandate

We maintain a credit mandate agreement with Depobank, whereby the latter provides certain services related to the settlement needs of Nexi Payments. For a description, see "*Description of Certain Financing Arrangements—the Issuer's Settlement Obligations—Credit Mandate.*"

Agreements with Card Scheme Operators

Visa Agreements

Visa International Services Association

On October 13, 1986, Servizi Interbancari, S.p.A. (Nexi's predecessor) entered into a card member license agreement with Visa International Services Association. Under this agreement, Visa International Services Association granted Servizi Interbancari S.p.A. a perpetual, non-assignable and non-exclusive license to use Visa's trademarks. We also agreed to comply with certain qualitative standards, as established by Visa International Services Association from time to time, with regard to the use of the abovementioned trademarks. This agreement is open-ended, and automatically terminates should we cease to remain a member of the Visa card scheme (either following withdrawal or expulsion). Furthermore, either party has the right to terminate the agreement in the event of breach by the other party, by serving a written notice specifying the effective date of the termination, which can be no earlier than 120 days from receipt of such notice. Visa International Services Association 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. We have the right to terminate the agreement by giving 30 days' written notice.

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). 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. In the context of the acquisition of Visa Europe by Visa Inc. in 2016, we have received certain shares by Visa Inc. In particular, as of December 31, 2020, we held both Class A Preferred shares, which are convertible into Class A ordinary shares of Visa Inc. and are traded on regulated markets, as well as Class C Visa Shares, which are convertible into Class A Preferred shares (and subsequently into Class A ordinary shares) of Visa Inc. on the basis of certain conversion criteria and are not traded securities, in an aggregate amount of €151.6 million (equivalent), based on their market value as of December 31, 2020. During the first quarter of 2021, we converted into Class A ordinary shares, and subsequently sold, our Class A Preferred Visa shares almost entirely, for a value of €87.0 million (equivalent, at the date of sale). See also "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nexi is exposed to market and currency risks with respect to the securities it holds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer—Qualitative Disclosure on Financial Risk*."

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*."

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. The agreement is open-ended, however 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

Since 1997 we partner with the Bancomat S.p.A. consortium with regard to the Bancomat and Pagobancomat licenses. In 2018, we entered into an agreement with Bancomat S.p.A. governing both our membership of the Bancomat consortium, as well as the license to use the Bancomat and Pagobancomat trademarks. Under this agreement, the Bancomat S.p.A. granted Nexi Payments a non-exclusive and non-assignable license to join the Bancomat and PagoBancomat schemes, authorizing us to (i) engage in issuing, processing and distribution activities of physical and virtual cards authorized on the Bancomat and Pagobancomat schemes; (ii) engage in installation activities of POS terminals (both virtual and physical), ATM terminals, and other physical and virtual terminals, all authorized to operate on the Bancomat and Pagobancomat schemes; and (iii) use Bancomat and PagoBancomat's trademarks in SEPA countries. 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 agreement has a duration of one year and is subject to yearly automatic renewals, unless Nexi Payments serves a three-month written notice of termination or Nexi Payments is subject to merger or demerger transactions. Bancomat S.p.A. may also terminate the agreement in the event in which no operating, issuing or acquiring activity is carried out by us on the Bancomat or Pagobancomat circuits for at least twelve consecutive months.

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). While we plan on insourcing the services provided by SIA following completion of the SIA Merger, we may be unable to complete the SIA Merger within the anticipated time frame, or at all. In that event, we may still need to rely on SIA as a supplier under the abovementioned agreement. See "*Risk Factors—Risks Related to the Transactions—Nexi may be unable to complete the Nets Merger or the SIA Merger within the anticipated time frame, or at all.*"

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 New Supply Agreement expires in December 2024 and provides for an automatic renewal for an additional year, subject to either party being entitled to withdraw by providing a notice six months prior to expiration.

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 for a certain period of time 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 among the major providers of payment services on both the issuing and the acquiring side 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 payments 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:

(i) the systems that produce and manage the user interface and that guarantee an efficient information management by users of our systems;

(ii) the software layers that guarantee an interchangeability of the protocols of communication with external bodies, such as payment platforms;

(iii) the publication of APIs (Application Programming Interfaces), including those that comply with current standards (PSD2); and

(iv) 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:

(i) the management of payment cards according to the different models of service of licensing and servicing, and divided into issuing and acquiring components;

(ii) the management of payment transactions relating to e-commerce and digital corporate banking; and

(iii) 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.:

(i) to ensure the continuity of operation of the IT service;

(ii) to provide adequate performance in terms of quality, reliability and speed of the transactions; and

(iii) 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 approximately 1,000 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. Following the roll-out of the CBI Globe initiative (i.e., the development of the pan-Italian open-banking gateway), the CBI Consortium has also entrusted us with developing new functionalities, allowing banks and fintech companies to deliver digital services that meet the growing needs of corporate and retail clients, ultimately strengthening our strategic positioning in the field of digital payments.

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, also by means of a chat service and advanced customer relationship management tools integrated on a comprehensive web interface. 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, 2018 to December 31, 2020, we invested over €410 million (including capex and operating expenses in the 2018-2020 period) in our technological infrastructure, starting a process of efficiency and cost reduction, with the completion of more than 55 transformation projects.

Employees

Overview

We view our employees as key strategic levers and as fundamental contributors to our success. We believe that in diversity lies strength and that all our employees should be given an equal opportunity to succeed regardless of employees' politics, trade union membership, religion, race, language, gender, age and family status. As of December 31, 2020, we had a total of 1,989 full-time equivalent employees, excluding temporary workers. Our total number of employees included 95 top managers, 698 middle managers and 1,197 white collar employees.

Training and Benefits

We deliver training to our employees via an integrated system of personalized schemes and innovative methods and approaches, each striving to harness and develop their skills and capabilities. In 2020, we provided each employee with an average of approximately 30.0 hours of training. In 2019 we adopted a Learning Management System for the purposes of monitoring and advertising all courses available to employees, and we are currently focusing on a medium- to long term training planning.

We provide our employees with generous benefits, including additional pension contributions, health coverage extended to the employee's family, disability contributions, insurance advice, paid time off-work for medical consultations and sizeable cash awards earmarked for specific projects or for outstanding employee contributions.

Stock Options

We currently have in place certain stock option plans under which Mercury UK has certain selected 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*); and (iv) additional collective bargaining agreements that govern working hours, bonus payments, contributions to pension funds and other benefits.

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 have not had any significant labor issues during the past three years.

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 December 31, 2020, the amount set aside under our severance indemnities under employees' contracts of employment amounted to €14.8 million.

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. 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, 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. Furthermore, Nexi Payments has obtained an authorization by the Bank of Italy to operate as a payment institution. 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 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

From time to time, we become involved in legal proceedings in the ordinary course of our business. We have assessed the potential liabilities that may arise from currently pending litigation and have determined provisions on the basis of prudential criteria. As December 31, 2020, we set aside total provisions for disputes in an amount of €2.1 million against aggregate claims of €115 million. 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.

In Innovation In Networking vs. Nexi Payments

On January 26, 2021, In Innovation In Networking commenced proceedings before the Court of Milan against Nexi Payments in its capacity as operator of the SmartPOS marketplace. In Innovation In Networking sought the payment of approximately €32.0 million as compensation for (i) costs incurred in connection with the development of the *whatsin* app; and (ii) potential profits lost due to failure to sell the *whatsin* app. In addition, In Innovation In Networking also sought an unspecified amount for reputational damages and damages due to alleged unfair competition. The first hearing is scheduled on April 30, 2021.

Nexi vs. Cedacri

On May 16, 2020, the Issuer initiated arbitration proceedings against Cedacri S.p.A. ("Cedacri") under the applicable provisions of a share purchase agreement (the "Oasi SPA") entered into with regard to the sale by the Issuer to Cedacri of the entire share capital of Oasi S.p.A. ("Oasi"). The Issuer is seeking the application of the earn-out provisions under the Oasi SPA and the payment by Cedacri of a purchase price adjustment. Cedacri has in turn claimed the violation by the Issuer of certain covenants and representation and warranties provisions under the Oasi SPA in relation to the calculation of Oasi's 2018 EBITDA levels, which are used as a parameter both for the calculation of potential earn-out payments as well as for determining subsequent adjustments to the purchase price. As of the date of this offering memorandum this arbitration is ongoing. A decision by the arbitral tribunal is expected by December 2021.

NETS' BUSINESS

Nets' History

Headquartered in Denmark, Nets is the result of the combination of PBS, BBS and Teller, three Nordic companies that played key roles in the deployment of payment services in the Nordic region. Set forth below are the key events and acquisitions that have contributed to Nets' well-established position in the payment services and financial transactions sector in the Nordics and elsewhere:

- PBS was founded in 1968 as PBS, a joint undertaking by a pool of Danish banks to establish an electronic payments service. Since its foundation, Nets gradually expanded its service offering, both organically and through a series of strategic acquisitions.
- In 1972, Bankkort and Bankgirosentralen, the two largest players in the Norwegian electronic payment services market, merged into BBS. BBS was the largest payments services provider in Norway and provided key services including Bankgiro and eFaktura.
- In 1974, PBS introduced direct debit payments in the Danish market.
- In 1977, Teller was established as Visa Norge. Teller player a key role in the rollout of the international payment circuit Visa in Norway.
- In 1983, Nets introduced Dankort, Denmark's first domestic debit card circuit.
- In 1991, BBS launched BankAxept, Norway's first domestic debit card circuit and currently Norway's most commonly used payment method.
- In 2003, Teller started providing MasterCard acquiring services.
- In 2005, BBS acquired Ingenico AB (Sweden).
- In 2006, Teller acquired exclusive rights for American Express acquiring services in the Nordic region.
- In 2007, BBS acquired LD Betalingssystemer, strengthening its position in the Danish market.
- In 2009, BBS acquired Sagem Denmark and Manison (Finland).
- In 2010 the BBS, PBS and Teller brands were combined to form Nets.
- In 2012, Nets acquired Luottokunta, Finland's largest acquirer, further strengthening its position in the Nordics.
- In 2015, Nets acquired Nordea Merchant Acquiring, the Nordics and Baltics, merchant acquiring and international payment cards business of Nordea, strengthening its position in the Nordics and expanding into the Baltics.
- In 2019, Nets expanded in to Germany, Austria, and Switzerland through its merger with Concardis, and into Poland, through its acquisitions of DotPay/eCard and P24.
- In 2020, Nets acquired Polskie ePlatnosci (PeP), to further strengthen its position in Poland.
- In 2019, Nets won a European Union tender to deliver MitID, a new domestic Danish eID service.

- In 2020, Nets announced its intention to merger with Nexi, thus contributing to the creation of a major European player in the market for digital payment technologies and infrastructure services.

- In 2020, Nets further strengthened its expansion in the Nordics by acquiring the Finnish software development company Poplatek Oy and Poplatek Payments Oy

- In 2020, Nets continued to expand its presence in the DACH region by acquiring the leading Swiss payment terminal provider CCV

- In 2021, Nets sold its corporate services account-to-account business to MasterCard for €2.85 billion, refocusing its business towards its core payments services including merchant services, e-commerce, issuing services and technological innovation. See also "*Presentation of Financial and Other Information—Historical Financial Information of Nets—Centurion Disposal*."

- In January 2021, Nets consummated the acquisition of Checkout Finland Oy, a rapidly growing company within the e-commerce business segment, with closing of the transaction expected to complete in April 2021.

Nets' Services

Nets is one of the largest integrated European paytech companies, with a well-established position in the Nordics, one of the most digitally advanced regions globally, as well as in underpenetrated geographies with significant growth potential (such as Germany, Austria, Switzerland, Poland and Southern and Eastern Europe). Furthermore, Nets has developed a strong multi-regional e-commerce offering over the last three years. Nets has two main business units:

- *Merchant Services*, through which Nets provides in-store, online and mobile payment acceptance and omni-channel payment solutions to merchants across the Nordic region and elsewhere.

- *Issuer & eSecurity Services*, though which Nets provides outsourced processing services to more than 250 financial institutions, primarily banks, across the Nordic, SEE and United Kingdom as well as complementary services including fraud and dispute solutions, and mobile wallet technology.

Through its two business units (Merchant Services and Issuer & eSecurity Services), Nets managed transactions in respect to over 740,000 merchant revenue generating units (RGUs), over 40 million cards and more than 250 financial institutions in the year ended December 31, 2020. Over the same period, Nets managed more than 6 billion transactions in its Issuer & eSecurity Services business unit and processed transactions with a transaction value of approximately €104 billion in its Merchant Services business unit. The table below shows Nets' gross revenues by business unit for the periods indicated, as reported in Nets Consolidated Financial Statements.

(in € million)	**Year ended December 31,**	
	2020	**2019**
Merchant Services	1,190.2	1,477.2
Issuer & eSecurity Services	377.2	406.0
Revenue, gross	**1,567.4**	**1,883.2**

Set forth below is a more detailed description of Nets' principal business activities.

Merchant Services

Overview

Through its Merchant Services business unit, Nets provides in-store, online and mobile payment acceptance and omni-channel payment solutions to merchants across the Nordic region and elsewhere. Nets seeks to be a one-stop-shop for merchants it serves across the payments value chain in the countries in which it operates. This business unit's offering allows merchant customers to use Nets as their single card acceptance vendor. A broad range of value added services caters to the merchant as they grow and new needs emerge throughout their lifecycle, including invoice and receipts management, consumer and merchant financing, as well as loyalty and other omni-channel solutions. Merchant Service products and services are also offered individually and on a custom basis, depending on the needs of the customer. The integration of Merchant Services' products and services enables significant cross-selling opportunities between, for example, merchant acquiring customers and payment acceptance solution customers.

Products and services in the Merchant Services business unit include merchant acquiring and payment acceptance solutions for e-commerce and m-commerce, including through mobile devices, POS terminals, and omni-channel solutions. Nets' e-commerce payment acceptance solutions act as virtual terminals that powers websites' checkout pages to enable shoppers to complete transactions digitally, from both personal computers and smartphones. In addition, each of Nets' POS terminals, which are offered both for sale and rental, are integrated with Nets' proprietary software. Nets estimates that approximately half of the POS terminals utilized for Nets' services are designed to accept contactless payments using NFC and, going forward, Nets expects to POS terminals to accept payments by mobile wallet.

The Merchant Services business unit generated €1,190.2 million, or approximately 75.9%, of Nets' gross revenues for the year ended December 31, 2020. Nets organizes its Merchant Services product proposition and service delivery across five business lines described below.

Connect

The Connect business line provides connectivity solutions that allow merchants to access Merchant Services' payment acceptance and omni-channel infrastructure. These solutions include configuration and authorization services, as well as e-commerce payment engines and gateways for online payments and physical POS terminals for in-store payments.

The Connect product propositions includes the following:

- *Easy*, a full-service collecting PSP that provides merchants with e-commerce gateway services, card acquiring, alternative payment methods - APM money management and funds settlement, the combination of which fully addresses and integrates merchants' online and mobile payments acceptance needs in a seamless experience for all parties involved.

- *Netaxept* (Nets 360), an internet payment service provider - iPSP that offers flexible and customizable gateway services for payment acceptance needs that are adequately complex to warrant a separate integration.

- *P24* (in Poland) and *Paytrail* (in Finland), one of the leading sets of A2A PSPs based on a direct bank-to-bank payment method, which is integrated with 180+ and 12+ banks in Finland, respectively.

- *RatePay,* an innovative white-label buy-now-pay-later gateway proposition, which is operational in the DACH region and is based on paying out funds to the merchant upon order fulfilment and collecting funds from the merchant's end customer, integrating credit scoring, funds settlement as well as debt recovery and collections in the process.

- Sales and leasing of POS terminal hardware manufactured by third-parties.
- *Viking*, Nets' proprietary terminal payments acceptance applications allow for features independent of hardware manufacturers, in addition to delivery of non-APMs and VAS at the point of sale.
- *Poplatek*, a modern online payments acceptance application that acts as a technical foundation for the next generation of payments acceptance applications.

Pay

The Pay business line includes Nets' core acquiring processing infrastructure and related VAS and allows for merchants' acceptance of payments from end customers through the connectivity enablers referenced in the Connect section above. Services include, among others, (i) card authorization switching and routing; (ii) scheme clearing and settlement; (iii) merchant settlement services; and (iv) merchant financing.

The proprietary Merchant Services processing platform is highly cost efficient and carries the ability to support national protocols, debit schemes and other variations in the local payments environment. Furthermore, the Pay business line encompasses projects that consolidate and drive further cost leadership by leveraging the Issuer & eSecurity Service business unit's UNI platform, as well as accelerate innovation within acquiring infrastructure for Nets Financing propositions.

Experience

The Experience business line seeks to ensure an efficient, effective and seamless experience for merchants when interacting with Nets. By automating and streamlining the various processes necessary to on-board and service merchant customers and consolidating information from the internal platforms used within the Nets Group over various service stacks, Merchant Services provides merchants with a full suite of portals for matters including, but not limited to, digital on-boarding, account maintenance / self-service, and retrieval of various reports. Such portals include *MyNets*, and *SmartPay* and *MyConcardis* in DACH.

Grow & Learn

The Grow & Learn business line encompasses the analytical tools provided by Nets to merchants. These tools aggregate and present in an actionable, user-friendly way data around the particular merchant's payments and, to the extent features are included in the relevant bundle, customers that allow the merchant to learn about their customers and thus grow the business. Furthermore, Merchant Services' analytical tools accommodate API compatibility and a related marketplace, allowing for increased integration and modularity in retrieval of the data made available to the Merchant Services customers. Current commercial concepts under development include event-driven and real-time data analytics.

Protect

The Protect business line consists of risk management tools and proactive security issue detection services provided to merchant customers, both as customary part of Merchant Services bundles and, for VAS, as add-ons for self-monitoring and white-labelling in an intuitive and simple user interface. The offering seeks to assure and provide confidence to merchants that partnering with Nets will, if not eliminate, keep payments-related fraud and risks to an absolute minimum. Technically, the service act as an aggregator of third-party applications with proprietary Nets builds and support that, in this combination, monitors and assigns scores to consumer and merchant transaction risk to mitigate adverse developments.

Issuer & eSecurity Services

Overview

Through its Issuer & eSecurity Services business unit Nets provides outsourced processing services to more than 250 issuers of payment cards, primarily banks, mainly across the Nordic and SEE, as well as complementary services including fraud and dispute solutions, and mobile wallet technology. In addition, Nets also provides its services to Ikano Bank in the United Kingdom. The business unit also includes the operation and processing services relating to the national debit card schemes in Denmark (Dankort) and Norway (BankAxept). Nets is also a provider of the e-Security and digitization services. Such services include delivery of e-Security solutions through MitID (a Danish eID solution to authenticate individuals' identity when communicating with the Government, banks as well as private companies, allowing for a seamless customer experience across multiple end-channels) and digitization services enabling customers to simplify workflows and processes supporting customers in their digital transformation.

Nets provides a complete end-to-end service and full life-cycle management of cards from both international and domestic card schemes across the entire payments value chain which allows Nets to capture significant value across the digital payments ecosystem and to take a holistic approach that enables it to provide integrated solutions that benefit from the full range of its capabilities. As a result, solutions are optimized for merchants, card issuers such as banks or financial institutions, as well as corporate entities and government agencies that require interlinked digital network and payments solution capabilities.

Nets' Issuer & eSecurity business unit generated €377.2 million, or 24.1%, of Nets' gross revenues for the year ended December 31, 2020. In 2020, Nets processed more than 6 billion transactions related to approximately 40 million of cards in its Issuer & eSecurity Services business unit.

Nets' product capabilities cover all stage of the customer journey and are enabled through a modular platform architecture. Nets' modular platform approach allows issuers to mix-and-match and seamlessly integrate services into their target operating environment. This approach enables issuers to create a digital customer journey across products and services. A single account structure allows issuers to create limitless sub-accounts tied to a master account. Issuers enable one account experience but 'mix-and-match' services across products such as Supplementary Card, Debit Card, Virtual Card, Loans and Instalment Plans. Moreover, issuers can easily test and assess solution designs via POT exercises and sandbox test environments which results in issuers being able to launch new products in a matter of months rather than years, significantly decreasing time investments and enhancing go-to-market capabilities.

Nets organizes its Issuer & eSecurity Services business unit across the five business lines described below.

Account Management Services (AMS)

Account Management Services provides issuers with the capabilities to transform their customer journey across multiple channels and payment methods. The Account Management Services platform combines a suite of capabilities and services that have been integrated in an end-to-end solution to create a seamless, personalized, secure and flexible payment experience for issuers as well as their respective customers.

Account Management Services provide issuers with an end-to-end solution for managing customer, corporate card issuance and account management services across cards and financing products offered by issuers. The platform flexibility provides issuers with the optionality of selecting services that deliver a differentiated and unique customer experience (CX) and a rail-agnostic solution. The single account structure enables issuers to create limitless sub-accounts, tied to a master account – providing overarching control whilst at the same time providing a unique and differentiated CX. Issuers enable one account experience but 'mix-and-match' services across products, such as but not limited to, Supplementary Card, Debt Card, Virtual Card, Loans and Instalment Plans.

The platform's flexibility, which allows for issuer configurability, modularity and suite of APIs enables Issuers to leverage a rich feature set, with E2E support of multiple schemes, currencies and card types, as described above.

Core Payment Processing

Nets' Core Payment Processing capabilities enable the front-end processing of cards and alternative payment transactions. These services can be combined with either non-Nets CMS or fully integrated with Nets CMS, providing optionality and flexibility to issuers.

To this effect, the primary activities provided by Nets with regards to Core Payment Processing consist of real-time transaction handling, which includes (i) authorization and (ii) switching and routing, each on both the issuing and the acquiring side of a transaction to local and international card schemes and payment organizations.

Additionally, financial batch transactions, which consist of clearing messages, which Nets both manages and routes via gateways to card organizations is another core capability provided within Core Payment Processing.

Risk Management Services (RMS)

Nets Risk Management Services work in conjunction with issuers to provide secure and seamless digital customer journeys. This capability is made possible due to a comprehensive data suite, AI, as well as numerous additional digital tools that help issuers in optimizing the balance between conversion and fraud reductions, in a cost-efficient manner.

Within Risk Management Services, there are a variety of product and service capabilities provided to customers, which include but are not limited to:

- *3-D Secure / ACS*, which provides a frictionless user experience for the end customer, issuer insights as a result of the wealth of data elements and increased conversion via RBA and whitelisting. Additionally, and equally important to Nets' issuer customers, it provides compliance with PSD2.
- *Real-time fraud monitoring and detection capabilities*, which offer real-time decision-making capabilities and are supported by AI and machine learning, which leads to continuous reduction in successful fraud attempts while simultaneously improving valid customer transaction turnover rates. This process and capability is made possible due to multiple robots that have been continuously trained over more than four years through deployment for both internal and customer process automation.
- *Prevention capabilities*, which provide a suite of tools including AI enabled SmartBlock, which delivers an intelligent and efficient process of dealing with compromised cards.
- *Dispute resolution capabilities*, which provide a suite of digital transformation tools and managed services that reduce both issuer cost as well as time required to manage disputes.

Digitalization Services (Digital Enablement)

Nets' end-to-end digitalization capabilities assist banks and merchants in making the customer digital on-boarding process efficient by removing friction points across the process, thereby aiding conversion of prospects to customers in a time and cost efficient manner. Additionally, Nets' digitalization capabilities allow for a seamless payment experience for the end-customer, thereby enabling banks and merchants to not only convert but also effectively retain customers.

The digitalization proposition consists of two key platforms, which are predominantly transaction priced, along with a base subscription:

- *ediEX*, natively integrated with Account Management Services, provides billing and recurring payment services. The platform is a merchant gateway that can be used via either APIs or through a self-service portal. The platform is connected to various bill payment methods and provides an overview of the bills that are sent to both customers and businesses. By leveraging customer data and a repository of data points, the platform is able to distribute bills to customers and business via channels through which they are most likely to pay on time – increasing payment receipt efficiency for customers of the platform.

- *Trust services capabilities*, which consist of authentication and digital signing services. The platform provides APIs that customers can seamlessly plug into their work-flows. Both the authentication and digital signing process is conducted through integrations with relevant digital identity schemes in Europe.

eIdentity Infrastructure (Digital Enablement)

Nets' Digital Enablement offering consists of:

- *NemID*, which is the official Danish eID infrastructure and is delivered to both the Danish government as well as banks. The solution enables enrolment of citizens according to international standards, safely stores digital identities and enables users to securely use digital identities. Currently, approximately 99% of the Danish population uses NemID to authenticate their identity when communicating with the government, and also uses NemID to communicate with banks and private companies, allowing for a seamless customer experience across multiple end-channels.

- *MitID platform*, which is being built on Nets' reference architecture and leverages previous knowledge from NemID. The platform is modular and flexible to the extent that it can be used by other Governments and banks to handle the identification and authentication process.

Customers

As of December 31, 2020, Nets provided its products and services at various levels of the payments value chain to over 100,000 customers across the EEA, Switzerland and the United Kingdom. Nets' largest, top-five and top-ten customers generated 4%, 18% and 26%, respectively, of Nets' net revenues for the year ended December 31, 2020, pro forma for the acquisition of Polskie ePlatnosci. Nets' contractual relationships with its top-ten and top-five customers in the Issuer & eSecurity business segment have an average historical tenure of five to six years, and six years, respectively. Nets' contractual relationships with its top-ten and top-five customers in the Merchant Services business unit have an average historical tenure of three years. No customer accounted for more than 4.3% of Nets' gross revenues for the year ended December 31, 2020. In the Merchant Services business unit, Nets serves merchants through a broad set of distribution channels, including partner bank relations, value-added resellers and web developers as well as through a direct sales force. In the Issuer & eSecurity Services business unit, Nets collaborates closely with card issuers, institutions and other partners to design user experience propositions throughout the digitized journey. In-house sales are conducted through the Nets' dedicated regional sales force.

Merchant Services products and services are distributed through a network composed of an in-house and partner sales force, allowing for significant depth, reach and penetration of key customer types. Partner sales are derived through strategic partnership agreements with banks, partnerships with merchant integrators and value-added services providers. Nets has created a broad network of partner web developers to facilitate easy and seamless integrations and support. Large e-commerce merchants have typically invested significantly in their own webshops and payment solutions, and they generally require tailored integrated solutions, which they develop in tandem with Nets. For the year ended December 31, 2020, the majority of Merchant Services' new sales were generated by Merchant Services customers who were sourced directly by Nets' in-house sales force and the minority of revenue was generated by customers who were sourced indirectly by partner sales.

Merchant Services' customers of Nets include major corporate customers, such as large supermarket chains, petrol station chains, hotel groups, and restaurant chains, small and medium enterprises , such as independent and small-chain retailers, as well as e-commerce customers, which include online-only retailers and service providers as well as LAKAs and SME customers with e-commerce and m-commerce needs. In addition, Nets also services Dankort, Denmark's domestic debit card scheme.

In the Issuer & eSecurity Services business unit, customers are primarily financial institutions. Customers of card processing services are primarily financial institutions acting in their capacity as issuing banks. Nets offers card processing through operation of card schemes such as Visa and MasterCard to a wide range of participants, as well as domestic card schemes such as Visa/Dankort, BankAxept and Dankort. The principal focus for card processing customers is security, operational stability and cost efficiency, with the ability to offer a full end-to-end service being an important feature as well. These considerations encourage financial institutions to seek card processors that can offer value-added services such as fraud prevention and CMS in addition to core transaction processing. Nets has set up senior key account directors and local account teams to perform extensive stakeholder management at all decision levels at customer banks. This provides the opportunity to discuss various strategic themes at an executive level, leading to the prospect of bundling of services across the digital payments ecosystem. The term for typical contracts is between three and five years, and Nets has been focusing on customer retention initiatives to ensure customer retention and contract renewal. Contracts are entered into on a non-exclusive basis.

Suppliers

Nets believes that it is not dependent on any single source supplier for any material part of its business, except that its business is dependent on its continued membership in the leading card schemes provided by Visa and MasterCard. Nets has a long-standing partnership with these card scheme providers which it expects to continue. Nets has multiple active vendors providing goods and services, with technology and IT vendors representing a large proportion of the total number of vendors. Nets' technology vendors range from well-known names to niche development and consultancy providers and provide networks, hosting, disaster recovery and application development services, as well as hardware and software to support Nets' payment processing capabilities and its IT infrastructure. Among Nets' material suppliers are IBM and Ingenico. Nets uses IBM for the operation of platforms, including operation of Nets' mainframe. Nets has used IBM for outsourcing since 2007. Ingenico is Nets' primary supplier of the POS terminals that Nets offers to its merchant customers.

Additional key suppliers of Nets include (i) Larsen Toubro InfoTech, TCS and Endava for the development and maintenance of applications, both onsite, nearshore and offshore, (ii) suppliers of and IT-related operating services, including Firstdata and CGI, (iii) software suppliers including Oracle and Microsoft, (iv) suppliers of printing and postage services (mainly in Denmark and Norway) and (v) suppliers of certain outsourced services related to facility management and telecommunication services. For a description of Nets' contractual relationships with some of these suppliers, see "—*Material Contracts—Agreements with ICT Providers.*"

Sustainability

Nets strongly supports and commits to the pursuance of ethical values in the operations of its business. In 2018 Nets became a signatory under the UN global compact, and consequently implemented a comprehensive corporate social security framework (The "Nets CSR Framework"). By adhering to the

UN global compact, Nets committed to making the UN global compact and its principles in the areas of human rights, labor, environment and anticorruption an integral part of its strategy, culture and day-to-day operations. To this extent, Nets also committed to report on a yearly basis on its progress towards the implementation of such principles. Nets' solutions are aimed at expanding the adoption of digitalizing processes, thereby reducing the environmental footprint of payments. While Nets works relentlessly to earn and renew the trust of its stakeholders, it also focuses on developing its business solutions in a responsible manner.

The Nets CSR Framework includes a comprehensive CSR policy and eight additional policies, all embedding the principles of the UN global compact. Each policy is tailored for addressing individual targets, and identifies dedicated policy managers tasked with policy activation and implementation activities.

Energy and other resources

Nets' business depends on data warehouses that can contribute to high energy consumption if not monitored and managed accurately. As part of the Nets CSR Framework, Nets supports a preventative approach to environmental challenges, and sets targets for reducing inefficiencies in operations as well as cooperating practices to include partners and suppliers in both the development and deployment of environmentally friendly solutions across the payments value chain. In particular, Nets' environmental policy includes clear commitments to reduce energy consumption. Overall, in 2020 Nets achieved healthy progress for all monitored parameters pertaining to these areas.

Furthermore, with a view at further minimizing its environmental footprint, Nets moved the majority of its employees to new headquarters in 2019. Renovation works pertaining to these headquarters were conducted in compliance with circular economy principles, thereby reusing and restoring materials already present at the site, while at the same time ensuring a sustainable outcome. As a result, the new Nets headquarters have been completed with minimum waste of resources. In addition, strict measures were implemented to ensure that the subsequent management of the building complies with environmentally green practices.

Greenhouse Gas Emissions

To minimize its impact on the environment, Nets also seeks to reduce GHG emissions that are generated by its operations. Nets' efforts in this regard turn on its employees transportation, as Nets' operations emit few GHG by themselves.

Nets encourages all its employees to adopt sustainable behaviors and habits, especially in terms of mobility. For example, to minimize emissions of its employees use of cars, Nets has partnered among others with the motorist association FMD in implementing a car-pooling app. This app is specifically aimed at offering Nets' employees new options for getting to and from work, thus reducing overall congestion, pollution and travel time.

Innovation

Nets believes that innovation has always been key to its competitiveness and success. Nets' proprietary technology platform is a fundamental component of its business model. Key features of the platform are its integration into financial infrastructure and customer systems, its reach into merchants' physical and digital sales channels, and capabilities across the payment ecosystem as well as adjacent services and processes needed to securely operate nationwide critical key infrastructure.

Nets depends on the security, stability and scalability of its technology services, as well as the cost leadership of its technology group. Nets' stability is of critical importance to its customers, and it works to maintain its systems proactively, and to prevent, identify and resolve any stability incidents, which it has done by implementing software and hardware solutions, including logging and monitoring, as well resolution procedures based on industry best-practice. Nets' proprietary technology includes card payment services, which are based on software code developed for or by Nets to be operated on its platforms. Nets is the sole owner of the intellectual property related to such software, although the infrastructure is mostly based on common technology that is primarily supplied by Nets' vendors, including IBM. For example, Nets relies on vendors, such as IBM, to provide mainframe and midrange infrastructure which are used, inter alia, in connection with certain card payment services.

Nets' technology systems are built on a number of platforms across countries and business segments, but are integrated for purposes of operations and management. Nets has set up data centers, servers and other computing equipment, and invested in each component of the platform. All data centers have backup infrastructure for resiliency and disaster recovery. Nets' cost leadership initiatives are based upon establishing an efficient sourcing model, including the use of offshore and nearshore technology locations where appropriate for product development. The breadth in sourcing capabilities drives cost efficiency, access to additional talent and faster time to market.

Maintenance and development of all of Nets' technology platforms is done through a mix of internal and external resources. Nets' vendors are subject to audits by Nets, and by external independent auditors, as to their compliance with their contractual obligations, which include data security provisions.

Nets provides information security to its customers by implementing various information security tools, complemented by regular audits and assessments, such as annual audits by or on behalf of Visa and MasterCard, third-party audit examination, periodic risk assessments supported by threat intelligence, periodic penetration tests and vulnerability analysis. To the extent that these audits and assessments identify any issues or non-compliance, Nets has procedures in place and works with the applicable external parties to ensure timely resolution of such issues or non-compliance.

Nets' security team consists of a variety of cyber-security and fraud management experts with diverse backgrounds, including former domestic and international law enforcement, military, financial services, security technology, and cyber threat analysis experts. The team's primary function is to protect its core operations. However, Nets also leverages their talent and expertise to advise customers on security-related matters, and share relevant information with anti-fraud groups across the financial services industry and with law enforcement entities around the world. During the course of 2020, Nets notified 21 potential violations to competent law enforcement authorities, without being issued any sanction in this respect.

Nets believes that its dedication to innovation will enable it to maintain its competitiveness.

Material Contracts

In connection with its business activities, Nets entered into a large number of customer, license, supplier, service and infrastructure agreements. The below list contains certain selected material agreements, as well as the description of certain standard terms and conditions that are generally applied by Nets in the agreements entered into with certain counterparties. The agreements listed below are segmented with reference to different types of contracts.

Merchant Services business line

Customer agreements

- *Large and key accounts (i.e., LAKA) Agreements*: in relation to the vast majority of LAKA customer relationships Nets typically negotiates framework agreements containing provisions that vary between customers, but that often include three-year terms with the ability to terminate on three or six months' notice. Some of these agreements also refer to specific provisions of Nets' standard terms and conditions, specifically tailored for certain business categories (e.g., cruise lines, hotels and card hires), or addressing specific payment methods (such as app payments, recurring payments, or contactless payments).

- *Small and Medium-Sized Enterprises Agreements*: in relation to SME customers, Nets operates with standard prices and agreements, which are tailored by channel and segments. Generally, these contracts are open-ended and can be terminated with six months' notice. Standard terms and conditions applicable to these contracts also provide that Nets shall not be involved by the merchant in any claims from cardholders relating to the product/service being paid, and that changes to fees may be notified by Nets by means of a thirty-day prior notice.

- *e-commerce*: the *e-commerce* sub-segment relies on cross-selling to existing and new LAKAs and SME customers, further to the addition of new online-only retailers and service providers. In order to offer these services (which include, among others, online payments acceptance, bank account to bank account fund transfers, buy now & pay later payment services, and VAS to customers), Nets generally enters into cooperation agreements with selected distribution partners.

Issuer & eSecurity Services

Card processing

Customers of card processing services are primarily financial institutions acting in their capacity as issuing banks. The term for typical contracts is between three and five years, and the contractual commitments are entered on a non-exclusive basis.

Dankort

Through its subsidiary Nets Denmark A/S (which owns the Dankort scheme), Nets has entered into several issuing license agreements, allowing Danish banks to issue cards operating on the Dankort scheme. These agreements have an open-ended duration, until terminated by either party. In addition to the abovementioned license agreements, Nets has also entered into certain services agreements with banks that have been licensed to operate on Dankort, whereby Nets has agreed to act as issuing service provider and provide processing services.

Nets has also entered into an agreement with the Danish Chamber of Commerce, setting out principles for preserving the Dankort card as a commonly available and up-to-date payment card in Denmark, which are in force indefinitely, unless terminated. As part of their ongoing relationship, Nets and the Danish Chamber of Commerce successfully presented a joint proposal aiming to replace the regulated merchant services charge price model applicable to the Dankort POS with a new model, characterized by increased flexibility. Such new model was introduced by the Danish regulator in July 2020.

eID Agreements

Nets and the Danish Agency for Digitization (*Digitaliseringsstyrelsen*) entered into several agreements regarding the development and supply of digital identities, and the approval of OCES-certificates. OCES-certificates are used as a security standard approved by the Danish Data Protection Agency, in order to ensure that transactions and the use of digital signatures are securely executed. eID services allow merchants and financial institutions to identify their customers online, verifying and ensuring their identity. As part of its Issuer & eSecurity Services, Nets offers digital identities for the Nordic region (e.g. MitID, due to replace NemID with regard to the Danish market), and has entered into specific cooperation agreements with technological providers and other partners.

Agreements with Card Scheme Operators

In order to operate its business, Nets requires licenses by Europe's largest payment networks. In this regard, Nets has entered into license agreements with major card schemes such as Visa, MasterCard, UP, JCB, American Express and Diners/Discover. Pursuant to the agreements with Visa, MasterCard and JCB, each of Visa, MasterCard and JCB may require Nets to provide notice of a change of control, as defined under each of these agreements, allowing them to terminate the relevant scheme agreements if a change of control occurs.

Agreements with ICT Providers

Summarized below are agreements pertaining to the supply of, among others, application development and application management services (ADAM), IT outsourcing services and POS terminals by key providers.

Larsen Toubro InfoTech and Endava Agreements

On December 19, 2018, and 21 December 2018, Larsen Toubro InfoTech ("LTI") and Endava (as suppliers) and Nets (as customer) entered into separate master services agreement, both regulating the provision of certain ADAM services by LTI and Endava related to the development and maintenance of Nets' operating applications. The services are provided by LTI and Endava based on individual service orders submitted by Nets. Both master services agreements, with an original expiration date of December 19, 2021 and 21 December 20121, respectively, may be renewed for an additional two-year period subject to Nets notifying LTI or Endava, as the case may be, of its intention to renew the agreement at least ninety days prior to the relevant expiration date. Nets may moreover withdraw from both master services agreements, or from the provision of a specific service thereunder, by providing a six-month prior notice.

IBM Agreements

The relationship between Nets and IBM dates to 2007, when the two parties entered into a technology and operations agreement, subsequently amended and replaced by the current master services agreement, entered into on March 31, 2017. Pursuant to the master services agreement, IBM agreed to provide certain IT-related services, including the operation and maintenance of Nets' mainframe, midrange, electronic storage, networking capacity and related software. In addition, the provision of further ancillary services is governed by separate agreements. The master services agreement expires on March 31, 2022, but Nets is entitled to renew it for additional six-month periods (up to a total of twenty-four months), by providing a ninety-day notice prior to the applicable expiration date. In addition, Nets may terminate the master services agreement at convenience, by providing a six-month prior notice.

Firstdata Agreements

On December 20, 2012, Concardis (currently owned by Nets) and First Data first entered into a framework agreement, subsequently amended and supplemented by means of a supplementary agreement entered into on August 26, 2019, which extended the framework agreement's duration until December 31, 2023, updated the prices applicable for the services provided by Firstdata, and carved-out certain services previously provided (e.g., services pertaining to paper-based transactions). The framework agreement governs the supply by Firstdata of technical processing and outsourcing services concerning the acquiring and processing of debit and credit card transactions. The framework agreement is tacitly renewable for recurring one-year periods following its expiration date, provided that either party may cause the agreement to expire without being renewed by serving a two-year prior notice in advance of the applicable expiration date.

Ingenico Agreement

On January 1, 2020, Nets and Ingenico entered into a purchase and distribution agreement governing the non-exclusive supply by Ingenico of POS terminals, software, and related accessory services (including training and support) to Nets. The agreement expires on January 1, 2024, and provides for a renewal for an additional year if both parties agree in writing at least six months prior to the scheduled expiration date.

Employees

Overview

Nets' culture and reputation as a leader in the industry enables it to recruit and retain some of the best available talent. Nets aims to offer its employees equal opportunities for promoting their careers, regardless of nationality, ethnicity, disability, age, gender, sexual orientation, religion or belief. As of December 31, 2020, Nets had a total of 4,130 full-time equivalent employees, excluding temporary workers. Nets' total number of employees included 6 top managers, approximately 550 managers and 3,574 white collar employees.

Training and Benefits

Nets believes that continuous professional development is key for its success, as it ensures employee competence in a highly dynamic environment. In 2019, Nets launched several personal growth and training initiatives including a digital learning platform, and an up-to-date corporate training curriculum.

Nets provides its employees with generous benefits, including additional pension contribution.

Unionization

Nets believes that its relations with unions are good. Nets continuously engages in dialogue with union representatives on work-related concerns and on the prevention of any possible form of discrimination, enabling efficient monitoring of internal practices and procedures. Nets considers its relations with employees to be satisfactory and have not had any significant labor issues during the past three years.

Pensions

Nets has entered into defined benefit plans and defined contribution plans with its employees. As of December 31, 2020, the net amount set aside under Nets' pension obligations under its employees' contracts of employment amounted to €6.1 million.

Intellectual Property

Brands

Nets operates a broad business portfolio and uses a number of recognizable brands across its business units, which include, among others, the Nets and the Concardis brands. Nets expects to register additional brands and trademarks in the future.

Trademarks, Domains and Patents

As of the date of this offering memorandum, Nets holds numerous trademark registrations in Denmark and Europe including Nets, Concardis, DotPay and others. Nets holds numerous internet domains relating to each of its brands and business units. Furthermore, Nets holds all internet domains that it believes are material to its businesses. Nets holds no patents that are material to its business.

Licenses

Nets has obtained a license by, among others, the Danish Financial Supervisory Authority to operate as a payment institution, in order to offer Nets' financial services as part of its Merchant Services business line. In addition, certain Nets subsidiaries are also dependent on the licenses obtained from competent supervisory authorities in Germany (Concardis), Finland and Poland. In addition, Nets entered into license agreements with major card schemes such as Visa, MasterCard, JCB and others. These underlying license agreements with the card schemes 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 Nets does not own any real estate assets it considers to be material.

Insurance

As part of its insurance program, Nets maintains property damage, cyber, transportation, general & product liability, professional indemnity and crime insurance policies. Nets is not currently involved in any material claims under any of its insurances.

For the benefit of its directors and officers, Nets entered into global directors and officers (the "Nets D&O") insurance policies to cover its present, former and future directors and officers, general managers, authorized officers and senior staff. The Nets D&O insurance policies cover financial losses resulting from liability of its directors and officers. Nets believes that the limitations of the Nets D&O policies coverage are in line with industry practice.

Legal Proceedings

From time to time, Nets becomes involved in legal proceedings in the ordinary course of its business. When Nets becomes involved in a legal proceeding, Nets assessed potential liabilities that may arise and allocates provisions on the basis of prudential criteria. As of December 31, 2020, Nets did not set aside any provision for pending or threatened disputes. The outcome of legal and tax proceedings can be extremely difficult to predict and Nets offers no assurances in this regard.

Ongoing Disputes

Ongoing disputes as of the date of the offering memorandum are set forth below.

Danish Antitrust Authority proceedings

In 2016, the Danish Antitrust Authority ("DAA") opened an investigation on Nets (formerly known as Teller A/S) with particular regard to the terms of multiple agreements entered into with Danish customers. Following the investigation, the DAA found that certain of these agreements contained illegal exclusivity clauses. Nets challenged the DAA's findings before the competent Danish first instance court, and was unsuccessful. Subsequently, Nets appealed the first instance court's decision (the "First DAA Proceeding"). The First DAA Proceeding is pending as of the date of the offering memorandum.

Furthermore, Nets challenged before the competent Danish first instance court separate decisions by the DAA issued in 2012 whereby certain fees charged by Nets to Dankort for online payment transactions have been found excessive (the "Second DAA Proceeding"). Nets was unsuccessful in first instance, and subsequently appealed. On February 17, 2021, the competent Danish court of appeals rejected Nets' appeal. As of the date of this offering memorandum, Nets has appealed the decision before the Danish Supreme Court.

It is also possible that third parties could bring an action for damages against Nets in respect of any loss attributable to the conduct respectively challenged in the First DAA Proceeding and the Second DAA Proceeding. In particular, as of the date of this offering memorandum, one customer brought an action claiming approximately €0.5 million in damages in connection with the First DAA Proceeding, while two other entities brought actions claiming approximately €5.2 million in combined damages, plus interests, in connection with the Second DAA Proceeding. These additional proceedings are all currently stayed, pending conclusion of the First DAA Proceeding and the Second DAA Proceeding.

Payment Consultants S.à.r.l. litigation

On December 28, 2020, Payment Consultants S.à.r.l. filed a claim against Concardis (currently owned by Nets) before the Regional Frankfurt court, requesting approximately €12.0 million in damages as compensation for the allegedly invalid termination of a cooperation agreement between the two parties. Concardis terminated this agreement in 2020 due to a key indirect shareholder of Payment Consultants facing arrest and bank fraud charges in the United States. The proceeding is pending as of the date of this offering memorandum.

SIA'S BUSINESS

SIA's History

SIA was founded in 1977 as a joint undertaking by a pool of Italian banks, the Bank of Italy and the Italian Banking Association to develop the Italian National Interbank Network, the Italian national interbank payment network. Since its foundation, SIA gradually expanded its service offering, both organically and through a series of strategic acquisitions. Set forth below are the key events and acquisitions that have contributed to SIA's position as the European leader in the market for payment technologies and infrastructure services:

- In 1983, SIA launched Bancomat and PagoBancomat, the first Italian national ATM and debit card circuit.
- In the 1990s SIA played a major role in the automation of the markets of the Italian Stock Exchange (*Borsa Italiana*) and in launching MTS (*Mercato Telematico dei Titoli di Stato*), the Italian wholesale government bond market platform, and MID (*Mercato Interbancario dei Depositi*), the Italian interbank deposit market. In the same decade, SIA invested in the shift from magnetic payment cards to microchip cards and launched the major microchip product offerings in the Italian market, FASTpay, e-Wallet and Microcircuit.
- In the 2000s, SIA began its expansion into Europe and started to develop technologically-advanced services in connection with the euro and the Eurozone. SIA began servicing membership with international EMV circuits and standards and also developed the EBA STEP2 platform for retail payments in euros as well as innovative processing solutions for the issuing and acquiring businesses. In addition, SIA started to provide post-trading services to Monte Titoli, the main Italian clearing house.
- Between 2010 and 2014, SIA continued its expansion into key networking infrastructure and started offering access to the T2S platform and developed its SIAnet financial Ring system for access to trading venues. SIA also started providing central banks and CSDs with collateral management services. In 2013, SIA was among the two companies selected to deliver 4CBNet, a European high-speed core backbone network for TARGET2 and TARGET-2 Securities ensuring continuity of information dataflow between Deutsche Bundesbank, Banca d'Italia, Banque de France and Banco de España. SIA also started the development of Jiffy, a solution for real-time peer-to-peer payments.
- Between 2015 and 2019, SIA continued to leverage its networking technologies and its European and international expansion. In cooperation with EBA Clearing, SIA developed and deployed a pan-European instant payments infrastructure. SIA continued to invest in the development of key technologies including a data center with an Active/Active architecture allowing for high-availability applications, solutions for extreme contingencies, *SIAchain*, the first private blockchain/distributed ledger infrastructure with a pan-European geographical distribution of its architecture, the development of a system for access to ESMIG, the Eurosystem single market infrastructure gateway, by national financial institutions. SIA also obtained a Target Instant Payments Settlement certification, developed a POS enabled to accept payments with BANCOMAT Pay, Apple Pay, Samsung Pay, Alipay and WeChat Pay, and deployed a new interbank payments system for the Central Bank of New Zealand.
- In 2019, SIA further expanded its geographical reach by acquiring SIA Greece and SIA Slovakia, positioning itself as a leader in some of the most dynamic and fastest growing regions in Europe in the electronic payments sector.
- In 2020, SIA announced its intention to merger with Nexi, thus contributing to the creation of a major European player in the market for digital payment technologies and infrastructure services.

SIA's Services

SIA is one of the major European players in the design, deployment and management of payment technology and infrastructure services, and provides its services to over 850 financial institutions. SIA has three business units:

- *Card & Merchant Solutions*, through which SIA provides payment acceptance- and issuing-related services, for domestic (e.g. Pagobancomat) and international (e.g. Visa, MasterCard, Alipay etc.) schemes. SIA's services in the sector encompass processing and value-added services that allow for payments through traditional (e.g. card-based) and digital (ApplePay, SamsungPay, etc.) payment services, together with a wide range of additional services dedicated to physical commerce and e-commerce.

- *Digital Payment Solutions*, through which SIA engages in activities related to account-to-account payments, from services related to the acceptance and processing solutions for retail and corporate payments for banks and financial institutions (e.g., SEPA, instant payment, and domestic payments) to services related to clearing (provided by EBA Clearing) and settlement systems for central banks (e.g. real-time-gross settlement (RTGS) systems, automated clearing houses etc.). This unit also includes digital banking services, corporate remote banking, PSD2 and open banking platforms and specialized collection tools for the public sector.

- *Capital Market & Network Solutions*, through which SIA provides network services and access to Eurosystem (ESMIG), innovative blockchain-based solutions, as well as services and solutions dedicated to the operation of the capital markets

The table below shows SIA's revenues from sales and services by business unit for the periods indicated.

	Year ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
	(in € million, except for %)			
Card & Merchant Solutions	511.9	490.5	21.4	4.4%
Digital Payment Solutions	155.3	150.8	4.5	3.0%
Capital Market & Network Solutions	91.4	92.0	(0.6)	(0.7)%
Total revenues from sales and services	**758.6**	**733.2**	**25.4**	**3.5%**

Set forth below is a more detailed description of SIA's principal business activities.

Card & Merchant Solutions

Overview

Through its Card & Merchant Solutions business unit, SIA offers services related to the issuing and management of payment cards, as well as merchant acquiring services for both Italian and international payment circuits, and services for managing payments. Through this business unit, SIA also manages ATM terminals for its financial institution customers. SIA manages platforms that enable the transmission of card acceptance confirmations in near-real-time. SIA also offers the support of a specialized team to provide support in relation to payment transactions, fraud and potential disputed transactions. SIA also offers an interbank toll-free number dedicated to blocking cards.

SIA's Card & Merchant Solutions business unit generated €511.9 million, or 67.5%, of SIA's revenues from sales and services for the year ended December 31, 2020.

SIA organizes its Card & Merchant Solutions business unit across the two business lines described below.

Issuing side of the card payment sector

This business line, encompasses services offered in the issuing side of the digital payments sector, includes card management, fraud prevention and management, value-added and customer support services;

As part of the card management business line, SIA provides platforms and other services supporting card issuers in issuing all types of payment cards: credit cards, debit cards, prepaid cards, gift cards, combo cards (i.e., debit and credit), corporate cards, co-branded and private label cards. SIA's offer is based on an end-to-end business model, addressing card customization, authorizations and transaction management, PIN management and scheme settlement.

The fraud prevention and management business line offers advanced and efficient services based on the SIA's card management platform complemented by the Falcon product of Fair Isaac Corporation. Services being offered include Smart Agent (a digital platform allowing users to communicate quickly and effectively with their customers), 3D Secure (a method of authenticating transactions where *cardholder not present* (CNP), *chip* and *PIN* technologies cannot be employed), and MyControl (an innovative form of fraud prevention based on card present and non-present permissions, geoblocking and velocity spending limits).

The main value-added services included in the Issuing business line include the loyalty service (allowing holders a cash bonus if the debit or credit cardholder makes a purchase using the discount promoted by a subscribing retailer) and the reporting and information analysis service (offering data to manage payment applications, along with predictive business analytics). These products are complemented by SMS alert communications services.

In addition, SIA offers for both the issuing and the acquiring sides of the digital payments sector, dedicated customer support services aimed at providing efficient back-office activities, enhanced by IT components, for the optimization of both merchant management and cardholder management tasks.

Acquiring side of the card payment sector

This business line, encompasses services offered on the acquiring side of the digital payments sector, and includes back and front end management, fraud prevention, value-added POS, virtual POS customer support, financial and digital wallet services.

The back-end management solutions are mainly dedicated to merchants, and include the SMAC service (enabling acquiring processing through a modular, multicurrency, multilingual system supporting the main payment schemes with PA DSS/PCI certification). Conversely, front-end management services are aimed at enabling acquirers to accept cards of major international payment card schemes on their terminals. The main solutions in this respect include the international network switch gateway services, terminal handling and ATM/POS management services.

Fraud prevention and claim management solutions in the acquiring business line are based on the RiskShield and DCM (Dispute and Chargeback Management Services) solutions. RiskShield, operated in partnership with Inform GmbH, is fully integrated with SIA's authorization and back-end solutions in the acquiring business line. DCMS complements the offer to issuers, by providing issuers a single interface tool to handle all types of exceptions, and supporting multiple circuits.

Value-added POS services include a *Retailer* portal permitting merchants to check and view the performed transactions, in addition to a *POS MultiPay* solution facilitating payment processes for business networks. A further recent innovation is SIA's *SmartPOS line*, which enhances the value-added services offer by leveraging on the Android operating system.

VirtualPOS solutions are streamlined through a virtual gateway, allowing to easily and securely accept and manage payments made on open networks with major payment cards and in accordance with applicable security standards. SIA has recently also updated the VirtualPOS service by introducing new payment methods such as Amazon Pay, Apple Pay, Google Pay, as well as integration with social tools including WeChat.

Financial services and digital wallet services include distributing the VISA/MasterCard license on the Italian market, as well as payment services in a single app, thereby allowing use on different appliances, such as private *Store Value Accounts* or digital payment cards.

Digital Payment Solutions

Overview

Through its Digital Payment Solutions business unit, SIA provides systems and services that allow for the execution of electronic payments (other than those involving cards) through bank channels (e.g., wire transfers and direct debits). This business unit includes SIA's activities aimed at supporting the digital transformation of payments, as well as core services for new financial operators, including those relating to: (i) electronic invoicing and storage; (ii) real-time/instant retail payments; (iii) payment collection; (iv) payment performance; and (v) treasury services for companies.

The main products and services offered by SIA in its Digital Payment Solutions business unit include (i) treasury services, which are services aimed at both corporate and public sector entities, offering centralization of cross-border treasury processes and connection with SWIFT, CBI and Poste Italiane circuits, (ii) digital payments solutions including *EasyWay*, a specialized payments hub for the payments sector, available 24/7 on all channels used by payment service providers in the SEPA area, (iii) services related to clearing access and clearing activities, including *SITRAD*, the Interbank System for Automatic Data Transmission relating to, among others, the management of collection transactions between banks, (iv) other clearing-related services including open banking platforms and modular services integrating different application layers that meet the compliance requirements of PSD2, (v) settlement services, services that provide for the settlement of pre-financed payments or credit transfers, with final and irrevocable settlement before a predetermined closing time, (vi) database management services, (vii) monitor and business intelligence services; and (viii) multichannel services, a service bundle including e-vouchers, gift cars, transport ticket payment/renewals (through the SIA Smart Mobility Suite) and services allowing payments to the public sector (e.g., the EasyPA solution allowing users to connect to PagoPA). SIA's Digital Payment Solutions business unit generated €155.3 million, or 20.5%, of SIA's revenues from sales and service for the year ended December 31, 2020.

SIA organizes its Digital Payment Solutions business unit across the business lines described below.

Treasury Services

In relation to corporate entities, treasury services include Multinetwork, a hub dedicated to centralize cross-border treasury processes by simplifying transactions with counterparty banks and reaches SWIFT, CBI and Poste Italiane circuits; and eDentity, a digital module allowing for e-signature of payment transactions in compliance with company policies. With regard to public sector entities, SIA's treasury services offer includes Electronic Order and Payment Approvals, a solution for the full replacement of paper-based payment orders, SIOPE+ (allowing digital monitoring of payment transactions) and the Public Sector Entity Solution (allowing a full integrated management of treasury information and flows).

Digital Payments Solutions

The digital payments solutions sub-segment includes Jiffy, an innovative application allowing real-time cash transfers between individuals via smartphone (since 2019 integrated on the Bancomat network), and MyBank. *MyBank* is a pan-European solution by EBA Clearing simplifying the offer of e-services by financial institutions, with particular attention to *e-commerce* payments by means of *SEPA Credit Transfer* and *SEPA Direct Debit*.

Clearing Access and Related Technologies

SIA's clearing access services are based on its own payment hub, *EasyWay*. *EasyWay* is made available 24/7 on all channels used by *Payment Service Providers* (PSP) and supports the new *EPC SCT Instant Credit Transfer* scheme, while being connected with the RT1 platform managed by EBA Clearing. An additional solution are (i) the HUB SDD service for SDD and SEDA, aimed at managing transactions and communications between both the borrower's bank and the creditor's bank; and (ii) the ABH service, whereby a PSP client, being already a member of the National Interbank Network (*Rete Nazionale Interbancaria - RNI*), may receive services provided in the RNI area and use SIA's centralized interbank operating procedures.

Clearing services are differentiated between those with and without a domestic focus. Within the domestic clearing area, SIA's main offer is the SITRAD, the Interbank System for Automatic Data Transmission (*Sistema Interbancario di Trasmissione Automatica dei Dati*), which it has managed since 1977. SITRAD mainly relates to the management of exchanges between banks of collection transactions not migrated to SEPA, and has been complemented with check truncation offers. Non-domestic clearing services are provided by EBA by means of SIA's technology, which allows access via a single interface to the *BICOMP-SEPA* and *EBA-STEP2* schemes, enabling the settlement of domestic operations and the settlement of cross-border operations in the *TARGET2* scheme via *EBA-STEP2*. Furthermore, SIA has also developed RT1, EBA Clearing's new digital platform for instant payments.

Other Clearing-related services

As part of its other clearing-related services, SIA offers: (a) an *Open Banking Platform* solution composed by a modular platform integrating different application layers that meet the compliance requirements of PSD2 as well as the development of new services; (b) multicurrency collections and payments services; (c) foreign payments procedures for businesses, able to be integrated with a customer's own information system; (d) reconciliation management services offering back office solutions for the management and reconciliation of correspondent bank accounts; and (e) payment institution services, including in particular the Easybox solution for new entrants on the market for payment systems.

Settlement Services

Settlement services include the *Perago RTGS* solution, a system for settlement of payments involving significant amounts being wired offering advanced multi-currency functionality with local and regional configurations. In addition, SIA also developed the *Xhub* system, allowing for supervision and control over business-related processes and operating performance at any time. Lastly, to satisfy the growing needs of emerging economies, *CSD* has been designed as an innovative platform offering accounting records system simple to use and compliant with the applicable requirements by *Central Security Depositories* (CSD).

Database Management Services

The databases managed by SIA are key for the Italian banking sector. In particular, SIA is entrusted with the Italian national *ABI-CAB-BIC* database, being the official archive of the Italian banking community for the provision of the *IBAN/BIC* derivation service to banks. In addition, SIA also manages the Central Interbank Warning System (*CAI - Centrale di Allarme Interbancaria*), a computerized archive of bank and postal cheques, aimed at increasing the reliability of the payment instruments through a centralized management and collection of information. Further services in this business line include (i) the request for automatic coding solution, which assigns, registers and discloses the codes relating to companies (*RAC-AZI*, *RAC-ALLIN*), ATM Bancomat (*RAC-ATM*) and

Pagobancomat merchants and points of sale (*RAC-POS*): and (ii) system master database managing services dedicated to the creation and dissemination of information for addressing interbank exchange transactions in the SITRAD context.

Monitor and Business Intelligence Services

The monitor and business intelligence business line primarily includes *EasyData*, permits the monitoring, reconciliation and analysis of all the vital business data generated by a business. *EasyData* can be transformed into an operational, control or business tool to suit the requirements and needs of the users (marketing, sales, operations, finance, etc.).

Multichannel Services

Multichannel services are divided into (i) digital contents; (ii) top-ups; (iii) utilities, giro slips and levies; (iv) services for the healthcare sector; (v) services for the transport sector. These include innovative solutions such as CBILL, a service enabling users, via one of the channels made available by their banks, to settle outstanding debts; EasyPA, which provides users a platform to connect to PagoPA, which is the payment system enabled to accept any form of electronic payment by individuals and businesses to public sector entities; and the *EMV Transit Payments* system, allowing passengers to use their contactless payment card as a travel ticket.

Capital Market and Network Solutions

Overview

Through its Capital Market and Network Solutions business unit, SIA provides two types of services: Capital Markets and Blockchain & Network Services. To provide this range of service, SIA offers products and services tailored to the needs of the capital markets payments processing value chain, including execution venue managers, market participants, post-negotiation securities settlement managers, and authorities. SIA delivers its services through (i) trading & post-trading platforms; (ii) collateral management services for central financial institutions (such as central banks); (iii) surveillance and market compliance products. In addition, SIA also provides blockchain, secure messaging and connection services.

The main services provided by SIA as part of its Capital Market and Network Solutions business unit are (i) capital markets services, a services bundle that includes bookbuilding infrastructure services, trading platforms, and post-trading modular solutions, (ii) connectivity services, services that include multi-venue connectivity infrastructure and trading infrastructure, while allowing access to the SWIFT IP network, (iii) secure messaging services, service that allow to connect via a single access interface (ESMIG) to the Eurosystem Market Infrastructures, to EBA's clearing platform for instant payments and to the National Interbank Network (RNI) and (iv) data transfer services, services that enable the access and exchange of large sets of data, and the simplification of user application integration activities. SIA's Capital Market & Network Solutions business unit generated €91.4 million, or 12.0%, of SIA's revenues from sales and services for the year ended December 31, 2020.

SIA organizes its Capital Markets & Network Solutions business unit across the two business lines described below.

Capital Markets Services

As part of the capital markets services business line, SIA's services are further divided into the (a) primary market; (b) trading; (c) post-trading; and (d) compliance and surveillance sections. Within the primary market section, SIA's main solution is the *SIABookBuilding* application, which offers a centralized bookbuilding system for financial instrument placement activities by an issuer on the equity market. With regard to trading, SIA's offer is based on the innovative TradeImpact platform (which is new generation fully scalable, modular and customizable solution to meet the relevant customer's needs), the established TODEAL access platform and the Public Offering Service (OPV), the latter allowing syndicate members to participate in public offers for the sale or exchange of shares and bonds. Post-trading services are centered around the *SIA-CMS* (Collateral Management System), a solution designed to manage assets used as collateral for the management of counterparty risks, the *Smart Integrator Advanced solution*, which supports loosely coupled service interaction and modular configuration, and the Instrument Liquidation Service, which enables access to the RNI minimizing at the same time the need for customers to make technological investments. The compliance and surveillance segment is based on the SIAEagle service bundle, which includes *SIA Eagle Intermediaries* (a compliance platform for financial intermediaries, fully modular and independent, that provides automatic monitoring systems) and *SIA EAGLE Surveillance* (a framework of trade surveillance functionalities and templates).

Blockchain & Network Services

The blockchain and network services are mainly centered around (i) blockchain; and (ii) network solutions. Blockchain products include *SIAchain*, a private infrastructure created by SIA to develop innovative blockchain applications based on Distributed Ledger Technology (DLT), in addition to several innovative projects and partnerships (e.g. the Spunta Bank Project, aimed at applying blockchain technology to interbank processes, and the partnerships with Quant Network, focused on researching the interoperability between blockchain technologies and services for banks and financial institutions). Network solutions mainly include *SIAnet Financial Ring*, a one-stop solution covering the value chain of the security exchange industry, *Co-location MTS and Eurex solution*, an ultra-low latency connection providing space for trading infrastructure, and the *SWIFT Connectivity Management (SCM)* service (which provides logical network access to the SWIFT IP network).

As part of the Blockchain & Network Services business line, SIA also provides secure messaging services. These are represented by the SIA-Colt connectivity solution, offered in partnership with Colt, and allowing for central and commercial banks, CSDs, clearing houses, custodians and other PSPs to connect via a single access interface (ESMIG) to the main Eurosystem Market Infrastructures (e.g., Target2, Target2 Securities, TIPS and ECMS). This solution is further enhanced by SIA's access services to the EBA Instant Payment platform, the EBA STEP2 platform, and the Italian RNI.

SIA's secure messaging services also include data transfer services. Data transfer services are offered by means of (i) the *messaging Services Suite*, a bundle offering full integration of the user's applications, thereby freeing them from the need to handle complex transfer processes (retry, status management, monitoring, etc.); (ii) *Big Data Transfer*, a secure messaging solution for the access and exchange of large sets of data; and (iii) the *ISV Program* (a comprehensive solution for the integration of SIA's products with those developed by independent software vendors (ISV). The ISV program is particularly tailored to the needs of the European financial community, facilitating multi-network solutions.

Furthermore, within the Blockchain & Network Services business line SIA manages SIAnet, a network composed by over 100 *SIAchain* nodes and an high speed, low-latency fiber network stretching over 209 thousand kilometers. SIA is the main European provider of services for EBA Clearing activities, facilitating through its technology a large portion of EBA's Clearing's activities on its STEP2 platform.

Customers

As of December 31, 2020, SIA provided its services to over 2,300 customers at various levels of the payments value chain in 51 countries. SIA's top-five and top-ten customers generated 44% and 58%, respectively, of SIA's revenues from sales and services for the year ended December 31, 2020. SIA's contractual relationships with its top-ten customers have an average historical tenure of between four to five years. For a description of the agreement's with SIA's key customers, see "—*Material Contracts*."

SIA's revenues are mainly generated by its Card & Merchant Solutions business unit, which accounted for 67.5% of its revenues from sales and services, and are generated by a limited amount of customers.

SIA divides its customer base into the following five main groups:

(i) *Central Institutions*: SIA serves central banks, clearing houses, bank associations, as well as deposit & loan institutions. Central institutions are being primarily provided by SIA's clearing, large database management, and compliance related services.

(ii) *Financial Institutions*: SIA's financial institutions customers include national and multinational banks, brokers/traders, and payment institutions, for which offers highly efficient technological services and solutions covering the entire extent of the payments value chain;

(iii) *Corporates*: SIA corporate customers include large telecommunication companies, retail chains, multi-utility companies, petrol companies, as well as local transport companies. Such customers require highly tailored skills for the development of complex projects requiring high degrees of performance and safety, to be applied both in relation to payment cards and platforms, as well as treasury processes,;

(iv) *Public Sector*: SIA's aim in relation to its public sector clients is to ensure efficiency in operations and improvements in the management of financial flows. A primary focus is therefore on document management and other multichannel services for the payment of levies; and

(v) *Capital Markets*: SIA's capital markets customers are mainly represented by supervisory authorities, trading venues, central security depositories associations and other operators on the financial markets. By leveraging its strong technological know-how in the design and management of customized solutions, SIA's focus is on providing high degrees of performance and reliability for these high-demanding customers.

Suppliers

SIA believes that it is not dependent on any single source supplier for any material part of its business, except that its business is dependent on its subsidiary SIApay's continued membership in the leading card schemes provided by Visa, MasterCard, JCB, UPI and Bancomat schemes. SIApay has a long-standing partnership with these card scheme providers which it expects to continue. SIA's main suppliers include IBM, which provides technological services including hardware leasing, software licensing, VTS, which provides outsourcing IT infrastructure services, mainly on mainframe plus, in addition to certain distributed servers, network and storage services, and Tim, which provides connectivity, data-center co-location and related maintenance services.

SIA has a strict procurement procedure in force which regulates the purchase of products and services. SIA's procurement policies are aimed at ensuring an effective and efficient supply process, by monitoring services and products being purchased, by ensuring constant compliance of suppliers with SIA's requirements, and by identifying the best price to quality ratio for each need. In addition, SIA prepares a procurement plan through which it defines purchasing strategies towards suppliers and the market. Since 2015, SIA also employs a procurement platform which allows it to manage the entire procurement process, from initial qualification to performance evaluation aspects.

Sustainability

SIA believes in generating shareholder value through an ethical and socially responsible business model. In 2015, SIA implemented a corporate and social responsibility policy (SIA's "CSR Policy") to codify its ethical values and its commitment to pursuing such values in the operations of its business. SIA's CSR Policy mandates the protection of the environment and of its resources, among other things.

In implementing its CSR Policy, SIA goes above and beyond the minimum requirements established by law and seeks to act in accordance to what it believes to be the right course of action.

SIA pursues cost-effective purchasing in compliance with ethical principles, which prohibit using suppliers that do not comply with the ethical principles followed by SIA and included in its code of ethics. This objective is achieved through group purchases and contracts, as well as through technical and economic evaluation metrics both on budgets and on existing cost expenses.

SIA believes in minimizing its environmental footprint. To do so, SIA deploys the best technologies available to protect the environment by minimizing its consumption of energy and other resources. In addition, it has initiated substantial initiatives, such as a sustainable mobility program, to reduce its greenhouse gas (GHG) emissions.

Energy and other resources

SIA's operates IT delivery platforms which, by their nature, require energy to operate. To reduce the amount of energy that it consumes, SIA aggressively and continuously upgrades its IT delivery platforms in order to reduce their energy consumption. As a result of its efforts, SIA's current-generation servers have drastically increased their energy efficiency levels compared to previous generations of products while at the same time continuing to deliver the same reliable and high-performance service for which SIA is known.

SIA also seeks to optimize the use of its hardware infrastructure by leveraging unused capacity. To do so, SIA has increased adoption and deployment of cloud-based solutions and virtualized and containerized software. In addition to requiring a lower energy consumption than their traditional counterparts, these technologies help maximizing the capacity usage of installed hardware infrastructure, thereby increasing the throughput of each of SIA's systems while reducing overall energy consumption.

SIA also optimizes energy and resources consumed by real estate that it operates. SIA's headquarters in Milan are equipped with a system consisting of 323 silicon photovoltaic solar panels, which produced over 72.5 kWh of clean electricity in 2020 and significantly contributing to reducing SIA's fuel consumption.

To further reduce the environmental impact of its business operations SIA has increasingly adopted green energy. SIA purchased 11,372 MWh of certified biomass in 2020 to power its electricity consumption needs its main Italian offices. Approximately half of SIA's energy consumption in 2020 comes from renewable energy.

Greenhouse Gas Emissions

To minimize its impact on the environment, SIA seeks to reduce GHG emissions that are generated by its operations. SIA's emission-reducing initiatives are various. SIA's efforts in this regard turn primarily on its employees transportation, as SIA's operations emit few GHG by themselves.

SIA encourages all its employees to adopt sustainable behaviors and habits, especially in terms of mobility. For example, to minimize emissions of its employees use of cars, SIA incentivizes increased use of public transportation by its employees and has entered into agreements with local transport providers in the Milan metropolitan area (i.e., ATM and Trenord) to facilitate the acquisition of bus and train tickets by its employees. Pursuant to these special agreements, a total of 250 and 84 travel passes have been issued by ATM and Trenord, respectively, to SIA employees in 2019. SIA subsidizes transportation passes through an annual payment to employees who purchase a public transport pass that lasts at least 5 months. In 2019, 410 passes were purchased by SIA employees pursuant to this scheme, for total contributions paid by SIA amounting to approximately €74,000. Charging stations are available for employee-owned electric cars in SIA's parking lots at SIA offices. These charging stations resulted in approximately 950 kWh in charges during 2019.

Innovation

SIA believes that innovation has always been key to its competitiveness and success. SIA continuously invests in innovation to increase its competitive capabilities and to fulfill the rapidly changing needs of its customers. SIA believes that continued innovation will be a driver for future growth. In 2020, SIA spent approximately €47.0 million on innovation. SIA's product & technology development team employs over 1,100 researchers. In addition to its own team, SIA cooperates with business and institutional partners on research projects.

SIA is involved in nine research projects, relating to AI, biometrics for invisible payments, big data, blockchain, business intelligence and open infrastructure, among others. Several of SIA's research projects result in technologies that are implemented in its products and services, thus contributing to the transformation and improvement of SIA's offer to customers. For example, SIA's EasyPA solution achieved remarkable success by allowing end users to join the PagoPA system and consequently to make electronic payments to Italian public sector entities easily and reliably, resulting in an overall simplification of the payment process relating to taxes, duties and fines and enabling individuals as well as businesses to access the PagoPA payment solution from a variety of channels and in full compliance with PSD2 standards. SIA's specialists are at the forefront of also other innovative products and projects including, among others, blockchain infrastructure, digital onboarding, digital asset custody, innovative network services, payment ecosystem enabler, and trading of credits on blockchain, among others. Since 2021, SIA is also involved both as an investor and as an industrial partner in a three-year fintech accelerator project, in cooperation with Casse Depositi e Prestiti Venture Capital SGR, Digital Magics, Startupbootcamp and Fintech District.

In addition, SIA maintains strong connections with leading universities and research centers across Europe, sponsoring numerous study and research initiatives. For example, as part of a project with the Polytechnic University of Milan, in 2019 SIA contributed to a study on key issues affecting digital innovation in businesses and in the public sector.

SIA believes that its dedication to innovation will enable it to maintain its competitiveness.

Material Contracts

Agreements with Partner Banks

Agreement with UniCredit

In 2016, SIA and UniCredit entered into a master services agreement, pursuant to which SIA agreed to provide certain card processing services and services relating to the management of POS and ATM terminals to UniCredit (the "UniCredit Master Service Agreement"). In February 2021, SIA and UniCredit entered into a revised master services agreement (the "UniCredit Master Service Agreement Extension"), pursuant to which the parties agreed to extend the duration of the UniCredit Master Service Agreement, which had an initial duration of ten years, to 2036 and renegotiated certain terms of the UniCredit Master Service Agreement. In order to strengthen its relationship with UniCredit, SIA made a payment of €48.2 million to UniCredit, to settle certain requests pertaining to events and circumstances relating to SIA's subsidiary P4cards in the period from 2016 to 2020. These circumstances (including, among others, a significant recorded increase in transaction volumes) have ultimately resulted in an alteration of the contractual balance as negotiated in the UniCredit Master Service Agreement.

Agreement with MPS

On March 8, 1993 SIA entered into a framework agreement with MPS governing the provision of card issuing and processing services, clearing services for domestic payment transactions, as well as ancillary network and support services. In addition, on January 23, 2017, SIA and MPS entered into an addendum agreement whereby SIA undertook to provide check-image truncation and related messaging services to MPS. While the framework agreement has an open-ended duration, most of the services it governs are provided on a yearly basis by SIA, and are subject to a yearly tacit renewal provision. Either party is allowed to partially withdraw from the provision of all or part of the services under the framework agreement, by notifying the intention to cease providing or accepting a certain service, as the case may be, with a six-month prior written notice.

Agreements with Intesa Sanpaolo

On July 1, 2019, SIA and Intesa Sanpaolo renewed a master framework agreement governing the provision of, among others, comprehensive services for the issuing and acquiring of cards connected to the PagoBancomat and Bancomat schemes, fast-bank services, as well as clearing services and payment processing services. In addition, SIA and Intesa Sanpaolo are also part to a separate agreement, entered on July 2, 2019, governing the provision of network access and messaging services, with particular regard to the RNI. The master framework agreement expires on December 31, 2023, and allows Intesa Sanpaolo to withdraw, starting from December 31, 2021, with regard to all or part of specific services being provided, by providing a forty-five day prior written notice. The master framework agreement is not tacitly renewable.

Agreements with BNL

On July 27, 2016, SIA and BNL renewed a framework agreement, subsequently amended on April 13, 2018, governing the provision of a wide range of payments-related services. In particular, SIA undertook to provide issuing and acquiring services for payment cards operating on domestic and international schemes, as well as clearing and network services, among others. In addition, on April 29, 2019, SIA and BNL entered into a further amendment, whereby the initial duration period of the framework agreement has been extended to December 31, 2021. BNL has also been granted an option to extend the framework agreement for an additional year, subject to SIA being notified by June 30, 2021. In addition, BNL is entitled to withdraw by providing a 30-day prior written notice, should certain events listed in the framework agreement, including a change of control of SIA, have occurred. In this regard, SIA has an obligation to notify BNL of those events within sixty days from their occurrence, only in the event in which SIA failed to comply with applicable anti-mafia declaration requirements.

Agreement with Alphabank

On December 11, 2015, SIA's Greek subsidiary New SIA Greece S.A. (formerly known as First Data Hellas Processing Services and Holdings S.A.) entered into a service agreement with the Greek bank Alphabank. Effective January 1, 2016, the service agreement governs the provision by SIA to Alphabank and its affiliates of a bundle of services pertaining to, among others, ATM acquiring and processing, antifraud, merchant acquiring and processing, data warehouse, payment card issuing and processing, back office, contact center and print & mail services. Alphabank may also require the provision of additional services not initially included in the service agreement, in which case the parties shall enter into negotiations for executing an addendum agreement. The service agreement expires on December 31, 2022, and does not provide for tacit renewal. Alphabank is also entitled to terminate the service agreement at convenience by providing a twelve-month prior written notice, or also in the event of a change of control of SIA's Greek subsidiary, by providing a three-month prior written notice, subject in this latter case, among others, to the entity acquiring control being a competitor of Alphabank.

Agreements with payments institutions

Agreement with Postepay

In July 2019 SIA and Postepay renewed an agreement regulating the provision by SIA of processing services for cards issued by Postepay on domestic as well as international payment schemes, effective January 1, 2019. SIA also undertook to provide infrastructure services for Postepay's cards and management services for Postepay's card loyalty program. The agreement expires on December 31, 2021, and has no tacit renewal provision. Moreover, Postepay is entitled to withdraw from the agreement at any time, by providing a thirty-day prior written notice.

Nexi Agreement

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 issuing and acquiring services. While Nexi plans on insourcing the services provided by SIA following completion of the SIA Merger, Nexi may be unable to complete the SIA Merger within the anticipated time frame, or at all. In that event, Nexi may still need to rely on SIA as a supplier under the abovementioned agreement. See "*Issuer's Business—Material Contracts—Agreements with ICT Providers*."

Agreements with Capital Markets customers

Agreement with Monte Titoli S.p.A.

On December 18, 2017 SIA and Monte Titoli S.p.A. entered into an outsourcing agreement for the provision by SIA of facility management and application management systems, in addition to certain ancillary and accessory services. In the context of the outsourcing agreement, Monte Titoli retains the ownership of its proprietary software, which is required by SIA to provide the outsourced services. Furthermore, SIA granted Monte Titoli a license to use one of its application software, for the purposes set forth in the outsourcing agreement. The delivery, use and deposit of source codes under the outsourcing agreement is governed by a separate escrow agreement, entered into by Monte Titoli and SIA for the benefit of Monte Titoli. The outsourcing agreement expires on December 31, 2022, and is tacitly renewable for additional three-year periods, unless terminated by either party by a ninety-day prior written notice. In addition, Monte Titoli may terminate the provision of certain of the services contemplated under the outsourcing agreement by providing a ninety days prior written notice. In the event in which the outsourcing agreement terminates or expires, subject to a request by Monte Titoli, SIA shall continue to provide Monte Titoli with its services and cooperation until a new supplier has been contracted, in any case for a period not to exceed twelve months. Furthermore, Monte Titoli is entitled to terminate the outsourcing agreement in the event of a change of control affecting SIA, provided that the entity acquiring control is a competitor of a company belonging to the London Stock Exchange Group.

Agreements with MTS S.p.A.

In February 2016 SIA entered into a master service agreement with MTS S.p.A. governing the provision of services by SIA relating to trading of financial products. In addition, SIA and MTS have entered into a separate letter of intent governing the transfer of intellectual property rights. The master service agreement expires on December 31, 2021. MTS may withdraw at any time by providing a one-hundred-eighty day prior written notice to SIA. In addition, SIA agreed not to compete with MTS for the entire duration of the agreement and for an additional period of one year following its expiration, with particular regard to activities comparable to the ones ordinarily carried out by MTS. MTS is entitled to terminate the master service agreement in the event of a change of control of SIA, provided that the entity acquiring control is a competitor of MTS, or in the event in which SIA acquires control over a competitor of MTS.

EBA Clearing Agreements

During 2013, SIA and EBA Clearing entered into a processing services agreement, as subsequently amended, governing the provision of payment processing services, as well as hardware management and hosting services. The processing services agreement is open-ended, and either party is entitled to withdraw by providing a thirty-six months written notice prior to the end of a calendar year quarter. In addition, EBA Clearing may terminate the agreement with specific regard to certain included services, by providing a six months prior written notice. EBA Clearing may also terminate the agreement by providing a eighteen-month prior notice, in the event of a change of control of SIA, provided that the entity acquiring control is either a competitor of EBA Clearing, or a bank or other financial institution within the meaning of EU Directive 2009/100/EC.

Furthermore, on August 2016 SIA and EBA Clearing entered into a joint development agreement relating to EBA Clearing's instant payment platform. In particular, SIA agreed to develop, test and deliver the hardware, software and infrastructure required to enable the operability of the abovementioned instant payment solution, as well as to provide certain additional value-added services to enhance the features and functionalities of the platform. As part of this joint development agreement, the software being developed may be deployed in extra-European countries subject to EBA Clearing and SIA agreeing on the relevant conditions.

Agreements with ICT & Telecommunications Providers

IBM Agreements

On December 28, 2005, SIA and IBM renewed their contractual relationship based on a services agreement entered in 2004, by entering into an addendum, subsequently amended, governing the provision of certain technological services by IBM, in compliance with specific quality standards. In addition, SIA and IBM also entered into a mainframe and equipment lease agreement. Pursuant to these contractual arrangements, IBM agreed to provide SIA with hardware leasing services, as well as software installation, licensing and maintenance services. The agreements expire on December 31, 2024. SIA is entitled to withdraw at the end of each calendar year by providing a ninety-day prior written notice to IBM, and by paying a termination fee.

VTS Agreement

On March 31, 2017, SIA's subsidiary P4cards and VTS entered into a services agreement governing the provision of technological services and hardware by VTS including, among others, cross functional services for interface set-up and execution, data center planning, support and maintenance services, and services relating to server and network management. This services agreement expires on March 31, 2023. At least one year prior to its expiration date, either party can start a contractually regulated negotiation phase aimed at renewing the services agreement, and if negotiations are not successfully completed, the services agreement's duration will be automatically extended by additional six months. In addition, P4Cards may withdraw from the agreement by providing a nine-month prior written notice, and by paying a termination fee.

TIM Agreement

On May 23, 2019 SIA and TIM entered into a master services agreement governing the provision by TIM of connectivity, data-center co-location and related maintenance services. The master services agreement expires on December 31, 2022. SIA is entitled to withdraw by providing a sixty-day prior written notice or, in relation only to certain specific services, a thirty-day prior written notice.

Employees

Overview

SIA's employees are a crucial resource for SIA's success. SIA believes that in diversity lies strength and that all its employees should be given an equal opportunity to succeed regardless of employees' politics, trade union membership, religion, race, language, gender, age and family status. As of December 31, 2020, SIA had a total of 3,610 full-time equivalent employees, excluding temporary workers. SIA's total number of employees included 42 top managers, 1,062 middle managers and 2,556 white collar employees. As of December 31, 2020, 106 of SIA's employees belong to protected categories.

Training and Benefits

In order to provide all of its employees with the means to succeed at SIA, SIA provides training and support. In 2020, SIA invested €0.9 million in training and provided over 73,000 hours of employee-training. 341 of SIA's 3,551 employees worked remotely on a permanent basis during 2019, which increased to approximately 90% of SIA's staff during the COVID-19 pandemic, with a daily average of 370 employees working at SIA's offices in 2020. SIA won a gold medal for excellence in learning for excellence in staff training.

SIA provides its employees with generous benefits, including 6% of an employee's salary in additional pension contributions, health coverage extended to the employee's family, disability contributions, contributions for an employee's children's education and flexible working hours.

Unionization

SIA's 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*); and (iv) 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. SIA makes pension contributions on behalf of our employees as required by applicable Italian law. Other than increases in contributions required by law, SIA does not expect significant pension liabilities going forward. As of December 31, 2020, the amount set aside under SIA's severance indemnities and other benefits under its employees' contracts of employment amounted to €26.9 million.

SIA has no central works council, as its employees are represented by works councils at the relevant company level. SIA considers its relations with employees, works councils and unions to be characterized by cooperation, and has not had any significant labor issues during the past three years.

Intellectual Property

Brands

SIA operates a broad business portfolio and uses a number of recognizable brands. SIA's main brand is the SIA brand that it uses to market its services across all its business units. In addition, SIA uses the

SIAchain trademark in its Capital Market and Network Solutions business unit. In its Digital Payment Solutions business unit SIA also uses the Fastpay, P4cards, SIA Easyway and Jiffy trademarks. SIA expects to register additional brands and trademarks in the future.

Trademarks, Domains and Patents

As of the date of this offering memorandum, SIA holds numerous trademark registrations in Italy and elsewhere including the European Union and the WIPO international register, among others. SIA holds numerous internet domains relating to each of its brands and business units. SIA holds all internet domains that it believes are material to its business. SIA holds the following patents that are material to its business: Italian patent no. IT201700012583A1, Italian patent no. IT201700094765A1 and US patent no. US2015134458A1.

Licenses

As a payment systems service provider, SIA is subject to oversight by the Bank of Italy and to periodical reporting obligations. In addition, SIAPay has obtained an authorization by the Bank of Italy to operate as a payment institution, in order to offer the financial services that it offers as part of its Card & Merchant Solutions business unit. SIAPay also depends on the licenses it has obtained to join certain payment circuits (such as Visa, MasterCard, Bancomat and JCB) as a principal member, while SIA supplies SIAPay with technological infrastructure services. See "*—Material Contracts—Agreements with Card Scheme Operators.*"

Property, Plant and Equipment

As of the date of this offering memorandum, SIA does not own any real estate asset it considers material for its business.

Insurance

As part of its insurance program, SIA maintains liability and property/business interruption insurance policies, professional liability, third-party liability and ICT related insurance policies. SIA is not currently involved in any material claims under any of its insurances.

For the benefit of its directors and officers, SIA entered into global directors and officers (the "SIA D&O") insurance policies to cover its present, former and future directors and officers, general managers, authorized officers and senior staff. The SIA D&O insurance policies cover financial losses resulting from liability of its directors and officers. SIA believes that the limitations of the SIA D&O policies coverage are in line with industry practice.

Legal Proceedings

From time to time, SIA becomes involved in legal proceedings in the ordinary course of its business. When SIA becomes involved in a legal proceeding, SIA assessed potential liabilities that may arise and allocates provisions on the basis of prudential criteria. As of December 31, 2020, SIA set aside total provisions for risks of €54.6 million (including €48.2 million paid to UniCredit in 2021 in relation to certain claims received by UniCredit related to certain services provided by SIA's subsidiary P4cards in favor of UniCredit during the period 2016-2020; see also "*—Material Contracts—Agreements with Partner Banks—Agreements with UniCredit*"). The outcome of legal and tax proceedings can be extremely difficult to predict and SIA offers no assurances in this regard.

Ongoing Disputes

Ongoing disputes as of the date of the offering memorandum are set forth below.

Lanit Arbitration

In 2015, SIA began supplying software development services for a new payments system for the Central Bank of Russia (the "RCB"). Due to local regulatory requirements, SIA partnered with Lanit Jsc ("Lanit"), a Russian company. Lanit acted as systems integrator for this project. As a results of design issues, the RCB terminated its agreement with Lanit, which resulted in the termination of Lanit's partnership agreement with SIA. Lanit entered into a settlement agreement with the RCB, whereby Lanit agreed to pay the RCB approximately $8.7 million. Lanit then requested that SIA pay past certain alleged outstanding invoices and damages, claiming that the design issues that led to termination by the RCB were attributable to SIA. SIA rejects all claims, and suspended all outstanding payments to Lanit. On December 28, 2020, Lanit filed a formal request for arbitration at the Stockholm Arbitration Chamber, claiming total damages of $28 million. The arbitration proceeding is ongoing as of the date of the offering memorandum.

VAT litigations

As of the date of the offering memorandum, SIA is involved in three disputes with Italian tax authorities related to VAT refunds and unpaid corporate income and business taxes related to the period between 2012 and 2016 in an amount of €27.9 million. The proceedings are pending as of the date of this offering memorandum.

REGULATION

The following section provides a description of the main EU and Italian laws, rules and regulations which may be of relevance for the activities carried out in Italy by the Italian entities belonging to the Combined Group and currently in force within the Italian territory, given that such activities will constitute the main source of income of the Combined Group. Any laws, rules and regulations other than those applicable to the activities carried out within the Italian territory by the Italian entities belonging to the Combined Entity have not been considered for the purpose of this section.

Relevant Laws, Rules and Regulations

The following is a list of the main primary laws, rules and regulations applicable to our activities, which are described in detail below.

With respect to privacy and data protection regulations, from September 2018 we have resumed our implementation of Regulation (EU) 2016/679 ("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 Italian Data Protection Authority (*Garante per la protezione dei dati personali*) (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 and Retail Payment Systems Legislation

European Legislation

- Directive (EU) No. 2015/2366 of the European Parliament and of the Council of November 25, 2015 ("PSD2"), as amended from time to time, which repealed Directive 2007/64/EC ("PSD1");
- Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 ("CRD IV"), as amended from time to time;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 ("CRR"), as amended from time to time;
- 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;
- Regulation (EC) No. 924/2009 of September 16, 2009 on cross-border payments in the Community, which introduced measures to promote SEPA;
- Regulation (EC) No. 260/2012 of March 14, 2012, which established technical and business requirements for credit transfers and direct debits in euro;
- Regulation (EU) No. 2015/847 of May 20, 2015 on information accompanying transfers of funds;

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

- 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");

- 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;

- Commission Delegated Regulation (EU) 2017/2055 of 23 June 2017 supplementing PSD2 with regard to regulatory technical standards for the cooperation and exchange of information between competent authorities relating to the exercise of the right of establishment and the freedom to provide services of payment institutions;

- Regulation of the European Central Bank (EU) No 795/2014 of 3 July 2014 on oversight requirements for systemically important payment systems ("SIPS Regulation");

- EBA opinion on the elements of strong customer authentication under PSD2;

- Opinion on the implementation of the RTS on SCA and CSC;

- EBA guidelines on the conditions to benefit from an exemption from the contingency mechanism under Article 33(6) of Regulation (EU) 2018/389 (RTS on SCA & CSC);

- 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;

Italian Legislation

- Legislative Decree No. 385 of September 1, 1993 (the "Consolidated Banking Act");

- the Decree on Payment Services, as subsequently amended by Legislative Decree No. 218 of December 15, 2017 ("Decree no. 218") , which implemented the PSD2 in Italy;

- the Ministry of Economy and Finance ("MEF") decrees;

- Bank of Italy regulation on Payment Institutions and Electronic Money Institution dated July 23rd, 2019 – *Disposizioni di vigilanza per gli istituti di pagamento e gli istituti di moneta elettronica* (the "Supervisory Provisions"), as amended from time to time;

- the Supervisory Provisions for Banks, as amended from time to time;

- 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* – "Retail Payment Systems Regulation").

For what concerns the PSD2 and SEPA regulatory framework, recent Italian governments have implemented certain legislative 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;

- the first Conte government (2018 - 2019) introduced a citizens' income ("Reddito di Cittadinanza"), that will be accessible by way of prepaid cards; and

- the second Conte government (2019 - 2021) introduced (i) a cash-back bonus for consumers paying using digital payments; (ii) a lottery on receipts in relation to which the chances of winning are higher for consumers paying with cards or electronic money; (iii) a 19% tax deduction on certain expenses (such as interests on mortgages, sport centers/school expenses) if payments are made by traceable instruments; (iv) 30% tax credit on merchant fees for card/digital transactions dedicated to small merchants; (v) a progressive reduction of cap on the use of cash per single purchase: from €3,000 to €2,000 from July 1, 2020 and to €1,000 from January 1, 2022.

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

- AML Legislative Decree No. 231 of November 21, 2007 (the "AML Decree"), as recently amended by Legislative Decree No. 90 of May 25, 2017 ("Decree No. 90") (as amended, in turn, by Legislative Decree No. 125 of October 4, 2019 ("Decree No. 125") amending Decree No. 90 and implementing Directive (EU) 2018/843 of the European Parliament and of the Council of May 30, 2018 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing – "AMLD V");

- Directive (EU) 2018/1673 ("AMLD VI"), to be implemented by EU Member States by December 3, 2020; and

- Bank of Italy and Financial Intelligence Unit ("FIU") directives providing for detailed rules implementing the European and Italian regulatory framework.

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 Italian Electronic Money Institutions and Payment Institutions

Nexi Payments is an Electronic Money Institution (*Istituto di Moneta Elettronica*) enrolled in Register provided under Article 114-*quater* of the Consolidated Banking Act. SIApay is a Payment Institution (*Istituto di Pagamento*) enrolled in Register provided under Article 114-*septies* of the Consolidated Banking Act. As a result of such authorization, both Nexi Payments and SIApay 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 PSD1 to harmonize the payment services market and remove legal barriers for payments throughout the EU. PSD1 has, among other things, 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 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;

- 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;

- payment service providers are required to adopt strong customer authentication when the payer accesses its payment account online, initiates an electronic payment transaction or carries out any action, through a remote channel, which may imply a risk of payment fraud or other abuses.

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, and the Consolidated Banking Act.

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. On April 10, 218, SIApay sent the Bank of Italy the required documentation and, on July 13, 2018, the Bank of Italy authorized SIApay 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 complementing the implementation of PSD2 and its implementing provisions. With the update of the Supervisory Provisions, the Bank of Italy has: (i) enriched and integrated the content of the program 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 Services in Italy

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 1(2)(h-*bis*) 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)(h-*septies*.1) 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, Italian 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 Italian Payment Institutions and EMIs

Pursuant to the Supervisory Provisions, Italian 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 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, Italian 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 may 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 CRR; 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 Italian 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 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, which transposed into Italian law the CRD IV, Articles 25 and 26 of the Consolidated Banking Act were amended in order to strengthen the requirements relating to shareholders and administrative, management and control bodies with regard to, among others, fairness and competence. Ministerial Decree No. 169 of November 23, 2020, implementing Article 26 of the Consolidated Banking Act, lays down the fit and proper requirements of individuals performing administrative, management and control functions in, *inter alia*, Payment Institutions and EMIs (the "Ministerial Decree"). Pending the entry into force of the provisions implementing Article 25 of the Consolidated Banking Act, the provisions in force before Decree No. 72 will continue to apply with respect to the requirements applicable to holders of qualifying shareholdings.

Finally, pursuant to Article 20 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' qualifying shareholdings apply to Nexi, as the controlling shareholder of Nexi Payments and to SIA, as the controlling shareholder of SIApay.

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 Italian 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.

Italian 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:

(a) approves the risk management policies (operational, credit, liquidity, etc.), as well as the related procedures and methods of detection and control;

(b) 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;

(c) 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);

(d) approves and verifies, at least once a year, the organizational structure and the allocation of tasks and responsibilities; and

(e) 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 and to the Ministerial Decree.

As of the date of this offering memorandum, the members of the administrative, control and management bodies of Nexi Payments and SIApay meet the requirements of professionalism, integrity and independence, pursuant to Article 26 of the Consolidated Banking Act and to the Ministerial Decree.

Requirements, Roles and Responsibilities for Control Systems

Italian 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 must 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 body with a strategic oversight function, after 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

Italian Payment Institutions and EMIs are subject to rules which, in many aspects, 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) and under the Ministerial Decree.

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

Italian 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.

Italian 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:

- EquensWorldline, which provides, among others, processing and non-SEPA clearing services.
- SIA, which provides processing services, which will be insourced following the SIA Merger.
- CSS, which provides maintenance and management of the single computer archive (*archivio unico informatico*).
- IDEMIA (formerly Oberthur Technologies Italia), which supplies smart payment cards, among others.
- 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).

Payment Account Regulations

Nexi Payments and SIApay are also subject to the payment account rules set out in the 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 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 June 18, 2019, the Bank of Italy issued a directive amending the “*Transparency of financial and banking transactions and services*” order (Bank of Italy Order of July 29, 2009 and subsequent amendments) in order to complete the implementation process of the PAD.

Regulation on Interchange Fees for card-based payment transactions

Nexi Payments and SIApay are required to comply with the provisions of the Interchange Fees Regulation entered into force on June 8, 2015 and which became fully applicable from June 9, 2016.

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.

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.

Regulations applicable to Italian retail payment systems operators

At EU level, payment system oversight is a shared function within the Eurosystem as part of the so-called "Eurosystem oversight policy framework" setting forth objectives, scope of application and roles within the euro area. Eurosystem-level oversight can be supplemented by national policies where appropriate.

Generally, oversight activities are carried out by the national central banks due to their proximity to the system at issue. With respect to TARGET2, EURO1 and STEP2, being pan-European systems, this task is assigned to the ECB.

In such respect, payment system oversight is carried according to:

(i) the SIPS Regulation, transposing the principles laid down by CPSS/IOSCO; and

(ii) the standards for euro retail payment systems set out from time to time by the ECB (i.e., so called "*Revised oversight framework for retail payment systems*").

Accordingly, the large-value payment systems, such as TARGET2 and EURO1 and the retail systems STEP2 are classified as systemically important. The Italian retail systems that handle settlement via BI-COMP (SIA/BI-COMP, ICBPI/BI-COMP, ICCREA/BI-COMP, and CABI/BI-COMP) are classified as 'non-systemic' and are therefore within the competence of Bank of Italy's supervision only, according to article 146 of the Consolidated Banking Act (and its relevant implementing provisions).

The SIPS Regulation applies to all payment systems, large-value and retail alike, that are classified as systemically important; it gives the supervisory authority power to issue sanctions and to oblige payment system operators to take corrective measures.

SIA is a (i) retail payment system operator pursuant to article 146 of the Consolidated Banking Act and to the Bank of Italy regulation of September 18, 2012 regarding the supervisory provisions on retail payment systems, and (ii) systemically important payment system operator and is also subject to the SIPS Regulation.

As a result, SIA is subject to supervisory activities of both the Bank of Italy and the European Central Bank.

In turn, Nexi is subject to supervision by the Bank of Italy and to the requirements set forth by article 146 of the Consolidated Banking Act and of the Retail Payment Systems Regulation in relation to the clearing services provided.

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, even assuming that these provisions apply to us, 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 (e.g. issuing), 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.

We expressly undertook to the Italian Antitrust Authority when we acquired SI Holding (the parent company of CartaSi, now Nexi Payments) to comply with a number of behavioral commitments in relation to acquiring, issuing and (outsourced) processing services, POS terminals provision and management services, as well as equal treatment (see Decision of the ICA of March 26, 2009, in case C9817 - ICBPI /SI HOLDING).

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.

Italian Anti-money Laundering and Anti-terrorism Legislation

Nexi Payments and SIApay, 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) 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, and Decree No. 125; (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 and instructions on the submission of aggregated AML reports, both issued by the FIU on March 28, 2019 and August 25, 2020 respectively; 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 abovementioned 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, Italian 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 (as amended, in turn, by Decree No. 125 implementing AMLD V).

On June 19, 2018, AMLD V 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 were required to adopt the laws, regulations and administrative provisions necessary to comply with AMLD V by January 10, 2020. Italy implemented AMLD V in the Italian regulatory framework with the adoption of Decree No. 125 which, amending Decree No. 90, indirectly amended the AML Decree.

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, including (i) 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; (ii) the Code of conduct for information systems operated by private entities on consumer credit, reliability and punctuality of payments, dated September 12, 2019; (iii) Legislative Decree No. 196/2003 as amended by Legislative Decree No. 101/2018 ("Data Protection Code"); and (iv) the implementing regulations issued by the Authority.

As a general rule, the Data Protection Code requires that personal data be processed in accordance with the rules of the GDPR, 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 and data processors 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:

- the adoption of strong security measures to avoid destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored or otherwise processed (see the Authority provisions no. 87 of March 28, 2019 and no. 99 of June 10, 2020);

- personal and biometric data processing based on customers' behavioral analysis (see the Authority provision no. 256 of June 9, 2016);
- 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 December 2020 the GDPR project was concluded. The GDPR project concerned:

- roles and responsibilities;
- records of processing activities;
- privacy risk management;
- management of data subjects' rights;
- privacy verification;
- data governance;
- data security;
- data retention;
- third party management;
- user management and profiling;
- training.

In 2021, the process relating to the management of third parties and data retention will be strengthened.

Relations with Supervisory Authorities

On 14 May 2019 the Guardia di Finanza - Special Unit for the Protection of Privacy and Technological Fraud, delegated by the Data Protection Supervisor, has performed an inspection at Help Line S.p.A. concerning the processing of personal data carried out by the Company.

The inspection lasted three days (ending on 16 May) and resulted in 3 reports setting out the operations carried out (one for each day) and aimed at collecting the declarations and documentation of the Company in reference to the various questions made by the Inspectors.

No critical issues emerged in the context of the investigations.

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 updated 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 we prepared operating instructions for the partner banks. These operating instructions serve as a guide for contracts that partner banks are required to comply with.

- Action 4—We have refined the process related to communications of changes in price to customers (August 2018). We have identified and allocated 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 have been formalized in an operational circular sent to all banks, and communicated to customers.

- 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. The automatization of the notification to the cardholder of the withdrawal blocks by the banks is going to be implemented within 2021.

- 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 implemented the 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).

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 S.p.A. ("ICBPI") and CartaSi S.p.A. ("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.

As of the date of this offering memorandum, there are no specific initiatives underway requested by FIU.

During 2020, we sent to the Bank of Italy the following:

- In November, a feedback on the request received on October 30, 2020 related to "Interpellanza urgente n. 2/00833 "Proposta unilaterale di modifica commissioni servizio acquiring *ex* 126-*sexies* del TUB. Richiesta di chiarimenti"; in particular we described the procedures we have in place to guarantee compliance when our banking partners decides, in accordance with the contracts stipulated with Nexi Payments, to change the customers pricing; no other requests were received by the Bank of Italy.

- In November, the documents and information requested on credit revolving products survey conducted by Bank of Italy in July 2020; in December 2020 we were asked to deepen some specific items after which we did not have any other requests by Bank of Italy.

- A response on the survey conducted by the Authority on Covid-19 impacts on Nexi after which we did not have any other requests by Bank of Italy.

- All the information requested on strong customer authentication adoption in on line payments and quarterly KPI SCA communication; no other specific requests on this item were received by the Bank of Italy.

Other laws, rules and regulations applicable to the Combined Group

The Combined Group comprises entities placed outside the Italian territory which are subject to laws, rules and regulations potentially different from the ones laid out in this section even though mainly belonging to the EU regulatory framework on payment services.

MANAGEMENT

The Issuer

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's LEI code is 5493000P70CQRQG8SN85. 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*."

Board of Directors

The Issuer's 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 the Issuer's business and to legally represent the Issuer in its 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 Nexi's bylaws, the Board of Directors may consist of between seven and 15 directors, as established by the ordinary shareholders' meeting.

The Board of Directors of the Issuer comprises 13 members. Two additional have been appointed to the Board of Directors in connection with the Nets Merger.

Nexi's 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. At a general meeting held on March 3, 2021, the shareholders of Nexi have resolved upon the appointment of two additional members of the Board of Directors, Mr. Bo Nilsson and Mr. Stefan Goetz. These appointments are conditional closing of the Nets Merger. Mr. Bo Nilsson and Mr. Stefan Goetz will remain in office until the ordinary shareholders' meeting called to approve the 2021 financial statements.

Set forth below are the members of the Board of Directors as of the date of this offering memorandum on a pro forma basis to give effect to the Transactions:

Name	Age	Position
Michaela Castelli	50	Chair of the Board of Directors
Paolo Bertoluzzo	55	Chief Executive Officer and General Manager
Giuseppe Capponcelli	63	Vice-Chair of the Board of Directors
Luca Bassi	50	Director
Francesco Casiraghi	42	Director
Simone Cucchetti	45	Director
Federico Ghizzoni	65	Director
Elisa Corghi	48	Director
Jeffrey David Paduch	42	Director
Antonio Patuelli	70	Director
Maurizio Mussi	43	Director
Marinella Soldi	54	Director
Luisa Torchia	63	Director

Biographies for each member of the Issuer's 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.

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 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. 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.

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.

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 master's degree in industrial engineering from the University of Parma.

Simone Cucchetti is a managing director at Clessidra SGR S.p.A. 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 S.p.A. and Bitolea S.p.A. 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. During her career, she worked in roles of increasing responsibility in the marketing area. 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 economics from Bocconi University in Milan.

Jeffrey David Paduch is non-executive director at Nets 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. Mr. Paduch holds a bachelor of arts from the University of Virginia.

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 was 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 the Institut Européen d'Administration des Affaires (INSEAD) in 1994.

Luisa Torchia is full professor with tenure in administrative law at the School of Law of Roma Tre Università degli Studi since 2004 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 the Issuer's 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	55	Chief Executive Officer and General Manager
Bernardo Mingrone	46	Chief Financial Officer
Enrico Trovati	54	BU Merchant Services & Solution Director
Andrea Mencarini	50	BU Card & Digital Payments Manager
Renato Martini	52	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 until 2008, and worked at UniCredit Group between 2008 and 2010. From 1995 to 1998, Mr. Mingrone worked at PwC. 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 electronic 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 from the University of Rome 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 approximately €8.2 million and approximately €4.4 million for the year ended December 31, 2019 and 2020, respectively.

Insurance for Directors and Officers

For the benefit of the Issuer's directors and officers, we have entered into a global D&O insurance policy with Generali Italia S.p.A., Swiss Re, Liberty and Axa XL. 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 the date of the shareholders' meeting called to approve the 2021 financial statements. 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	55	Standing Auditor, President
Marco Giuseppe Zanobio	57	Standing Auditor
Mariella Tagliabue	50	Standing Auditor
Tommaso Ghelfi	47	Alternate Auditor
Andrea Carlo Zonca	54	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. Mr. Alonzo is also a chartered accountant.

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., Maattia S.r.l., Piazza Duomo 1 S.r.l., Finanziaria Alberto Pirelli S.r.l. and Teci 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 program 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. 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%, except for the general manager whose target objective will be 130% of the gross annual salary. The LTIP is composed of three rolling assignment cycles, each with a vesting period of three years (i.e., 2019-2021, 2020-2022, 2021-2023) 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 their ordinary business activities, the Issuer, Nets and SIA have entered into certain related party transactions with their respective shareholders, key management and affiliated companies and persons. For an overview of the material transactions between each of the Issuer, Nets and SIA and their respective related parties please refer to the notes to Financial Statements as of and for the year ended December 31, 2020 included elsewhere in this offering memorandum.

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 12, 2019. The Issuer is listed on the Italian stock exchange (*Borsa Italiana*) and has its registered office at Corso Sempione 55, Milan, 20149, Italy. As of the date of this offering memorandum and after giving effect to the Transactions, 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.

The table below shows the current share capital of the Issuer as of the date of this offering memorandum, after giving effect to the Transactions, excluding the application of (i) the Nets Earn-Out and the Centurion Earn-Out, pursuant to the Nets Framework Agreement and (ii) the SIA Capital Increase, pursuant to the SIA Framework Agreement.

	% Share capital
CDPE/FSIA Investimenti	17.2%
Evergood H&F(1)	19.9%
AB Europe	4.0%
Eagle (AIBC)	6.0%
Mercury UK	9.6%
Intesa Sanpaolo	5.0%
GIC	1.8%
Other shareholders	36.4%
Total	**100%**

(1) Includes an investment from GIC, by way of its shareholding in Nets.

The table below shows the current share capital of the Issuer as of the date of this offering memorandum, after giving effect to the Transactions, including the application of (i) the Nets Earn-Out and the Centurion Earn-Out, pursuant to the Nets Framework Agreement and (ii) the SIA Capital Increase, pursuant to the SIA Framework Agreement, assuming that the other minority shareholders of SIA will not underwrite such capital increase.

	% Share capital
CDPE/FSIA Investimenti	25.0%
Evergood H&F(1)	18.0%
AB Europe	3.6%
Eagle (AIBC)	5.5%
Mercury UK	8.7%
Intesa Sanpaolo	4.6%
GIC	1.7%
Other shareholders	33.0%
Total	**100%**

(1) Includes an investment from GIC, by way of its shareholding in Nets.

For an overview of our corporate structure see "*Summary—Summary Corporate and Financing Structure*."

CDP Equity S.p.A. and FSIA Investimenti S.p.A. are *società per azioni* incorporated under the laws of Italy, owned by CDP S.p.A. Evergood H&F Lux S.à r.l. is a *société à responsabilité limitée* incorporated under the laws of Luxembourg, owned by Hellman & Friedman LLC. AB Europe (Luxembourg) Investment S.à r.l. is a *société à responsabilité limitée* incorporated under the laws of Luxembourg, owned by funds managed by Advent and Bain Capital. Eagle (AIBC) & CY S.C.A. is a *société en commandite par actions* incorporated under the laws of Luxembourg, owned by funds managed by Advent and Bain Capital. Mercury UK Holdco Limited is a limited liability partnership formed under the laws of England and Wales, and owned by funds managed by Advent, Bain Capital and (to a lesser extent) Clessidra. Intesa Sanpaolo S.p.A. is a *società per azioni* incorporated under the laws of Italy. GIC Pte Ltd. is a limited company incorporated under the laws of Singapore.

Shareholders' Agreements

Nexi Shareholders' 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 acquisition by Mercury UK of Istituto Centrale delle Banche Popolari Italiane S.p.A., a predecessor to the Issuer, in 2015, and subsequently amended on March 11, 2019 and November 15, 2020, and restated, amended and renewed for a period of three years starting from November 15, 2020 (the "Nexi 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.

Nets Shareholders' Agreement

On November 15, 2020, Evergood H&F, AB Europe, Eagle (AIBC) and Mercury entered into a shareholders' agreement, governed by English law, regarding the Issuer's governance, which was further amended on December 4, 2020 (the "Nets Shareholders' Agreement"). The Nets Shareholders' Agreement contains provisions concerning, among other things, the governance of the Issuer, including the composition of the Issuer's board of directors, transfers of shares in the Issuer, including lock-up periods in respect of potential transfers of shares, as well as certain undertakings in relation to the Mergers.

SIA Shareholders' Agreement

In the context of the SIA Merger, CDPE, FSIA Investimenti, Mercury and SIA agreed to enter into a shareholders' agreement regarding the Issuer's governance (the "SIA Shareholders' Agreement"). The SIA Shareholders' Agreement will contain provisions concerning, among other things, the governance of the Issuer, including the composition of the Issuer's board of directors and board of statutory auditors, and the transfers of shares in the Issuer, including lock-up periods in respect of potential transfers of shares.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements in addition to the Notes after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries not otherwise defined in this offering memorandum have the meanings ascribed to them in the respective agreement. We constantly review our financing requirements and consider opportunities in the global financial markets, including entering into new financing arrangements or refinancing or amending the terms of our existing financing arrangements.

2024 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 "2024 Facilities Agreement"), with certain banks, financial institutions and other persons, with respect to a €1,000 million term loan facility (the "2024 Term Loan Facility") and a €350 million revolving credit facility (the "Revolving Credit Facility" and, together with the 2024 Term Loan Facility, the "2024 Credit Facilities"). The 2024 Facilities Agreement is governed by English law.

Pursuant to the 2024 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 2024 Facilities Agreement as original borrowers and original guarantors ("Original Guarantors"). See "—*Representations and Warranties*" below. On or around March 31, 2021, the main business units and connected contractual arrangements of Mercury Payment was transferred to Nexi Payments (the "Demerger"). Following the Demerger, Mercury Payment resigned as a borrower and a guarantor under the 2024 Facilities Agreement. In addition to the remaining entities, the 2024 Facilities Agreement provides that other members of the Group may become parties to the 2024 Facilities Agreement as additional obligors and, in particular, as additional borrowers or additional guarantors ("Additional Guarantors").

Purpose

The Issuer used the proceeds of the 2024 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 2024 Credit Facilities

The 2024 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 2024 Term Loan Facility (the "2024 Facilities 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 2024 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 2024 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 2024 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 2024 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 2024 Facilities Agreement provides for a bullet repayment of the 2024 Term Loan Facility on May 31, 2024. The 2024 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 2024 Facilities Agreement provides for a mandatory prepayment of the 2024 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 2024 Facilities Agreement) and any entity directly or indirectly controlled by them), which on the signing date of the 2024 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 2024 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 2024 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 2024 Facilities Agreement. Subject to certain exceptions, the 2024 Facilities Agreement provides for voluntary prepayment of the 2024 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 2024 Facilities Agreement.

Interest

Loans drawn under the 2024 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 2024 Facilities Agreement, default interests will accrue on the overdue amount at a rate higher than the abovementioned interest rates.

Main Undertakings Under the 2024 Facilities Agreement

As customary for financing transactions of similar complexity and nature, the 2024 Facilities Agreement sets forth certain obligations of the Issuer and Nexi Payments (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 2024 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 2024 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 2024 Facilities Agreement, including:

  (a) any security existing on the 2024 Facilities 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 2024 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 2024 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 2024 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;

(w) prohibition to carry out disposals (sales, leases, transfers or other deeds), except as expressly permitted under the 2024 Facilities Agreement, including the following disposals:

(i) of assets by any member of the Group made in the ordinary course of business and at arms' length or better terms;

(ii) of assets in exchange or replacement for other assets which are useful towards the ordinary business of the Group;

(iii) of assets between members of the Group;

(iv) of assets which are obsolete, damaged or no longer useful for the purpose of the business of the relevant persons;

(v) of cash, cash equivalent investments or investments grade securities where that disposal is not prohibited by the finance documents;

(vi) 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;

(vii) 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;

(viii) 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;

(ix) 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;

(x) pursuant to the terms of any agreement or contractual arrangement in existence on the 2024 Facilities 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 2024 Facilities 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;

(xi) 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;

(xii) 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;

(xiii) 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 2024 Facilities Agreement;

(xiv) of assets pursuant to:

i. 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;

ii. any sale and leaseback, asset securitization or other similar arrangements which are outstanding or is committed on the 2024 Facilities Closing Date or is an amendment extension, renewal, refinancing of any of the foregoing; and

iii. 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 2024 Facilities Agreement) over the life of the 2024 Credit Facilities;

(xv) of assets which become subject to vendor financing, deferred consideration or payment or other similar arrangement not expressly prohibited under the terms of the 2024 Facilities Agreement;

(xvi) 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;

(xvii) of assets to a joint venture;

(xviii) which is a use of cash for purposes not otherwise prohibited by the terms of the finance documents;

(xix) 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;

(xx) of all or part of the shares in Visa Inc. held by the Issuer or a member of the Group;

(xxi) (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;

(xxii) of assets in connection with enforcement, foreclosure, condemnation, taking by eminent domain or any similar action with respect to any such assets;

(xxiii) 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;

(xxiv) 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);

(xxv) of preferred stock or redeemable capital stock; and

(xxvi) 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 2024 Facilities Agreement, members of the Group that are not parties to the 2024 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 2024 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 2024 Facilities Closing Date (excluded), provide copies, executed and delivered, to the securities agent of the documents listed in the 2024 Facilities Agreement; and

(xv) prohibition on undertaking any merger or restructuring or other transactions, excepts for those transactions expressly permitted under the 2024 Facilities Agreement.

Borrowers, Guarantors and Third-party Guarantors

The Issuer and Nexi Payments are borrowers and guarantors pursuant to the 2024 Facilities Agreement. The 2024 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 2024 Facilities Agreement), this company must also be a guarantor.

Pursuant to the 2024 Facilities Agreement, the Issuer agreed to ensure that EBITDA (calculated on the same basis as the "Consolidated EBITDA" (as defined in the 2024 Facilities Agreement) but considering each entity on an unconsolidated basis and excluding, *inter alia*, goodwill and any intragroup 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 2024 Facilities Agreement, the Guarantor Coverage Test was first tested on the date falling 90 days from (and excluding) the 2024 Facilities Closing Date (all parties necessary to comply with this obligation will be Original Guarantors, party to the 2024 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 and Nexi Payments), pursuant to the 2024 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 2024 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 2024 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 2024 Credit Facilities.

Representations and Warranties

In addition to the undertakings listed above, the Issuer, together with Nexi Payments, provided (a) customary representations and warranties on the 2024 Facilities 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 2024 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 2024 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 2024 Facilities Closing Date and during the entire duration of the 2024 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 2024 Credit Facilities are guaranteed by guarantees from the Guarantors, as defined in the 2024 Facilities Agreement (i.e., the Issuer and Nexi Payments). The undertakings of the Issuer pursuant to these guarantees are joint and several with the other financial counterparties of the 2024 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 provided on an unsecured basis however the 2024 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.

Events of Default

The 2024 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 2024 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 2024 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 and Nexi Payments (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 2024 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 2024 Facilities Agreement provides that lenders' decisions concerning their rights pursuant to the 2024 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 2024 Facilities Agreement (the "Majority Lenders") (ii) 80% of the total commitments under the 2024 Facilities Agreement depending on the subject matter of the decision or (iii) in some circumstances specified in the 2024 Facilities Agreement, unanimously.

2025 Facilities Agreement

Overview and Structure

On June 26, 2020, the Issuer entered into a facilities agreement (the "2025 Facility Agreement"), with certain banks, financial institutions and other persons, with respect to a €466.5 million 2025 Credit Facility (the "2025 Credit Facility"). The 2025 Facility Agreement is governed by English law.

The Issuer may request an increase of the 2025 Credit Facility by notifying the agent under the 2025 Credit Facility of the cancellation by a lending bank of its portion of the 2025 Credit Facility for an amount equal to the amount being cancelled, subject to the relevant substitute bank identified by the Issuer assuming all contractual undertakings towards the Issuer and the other parties to the 2025 Facility Agreement as if it was an original signatory. The required increase will become effective subject to (i) the relevant financial institution and the agent under the 2025 Facility Agreement entering into a letter confirming the increase and (ii) the relevant financial institution entering into the Intercreditor Agreement (as described below).

Purpose

The Issuer used the proceeds of the 2025 Credit Facility to finance the cash consideration payable by the Company to Intesa Sanpaolo S.p.A. in accordance with the sale and purchase agreement, dated December 19, 2019 between Intesa Sanpaolo S.p.A. and the Issuer and the payment of fees, commissions, costs and expenses incurred in connection with the acquisition of the merchant digital acceptance business of Intesa Sanpaolo S.p.A. thereunder (the "ISP Acquisition") (including any fees, costs and expenses payable in connection with it).

Conditions of Utilization of the 2025 Credit Facility

The 2025 Credit Facility is fully drawn as at the Issue Date. The interest period of any utilization of the 2025 Credit Facility may be equal to three or six months, at the option of the borrower, depending on what was 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). Any part of the 2025 Credit Facility which is repaid or prepaid may not be redrawn.

Maturity and Prepayment

The 2025 Facility Agreement provides for a bullet repayment of the 2025 Credit Facility on June 30, 2025.

The 2025 Facility Agreement provides for a mandatory prepayment of the 2025 Credit Facility 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 2025 Facility Agreement) and any entity directly or indirectly controlled by them), which on the signing date of the 2025 Facility Agreement (i.e., June 26, 2020) 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 and (ii) may request the agent to terminate its obligations under the 2025 Facility 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 2025 Facility 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 2025 Facility Agreement. Subject to certain exceptions, the 2025 Facility Agreement provides for voluntary prepayment of the 2025 Credit Facility (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 2025 Facility Agreement.

Interest

Loans drawn under the 2025 Credit Facility accrue interest at a variable margin, equal to the EURIBOR for the relevant interest period (with a zero floor) plus a spread of 2.5%, 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 2025 Facility Agreement, default interests will accrue on the overdue amount at a rate higher than the abovementioned interest rates.

Main Undertakings Under the 2025 Facility Agreement

As customary for financing transactions of similar complexity and nature, the 2025 Facility Agreement sets forth certain obligations of the Issuer. 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 2025 Facility Agreement provides for the same obligations as the 2024 Facilities Agreement as set out in the section "*Main Undertakings Under the 2024 Facility Agreement*", excluding the following:

(i) 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;

(ii) 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);

(iii) obligation of the Issuer to ensure that each member of the Group shall, within ten (10) business days of the first date of funding of the 2025 Credit Facility (the "2025 Facility Closing Date") (excluded), provide copies, executed and delivered, to the securities agent of the documents listed in the 2025 Facility Agreement; and

(iv) obligation of the Issuer to ensure that any guarantees or adequate guarantor coverage is provided by members of the group.

In addition, a customary undertaking was provided to inform the lenders as to any material developments in relation to the ISP Acquisition and, in particular, will deliver to the agent under the 2025 Facility Agreement any acquisition document in connection therewith.

Representations and Warranties

In addition to the undertakings listed above, the Issuer provided (a) customary representations and warranties on the 2025 Facility 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 2025 Facility 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 2025 Facility 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 commitments for the period commencing on the 2025 Facility Closing Date and during the entire duration of the 2025 Facility Agreement; and

(ii) an agency fee (as governed by a fee letter) and a participation agency fee (as governed by a fee letter).

Security

The Credit Facilities are currently provided on an unsecured basis however the 2025 Facility 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

Events of Default

The 2025 Facility 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 2025 Credit Facility (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 2025 Credit Facility 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 (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 2025 Facility 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 2025 Facility Agreement provides that lenders' decisions concerning their rights pursuant to the 2025 Facility 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 2025 Facility Agreement (the "Majority Lenders"), or (ii) in some circumstances specified in the 2025 Facility 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. The Intercreditor Agreement subordinates the intra-group liabilities of certain members of the Group to the liabilities under the Credit Facilities and the 2025 Term Loan Facility. The Trustee will not be required to enter into the Intercreditor Agreement on the Issue Date and the liabilities under the Notes (including the liabilities under the Existing 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 and the Existing Notes to grant equal and rateable security in certain circumstances).

Existing Senior Notes

On October 21, 2019, the Issuer issued €825.0 million in aggregate principal amount of its senior notes due 2024, the gross proceeds of which were used, together with cash on hand at the Issuer, to refinance certain existing indebtedness of the Issuer and to pay related fees and expenses. The Existing Senior Notes were issued at a price of 100.00%. The Existing Senior Notes were issued pursuant to the Existing Indenture.

Ranking

The Existing Senior Notes are 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 Existing Senior Notes, including obligations under the 2024 Facilities Agreement. The Existing Senior 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 Existing Senior Notes, if any. The Existing Senior Notes are effectively subordinated to any existing and future secured obligations of the Issuer and the subsidiaries of the Issuer. The Existing Senior Notes are not guaranteed.

Interest Rates, Payment Dates and Maturity

The Existing Senior Notes bear interest at a rate of 1.75% per annum. Interest on the 2024 Notes is payable semi-annually in arrears, with interest payment dates on each April 30 and October 31 of each year, commencing on April 30, 2020. The Existing Senior Notes will mature on October 31, 2024.

Optional Redemption

The Issuer is entitled at its option to redeem all or a portion of the Existing Senior Notes (i) at any time prior to July 31, 2024, at a redemption price equal to 100% of the principal amount thereof, plus an applicable "make whole" premium and (ii) thereafter at a redemption price equal to 100% of the principal amount of the Existing Senior Notes, plus in each case accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Mandatory Redemption and Redemption for Tax Reasons

Upon the occurrence of certain events constituting both a change of control and a ratings event, the Issuer is required to offer to repurchase the Existing Senior 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 Existing Senior 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.

Covenants

The Existing Indenture contain covenants that, among other things, limit the ability of the Issuer and its subsidiaries to:

- create or permit to exist certain liens;
- guarantee additional indebtedness; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to a number of important limitations and exceptions.

Events of Default

The Existing Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the relevant Existing Senior Notes, certain failures to perform or observe any other obligation under the Existing Indenture, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Issuer or any Significant Subsidiaries that constitute individually, or taken together as a group would constitute, a Significant Subsidiary (as defined in the Existing Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the Existing Senior Notes.

Listing

The Existing Senior Notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF thereof.

2027 Existing Senior Convertible Notes

On April 24, 2020, the Issuer issued €500.0 million in aggregate principal amount of its equity-linked convertible notes due 2027, the gross proceeds of which were used to finance a portion of the purchase price for the ISP Acquisition and for general corporate purposes. The 2027 Existing Senior Convertible Notes were issued at a price of 100.00%. The 2027 Existing Senior Convertible Notes were issued pursuant to the 2027 Trust Deed. Since July 30, 2020, the 2027 Existing Senior Convertible Notes are convertible into ordinary shares of the Issuer at a conversion price of €19.47, subject to certain conditions and to adjustments upon the occurrence of certain events. Conversion rights may be exercised by the holders up to the seventh day (inclusive) before the date of maturity (or, if earlier, the redemption date) of the 2027 Existing Senior Convertible Notes

Ranking

The 2027 Existing Senior Convertible Notes are senior unsecured obligations of the Issuer and 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 2027 Existing Senior Convertible Notes, including obligations under the 2024 Facilities Agreement. The 2027 Existing Senior Convertible Notes rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the 2027 Existing Senior Convertible Notes, if any. The 2027 Existing Senior Convertible Notes are effectively subordinated to any existing and future secured obligations of the Issuer and the subsidiaries of the Issuer.

Security and Guarantees

The 2027 Existing Senior Convertible Notes are not secured or guaranteed, but may become guaranteed in certain limited circumstances, including, without limitation, if any subsidiary of the Issuer provides a guarantee in respect of the Existing Senior Notes.

Interest Rates, Payment Dates and Maturity

The 2027 Existing Senior Convertible Notes bear interest at a rate of 1.75% per annum. Interest on the 2024 Notes is payable semi-annually in arrears, with interest payment dates on each April 24 and October 24 of each year, commencing on October 24, 2020. The 2027 Existing Senior Convertible Notes will mature on April 24, 2027.

Optional Redemption and Redemption for Taxation Reasons

The Issuer has the right to redeem all but not some of the 2027 Existing Senior Convertible Notes at their principal amount together with accrued interest, by giving not less than 30 and no more than 60 days' notice (i) at any time on or after May 16, 2025, if the parity value of the 2027 Existing Senior Convertible Notes on each of not less than 20 dealing days in any period of 30 consecutive dealing days ending no more than 7 dealing days prior to the giving of the relevant optional redemption notice exceeds €130,000, or (ii) at any time if, prior to the date the relevant optional redemption notice is given, 85% or more in principal amount of the 2027 Existing Senior Convertible Notes initially issued have been converted, redeemed or purchased and cancelled. The Issuer also has a customary tax call in the event it is required to make gross-up payments, subject to the right of holders of the 2027 Existing Senior Convertible Notes to elect not to be redeemed and to receive, thereafter, net payments of interest.

Covenants

The 2027 Trust Deed contains covenants that, among other things, limit the ability of the Issuer and its subsidiaries to:

- create or permit to exist certain liens;

- guarantee additional indebtedness; and
- consolidate, merge or transfer all or substantially all of the Combined Group's assets and the assets of the Combined Group's subsidiaries on a consolidated basis.

In addition, the 2027 Trust Deed contains covenant that, among other things, limit, during the period in which conversion rights remain exercisable, the ability of the Issuer to:

- issue or pay up securities by way of capitalization of profits or reserves;
- modify the rights attaching to ordinary shares with respect to voting, dividends or liquidation or issue any other class of equity share capital carrying any rights which are more favorable than the rights attaching to the Issuer's ordinary shares;
- reduce its issued share capital, share premium or any uncalled liability in respect thereof, or any non-distributable reserves.

All these covenants are subject to a number of important limitations and exceptions.

Events of Default

The 2027 Trust Deed contains customary events of default, including, among others, the non-payment of principal or interest on the relevant 2027 Existing Senior Convertible Notes, certain failures to perform or observe any other obligation under the 2027 Trust Deed, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Issuer, any of its Material Subsidiaries, or Subsidiaries that taken together would constitute, a Material Subsidiary (as defined in the 2027 Trust Deed). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2027 Existing Senior Convertible Notes.

Listing

The 2027 Existing Senior Convertible Notes are listed on the Vienna Stock Exchange and admitted for trading on the Vienna MTF market thereof.

2028 Existing Senior Convertible Notes

On February 24, 2021, the Issuer issued €1.0 billion in aggregate principal amount of its zero-coupon equity-linked convertible notes due 2028, the gross proceeds of which will be used to refinance the Existing Nets Indebtedness, together with the proceeds from the Offering, following the completion of the Nets Merger, and for general corporate purposes. The 2028 Existing Senior Convertible Notes were issued at a price of 100.00%. The 2028 Convertible Notes were issued pursuant to the 2028 Trust Deed. The 2028 Existing Senior Convertible Notes are convertible into ordinary shares of the Issuer at a conversion price of €24.55 (subject to certain conditions and to adjustments upon the occurrence of certain events), subject to the adoption of a corporate resolution approving the increase in the share capital of the Issuer and the disapplication (for the purposes of the relevant capital increase) of any preferential subscription rights to enable the issue of a sufficient number of new ordinary shares to satisfy the exercise of conversion rights in full. Conversion rights may be exercised by the holders up to the seventh day (inclusive) before the date of maturity (or, if earlier, the redemption date) of the 2028 Existing Senior Convertible Notes. Should the abovementioned corporate resolution not be adopted by (i) December 31, 2021, if the Nets Merger Closing Date falls on or before October 31, 2021, or (ii) February 28, 2022, the Issuer may redeem all but not part of the 2028 Existing Senior Convertible Notes at the greater of (i) 102% of their principal amount or (ii) 102% of their fair value.

Ranking

The 2028 Existing Senior Convertible Notes are senior unsecured obligations of the Issuer and 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 2028 Existing Senior Convertible Notes, including obligations under the 2027 Existing Senior Convertible Notes and the 2024 Facilities Agreement. The 2028 Existing Senior Convertible Notes rank senior in right of payment to all of the Issuer's future obligations that are expressly subordinated in right of payment to the 2028 Existing Senior Convertible Notes, if any. The 2028 Existing Senior Convertible Notes are effectively subordinated to any existing and future secured obligations of the Issuer and the subsidiaries of the Issuer.

Security and Guarantees

The 2028 Existing Senior Convertible Notes are not secured or guaranteed, but may become guaranteed in certain limited circumstances, including, without limitation, if any subsidiary of the Issuer provides a guarantee in respect of the Existing Senior Notes.

Interest Rates, Payment Dates and Maturity

The 2028 Existing Senior Convertible Notes bear no interest, and will mature on February 24, 2028.

Optional Redemption and Redemption for Taxation Reasons

The Issuer has the right to redeem all but not some of the 2028 Existing Senior Convertible Notes at their principal amount together with accrued interest, by giving not less than 30 and no more than 60 days' notice (i) at any time on or after March 17, 2026, if the parity value of the 2028 Existing Senior Convertible Notes on each of not less than 20 dealing days in any period of 30 consecutive dealing days ending no more than 7 days prior to the giving of the relevant optional redemption notice exceeds €150,000, or (ii) at any time if, prior to the date the relevant optional redemption notice is given, 85% or more in principal amount of the 2028 Existing Senior Convertible Notes initially issued have been converted, redeemed or purchased and cancelled. The Issuer also has a customary tax call in the event it is required to make gross-up payments, subject to the right of holders of the 2028 Existing Senior Convertible Notes to elect not to be redeemed.

The 2028 Existing Senior Convertible Notes will become convertible into ordinary shares of the Issuer subject to the approval of a resolution for a capital increase by the Issuer's shareholders. If these capital increase resolutions are not passed by (i) 31 December 2021, if the Nets Merger Closing Date falls on or before 31 October 2021 or (ii) in any other case, 28 February 2022, the Issuer may, by giving a notice to be published no later than 10 dealing days after 31 December 2021 or 28 February 2022, as the case may be, elect to redeem all but not some only of the 2028 Existing Senior Convertible Notes at the greater of (i) 102% of the principal amount of the 2028 Existing Senior Convertible Notes and (ii) 102% of the fair bond value of the 2028 Existing Senior Convertible Notes.

Covenants

The 2028 Trust Deed contains covenants that, among other things, limit the ability of the Issuer and its subsidiaries to:

- create or permit to exist certain liens;
- guarantee additional indebtedness; and
- consolidate, merge or transfer all or substantially all of the Combined Group's assets and the assets of the Combined Group's subsidiaries on a consolidated basis.

In addition, the 2028 Trust Deed contains covenant that, among other things, limit, during the period in which conversion rights remain exercisable, the ability of the Issuer to:

- issue or pay up securities by way of capitalization of profits or reserves;
- modify the rights attaching to ordinary shares with respect to voting, dividends or liquidation or issue any other class of equity share capital carrying any rights which are more favorable than the rights attaching to the Issuer's ordinary shares;
- reduce its issued share capital, share premium or any uncalled liability in respect thereof, or
- any non-distributable reserves.

All these covenants are subject to a number of important limitations and exceptions.

Events of Default

The 2028 Trust Deed contains customary events of default, including, among others, certain failures to perform or observe any other obligation under the 2028 Trust Deed, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Issuer, any of its Material Subsidiaries, or Subsidiaries that taken together would constitute a Material Subsidiary (as defined in the 2028 Trust Deed). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2028 Existing Senior Convertible Notes.

Listing

The 2028 Existing Senior Convertible Notes are listed on the Vienna Stock Exchange and admitted for trading on the Vienna MTF market thereof.

The Issuer's Settlement Obligations

As of December 31, 2020, after giving effect to the Transactions, we had €1,053.9 million of settlement obligations and pass-through fee payments. A description of our funding requirements arising from such 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 or, in case of "on us transactions", i.e., transactions where we act both as issuers and acquirers, by us directly 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 the Combined Group's Business and Industry—Nexi and Nets' business require funding to manage settlement needs*."

In our licensing business, we have direct relationships with cardholders and merchants:

- *Issuing licensing:* when acting for a charge cardholder in its issuing licensing business, we settle the payable owed by the cardholder to the card schemes one day after the card purchase is made but receive payment from the cardholder only on a monthly basis when the balance shown in the cardholder's account statement becomes due. As a result, we provide funding to our customers for between 15 and 45 days in average, because the first day in each billing period is the first day of a given month, whereas the outstanding balance for that period covers the entire month and generally only becomes due on the 15^{th} 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 year ended December 31, 2020, our monthly balance of accounts receivable outstanding from charge cardholders averaged approximately €1,600 million and peaked at approximately €3,100 million. We also provide funding to holders of revolving credit cards, who can elect to pay their outstanding balance in instalments or roll it over from month to month. The underlying contracts of revolving credit cards 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 year ended December 31, 2020, 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 €241 million.

- *Acquiring direct/referral/licensing:* when acting for a merchant customer under our acquiring direct/referral/licensing business, we settle the payable owed by the card scheme to the merchant one business 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 year ended December 31, 2020, our daily negative settlement balance from these activities averaged approximately €162 million and peaked at approximately €449 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 business 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 business 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 year ended December 31, 2020, averaged approximately €92 million and peaked at approximately €263 million. Such balance is directly managed by Depobank (now merged into BFF) 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 revolving 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 and the Factorit 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 "*—2024 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 the Combined Group's Business and Industry——Nexi is subject to potential credit risk from its customers, as well as short term credit risk from its partner banks, and if a significant number of cardholders, merchants or partner banks were to fail to satisfy their obligations on time, Nexi 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 4, 2018, August 3, 2018, May 27, 2019, July 15, 2020, and October 2, 2020, (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 charge 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 to the Transferor by cardholders of the 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").

Effective March 1, 2021, the Factoring Agreement is no longer applied to the transfer of Receivables deriving from Debtors that are customers of Banca Popolare di Sondrio S.p.A., as these transfers are governed by the Factorit Agreement (as described below).

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 €2,900,000,000 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 €300,000,000 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 ceiling 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 €70,000,000, 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, for no more than four times a year, request an increase of the non-recourse ceiling with reference to one or more partner banks. The Transferor may also request a maximum of additional ten increases of the non-recourse ceiling per single bank every year.

If the Factor refuses to accept the request to raise the non-recourse 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 and for no more than four times a year, to request an increase of the recourse ceiling with reference to one or more partner banks. The Transferor may also request a maximum of additional ten increases of the recourse ceiling per single bank every year. 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 will expire on June 30, 2023. 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 the Factoring Agreement 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 in an amount exceeding €50,000,000; (vi) receives a judicial conviction in 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 Agreement 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.

Factorit Agreement

On February 23, 2021, Nexi Payments and Factorit S.p.A. ("Factorit") entered into a factoring agreement (the "Factorit Agreement") governing the terms of the transfer by Nexi Payments to Factorit, on an ongoing basis, of Nexi Payment's present and future accounts receivable with the following characteristics: (i) deriving from the use of charge cards (i.e., cards that require cardholders to pay off their balance on a monthly basis) issued by Nexi Payments on behalf of Banca Popolare di Sondrio S.p.A. (“BPS”) 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 “BPS Credit Cards”); (ii) owed to Nexi Payments by cardholders of the covered BPS Credit Cards (the “BPS Debtors”) who are also customers of partner banks other than BPS, which is however the bank where the accounts underlying such cards are opened; and (iii) backed by the undertaking of BPS arising out of the agreements in force with Nexi Payments concerning the BPS Credit Cards, which can be traced back to the agreement included in the Factorit Agreement (the “BPS Framework Agreement”) (hereinafter the “BPS Receivables”).

The BPS Framework Agreement includes an undertaking by BPS to guarantee the insolvency risk of its customer’s Debtors (the “BPS Guarantee”), whose benefit Nexi Payments assigned to Factorit. In turn, to enable the transfer of the BPS Receivables, Factorit has made available to Nexi Payments, for the entire duration of the Factorit Agreement, a revolving credit line for up €350,000,000, intended for the non-recourse (i.e., pro-soluto) final purchase of BPS Receivables (the “Factorit Credit Facility”).

Nexi Payments may, for no more than four times a year, request an increase of the Factorit Credit Facility ceiling. If Factorit refuses to accept the request to raise the ceiling, Nexi Payments shall be entitled to terminate the Factorit Agreement effective the first day of the month immediately following the date on which Factorit received the relevant termination notice.

Nexi Payments agreed to transfer to Factorit on an ongoing basis all the BPS Receivables due from the BPS Debtors, up to a total aggregate amount equal to the Factorit Credit Facility. Factorit purchases the BPS Receivables undertaking to pay the relevant transfer price. Payments made by the BPS Debtors are collected by Nexi Payments on an account opened with Banca Popolare di Sondrio where collections are automatically transferred to Factorit, on a daily basis. Each payment received from a BPS Debtor and transferred to Factorit determines an equal decrease in the amounts drawn under the Factorit Credit Facility.

The Factorit Agreement also provides for the issuance by Nexi Payments of customary representations and warranties.

The Factorit Agreement has a duration of three years, expiring on the third anniversary of its effective date. Factorit has undertaken to negotiate in good faith the agreement’s renewal upon Nexi Payment’s request at least twelve months prior to the Factorit Agreement’s expiration.

Nexi Payments may withdraw from the Factorit Agreement without charges at any time following six months from its effective date, without justification or cause, by giving at least one-hundred-eighty days’ notice to Factorit for the first year of duration of the Factorit Agreement, and thirty-days’ should withdrawal occur later.

Factorit has the right to terminate the Factorit Agreement in the event that Nexi Payments, 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 Factorit 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; or (v) is subject to an insolvency procedure, including voluntary ones.

Finally, Factorit may terminate the Factorit Agreement should the BPS Framework Agreement be terminated or should a potential amendment to either the BPS Guarantee or the BPS Framework Agreement be carried out, which Factorit reasonably believes may significantly affect the BPS Guarantee or prevent Factorit from purchasing, in whole or in part, the BPS Receivables on a non-recourse (i.e., pro-soluto) basis pursuant to applicable laws.

The effectiveness of the Factorit Agreement is subject to the prior installation and successful testing of the IT infrastructure enabling information flows between Factorit and Nexi Payments.

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 provide these services, on June 29, 2018, Nexi Payments has granted Depobank (now merged into BFF) a credit mandate pursuant to Article 1958 et seq. of the Italian Civil Code, as subsequently amended on January 14, 2020 (the "Credit Mandate"), 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 €450,000,000.

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 in an amount equal to the amounts from time to time advanced and in any case up to a maximum amount of €450,000,000 (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 shall expire on June 30, 2022, with tacit renewal for recurring one-year periods, unless either party communicates in writing its intention to withdraw within six months of the expiry of this period.

If the Credit Mandate is revoked by Nexi Payments, the latter should hold 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, 2020 under the Credit Mandate amounted to €1.2 million on a pro forma basis.

In May 2020, Nexi Payments has entered into a term sheet with BFF to amend certain terms of the Credit Mandate, including the amendment of certain economic terms and the extension of the duration of the Credit Mandate. See also "*Risk Factors— Risks Related to the Combined Group's Business and Industry—Nexi and Nets' business require funding to manage settlement needs*."

Bilateral Credit Facilities

We have entered into a number of bilateral credit facilities with an aggregate available amount of €1,310.0 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, the Factorit 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, as amended on June 30, 2020 (together, the "Mercury Funding and Settlement Agreement"), providing for unsecured, unguaranteed borrowings in an aggregate principal amount of up to €200 million. The Mercury Funding and Settlement Agreement provides for a current account credit facility in an available amount of up €200 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. The Mercury Funding Facility is expected to be incorporated into an existing settlement line with an aggregate principal amount of €950.0 million (which could be increased to up to €200 million to cover intraday settlements of Nexi Payments) currently provided by Intesa Sanpaolo to Nexi Payments. See also "—*Bilateral Credit Facilities*."

The Issuer's Other Liabilities

In addition to the above, as of December 31, 2020, we had debt in an amount equal to €58.6 million outstanding under the following financial liabilities: (i) credit lines with an aggregate principal amount of €0.6 million in place at Nexi Payments, which have been repaid in full as of the date of this offering memorandum; and (ii) €58.0 million of other financial liabilities, mainly related to (a) leasing contracts in the amount of €30.7 million, which are accounted for as financial liabilities following adoption of IFRS 16, and (b) the ISP Earn-Out, in the amount of €27.3 million.

Nets Indebtedness

Nets Notes

On April 6, 2017, Nassa Topco AS (a direct subsidiary of Nets) issued €400.0 million in aggregate principal amount of its senior notes due 2024, which was partially redeemed on March 21, 2018, with the aggregate principal amount reduced to €219.6 million (the "Nets Notes"), the gross proceeds of which were used to refinance certain existing indebtedness of Nets and to pay related fees and expenses. The Nets Notes were issued at a price of 99.648%.

Ranking

On the issue date, the Nets Notes were guaranteed by Nets and certain subsidiaries of Nets. In addition, the Nets Notes have been designated as senior secured obligations of Nets under a subsequent intercreditor agreement entered into, among others, by certain creditors or Nets and the trustee of the Nets Notes. As a result, the Nets Notes are subject of the terms and conditions of such intercreditor agreement, and are secured by the same guarantors and by the same assets as for other Nets indebtedness identified in such intercreditor agreement. Under the intercreditor agreement, the Nets Notes ranks *pari passu* in right of payment with the indebtedness mentioned therein, and will receive (or, following prepayment and cancellation in full of such facilities, would have received) proceeds from the enforcement of the security *pari passu* with such indebtedness. However, if prepayment and cancellation in full of the indebtedness under the intercreditor agreement occurs, the security and additional guarantees will be released and discharged, without prejudice to any guarantee pre-existing the intercreditor agreement.

Accordingly, following the repayment of the Existing Nets Indebtedness, the Nets Notes will become senior unsecured obligations of Nets and will rank *pari passu* in right of payment with all existing and future senior unsecured obligations of Nets that are not expressly subordinated in right of payment to the Nets Notes. In addition, the Nets Notes will rank senior in right of payment to all future obligations of Nets that are expressly subordinated in right of payment to the Nets Notes, if any, and will be effectively subordinated to all existing and future secured obligations of Nets to the extent of the value of the property and assets securing such obligations.

Interest Rates, Payment Dates and Maturity

The Nets Notes bear interest at a rate of 2.875% per annum. Interest on the Nets Notes is payable semi-annually in arrears, with interest payment dates on each January 15 and July 15 of each year, commencing on January 15, 2018. The Nets Notes will mature on April 8, 2024.

Optional Redemption

Nassa Topco AS is entitled at its option to redeem all or a portion of the Nets Notes (i) at any time prior to January 6, 2024, by giving not less than 10 and no more than 60 days' notice, at a redemption price equal to 100% of the principal amount thereof, plus an applicable "make whole" premium and (ii) thereafter, by giving not less than 30 and no more than 60 days' notice, at a redemption price equal to 100% of the principal amount thereof, plus in each case accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Mandatory Redemption

Upon the occurrence of certain events constituting both a change of control and a ratings event, Nassa Topco AS is required to offer to repurchase the Nets 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, Nassa Topco AS may redeem the Nets Notes at any time, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any.

Covenants

The indenture governing the Nets Notes contains covenants that, among other things, limit the ability of Nets and certain of its subsidiaries to:

- create or permit to exist certain negative pledges;
- claim waivers of stay or extension of usury laws;
- guarantee additional indebtedness; and
- consolidate, merge or transfer all or substantially all of its assets.

These covenants are subject to a number of important grace periods and exceptions.

Events of Default

The indenture governing the Nets Notes contains customary events of default, including, among others, the non-payment of principal or interest on the relevant Nets Notes, certain failures to perform or observe any other obligation under the indenture governing the Nets Notes, the failure to pay certain indebtedness, cross-default or cross-acceleration of indebtedness, or insolvency or entering into insolvency proceedings. The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the Nets Notes.

Listing

The Nets Notes are listed on the Official List of the Luxembourg Stock Exchange.

Nets' Settlement Obligations

Funding Requirements

Part of Nets' business revolves around the settlement of card payments and the provision of short-term funding to 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 Nets acting as pure intermediaries in the funds flow. See "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nexi and Nets' business require funding to manage settlement needs*."

In its Merchant Services business, Nets has direct relationships with merchants:

- *Acquiring business*: when acting for a merchant customer in its acquiring business, Nets typically settles the payable owed by the card scheme to the merchant after receiving the corresponding amount by the card scheme. In some circumstances, Nets settles 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 either later that same day or 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, Nets has virtual certainty that its back-to-back receivable against the card scheme will be settled on the next business day, without incurring any material credit risk.

- *"Pay Later"* solution: through its subsidiary RatePay, Nets offers a "pay later" solution whereby consumers can delay payment for goods and services. Under this business model, RatePay pays merchants the amount owed by consumers, net of its fees and commissions, in advance of having received funds from consumers, exposing RatePay to credit risk until the amounts are paid by consumers. In the year ended December 31, 2020, RatePay's account receivables after bad debt deductions from consumers in the "pay later" solution business amounted to approximately €154.9 million, with provisions on bad debt covering approximately 16.5% of Ratepay's overall account receivables, while account payables to merchants in the "pay later" solution business amounted to approximately €79.9 million.

- *"Installment Payment"* solution*:* since the end of 2020 through its subsidiary RatePay and as part of its "Pay Later" solution, Nets offers selected consumers the option to pay for goods and services via installments over up to 48 months. The term of the majority of installments currently falls below 12 months. Under this business model, RatePay generally pays merchants the amount owed by consumers in advance of having received funds from consumers, exposing RatePay to credit risk until the amounts are paid by consumers when due. As of the date of this offering memorandum, RatePay's account receivables from consumers in the "installment payment" solution business amounted to approximately €20.0 million. Following the entry into the Cooperation Agreement in February 2021, Nets is exposed to credit risk only in very limited circumstances. See "*—Credit Risk.*"

In its Issuer & eSecurity Service business, Nets services the issuing and acquiring needs of more than 250 issuers of payment cards, primarily banks, but has no direct relationship with cardholders or merchants. When acting for a partner bank in its Issuer & eSecurity Service business, Nets settles the payable owed by the partner banks' cardholders to card schemes with no funding need as partner banks either pay Nets in advance of settling the schemes or pay the schemes directly themselves.

Funding Sources

Nets continually reviews its funding sources to ensure it manages its funding requirements related to customer flows. Set forth below is a description of Nets' funding sources for the Merchant Services acquiring business, the "pay later" solution and the "installment payment" solution businesses. Nets manages funding exposure associated with its Merchant Services acquiring business related to the use of credit cards through drawings on overdraft, intra-day clearing facilities and money market lines sourced from other banks. With respect to its exposure in the "pay later" solution business, Nets currently funds its activities mainly through the use of the Securitization Agreement. Nets is also evaluating the possibility to obtaining additional funding with respect to its "pay later" solution business in light of an expected increase in the volumes of this business in the near future. With respect to its exposure in the "installment payment" solution business, starting from February 2021, Nets funds its activities mainly through the use of the Cooperation Agreement.

Credit Risk

Based on its historical data, Nets' believes that its Merchant Services, "pay later" solution and "installment payment" solution businesses involve only an immaterial amount of credit risk. In the Merchant Services 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, Nets has virtual certainty that it will collect payment on the next following business day. However, Nets is exposed to credit risk if it does not receive sums advanced to merchants before the moment when the consumer is supplied with goods or services or before a complaint is made by the cardholder. If Nets is not able to recover the amount of the recharge from merchants, the rules of the international payment card schemes require the acquirer to return the full amount of the transaction, including fees, to the card issuer, bearing the loss for the amount of the refund paid to cardholders, or to the international payment card circuits for cards issued by issuers other than Nets. See also "*Risk Factors— Risks Related to the Combined Group's Business and Industry—Nets is exposed to the credit risk of its clients, "charge back" risk in respect of merchant insolvencies and other risks in relation to disputed transactions and/or the inability of a counterparty to pay sums due for services provided*."

In the "pay later" solution business, receivables acquired by RatePay from merchants which satisfy certain eligibility criteria are sold and assigned to third-parties under the Securitization Agreement on a recourse basis. Therefore, Nets is exposed to a credit risk in its "pay later" solution business. With respect to the "pay later" solution business, Nets has an annual provision on its balance sheet, the amount of which is calculated based on historic and expected default trends. As of December 31, 2020, total provisions for outstanding receivables amounted to €41.1 million. In the "installment payment" solution business, receivables acquired by RatePay under factoring agreements with merchants which satisfy certain eligibility criteria are sold and assigned on a non-recourse basis to third-parties under the Cooperation Agreement. Therefore, Nets is exposed to a credit risk only with respect to those receivables which are not covered by the Cooperation Agreement or, with respect to the receivables which are covered by the Cooperation Agreement, Nets is exposed to a credit risk only for the period of time between the acquisition of the receivables by RatePay and the sale of the receivables to the Purchaser under the Cooperation Agreement. In addition, these business models exposes RatePay to the risk that some consumers will default on their repayment obligations. In the case of such defaults, RatePay will bear the loss for the defaulted amount. See "*Risk Factors—Risks Related to the Combined Group's Business and Industry—Nets' RatePay business offers "pay later" and "installment payment" solutions that expose Nets to consumer credit risk*."

Merchant Services Business Credit Facilities

Certain subsidiaries of Nets have entered into a number of overdraft, intra-day clearing facilities and money market lines to manage their funding requirements with respect to the Merchant Services Business. In particular, Nets and its subsidiaries are parties to certain local facilities, including (i) two overdraft facilities, which may be utilized by way of withdrawals and debits from certain transaction accounts or as linked facilities, in an aggregate principal amount of €205.0 million, (ii) two intraday facilities in relation to global cash pooling services with an aggregate intra-day limit of €400 million, (iii) an intraday overdraft credit facility with a credit limit of €110.0 million, (iv) a short-term loan in an aggregate principal amount of €30 million, which could also be used for general corporate purposes, (v) an intraday overdraft credit facility with a credit limit of NOK400.0 million, (vi) an overdraft and guarantee credit facility with a credit limit of PLN 77,000,000, and (vii) three overdraft facilities in an aggregate principal amount of €9.7 million.

Securitization Agreement

On December 19, 2019, RatePay GmbH (a wholly-owned subsidiary of Nets) as receivables seller ("Ratepay" or the "Transferor"), Orange Finance S.A., acting for the account of its Compartment "Spree" as receivables purchaser (the "Purchaser") and NIBC Bank N.V. (formerly NIBC Bank Deutschland AG) as program administrator (the "Administrator"), entered into a German law governed receivables purchase agreement, as subsequently amended on March 10, 2021 (the "Securitization Agreement"). Pursuant to the terms of the Securitization Agreement, the Purchaser acquires certain existing account receivables deriving from payments made by certain debtors to merchant customers of the Transferor in connection with e-commerce purchases of products or services by the Debtors (the "Receivables"). The Receivables are sold and assigned on a revolving basis to the Purchaser. The Transferor acts as servicer of the Receivables, which remain on the Transferor's balance sheet and are consolidated into the Nets Consolidated Financial Statements in accordance with IFRS.

The Purchaser is a Luxembourg special-purposes vehicle which receives promissory loan notes (*schuldschein*) to refinance the purchase price for the receivables. In the context of the Securitization Agreement, on July 4, 2018, the Purchaser, the Administrator and certain lenders, among others, have entered into a promissory loan notes agreement (*Schuldscheindarlehen*), as subsequently amended on December 19, 2019 (the "Schuldschein Loan Agreement"). Pursuant to the Schuldschein Loan Agreement, the lenders thereunder agreed to provide the Purchaser with up to €125.0 million in committed funds to finance its purchasing undertakings under the Securitization Agreement, granting pro-quota relevant promissory loan notes (*schuldschein*) to the Purchaser, and providing the funds which are drawn by the Purchaser on an ongoing basis. As of the date of this offering memorandum, €112.6 million have been drawn by the Purchaser in connection with the Schuldschein Loan Agreement. The Schuldschein Loan Agreement has a duration of 364 days, and thereafter a monthly tacit renewal. Each lender is however entitled to terminate the Schuldschein Loan Agreement, as applicable to its financing commitments, by providing a 10-working day prior written notice of termination to the other parties. In this event, the termination of the Schuldschein Loan Agreement shall be effective following 364 days from the first day of the month immediately following the month in which the termination notice was served.

The terms of the Securitization Agreement provide for RatePay to provide extensive and frequent portfolio reporting as well as financial reporting. In its role as seller and servicer under the Securitization Agreement, RatePay is also subject to certain financial covenants, and has given certain representations, all of which are customary for this type of receivables financing.

RatePay has also provided security over its seller account to the Purchaser which shall at all times have a balance no lower than €2.0 million.

The Securitization Agreement has a duration of 364 days, and thereafter a monthly tacit renewal. Either party is entitled to withdraw by providing 10-working day prior written notice of termination to the other parties. The Securitization Agreement can also be terminated by the Purchaser upon occurrence of certain event of defaults, including insolvency events and change of control events. The Transferor may withdraw from the Securitization Agreement in certain circumstances, including in case the Schuldschein Loan Agreement is assigned by a lender without the Transferor being notified in advance.

In addition, the Securitization Agreement provides for a "stop purchase" event (i.e., the Purchaser shall no longer be required to purchase Receivables from the Transferor) in case certain conditions are breached and not remedied pursuant to terms of the Securitization Agreement. In particular, the Purchaser will accept the offer to purchase and acquire full title of a Receivable unless, among others: (i) certain risk concentration limits have been violated; (ii) the transaction account of the Purchaser has a balance lower than €0.25 million, or (iii) the maximum utilization percentage of the securitization program is met. Moreover, the Purchaser shall be bound to acquire the Receivables being offered only to the extent that the purchasing account has sufficient available funds for this purpose, without violating the abovementioned conditions.

Cooperation Agreement

On February 5, 2021, RatePay as receivables seller ("Installment Transferor"), and a German cooperative bank (*Volksbank*) as receivables purchaser (the "Installment Purchaser"), entered into a receivables purchase agreement in an amount of up to €200,000,000 (the "Cooperation Agreement"). Pursuant to the Cooperation Agreement, the Installment Purchaser acquires certain existing accounts receivables deriving from installment payment arrangements entered into by the Installment Transferor with certain consumers, whereby the Installment Transferor offers these consumers the option to pay for goods and services via installments over up to 48 months (the "Installment Receivables"). The Installment Receivables are sold and assigned on a non-recourse basis to the Installment Purchaser. The Installment Transferor has also provided certain representations, all of which are customary for this type of receivables financing.

The Cooperation Agreement has an indefinite duration with a minimum duration until December 31, 2025, unless either party communicates in writing its intention to withdraw within twelve months of the expiry of this period. After December 31, 2025, either party is entitled to terminate the Cooperation Agreement by providing a three-month written notice prior to the end of the first semester of the relevant year.

Nets' Other Liabilities

In addition to the above, Nets had €85.7 million of other financial liabilities as of December 31, 2020, mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16.

SIA Indebtedness

SIA's Funding Sources

One of SIA's subsidiaries, Greece SIA S.A., has entered into a bilateral credit facility utilized to cover its short-run operational funding needs, which was drawn in an amount of €5.9 million as of the date of this offering memorandum. The available capacity under this bilateral credit facility is €7.1 million.

SIA's Other Liabilities

In addition to the above, SIA had €102.1 million of other financial liabilities (net of transaction costs) as of December 31, 2020, mainly related to leasing contracts, which are accounted for as financial liabilities following adoption of IFRS 16.

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 €2,100 million in aggregate principal amount of senior notes, including: €1,050 million in aggregate principal amount of $1^{5}/_{8}$% Senior Notes due 2026 (the "*2026 Notes*") and €1,050 million in aggregate principal amount of $2^{1}/_{8}$% Senior Notes due 2029 (the "*2029 Notes*" and, together with the 2026 Notes, the "*Notes*") under an indenture (the "*Indenture*"), to be dated on or about April 29, 2021, 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 Agreements and the Existing Notes;
- 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 Agreements by certain Subsidiaries of the Issuer and, following the Nets Merger Effective Date, the Nets Notes.

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 Settlement Obligations 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 business operations other than management of the equity interests it holds in its subsidiaries. The Issuer is dependent upon the cash flow from its operating subsidiaries in the form of dividends or other distributions or payments to meet its obligations, including its obligations under the Notes. See "*Risk Factors—Risks Related to the Financial Profile of the Issuer—The Issuer is a holding company and relies on its subsidiaries for cash to service its indebtedness, including the Notes*."

The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including settlement obligations, 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, the use of proceeds therefrom and the Mergers, the Subsidiaries of the Issuer (none of which will guarantee the Notes) owed an aggregate principal amount of €466.9 million of the total Indebtedness of the Issuer and its Subsidiaries on a consolidated basis (which excludes any guarantees of other indebtedness of the Issuer) as of December 31, 2020, all of which would have ranked structurally senior to the Notes. See "*Capitalization*."

Deposit into Segregated Bank Account; Special Mandatory Redemption

Concurrently with the issuance of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the Offering into the Segregated Notes Proceeds Account, pending consummation of the first to occur of the Nets Merger or the SIA Merger. All of the proceeds may be released from the Segregated Notes Proceeds Account to the Issuer upon the earlier to occur of (i) the date that is two business days before the expected occurrence of the Nets Merger Effective Date or (ii) the date that is two business days before the expected occurrence of the SIA Merger Effective Date (the date on which the proceeds may be released from the Segregated Notes Proceeds Account being referred to as the "Release Date"). On the Release Date, the Issuer may, at its option, retain such proceeds for use in the other Merger and/or use such proceeds for general corporate purposes, including repayment of existing indebtedness of the Issuer. See "*Use of Proceeds*" and "*Capitalization*."

In the event that (a) neither the Nets Merger Effective Date nor the SIA Merger Effective Date occurs on or prior to the Longstop Date, (b) in the reasonable judgment of the Issuer, neither Merger will occur on or prior to the Longstop Date or (c) both Mergers are terminated on or prior to the Longstop Date (the date of any such event being the "Special Termination Date"), the Issuer will redeem the entire aggregate principal amount of the Notes then outstanding (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, on such Notes from the later of the Issue Date and the most recent interest payment date to (but not including) the Special Mandatory Redemption Date (as defined below).

Notice of a Special Mandatory Redemption will be delivered by the Issuer no later than one Business Day following the Special Termination Date to the Trustee (and copied to the Paying Agent), and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer in accordance with the terms of the Indenture (such redemption date, the "Special Mandatory Redemption Date").

On the Special Mandatory Redemption Date, the Issuer shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for the Notes then outstanding.

The provisions of the Indenture relating to the Longstop Date or the Issuer's obligation to redeem the Notes in connection with a Special Mandatory Redemption may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes.

Principal, Maturity and Interest

The Issuer will issue €2,100 million in aggregate principal amount of senior notes, including: €1,050 million in aggregate principal amount of Notes due 2026 and €1,050 million in aggregate principal amount of Notes due 2029 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 2026 Notes will accrue at the rate of 1.625% per annum. Interest on the 2029 Notes will accrue at the rate of 2.125% per annum. Interest on the Notes will:

- be payable semi-annually in arrears on April 30 and October 30, in each year, commencing on October 29, 2021;
- 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 2026 Notes will mature on April 30, 2026 and the 2029 Notes will mature on April 30, 2029.

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, 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. Elavon Financial Services DAC will initially act as the 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*"). 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 if and 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 the *Luxembourg Times*) 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 Agreements, the Existing Notes or 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 a significant portion 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

2026 Notes

At any time prior to January 30, 2026, the Issuer may redeem the 2026 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 2026 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 2026 Note on January 30, 2026, *plus* (ii) all required interest payments due on such 2026 Note through January 30, 2026 (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 January 30, 2026, the Issuer may redeem the 2026 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 2026 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.

2029 Notes

At any time prior to January 30, 2029, the Issuer may redeem the 2029 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 2029 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 2029 Note on January 30, 2029, *plus* (ii) all required interest payments due on such 2029 Note through January 30, 2029 (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 January 30 2029, the Issuer may redeem the 2029 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 2029 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.

If and 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 the *Luxembourg Times*) 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

Other than in the circumstances described above under "*Deposit into Segregated Bank Account; Special 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 or beneficial owner 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 (7) 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.

If and 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 the *Luxembourg Times*) 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 Agreements, the Existing Notes and, following the Nets Merger Effective Date, the Nets Notes. In addition, certain events that may constitute a change of control under the Facilities Agreements and cause a default may not constitute a Change of Control under the Indenture. In addition, other Indebtedness or obligations of the Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness or obligations to be repaid or repurchased upon a Change of Control or similar events. 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 Agreements, the Existing Notes 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, or is an Obligor (as defined under the Facilities Agreements) under, the Facilities Agreements, the Nets Notes or the Existing Notes as of the Issue Date, (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) and (z) such Subsidiary shall not be obliged to become a Note Guarantor prior to the end of the relevant Clean-Up Period if the Indebtedness of the Issuer or a Note Guarantor resulting in such obligation is in respect of Indebtedness of a Person merged into or acquired by the Issuer or a Note Guarantor and is outstanding or incurred (or available for incurrence) under a facility committed or in effect as of the respective effective date or completion date of such merger or acquisition (as the case may be).

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 laws, it is likely that no Subsidiary of the Issuer organized in Italy, where a significant portion of the assets of the Issuer and its Subsidiaries are located, will ever be required to guarantee the Notes.

Merger, Consolidation or Sale of Substantially All Assets

Other than in connection with the Mergers, the Issuer may not, directly or indirectly, consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), 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. For the avoidance of doubt, the provisions set forth in this "*—Merger, Consolidation or Sale of Substantially All Assets*" covenant shall not restrict (and shall not apply to) the Mergers as contemplated in the offering memorandum.

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.

Basket Ratchet

If as of the Longstop Date one of the Mergers has not occurred on or prior to such Longstop Date, the fixed euro amount component of any basket or threshold shall be automatically ratcheted to equal a new fixed euro amount equivalent to the percentage of Consolidated Pro Forma EBITDA of the Issuer for the Relevant Period as of the Longstop Date that corresponds to such basket; *provided, however*, that if a proposed action, matter, transaction or amount (or a portion thereof) is incurred, entered into or determined prior to the Longstop Date in compliance with the Indenture, and after the Longstop Date such action, matter, transaction or amount would have otherwise failed to have complied with the terms of the Indenture solely as a result of this provision, no Default or Event of Default shall be deemed to have occurred or be continuing in respect thereof.

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) €380 million or, if higher, (ii) 25% 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 above, 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 (x) 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 or (y) add or change any of the provisions of the Indenture or the Notes to such extent as shall be necessary to permit or facilitate the deposit of the Notes with, or on behalf of, a common safekeeper for Euroclear and Clearstream and the registration of such Notes in the name of such common safekeeper, and to otherwise allow the Notes to be held in a manner that will satisfy the Note format eligibility criteria for the Notes to be pledged as collateral in European central banking and monetary operations;

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 and without prejudice to the provisions described above under the caption "*Amendment, Supplement and Waiver*," in accordance with the provisions set forth under the Italian Civil Code, 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 Articles 2415 and 2417 of the Italian Civil Code by the Holders in order to, *inter alia*, represent the Holders' interests under the Notes pursuant to Article 2418 of the Italian Civil Code as well as 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 where the Issuer has its registered office 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 financial 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

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market thereof will be approved and settlement of the Notes is not conditioned on obtaining such listing.

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 Paying Agent and any Registrar, co-Registrar, 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. 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 the *Luxembourg Times*) 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.

"*2024 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. (now merged into Intesa Sanpaolo 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.

"*2025 Facilities Agreement*" means (1) the facility agreement dated June 26, 2020, among, *inter alios*, Nexi S.p.A., as the company, the global coordinators, mandated lead arrangers, lead arrangers and arrangers listed therein, and Banca IMI S.p.A. (now merged into Intesa Sanpaolo S.p.A.), as agent, as the same may be amended, supplemented or otherwise modified from time to time, including any ancillary facilities and any Syndicated Facilities which are exchanged for, or the proceeds of which are used to refinance, any such 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 facility 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 facility.

"*2027 Existing Senior Convertible Notes*" means the Issuer's €500.0 million in aggregate principal amount of 1.75% senior unsecured equity-linked bonds due 2027, issued on April 24, 2020, under the 2027 Trust Deed.

"*2027 Trust Deed*" means the trust deed governing the 2027 Existing Senior Convertible Notes, dated April 24, 2020, by an among, *inter alios*, the Issuer and Citicorp Trustee Company Limited, as trustee.

"*2028 Existing Senior Convertible Notes*" means the Issuer's €1,000.0 million in aggregate principal amount of senior unsecured equity-linked bonds due 2028, issued on February 24, 2021, under the 2028 Trust Deed.

"*2028 Trust Deed*" means the trust deed governing the 2028 Existing Senior Convertible Notes, dated February 24, 2021, by an among, *inter alios*, the Issuer and Citibank, N.A., London Branch, as trustee.

"*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 January 30, 2026, in respect of the 2026 Notes, or January 30, 2029, in respect of the 2029 Notes, 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 January 30, 2026, in respect of the 2026 Notes, or January 30, 2029, in respect of the 2029 Notes; *provided, however,* that, if the period from such redemption date to January 30, 2026, in respect of the 2026 Notes, or January 30, 2029, in respect of the 2029 Notes, 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" or "group" (as such terms are 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" or "group" (as defined above), excluding from the Voting Stock of the Issuer held by a "person" or "group" any Voting Stock held by a Permitted Holder that is part of such "person" or "group", 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;

provided that the consummation of the Mergers as contemplated in the offering memorandum shall not constitute a Change of Control.

"*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 Ratings Event.

"*Clean-Up Period*" means the date which falls 180 days after the effective date or the completion date of a transaction not prohibited by the terms of the Indenture (including each of the Mergers) pursuant to which a Person is acquired by or merged into the Issuer or a Subsidiary of the Issuer.

"*Clearstream*" means Clearstream Banking, S.A., 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 Agreements, the Existing Notes 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 December 31, 2020, 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 Agreements, the Existing Notes, 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 Agreements so that Consolidated Pro Forma EBITDA under the Indenture is at no time less than Consolidated Pro Forma EBITDA as defined under the Facilities Agreements.

"*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.

"*Existing Indenture*" means the indenture governing the Existing Senior Notes, dated October 21, 2019, by an among, *inter alios*, the Issuer and the Trustee.

"*Existing Notes*" means the Existing Senior Notes and the Existing Senior Convertible Notes, collectively.

"*Existing Senior Convertible Notes*" means the 2027 Existing Senior Convertible Notes and the 2028 Existing Senior Convertible Notes, collectively.

"*Existing Senior Notes*" means the Issuer's €825.0 million in aggregate principal amount of 1.75% Senior Notes due 2024, issued on October 21, 2019, under the Existing Indenture.

"*Facilities Agreements*" means the 2024 Facilities Agreement and the 2025 Facilities Agreement, collectively.

"*Fitch*" means Fitch Ratings, Inc. or any successor to the ratings business thereof.

"*Group*" means Nexi S.p.A. and its subsidiaries.

"*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.

"*Longstop Date*" means July 14, 2022.

"*Mergers*" means the Nets Merger and the SIA Merger, collectively.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Nets*" means Nets Topco 2 S.à r.l. and its subsidiaries.

"*Nets Framework Agreement*" means the framework agreement dated November 15, 2020, as subsequently amended on December 20, 2020 and January 15, 2021, between Nets and the Issuer relating to the business combination of Nets with the Group, as the same may be amended, supplemented or otherwise modified from time to time.

"*Nets Merger*" means the merger of the Issuer with Nets, with the Issuer being the surviving entity, pursuant to the Nets Framework Agreement, as described under "*Summary—The Transactions*" in this offering memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and Nets, following the Issue Date.

"*Nets Merger Effective Date*" means the date on which the Nets Merger becomes effective.

"*Nets Notes*" means the €219.6 million of indebtedness (excluding accrued and unpaid interest and deferred debt issuance costs) in respect of the 2.875% Senior Notes due 2024, issued by Nassa Topco AS (a direct subsidiary of Nets) on April 6, 2017, under an indenture.

"*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) any vehicle, investment fund, limited partnership and similar vehicle or account in each case, directly or indirectly controlled or managed by Advent International Corporation and/or Bain Capital Private Equity (Europe) LLP or any of their respective Affiliates, (ii) from and including the Nets Merger Effective Date, any vehicle, investment fund, limited partnership and similar vehicle or account in each case, directly or indirectly controlled, advised or managed by Hellman & Friedman Capital Partners VIII L.P. and/or Hellman & Friedman LLC or any of their respective Affiliates, (iii) from and including the SIA Merger Effective Date, CDP Equity S.p.A., FSIA Investimenti S.r.l. and any of their respective Affiliates (including, for the avoidance of doubt, Poste Italiane S.p.A. and FSI Investimenti S.r.l.), (iv) 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, (v) any Holding Company and (vi) 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 from (i) to (v), 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 Agreements 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 Agreements that was not a borrower under the Facilities Agreements as of the Issue Date or (y) a Subsidiary guaranteeing the Notes or the Existing 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 Reorganization other than Liens in respect of any borrowings or obligations under the Facilities Agreements or the Existing Notes 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, (ii) Settlement Obligations or (iii) Indebtedness that, in respect of Nets as of the Nets Merger Effective Date, in respect of SIA as of the SIA Merger Effective Date or in respect of any Person merged into or acquired by the Issuer or a Subsidiary of the Issuer, is outstanding or incurred (or available for incurrence) under a facility committed or in effect as of the respective effective date or completion date (as the case may be) for the period from such date until the end of the relevant Clean-Up Period;

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 Agreements, the Existing Notes or the Nets Notes as in existence as of the date of the offering memorandum (other than any borrowings or obligations under the Facilities Agreements, the Existing Notes or the Nets Notes in existence as of the date of the offering

memorandum) (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 Agreements) under the Facilities Agreements 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) €380 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; *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 Agreements or the Existing Notes (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 Agreements or the Existing Notes (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);

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 Agreements); and

7. the Mergers.

"*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) €76 million or, if higher, (ii) 5% of Consolidated Pro Forma 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 Agreements, the Existing Notes, the Nets Notes, 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.

"*Ratings 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 Category of the Notes caused by such event 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 caused by such event 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, merger (including the Mergers), 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 S&P Global Ratings 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.

"*Segregated Notes Proceeds Account*" means the segregated euro-denominated account in the name of the Issuer in which the gross proceeds from the offering of the Notes will be deposited on the Issue Date.

"*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 (including facilities assumed by the Issuer and its Subsidiaries in connection with the Mergers).

"*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.

"*SIA*" means SIA S.p.A. and its subsidiaries.

"*SIA Framework Agreement*" means the framework agreement dated February 11, 2021, between SIA and the Issuer relating to the business combination of SIA and the Group, as the same may be amended, supplemented or otherwise modified from time to time.

"*SIA Merger*" means the merger of the Issuer with SIA, with the Issuer being the surviving entity, pursuant to the SIA Framework Agreement, as described under "*Summary—The Transactions*" in this offering memorandum, or any other form of merger which will be resolved upon by and exclusively involve the Issuer and SIA, following the Issue Date.

"*SIA Merger Effective Date*" means the date on which the SIA Merger becomes effective.

"*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 Agreements). 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 €456 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 €835 million (or its equivalent in any other currencies) or, if higher, 55% 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, the Mergers, or other Group Initiative or transaction not prohibited under the terms of the Indenture, the Existing Indenture, or any amendments to the Facilities Agreements 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, the Registrar 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, the Registrar 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 the "*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.

This overview also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this summery. Changes in the Issuer's organization structure, tax residence or the manner in which it conducts its business may invalidate this overview and necessitate an update of this summary.

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 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; 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" (unless the holders of the Notes referred to under (a), (b) and (c) above have entrusted the management of their financial assets, including the Notes, to an authorized intermediary and have opted for the application of the so called "*regime del risparmio gestito*" (the "Asset Management Regime") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("Decree No. 461")).

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. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509/1994 and Legislative Decree No. 103/1996 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") and in Article 1 (210 215) of Law No. 145 of 30 December 2018 (the "Finance Act 2019"), as implemented by the Ministerial Decree 30 April 2019 and for long-term savings account established from 1 January 2020, in Article 13-*bis* of Law Decree No. 124 of 26 October 2019 ("Law Decree No. 124"), converted into Law with amendments by Law No. 157 of 19 December 2019, as lastly amended and supplemented by Article 136 of Law Decree No. 34 of 19 May 2020 ("Law Decree No. 34"), converted into Law with amendments by Law No. 77 of 17 July 2020 and by Article 68 of Law Decree No. 104 of 14 August 2020 ("Law Decree No. 104"), converted into Law with amendments by Law No. 126 of 13 October 2020.

Pursuant to Decree No. 239, the 26% *imposta sostitutiva* is applied by banks, s*ocietà 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. For the purpose of the application of the *imposta sostitutiva*, a transfer on Notes includes any assignment or other act, either with or without consideration, which result in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

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 Regime.

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 Regime are subject to a 26 % 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 during the holding period on the Notes held by Italian collective investment funds other than real estate investment funds, SICAVs and SICAFs other than real estate 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 Decree No. 252) 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 and in Article 1 (210 215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019 and for long-term savings account established from 1 January 2020, in Article 13-*bis* of Law Decree No. 124, as lastly amended and supplemented by Article 136 of Law Decree No. 34 and by Article 68 of Law Decree No. 104.

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, provided that the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of a non-resident intermediary, 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. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or SICAF is attributed pro-rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

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 in the Italian Ministerial Decree of September 4, 1996, as further amended and supplemented (lastly by Ministerial Decree of 23 March 2017) and possibly further amended by future decrees issued pursuant to Article 11 par. 4 (c) of Decree No. 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;

(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 (*s*) 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.

In case of non-Italian resident holders of the Notes not having a permanent establishment in Italy to which the Notes are effectively connected, the *imposta sostitutiva* may be reduced (generally 10%) or eliminated under certain applicable tax treaties entered into by Italy.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree No. 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% of the nominal value of the Notes 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 or social security entities pursuant to Legislative Decree No. 509/1994 and Legislative Decree No. 103/1996 may be exempt from Italian capital gain taxes on capital gains realized upon sale or redemption of certain eligible financial instruments if the latter 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 and in Article 1 (210 215) of the Finance Act 2019, as implemented by the Ministerial Decree

30 April 2019 and for long-term savings account established from 1 January 2020, in Article 13-*bis* of Law Decree No. 124, as lastly amended and supplemented by Article 136 of Law Decree No. 34 and by Article 68 of Law Decree No. 104.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt – under certain conditions – for any of the three regimes described below.

Under the so called "*regime della dichiarazione*" (the "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 so called "*regime del risparmio amministrato*" (the "Administrative Savings Regime") or the so-called "*regime del risparmio gestito*" (the "Asset Management Regime"), 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. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

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 (Administrative Savings Regime). Such separate taxation of capital gains is allowed subject to:

(a) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes.

The Administrative Savings Regime lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid for the subsequent one. The depository 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 depository 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 Administrative Savings 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 a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorized intermediary. The capital gains on the Notes will not be subject to 26% *imposta sostitutiva* on capital gains.

In particular, under the Asset Management Regime, 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 Regime 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 other than real estate investment funds, SICAVs or SICAFs other than real estate 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% 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 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 and in Article 1 (210 215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019 and for long-term savings account established from 1 January 2020, in Article 13-*bis* of Law Decree No. 124, as lastly amended and supplemented by Article 136 of Law Decree No. 34 and by Article 68 of Law Decree No. 104.

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. Moreover, subject to certain conditions, income realized by Italian real estate investment funds or SICAFs is attributed pro-rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency bases.

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. The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes.

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: (a) in a White List State, and (b) 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 the *imposta sostitutiva* are met or complied with in due time. 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 Regime or are subject to the Administrative Savings 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 Regime or are subject to the Administrative Savings 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 Administrative Savings 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.

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), *mortis causa* or by reason of donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- 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);
- 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);
- 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
- 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, and in Article 1 (210 215) the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019 and for long-term savings account established from 1 January 2020, in Article 13-*bis* of Law Decree No. 124, as lastly amended and supplemented by Article 136 of Law Decree No. 34 and by Article 68 of Law Decree No. 104 -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 is collected by banks and other financial intermediaries and 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 on a pro-rata basis.

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 by Provision of the Governor of Bank of Italy dated 29 July 2009, as subsequently amended, supplemented and restated including by, *inter alia*, Provision of the Governor of Bank of Italy 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. Moreover, the proportional stamp duty does not apply to communications sent to pension funds.

Wealth Tax on Financial Assets Deposited Abroad

According to Article 19 of Decree No. 201 of 6 December 2011, as amended, Italian resident individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) holding financial assets - including the Notes - outside the Italian territory are required to declare in its own annual tax return and pay a wealth tax at the rate of 0.2% (*IVAFE*). For taxpayers other than individuals, IVAFE cannot exceed Euro 14,000 per year.

This 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 as subsequently amended and supplemented, 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.

European Directive on Administrative Cooperation

Legislative Decree No. 29 of 4 March 2014, as supplemented from time to time, has implemented the EU Council Directive 2011/16/EU (as amended by 2014/107/EU, 2015/2376/EU, 2016/881/EU; 2016/2258/EU and 2018/822/EU), on administrative cooperation in the field of taxation (the "DAC").

The main purpose of the DAC is to extend the automatic exchange of information mechanism between Member State, in order to fight against cross border tax fraud and tax evasion. The new regime under DAC is in accordance with the Global Standard released by the Organization for Economic Co-operation and Development in July 2014.

The Directive on Administrative Cooperation (2014/107/EU) of December 9, 2014 ("DAC 2") implemented the exchange of information based on the Common reporting Standard ("CRS") within the EU. Under 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 EU Council Directive 2018/822/EU of 25 May 2018 ("DAC 6") implemented the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements. Under DAC 6 intermediaries which meet certain criteria and taxpayers are required to disclose to the relevant Tax Authorities certain cross-border arrangements, which contain one or more of a prescribed list of hallmarks, performed from 25 June 2018 onwards.

Prospective investors should consult their tax advisers on the tax consequences deriving from the application of the Directive on Administrative Cooperation.

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 AND OTHER CONSIDERATIONS

The following is a summary of certain insolvency law considerations, a summary of certain limitations on the validity and enforceability of any guarantee of the Notes and the security interests for the Notes, and a summary of certain corporate benefit, financial assistance and maximum guaranteed amount considerations in the jurisdiction in which the Issuer is incorporated. 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 any security interests. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

Insolvency

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 have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian Government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017, contending the scheme of a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (the "Legislative Decree"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so called "Code of Business Crisis and Insolvency," hereinafter the "Insolvency Code"). The Legislative Decree was published in the Gazzetta Ufficiale on February 14, 2019, No. 38—Suppl. Ordinario No. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) and the replacement of "bankruptcy proceedings" (*fallimento*) with judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (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 proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform. Pursuant to the Law Decree No. 23 of April 8, 2020, entry into force of the Insolvency Code has further been postponed to September 1, 2021. Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the following reforms have been implemented by the Italian Government on the main Italian bankruptcy legislation: (i) the reform approved on June 23, 2015 through a Law Decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "Decree 83/2015"). The Decree entered into force in June 2015 (the date of its publication in the

Gazzetta Ufficiale) and has been converted into law by Italian Law No. 132 of August 6, 2015, effective August 21, 2015 (the date after its publication in the Gazzetta Ufficiale) ("Law 132"); and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

Certain general remarks on Italian Insolvency Laws

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "Italian Bankruptcy Law") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claims as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. 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, with a series of reforms, the Italian Bankruptcy Law has been 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 (*fallimento*) 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, as defined under Article 5 of the Italian Bankruptcy Law, 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.

The Italian Bankruptcy Law provides that bankruptcy (*fallimento*) and court supervised pre-bankruptcy composition with creditors (*concordato preventivo*) are applicable exclusively to commercial enterprises (*imprenditori commerciali*) that satisfy at least one of the following criteria: (i) have assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) have gross revenues (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) have total indebtedness in excess of €0.5 million.

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 out of court 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 insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. 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 Attestati 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 attestati di risanamento*) 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 Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable and do not necessarily entail the execution of agreements with creditors. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out of court reorganization plans (*piani attestati di risanamento*) 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, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw back actions and, (b) are exempted from the potential application of certain criminal sanctions. Neither validation by the court nor publication in the Italian Companies' Register are needed (although publication in the Italian Companies' Register is possible upon the debtor's request and would allow 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 pursuant to Article 182-*bis* of the Italian Bankruptcy Law (*accordi di ristrutturazione dei debiti*) may be entered into by a debtor with creditors holding at least 60% of its outstanding claims or debts subject to court's sanctioning (*omologazione*). 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 sanctioning (*omologazione*) 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 situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate this process and request the court's sanctioning (*omologazione*) of the debt restructuring agreement entered into with its creditors.

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.

The agreement is published in the companies' register and becomes effective as of the day of its publication. Starting from such date and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement action over the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts.

Creditors and other interested parties may oppose the agreement within 30 days from its publication 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 from its publication.

The 60 days 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 such date. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days from the publication of the moratorium and orders the debtor to supply to the creditors said relevant documentation. In such hearing, creditors and other interested parties may file oppositions 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, conservative 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 and the assessment by the expert has to be filed. The court's order may be challenged within 15 days of its publication in the companies' register. Within the same deadline of 60 days, the debtor can alternatively file an application for the court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*) (as described below), without prejudice to the effect of the moratorium.

The Decree 83/2015, as amended by Law 132 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning (*omologazione*) of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors. Indeed, pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, 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 their treatment is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. 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 moratorium arrangement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness which are banks and financial intermediaries would also bind the non-participating financial creditors, 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 independent expert meeting the requirements provided for under Article 67, paragraph 3, letter (d) of the Italian Bankruptcy Law certifies that the non-participating banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The banks and financial intermediaries which have not agreed to the moratorium arrangement may file an objection (*opposizione*) to it within 30 days after having been notified of the moratorium arrangement.

In no case the debt restructuring agreement provided for under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on non-participating financial creditors the performance of new obligations, the granting of new overdraft facilities, the maintenance of the possibility to utilize existing facilities or the utilization of new facilities.

The purpose of the abovementioned proceedings is to prevent banks and financial creditors with modest outstanding claims from blocking restructuring operations involving more exposed bank and financial creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Such debt restructuring agreements and standstill agreement do 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 the agreement.*

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) and that has not been declared insolvent (*fallito*) by the court has the option to make a composition proposal to its creditors, under court supervision, in order to restructure 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 in the company's register. From such date to the date on which the court sanctions the *concordato preventivo*, all enforcement, precautionary actions and interim measures sought by the creditors, whose title became due before the abovementioned publication are stayed. These 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 preexisting creditors. Apart from some exceptions described below, the Italian Bankruptcy Law does not expressly provide for any specific indication relating to the contents of the composition plan and proposal which may provide for the restructuring and payment of debts and the satisfaction of creditors' claims through any form of transaction and structure, provided that:

- the payment of at least 20% of the unsecured receivables is ensured, unless the plan provides the continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law; and

- the payment of 100% of the secured receivables is ensured. However, the *concordato preventivo* proposal could provide for a write-off of such receivables if agreed by the creditors or under the condition that the proposal provides for their satisfaction to an extent not less than that what could be achieved on the proceeds in the event of liquidation of the secured asset, as indicated in a sworn report of an independent expert.

Therefore, pursuant to Article 160 of the Italian Bankruptcy Law, the Court Supervised Pre Bankruptcy Composition with Creditors may provide: (i) the sale of assets, the takeover of debts or other 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, (iii) the division of creditors into classes, and (iv) different treatment of creditors belonging to different classes, provided that the treatment established for each class cannot have the effect of altering the statutory order of priority. The composition proposal may also provide for, among others, the winding-up (*liquidazione*) of those assets which are not functional to the business and contain a proposed tax settlement for the partial or deferred payment of certain taxes (Article 182 *ter* of the Italian Bankruptcy Law).

Furthermore, the composition proposal may contemplate that: (i) the business continues to be run by the debtor's 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 (c*oncordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully disclose the costs and revenues 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.

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). The debtor company may file such petition along with: (i) its financial statements from the latest three financial 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 (*giustificati motivi*). 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 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 reporting and information duties of the debtor during the abovementioned period. 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 shall be fulfilled, 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 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.

The statutory provisions providing for the automatic stay of enforcement and interim relief actions by the creditors referred to above in respect of the publication of the full petition for *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.

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 any act of extraordinary administration, to the extent they are urgent and have been favorably considered by the judicial officer (*commissario giudiziale*).

Claims arising from acts lawfully carried out by the distressed company after the filing of the petition are treated as super senior (so called *prededucibili*) 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.

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. After the decree of admission and until the sanctioning of the proposal, the company generally continues to be managed by its corporate bodies (usually 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 (a) of the creditors representing the majority of the receivables admitted to vote and, in the event that the plan provides for more classes of creditors, also (b) of the majority of the classes. The composition with creditors is approved only if the required majorities of creditors entitled to vote 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 did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceeding, the interactions between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. 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.

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.

If, on the contrary, the proposal is approved by the creditors, the court starts the validation (*omologazione*) phase. Creditors may file oppositions which shall be decided by the court before the validation (*omologazione*). The court may also validate 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.

In addition, it should be noted that in order to strengthen the position of the unsecured creditors, Law 132 has set 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), as already mentioned, must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. The Decree 83/2015, as amended by Law 132, 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*).

To the extent the alternative plan is approved by the creditors and validated (*omologato*), the court may grant special powers to the judicial commissioner(s) 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, 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 court opens a competitive bidding process. 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*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*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 prior to and outside the admission to the pre-bankruptcy.

Financings within Debt Restructuring Agreements (Accordo di Ristrutturazione dei Debiti) and Court Supervised Pre Bankruptcy Composition with Creditors (Concordato Preventivo)

Financings granted in compliance with validated debt restructuring agreements or court supervised pre-bankruptcy composition with creditors. Pursuant to Article 182-quater, Paragraph 1, of the Italian Bankruptcy Law, financings granted to the debtor pursuant to a validated debt restructuring agreements or concordato preventivo enjoy a super-senior status (prededucibile) pursuant to Article 111 of the Italian Bankruptcy Law.

Financings granted to present debt restructuring agreements or court supervised pre-bankruptcy composition with creditors. Pursuant to Article 182-*quater*, Paragraph 2, of the Italian Bankruptcy Law, financings granted "in view of" (i.e., before) the presentation of a petition for the validation (*omologazione*) of a debt restructuring agreement or of a *concordato preventivo* may enjoy a super-senior status (*prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law, provided that (i) the financing at issue is envisaged by the relevant plan or agreement and that (ii) the super-senior status (*prededucibile*) is expressly recognized by the court in the context of the validation (*omologazione*) of the debt restructuring agreement or of the admission of the *concordato preventivo*.

The abovementioned super-senior status (*prededucibile*) also applies to financings granted by shareholders, but only up to 80% of such financing (unless the lender has acquired the status of shareholder in execution of the debt restructuring agreements or of the *concordato preventivo*).

Bridge financings. Pursuant to Article 182-*quinquies*, Paragraph 1, of the Italian Bankruptcy Law, a debtor who files a (full or preliminary) petition for *concordato preventivo* or an application for the validation of a debt restructuring agreement (including through the moratorium request pursuant Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law), may request to the court the authorization to (i) contract new financing with super-senior status (*prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law,(ii) secure such indebtedness via in rem security ("*garanzie reali*"), or by assigning claims, provided that an independent experts certifies that such financings is functional to the best satisfaction of creditors, after having verified the overall financial needs of the debtor until the validation (*omologazione*) and (iii) pay pre-existing 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 83/2015, as amended by Law 132, 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.

Urgent financings. Pursuant to Article 182-*quinquies*, Paragraph 3, of the Italian Bankruptcy Law, a debtor who files a preliminary petition for *concordato preventivo* (so-called *concordato in bianco*) or an application for the validation of a debt restructuring agreement (including through the moratorium request pursuant Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law), may request to the court, as a matter of urgency, to contract new financing with super-senior status (*prededucibile*) pursuant to Article 111 of the Italian Bankruptcy Law for urgent needs relating to the exercise of business activities. In his request the debtor must specify (i) the destination of the financing, (ii) the impossibility to find such financing otherwise and that (iii) the absence of such financing will entail an imminent and irreparable damage to the company. The court, having gathered summary information on the plan and the proposal being prepared, having heard the judicial commissioner if appointed, and, if necessary, having heard the main creditors without formality, shall decide with a reasoned decree. The request may also concern the maintenance of self-liquidating lines of credit existing at the time the application is filed.

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.

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, by the public prosecutor. The main requirement for such application is that the debtor must be insolvent. Insolvency, as defined under the 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 are stayed and creditors must file claims within a defined period.
- 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. In case the sale price is not high enough to determine a full satisfaction of their credits, 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, pledges and issuance of guarantees) made by the debtor after (and in certain cases even before for a limited period of time) 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 (*curatore fallimentare*), 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. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. 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). Unsecured creditors are satisfied after payment of preferential and secured creditors, out of available funds and assets (if any) as below indicated.

- *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 or the receiver, 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) and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. 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 validation 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. Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. 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. The rules of statutory priority create a hierarchy of claims that must be adhered to when distributing the proceeds 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 (*prededucibili*) 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), after those held by any super-senior creditors, are the claims of preferential creditors including, *inter alia*, a claim whose priority is legally acquired, the *claims* of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are, in order of priority, 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*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

- *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.

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 so called *Prodi bis* procedure pursuant to Legislative Decree No. 270 of July 8, 1999 as subsequently amended). To be eligible, the relevant company must be insolvent, but demonstrating serious recovery prospects. To qualify for this procedure, the company must have (i) employed at least 200 employees in the previous year (ii) 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. Preferential payment is granted to those super-senior credits (even unsecured) accrued to allow the conduct of the company's business activity.

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 competent Ministry shall file 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 competent Ministry. 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 competent Ministry) (the "Disposal Plan") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Italian competent Ministry) (the "Recovery Plan"). The plan may also include an arrangement with creditors (*concordato*). The plan must be approved by the Italian competent Ministry 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 competent Ministry.

The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan, failing which the company is declared bankrupt.

Industrial Restructuring Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)

Another extraordinary administration procedure applies under Italian law for even larger industrial and commercial enterprises (so called Marzano procedure pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended). 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 judicial phase.

The Marzano procedure only applies to large insolvent companies which, even on a consolidated basis, have (i) at least 500 employees in the year before the procedure is commenced and (ii) at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the competent Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The competent 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. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years, except in case further extensions are granted. 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. 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

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the 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"). 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).

The Italian Bankruptcy Law provides for a suspect period of up to either one year or six months in certain circumstances (please note that in the context of extraordinary administration procedures, in relation to certain transactions, the suspect 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.

- Pursuant to 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

- pursuant 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.

- 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 Italian Bankruptcy Law 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:

A. 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 bankruptcy declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the bankruptcy declaration in order to secure preexisting debts which were not yet due at the time the new security was granted; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the bankruptcy declaration in order to secure preexisting debts which had already fallen due at the time the new security was granted.
- The following acts and transactions, if made during the suspect 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:

A. the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the bankruptcy declaration; and

B. the granting of security interest for debts incurred in the six months prior to the insolvency declaration.

- The following transactions are exempt from claw back actions:

A. a payment for goods or services made in the ordinary course of business according to market practice;

B. a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

C. sale and preliminary sale agreements, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian 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 nonresidential 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;

D. transactions entered into, payments made and guarantees and security interests granted by the debtor pursuant to a plan under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law (see "*-Out of Court Reorganization Plans (Piani Attestati di Risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*);

E. 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*)") or an *accordo di ristrutturazione dei debiti* (see "*—Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)*");

F. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

G. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to insolvency and *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 claw-back 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.

Law 132 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.

In addition, the EU Insolvency Regulation described below contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union and therefore can impact on the substantiation of claw back actions.

Corporate Benefit, Financial Assistance and Maximum Guaranteed Amount

Under Italian law, the entry into a transaction (including, *inter alia*, the creation of a security interest or the granting of a guarantee) by a company incorporated under Italian law must be permitted by the articles of association and the bylaws (*statuto*) of such company and applicable laws and regulations and is subject to, *inter alia* compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. Furthermore, if a security interest or a guarantee is being provided in the context of an acquisition, group reorganization, refinancing or restructuring transactions, financial assistance concerns may also arise.

Corporate Benefit

An Italian company entering into a transaction (including, *inter alia*, the creation of a security interest or the granting of a guarantee) 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 concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case-by-case basis and its existence is a business decision of the directors and the statutory auditors (if any) of the company. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a standalone 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. The principles on corporate benefit apply equally to upstream and downstream guarantees and security interests granted by Italian companies. 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 be easily demonstrated, the validity and effectiveness of upstream 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. In this respect, the general rule is that the risk assumed by an Italian grantor of security interest or guarantee should not be disproportionate to the direct or indirect economic benefit or advantage to it. In particular, in case of an up-stream and cross-stream guarantee or security 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 provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantor under a guarantee must not be disproportionate to the direct or indirect economic benefit to it.

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/or potentially affected by a conflict of interest and the related corporate resolutions adopted by the shareholders and directors may be the subject matter of challenges and annulment. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds, *inter alia*, that it did not act in the best interest of the grantor and that acts carried out 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 guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Consolidated Banking Act, whose exercise is demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Consolidated Banking Act may, among others, entail the relevant guarantees being considered null and void.

In this respect, MEF Decree No. 53 of April 2, 2015, implementing Article 106, Paragraph 3, of the Consolidated Banking Act, states that the issuance of guarantees or the granting of security 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 and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies which are under the control of the same entity. As a result of the above described rules, subject to the relevant guarantors and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Financial Assistance

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 interests, 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 interest 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 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 under "*Corporate Benefit*" and "*Financial Assistance*" above, the guarantees granted by an Italian Guarantor must be supported by a 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 guarantor. It has been held, that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to the assets of the relevant Italian guarantor, there is the risk that the guarantee could be declared void.

Therefore, in light of the foregoing, in order to comply with Article 1938 of the Italian Civil Code and corporate law requirements on, inter alia, corporate benefit, the amount that an Italian Guarantor may be required to pay in respect of its obligations as guarantor will be subject to limitations. 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 deed may contain limitations on the relevant Italian Guarantor liability to the extent necessary to recognize certain defenses generally available to guarantors (including, inter alia, 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.

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" (so called COMI) is situated have jurisdiction to open main insolvency proceedings. Pursuant to Article 3(1) of the EU Insolvency Regulation the "COMI" is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". 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 EU 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 EU 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 the entering into force of the EU Insolvency Regulation, 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 EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU 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 EU 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.

Lastly, it shall be noted that the application of the EU Insolvency Regulation has to be reconsidered with regard to the United Kingdom after Brexit. In this respect, the legislative framework is yet to be defined.

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 acknowledges that in the Republic of Italy the Notes may be offered, sold or delivered only to qualified investors pursuant to Article 2 of the Prospectus Regulation or in any other circumstances which are expressly exempt from the rules on offerings to the public, as provided under Article 1 of the Prospectus Regulation and 34-*ter* of the Issuers Regulation, and any other applicable Italian laws and regulations.

8. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

9. 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.

10. 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.

11. 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 Akros S.p.A. Gruppo Banco BPM, Barclays Bank Ireland PLC, BofA Securities Europe SA, BNP Paribas, Citigroup Global Markets Limited, Credit Suisse Securities, Sociedad de Valores, S.A., Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Continental Europe S.A., Intesa Sanpaolo S.p.A., J.P. Morgan AG, Mediobanca Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International plc 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 April 15, 2021, 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 the Initial Purchasers.

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 a new issue of securities with no established trading market. Application has been made to the Luxembourg Stock Exchange (the "Exchange") for the listing of the Notes on the Official List of the Exchange and permission to deal in the Notes on the Euro MTF market of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes on the Euro MTF market of Exchange will be granted or that such listing 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 tenth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+10"). 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 seven succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+10, 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 banking, 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, do currently provide and may provide in the future investment banking, financial advisory, ratings advisory and commercial banking services to the Issuer and/or Nets and their respective subsidiaries and affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions, and may also hold shares of the Issuer as a pledge under certain financing arrangements they are, or may become, party to (such as, for example, margin loans or similar agreements). Certain of the Initial Purchasers are party to the Nets Commitment Letter which is expected to be terminated by the Issuer as a result of the offering of the Notes. See "*Summary—The Transactions—The Nets Merger*." Furthermore, Intesa Sanpaolo S.p.A. acts as the bank where the Segregated Account will be held, and, along with certain financial institutions that include certain of the Initial Purchasers and their affiliates, is a lender in the Credit Facilities. In addition, currently Intesa Sanpaolo S.p.A. owns 10,479% of the issued and outstanding ordinary shares of the Issuer.

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 the Issuer and its 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.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of manufacturers, 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 and UK 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 EEA or the UK. 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 MiFID II, (ii) a customer within the meaning of 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 the Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom 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 nonresidents 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, enforceable and conclusive 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*), among others, 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 Appeal in the Republic of Italy to that end. The competent Court of Appeal 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, it is not clear whether liabilities or remedies based solely on the U.S. federal securities law are enforceable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or 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 United States federal and New York law and Legance Avvocati Associati, as to matters of Italian law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York law and Italian law, AC Group, as to Italian regulatory law, and Bonelli Erede Lombardi Pappalardo, as to Italian tax law.

INDEPENDENT AUDITORS

The Issuer's Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2020, included in this offering memorandum have been audited by PricewaterhouseCoopers S.p.A., independent accountants, as stated in its reports appearing therein. The Nets Consolidated Financial Statements as of and for the year ended December 31, 2020, included in this offering memorandum have been audited by PricewaterhouseCoopers Société Coopérative, independent accountants, as stated in its reports appearing therein. The SIA Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2020, included in this offering memorandum have been audited by Deloitte & Touche S.p.A., independent accountants, as stated in its reports appearing therein.

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

Application has been made to the Luxembourg Stock Exchange for listing and permission to deal in the Notes on the Euro MTF thereof. There can be no assurance that the Notes will be listed on the Luxembourg Stock Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

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
2026 Notes	233258997	XS2332589972
2029 Notes	233259047	XS2332590475

The Issuer

The Issuer, Nexi S.p.A., is a *società per azioni* incorporated under the laws of Italy on April 12, 2019. The Issuer is listed on the Italian stock exchange (*Borsa Italiana*) and has its registered office at Corso Sempione 55, Milan, 20149, Italy. As of the date of this offering memorandum and after giving effect to the Transactions, 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 April 12, 2021 notarized by Andrea De Costa, Notary in Milan (Repertorio No. 11558/6161) and to be registered with the Companies' Register of Milan, Monza-Brianza, Lodi by the Issue Date, and the related decision (*determinazione esecutiva*) of the Chief Executive Officer of the Issuer dated April 15, 2021 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 December 31, 2020. There has been no material adverse change in the prospects of the Issuer, since December 31, 2020.

Litigation

Except as disclosed elsewhere in this offering memorandum, the Issuer is not involved, and has not been involved during the year ended December 31, 2020, 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, governmental or administrative proceedings pending or threatened.

INDEX TO THE FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

NEXI S.P.A.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

CONSOLIDATED BALANCE SHEET

(amounts in Euro thousand)

ASSETS	Note		Dec. 31, 2020		Dec. 31, 2019
Cash and cash equivalents	3		**159,084**		**115,388**
Financial assets measured at FVTOCI	4		**151,700**		**118,581**
Financial assets measured at amortised cost	5		**1,540,583**		**1,595,709**
a) loans and receivables with banks		578,696		507,024	
b) loans and receivables with financial entities and clients		961,887		1,088,685	
Equity investments	6		**-**		**-**
Property, equipment	7		**186,906**		**193,102**
Investment property	8		**2,101**		**2,229**
Intangible assets	9		**3,707,369**		**2,684,671**
Goodwill		2,856,460		2,093,428	
Tax assets	10		**54,991**		**101,909**
a) current		4,447		37,614	
b) deferred		50,544		64,295	
Non-current assets held for sale and discontinued operations	11		**1,697**		**2,262**
Other assets	12		**481,670**		**474,442**
Total assets			**6,286,101**		**5,288,293**

(amounts in Euro thousand)

LIABILITIES	Note		Dec. 31, 2020		Dec. 31, 2019
Financial liabilities measured at amortised cost	13		**3,862,904**		**3,140,389**
a) due to banks		2,226,418		1,952,072	
b) due to financial entities and clients		370,753		369,303	
c) securities issued		1,265,733		819,014	
Financial liabilities measured at FVTPL	14		**22,912**		**-**
Tax liabilities	10		**243,274**		**131,896**
a) current		19,125		1,820	
b) deferred		224,149		130,076	
Liabilities associated with non-current assets held for sale and discontinued operations	11		**509**		**335**
Other liabilities	15		**557,511**		**644,628**
Post-employment benefits	16		**14,808**		**14,528**
Provisions for risks and charges	17		**26,433**		**31,967**
Share capital	18.1		**57,071**		**57,071**
Share premium	18.2		**1,082,204**		**1,082,204**
Reserves	18.3		**236,846**		**29,428**
Valuation reserves	18.4		**44,018**		**13,609**
Profit (Loss) for the year	19		**127,926**		**135,166**
Equity attributable to non-controlling interests	18.5		**9,685**		**7,072**
Total liabilities and net equity			**6,286,101**		**5,288,293**

CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousand)

	Note		2020		2019
Fee for services rendered and commission income	20		1,644,025		1,642,500
Fee for services received and commission expense	21		(637,796)		(647,071)
Net fee and commission income			**1,006,229**		**995,429**
Interest and similar income	22		15,375		18,036
Interest and similar expense	23		(87,930)		(183,543)
Net interest income			**(72,555)**		**(165,507)**
Profit (Loss) on held-for-trading/hedging/ financial assets and liabilities measured at FVTPL	24		(119)		(7,526)
Dividends and Profit (Loss) from investments and sale of assets at FVTOCI	25		(6,574)		(8,685)
Financial and operating income			**926,981**		**813,711**
Staff-related costs	26.1	(180,572)		(223,721)	
Other administrative expenses	26.2	(350,015)		(391,016)	
Total administrative costs	26		**(530,587)**		**(614,737)**
Other operating income, net	27		(4,388)		(2,056)
Net value adjustments on assets measured at amortised cost	28		(6,880)		(6,239)
Net accruals to provisions for risks and charges	29		157		6,455
Amortisation, depreciation and net impairment losses on tangible and intangible assets	30		(175,315)		(155,817)
Operating margin			**209,968**		**41,317**
Profit (Loss) from equity investments and disposal of investments	31		(212)		(598)
Pre-tax Profit (Loss) from continuing operations			**209,756**		**40,719**
Income taxes	32		(79,709)		(4,180)
Profit (Loss) after tax from discontinued operations	33		(739)		99,547
Profit for the year			**129,308**		**136,086**
Profit (Loss) for the year attributable to the owners of the parent			**127,926**		**135,166**
Profit (Loss) for the year attributable to non-controlling interests	34		1,382		920
Basic earnings per share	42		**0.21**		**0.22**
Diluted earnings per share	42		**0.20**		**0.22**

Note As detailed under section 19, the 2020 income statement cannot be compared with that of 2019 by virtue of the takeover of Intesa Sanpaolo's merchant book.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro thousand)

	2020	2019
Profit (Loss) for the period	**129,308**	**136,086**
Items that will be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	30,823	17,257
Hedging of equity instruments measured at FVTOCI	-	(39,951)
Defined benefit plans	(158)	(712)
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges	-	(161)
Other comprehensive income (net of tax)	**30,665**	**(23,567)**
Total comprehensive income	**159,973**	**112,519**
Comprehensive income attributable to non-controlling interests	1,638	643
Comprehensive income attributable to the parent company	**158,335**	**111,876**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(amounts in Euro thousand)

			Allocation of prior year profit		Changes for the period		2020 comprehensive income		
	Balance at Jan. 1, 2020	Change in opening balance	Reserves	Dividends	Change in reserves	Transactions on net equity	Profit for the period	Other comprehensive income items	Balance at Dec. 31, 2020
1. Group equity:	**1,317,479**	**-**	**-**	**-**	**72,251**	**-**	**127,926**	**30,409**	**1,548,065**
Share capital	57,071								57,071
Share premium	1,082,204								1,082,204
Reserves	29,429		135,166		72,251				236,846
Valuation reserves	13,609							30,409	44,019
Profit for the period	135,166		(135,166)				127,926		127,926
2. Equity attributable to non-controlling entities	**7,072**	**-**	**-**	**(573)**	**1,548**	**-**	**1,382**	**256**	**9,684**
Equity	**1,324,551**	**-**	**-**	**(573)**	**73,799**	**-**	**129,308**	**30,665**	**1,557,750**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(amounts in Euro thousand)

			Allocation of prior year profit		Changes for the period		2019 comprehensive income		
	Balance at Jan. 1, 2019	Change in opening balance	Reserves	Dividends	Change in reserves	Transactions on net equity	Profit for the period	Other comprehensive income items	Balance at Dec. 31, 2019
1. Group equity:	**464,372**	**(28)**	**-**	**-**	**41,258**	**700,000**	**135,166**	**(23,290)**	**1,317,478**
Share capital	50,000					7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	(47,735)		35,905		41,258				29,428
Valuation reserves	36,899							(23,290)	13,609
Profit for the period	35,933	(28)	(35,905)				135,166		135,166
2. Equity attributable to non-controlling entities	**6,516**	**46**	**-**	**(841)**	**708**	**-**	**920**	**(277)**	**7,072**
Equity	**470,888**	**18**	**-**	**(841)**	**41,966**	**700,000**	**136,086**	**(23,567)**	**1,324,550**

CONSOLIDATED CASH FLOW STATEMENT: INDIRECT METHOD

(Amount in Euro thousands)

	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**390,127**	**198,880**
Profit for the year	129,308	136,086
Gains (losses) on financial assets held for trading and other financial assets/liabilities at FVTOCI and hedged assets	276	8,178
Net accruals for risks and charges and other costs/ income	(157)	(6,455)
Net impairment losses on assets held for sale and disposal groups	-	10,166
Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	175,315	155,817
Unpaid taxes, duties and tax assets	64,551	(26,744)
Other adjustments	20,834	(78,168)
2. Cash flows generated by financial assets	**77,973**	**3,855**
Financial assets at FVTOCI	-	-
Financial assets held for trading	-	10
Loans and receivables with banks	(71,672)	54,024
Loans and receivables with customers	144,240	18,558
Assets held for sale	-	-
Other assets	5,405	(68,737)
3. Cash flows used by financial liabilities	**(289,896)**	**(22,523)**
Due to banks	(194,245)	163,735
Due to customers	(4,415)	(11,512)
Financial liabilities	-	(70,821)
Liabilities associated with disposal groups	-	-
Other liabilities	(90,936)	(103,925)
Net cash flows generated by operating activities	**178,504**	**180,212**
B. INVESTING ACTIVITIES		
Cash flows used by:		
Acquisition of property and equipment	(38,658)	(60,201)
Acquisitions of intangible assets	(96,540)	(107,078)
Acquisitions of subsidiaries and business units, net of cash acquired	(945,191)	150,641
Net cash flows used in investing activities	**(1,080,389)**	**(16,638)**
C. FINANCING ACTIVITIES		
Repayment of loans and securities	(8,391)	(2,589,812)
Dividends paid	-	-
Issues/purchases of equity instruments	-	684,197
Issues of debt securities	954,545	1,817,582
Dividends distributed to third parties	(573)	(841)
Sales/acquisitions of non-controlling interests	-	-
Net cash flows used in financing activities	**945,581**	**(88,874)**
NET CASH FLOWS GENERATED (USED) IN THE YEAR	**43,696**	**74,700**
Net cash flows for the year	43,696	74,700
Opening cash and cash equivalents	115,388	40,688
Closing cash and cash equivalents	**159,084**	**115,388**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The Consolidated Financial Statements as at December 31, 2020 comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the financial statements, which include the criteria used for their preparation. The Consolidated Financial Statements also include the Board of Directors' Report on Group Operations setting out the operating performance, economic results achieved and equity and financial position of the Group.
The Consolidated Financial Statements include comparative information in respect of the preceding year for all amounts reported in the financial statements as at December 31, 2019.
The Consolidated Financial Statements as at December 31, 2020 are prepared in euros which is the Company's functional currency. Unless otherwise specified, figures are stated in thousands of euros.

The measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of relevance and significance of the accounting information and substance over form. Furthermore, no netting is made between costs and revenues or between assets and liabilities except in cases expressly provided for or accepted by the accounting standards in force.
The Board of Directors' Report Group on Operations and the Notes provide the information required by international accounting standards and the law, as well as any additional information that, although not mandatory, is considered equally necessary in order to assure a correct, truthful representation of the Group's results.
In preparing these Consolidated Financial Statements, the ESMA document of May 20, 2020 and the Consob document of July 16, 2020, concerning the report on the impact of the Covid-19 pandemic were taken into consideration, along with the ESMA document of October 28, 2020 and the Consob document of February 16, 2021, referring to orientations in terms of yearly financial statements 2020.
These Consolidated Financial Statements have been prepared in accordance with the IAS/IFRS international accounting standards in force to date.

These standards have changed from those used to prepare the 2019 financial statements, following the mandatory application, starting January 1, 2020 (for companies whose reference period is the calendar year), of the following new standards or amendments:
- Amendments to the Conceptual Framework of the IFRS, which aim to update, under several Accounting Standards and through different interpretations, the references to the previous Framework, replacing them with re-

ferences to the conceptual framework reviewed in March 2018. Bear in mind that the Conceptual Framework is not an Accounting Standard, hence is not subject to homologation, while this document is, since it modifies some IAS/IFRS.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors", which aim to shed light on the definition of material information and make it more easily comprehensible, highlighting that materiality depends on the nature and relevance - or both - of the piece of information itself. Plus, the entity verifies whether a piece of information, either individually or together with other information, is material in the overall context of the financial statement.
- Reform of the reference indexes for determining interest rates (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments brought about some changes in hedge accounting, in order to prevent the uncertainties as to the timing and amounts of cash flow generated by the rates reform from interrupting the existing coverage and from hindering the designation of new coverage relations.
- Definition of a corporate activity (amendments to IFRS 3 Business Combinations). The amendment was a necessary answer to the general concern about the problems experienced in the practical implementation of the "corporate activities" definition.
- Grants on the leases associated with the Covid-19 pandemic (amendment to IFRS Leasing), an amendment required to provide operating support connected to the Covid-19 emergency, optional and provisional, for tenants that benefit from lease payment suspensions.

The companies shall implement the amendments no later than June 1, 2020 for the financial years beginning on January 1, 2020 of thereafter.
The amendments to the aforesaid accounting standards have not significantly impacted the Group's financial statements. Starting on January 1, 2021, following the European Union's homologation of the "Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9" and of "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2" is mandatory; they are not expected to have significant impacts on the Group's financial statements.
The table below shows the standards for which amendments have been issued but not yet approved by the European Union.

IASB documents	IASB publication date
IFRS 17: Insurance contract including amendments to IFRS 17	18/05/2017 - 25/06/2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
Amendments to	
• IFRS 3 Business Combinations;	
• IAS 16 Property, Plant and Equipment;	
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets	
• Annual Improvements 2018-2020	14/05/2020
Amendments to IAS 1 Presentation of Financial Statements and	
IFRS Practice Statement 2: Disclosure of Accounting policies	
Amendments to IAS 8 Accounting policies, Changes in	12/02/2021
Accounting Estimates and Errors: Definition of Accounting	
Estimates	12/02/2021

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

The Consolidated Financial Statements are accompanied by a statement by the Managing Director - CEO and by the Manager in charge of preparing the corporate accounting documents, in accordance with article 154a of the TUF and subjected to a statutory audit by the independent auditing firm PricewaterhouseCoopers S.p.A..

Contents of the accounting statements

Balance Sheet and Income Statement

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

Statement of Comprehensive Income

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

Statement of Changes in Equity

The Statement of Changes in Equity shows the changes to equity accounts that took place during the reference period of the financial statements, divided up into share capital, reserves (capital reserves and net income reserves), valuation reserves and the profit (loss) for the period. Any treasury shares reduce equity. The "Equity" component included in the bonds issued, net of the direct transaction costs, increases equity.

Statement of Cash Flows

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

Content of the Notes

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

Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

Regarding Covid-19, it caused no significant impacts on the financial risks this Group is exposed to, hence no relevant modifications had to be made to the management, risk control and risk assessment systems.
As for operational risks, effective corporate continuity plans were promptly put in place to ensure the regular operating of the business while also guaranteeing employee health and safety, as well as top service level for clients.
Further information on the topic is available under the Board of Directors' Report on Group Operations and under Note 36 of these consolidated financial statements.

Amendment to accounting standard IFRS 16

This case is not provided for, since the leasing contracts enforced have not been amended over the period in point.

Consolidation criteria

The Group has established the consolidation scope in accordance with IFRS 10 Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

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

In the context of the Nexi Group, all the consolidated entities are controlled through voting rights. Accordingly, Nexi did not have to exercise judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates. The preparation of Nexi's consolidated financial statements as at December 31, 2020, required the use of i) the balance sheet project of parent company Nexi S.p.A. and, ii) the financial statements, as at December 31, 2020, of the in-scope companies, after reclassifications and adjustments to comply with the accounting standards of the Group.

Controlled companies have been consolidated by recognising all the assets, liabilities, revenue and costs on a line-by-line basis of the Balance Sheet and Income Statement aggregates of the accounting situations of subsidiaries. To this end, the following adjustments were made:

- the carrying amount of investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated;
- non-controlling interests in equity and the Profit (Loss) for the year have been recognised separately.

The differences resulting from the above adjustments, if positive, are recognised - after any allocation to items of the assets or liabilities of the subsidiary - as goodwill in item "Intangible Assets" as at the date of first consolidation. Any negative differences are recognised in the income statement.
Intragroup assets, liabilities, revenue, costs, gains and losses are eliminated.
Revenue and costs of the subsidiaries are included in the 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 loses control thereover.
Pursuant to IAS 28, the Consolidated financial statements also include the results of investees, i.e., entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement based on the Group's share of the investee's equity. The Group's share of the associate's profit or loss is recognised separately in the consolidated 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 Consolidated financial statements, the in-scope companies are not party to joint arrangements as defined by IFRS 11 either in the form of joint ventures or joint operations (when the parties have rights to the net assets of the arrangement).

Investments in subsidiaries

The following table shows Nexi Group's scope at December 31, 2020:

Business name	Registered office	Head office	Type of relation (1)	Investor	Share %	Voting rights %	Share capital (Euro thousand)	Equity (Euro thousand)
Nexi S.p A.	Milan	Milan	1	Mercury UK Holdco Ltd	20.08	20.08	57,071	1,395,087
Nexi Payments S.p.A.	Milan	Milan	1	Nexi S.p.A.	99.07	99.07	76,445	2,283,832
Mercury Payment Services S.p.A.	Milan	Milan	1	Nexi S.p.A.	100	100	7,109	162,594
Help Line S.p.A.	Cividale del Friuli / Milan	Cividale del Friuli	1	Nexi S.p.A.	69.24	69.24	2,139	3,094
			1	Nexi Payments S.p.A.	1.08	1.08		
Orbital Cultura srl (ex BassmArt Srl) (2)	Florence	Florence	1	Nexi Payments S.p.A.	95	95	855	1,188

Notes

(1) Type of relation: majority of voting rights at the ordinary shareholders meeting.

(2) Entirely consolidated company but classified as held for sale pursuant to IFRS 5.

The consolidation area of the Consolidated Financial Statements as at December 31, 2020 of Nexi Group includes not only the companies listed above and consolidated on a line-by-line basis, but also the following companies, which, considering the percentage held and/or related relevance, are measured using the equity method:

Business name	Registered office	Head office	Investor	Share %	Voting rights %
Rs Record store	Piacenza	Piacenza	Nexi Payments S.p.A.	30	30
Bassnet Srl	Monteriggioni	Monteriggioni	Nexi Payments S.p.A.	49.68	49.68
K.Red	Milan	Milan	Nexi Payments S.p.A.	50	50

Significant judgements and assumptions adopted to define the consolidation scope

As clarified above, since control is primarily exercised through majority stakes, no circumstances arose that would have required making either judgements or significant assumptions to determine the scope and method of consolidation.

Significant restrictions

Note that as for significant restrictions applicable to the transfer of resources within Nexi Group, Mercury Payment Services S.p.A. and Nexi Payments S.p.A. are subject to prudential rules under supervisory regulations. The ability of these subsidiaries to distribute capital or dividends is, therefore, subject to compliance with the relevant provisions on equity requirements.

Conversely, there are no significant limitations or restrictions to the exercise of voting rights held in subsidiaries.

Other information

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

At the date of publication, no other undertakings, connected to investments in associated companies, are in place with reference to the regulation in force.

Main accounting policies

Financial assets at Fair Value through Other Comprehensive Income (OCI)

Classification criteria

At time of reporting, this category only includes equity instruments other than those held for trading and which the Group has opted to measure at FVTOCI. Non-derivative financial assets held within the scope of the "Held to Collect and Sell" business model are, in fact, without recourse factored on a daily basis and, therefore, present a nil balance at the reporting date.

Under IFRS 9 general requirements on the reclassification of financial assets (excluding equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets is only permitted if an entity changes the business model within which the financial assets are held. Such cases, the occurrence of which should be extremely infrequent, allow reclassification of financial assets measured at Fair Value through other comprehensive income to one of two categories designated by IFRS 9 (i.e. "Financial assets measured at amortised cost" or "Financial assets at FVTPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the Fair Value at time of reclassification. Where financial assets at FVTOCI are reclassified to amortised cost, the Fair Value of the financial asset at the reclassification date is adjusted by the cumulative gains or losses presented in the valuation reserve. Where financial assets at FVTOCI are reclassified to financial assets at FVTPL, the cumulative gain or loss previously recognised presented in the valuation reserve is reclassified from equity to profit or loss for the period.

Recognition criteria

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

Measurement criteria

They are measured at Fair Value and recognised as a balancing entry in the statement of changes in equity (i.e. "Statement of Comprehensive income"). Fair Value is determined based on the criteria set out in the *Fair Value disclosure* section.

While dividends are recognised under profit and loss, any impairment loss and any gain or loss from their sale is not recognised in the income statement.

Derecognition criteria

Financial assets or parts of such assets are derecognised whenever the contractual rights to cash flows expire or are transferred, essentially transferring all the related risks and rewards.

More specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the assets' cash flows but concurrently assumes an obligation to pay these - and only these - cash flows to third parties without significant delay.

Where derecognition is applied to receivables transferred within the scope of non-recourse factoring contracts, the result of disposals, which is equal to the difference between the carrying value and the price of sale, is recognised under "Dividends and profit/loss from the investment and sale of assets at FVTOCI" on the income statement.

Financial Assets measured at amortised cost

Classification criteria

This category comprises non-derivative financial assets held in the "Held-to-Collect" business model, the contractual terms of which solely generate cash flows that are payments of principal and interest (SPPI criterion).
The item mainly accounts for receivables due from holders and merchants, their bank accounts, including positions towards international card schemes.
Under IFRS 9 general requirements on the reclassification of financial assets (excluding equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets is only permitted if an entity changes the business model within which the financial assets are held. Such cases, the occurrence of which should be extremely infrequent, allow reclassification of financial assets measured at Fair Value through other comprehensive income to one of two categories designated by IFRS 9 (i.e. "Financial assets measured at amortised cost" or "Financial assets at FVTPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the Fair Value at time of reclassification. Gains or losses generated by the difference between the amortised cost of financial assets and their Fair Value are recognised either to profit and loss, where the assets are reclassified as "Financial assets at FVTPL", or to equity (and to the relevant valuation reserve), where the assets are reclassified as "Financial assets at FVTOCI".

Recognition criteria

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 criteria

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, which is based on the expected loss in the 12 subsequent months for Stage 1 (performing financial instruments that have not seen a significant increase in credit risk) and on lifetime expected losses of credits classified in Stage 2 and Stage 3 (including performing financial instruments that have seen a significant increase in credit risk and bad financial assets, respectively). Given the specific features of the Group's credits portfolio, the expected 12-month loss is itself the expected lifetime loss.
Regarding the trade receivables under the item in point, mainly consisting of merchant fees charged to the merchants, the Group resorted to the possibility of implemented the "simplified approach provided for by IFRS 9" which consists in measuring the depreciation of performing loans based on the expected lifetime losses, with no need to distinguish between Stage 1 and Stage 2.

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 OCI;
- 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 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.
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.

Equity Investments

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

Property, equipment and investment property

Classification criteria

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

Recognition criteria

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

Measurement criteria

Property, equipment and investment property with a finite useful life are subsequently measured at cost, adjusted for accumulated depreciation and any impairment losses or reversals thereof.
The depreciable value of property and equipment, equal to the cost of the assets insofar as the residual value at the end of the depreciation process is held to be insignificant, is split systematically on a straight-line basis throughout the esti-

mated useful life, according to a criterion of allocation that reflects the technical-economic duration and the residual possible use of the individual elements.

The useful life with reference to the main categories of property, equipment and investment property is as follows:
- instrumental property: maximum 33 years;
- electronic office machines: 5 years;
- the instrumental ATMs and POSs, classified as electronic equipment, are respectively depreciated in 3 and 7 years, as this period is considered representative of the useful life of the assets.

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

Derecognition criteria

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

Intangible Assets

Classification criteria

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

Recognition criteria

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

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

Measurement criteria

All intangible assets recognised, other than goodwill, are considered of finite useful life and consequently amortised considering the cost of the individual assets and the related useful life.
More specifically, intangible assets based on technology, such as application software purchased with permanent user's licenses and the costs for software development, are amortised according to their expected technological obsolescen-

ce and in any case over a period of no more than five years, save for particular cases connected to the development of new platforms, analysed from time to time based on the technical features.
Assets arising from the purchase price allocation of business combination, have a useful life estimated individually for each transaction:
- Customer contracts: on the basis of the contract terms;
- Customer relationship: approximately 20 years.
The residual value of the various assets is assumed as equal to zero.
The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of Fair Value and value in use.

Derecognition criteria

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

Goodwill

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

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

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

Other assets

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

Current and deferred tax

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

Financial liabilities measured at amortised cost

Classification criteria

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

Recognition criteria

Payables are recognised as at the date on which the contract is stipulated, which normally coincides with the time when the amounts collected are received and debt securities issued.
Financial liabilities are initially measured at Fair Value, which normally coincides with the amount collected or issue price,

plus the directly related costs/income. Internal administrative costs are excluded. Lease payables are initially recognised at the current value of payments due, calculated considering the implicit rate in the contract, where existing. Alternatively, the incremental rate is determined according to the market rates curves and the lessee's spread.

Measurement criteria

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

Derecognition criteria

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

Financial liabilities held for trading and financial liabilities measured at Fair Value through Profit and Loss

As at December 31, 2019, the item "Financial liabilities held for trading" included the negative value of derivative trading contracts.
The "Financial liabilities measured at FVTP&L" comprise, as at December 31, 2020, the contingent consideration deriving from the Purchase Price Allocation process of the acquiring books.
All the items included in this caption, are valued at Fair Value with the allocation of the result of the measurement to the income statement.
The Fair Value is determined on the basis of the criteria explained in the *Fair Value disclosure* section.

Share-based payments

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

Employee benefits

Employee benefits are all types of remuneration disbursed by the company in exchange for the work of employees.
Employee benefits are divided up into:

- short-term benefits (other than benefits due to employees for the termination of the contract of employment and remunerative benefits in the form of a share in the capital), expected to be paid in full within twelve months of the end of the year during which the employees worked and recorded fully on the income statement at the time they are accrued (this category includes, for example, wages, salaries and "extraordinary" provisions);
- post-employment benefits due after the termination of the contract of employment that oblige the company to make a future payment to employees. These include severance indemnity and pension funds, which, in turn, can be divided up into defined contribution plans and defined benefits plans or corporate retirement funds;

- benefits for the termination of the contract of employment, i.e. compensation that the company acknowledges to employees in exchange for the termination of the contract of employment following its decision to terminate the contract of employment ahead of the standard retirement date;
- long-term benefits other than the foregoing, which are not expected to be extinguished in full within twelve months of the end of the year in which the employees worked.

Post-employment benefits

Post-employment benefits are a form of deferred staff remuneration paid at the end of the contract of employment. They accrue proportionally to the duration of the contract and is an additional element of the payroll costs.
As payment is certain, but when it will be made is not, just like for defined benefits plans, severance indemnity ("TFR") is classified as a post-employment benefit.
Following the complementary welfare reform, as per Italian Legislative Decree 252 of 5 December 2005, portions of severance indemnity accrued by staff starting January 1, 2007, are determined without applying any actuarial method, as the expense, paid by the companies, is limited to the contribution at their charge, as defined by the provisions of the Italian Civil Code (defined contributions plan in accordance with IAS 19).
Severance indemnity, accrued as at December 31, 2006, instead continues to be recognised as a defined benefits plan, in accordance with the provisions of IAS 19. Actuarial gains and losses are recognised to the Statement of Comprehensive Income, whilst interest accrued on the net liabilities is carried as profit and loss.

Provisions for risks and charges

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

Foreign currency transactions

Initial recognition

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

Subsequent recognition

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

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

Other information

Income statement and statement of comprehensive income

Interest and similar income and expense

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

Fee for services rendered and commission income

Commission income other than that included in the amortised cost and fee for services provided are recognised when the obligation of the provision is satisfied, transferring the service to the client or when all the following conditions are met:
- the contract with the client must have been identified - in order to identify a contract, the parties must have approved the contract (in writing or in compliance with other standard commercial practices) and must have undertaken to fulfil their respective obligations;
- the performance obligations contained in the contract must have been identified - the goods and services to be transferred must be identified;
- the price has been determined - the prices and payment methods must be defined; - the price has been allocated to the individual performance obligations contained in the contract - if a contract envisages the delivery/supply of multiple goods or services, the prices agreed must be allocated to the individual goods/ services;
- the performance obligations set out in the contract must have been satisfied - goods and services must be effectively transferred to the client.

Additionally, in accordance with IFRS 15, the service is transferred to the client and, therefore, revenues can be recognised:
- at a specific moment in time, when the entity fulfils the obligation to do, transferring the good or service promised to the client, or
- over time, gradually, as the entity fulfils the obligation to do, transferring the good or service promised to the client.

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

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

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

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

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

Commission expense

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

Fees for services received

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

Dividends

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

Basis for presentation of the segment disclosure

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

Business combinations

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

Use of estimates and assumptions in preparing the Consolidated Financial Statements

In accordance with the IAS-IFRS international accounting standards, the implementation of some accounting standards illustrated above for the several balance sheet aggregates can entail the adoption, by Corporate Management, of estimates and assumptions capable of significantly impacting the values recognised in the consolidated Balance Sheet and in the consolidated Income Statement.

The estimates and relevant assumptions are based on previous experiences and take due account of all the information available at the financial statements drafting date. Such processes are largely based on estimates of future recoverability of the amounts recognised in the balance sheet according to the rules provided for by the current laws and have been implemented with a view to corporate continuity.

The measurement process is particularly complex, considering how uncertain the macroeconomic and market contexts are, hence it is not possible to rule out that the envisaged hypotheses, while being reasonable, may not be confirmed in the future scenarios in which the Group shall operate. The parameters and information used to check the aforesaid amounts are therefore considerably affected by such factors, which may quickly change in a way that is not currently foreseeable, to the point that future balance sheet amounts might be affected.

Among the several elements of uncertainty that may impact the future scenarios for the Group are the effects of the Covid-19 pandemic, further detailed within the relevant section of the Board of Directors' Report and the Notes to these consolidated financial statements.

In that respect, please also note that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the income statement of the year in which the change is made and, potentially, those of future years. While stressing that the use of reasonable estimates is key when drafting financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant, both in terms of the materiality of the values to be recognised in the balance sheet and impacted by such policies, and in terms of the complexity of the measurements, which entails the resorting to estimates and assumptions by Corporate Management:

- measurement of the financial instruments measured at Fair Value (including derivatives) not listed on active markets and of share-based payments;
- measurement of the financial assets measured at amortised cost and loan commitments;
- measurement of intangible fixed assets, including goodwill and the relevant Purchase Price Allocation;
- measurement and estimated useful life of tangible fixed assets;
- quantification of provisions made for risks and charges and payables for Loyalty programmes;
- quantification of deferred taxation.

Significant Events after December 31, 2020

Since the reference date of these financial statements, no significant events have taken place over and above those described in the Board of Directors' Report on Group operations.

Transfers between portfolios of financial assets

No transfers of financial assets between portfolios occurred.

Fair Value disclosure

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

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

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

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

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

Qualitative disclosure

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

The information requested by IFRS 13 concerning accounting portfolios measured at Fair Value on a recurring basis and not measured at Fair Value or measured at Fair Value on a non-recurring basis is reported below.

Assets and Liabilities measured at Fair Value on a recurring basis

Preferred Class C Visa Shares: these are measured according to the market value of Visa Inc class A shares, listed on active markets where the portfolio shares (class C) will be converted, adjusting the value to reflect both the liquidity risk of class C shares and the potential adjustments to the conversion ratio, as communicated by Visa under the specific section of the company's website, which varies depending on potential future liabilities of Visa Europe, a company that has been incorporated into Visa Inc US.
Share-based payments: the Group has implemented remuneration plans similar to share-based payments. Further details on the measurement processed adopted for determining the amounts to be recognised in the Financial Statement, please see the note.
Contingent consideration: Fair Value is the current value, based on the market rates and spread at measurement date, of the expected cash-outs based on the earn-out mechanisms provided for by contracts.

Assets and Liabilities measured at Fair Value on a non-recurring basis

Financial Assets not measured at Fair Value, including payables and receivables to clients and banks are not managed on a Fair Value basis. For said assets, Fair Value is calculated solely for the purpose of complying with the request of disclosure to the market and has no impact on the financial statement or on profit and loss. Furthermore, since these assets are not generally traded, the determining of Fair Value is based on the use of internal parameters not directly detectable on the market, as defined under IFRS 13.
Cash and cash equivalents: given their short-term nature and their negligible credit risk, Fair Value is approximately that of cash and cash equivalents.
Financial Assets measured at amortised cost: for variable rate, on demand assets or those with short-term maturities, the book value recognised net of the analytical and collective impairment is considered a good approximation of the Fair Value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk.
Tangible assets held for property investment: the Fair Value of Tangible assets held for property investments is determined on the basis of an measurement made by independent experts holding duly acknowledged and pertinent professional expertise, who conduct their measurement mainly on the basis of an indirect knowledge of assets through the information made available by the holders with reference to property location, consistency, venue use, and in view of market analyses.
Financial liabilities measured at amortised cost: book value is considered to approximately be equivalent to Fair Value for floating and fixed rate, short term liabilities. As for debt securities issued, Fair Value is calculated based on active markets where liabilities have been traded.

Measurement process and sensitivity

Not applicable due to the absence of level 3 instruments.

Fair Value hierarchy

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

Quantitative disclosure

Fair Value hierarchy

Assets and liabilities measured at Fair Value on a recurring basis: distribution based on Fair Value levels

	Dec. 31, 2020			Dec. 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at Fair Value through profit and loss	-	-	-	-	-	-
Financial assets measured at FVTOCI		151,700			118,581	
Tangible assets	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Total	**-**	**151,700**	**-**	**-**	**118,581**	**-**
Financial liabilities at Fair Value through profit and loss		22,912			-	
Hedging derivatives	-	-	-	-	-	-
Total	**-**	**22,912**	**-**	**-**	**-**	**-**

The item "Financial assets measured at Fair Value through OCI" consists of capital assets not held for trading, which the company has irrevocably chosen to classify and measure at FVTOCI. In particular, in September 2020 50% of Visa Class C shares in the portfolio were converted into Class A Preferred shares. The latter can be promptly converted into ordinary shares at a predefined, non-modifiable rate. Hence for such portion of shares, there was no need to adjust the market value of the corresponding Class A shares.

The item "Financial liabilities at Fair Value through profit and loss" consists of the recognised contingent considerations with reference to the purchase transactions that envisage earn out mechanisms.
There have been no transfers between Level 1, Level 2 or Level 3 financial asset and liability categories.

Annual change of assets measured at Fair Value on a recurring basis (level 3)

No variations.

Annual change of liabilities measured at Fair Value on a recurring basis (level 3)

No variations.

Assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis: Fair Value level distribution

	Dec. 31, 2020				Dec. 31, 2019			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Loans and receivables from banks	-	578,696	-	578,696	-	507,024	-	507,024
Loans and receivables from financial entities and clients	-	958,631	3,255	961,886	-	1,087,181	1,504	1,088,685
Tangible assets held for investments	-	2,204	-	2,101	-	2,244	-	2,229
Total	**-**	**1,539,423**	**3,255**	**1,542,683**	**-**	**1,596,449**	**1,504**	**1,597,938**
Payables to banks	-	2,226,417	-	2,226,417	-	1,952,072	-	1,952,072
Payables to financial entities and clients	-	370,754	-	370,753	-	369,303	-	369,303
Bonds issued	-	1,457,227	-	1,265,733	-	850,208	-	819,014
Total	**-**	**4,054,398**	**-**	**3,862,903**	**-**	**3,171,583**	**-**	**3,140,389**

Information on “day one profit or loss”

Not reported to the extent that for Nexi Group no transactions are recorded that are ascribable to this item.

2. Balance Sheet

(Amounts in Euro thousand)

ASSETS

3. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
a) Cash	27	27
b) Deposits and current accounts	159,057	115,361
Total	**159,084**	**115,388**

The “Deposits and current accounts” item refers to the liquid funds freely available in the current accounts of Nexi S.p.A.. The change is largely ascribable to dividends collected from subsidiaries (net of interest and similar expense, following funding transactions with reference to the acquisition of Intesa Sanpaolo’s merchant acquiring business) during the reporting period.
The item total for “Deposits and current accounts” is included in the Net Financial Position.

4. Financial assets measured at FVTOCI

4.1 BREAKDOWN BY PRODUCT

	Dec. 31, 2020			Dec. 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt instruments	-	-	-	-	-	-
Equity instruments	-	151,700	-	-	118,581	-
Financing	-	-	-	-	-	-
Total	**-**	**151,700**	**-**	**-**	**118,581**	**-**

4.2 BREAKDOWN BY ISSUER

	Dec. 31, 2020	Dec. 31, 2019
a) Banks	41	60
b) Financial institutions	151,659	118,521
- *Visa Europe Limited*	-	-
- *Visa Inc.*	*151,615*	*118,478*
- *Other companies*	*44*	*44*
c) Non-financial institutions	-	-
Total	**151,700**	**118,581**

The "Other financial companies" item refers to financial assets over which the Group does not exercise control, joint control or significant influence. More specifically, the item is almost entirely comprised of preferred shares in Visa Inc., assigned following the sale of the equity investment in Visa Europe. The portfolio breaks down as follows:
- roughly 50% of the portfolio consists of Visa Series C Shares eligible for conversion into Visa Series A Shares at a variable conversion rate dependent on expenses arising from contingent liabilities associated with the former Visa Europe.
- the remaining 50% of the portfolio consists of Visa Class A Preferred shares, assigned to the Group following the conversion, in September 2020, of half of the Class C shares in the portfolio last year. Said Visa Class A Preferred shares can be quickly converted into ordinary shares at a predefined and non-modifiable rate. Consequently, for said portion of shares, there is no need to adjust the market value of the corresponding Class A shares.

The 2020 increase in this item is linked to a value increase in the Visa shares portfolio, also owing to the partial conversion described above.

5. Financial assets measured at amortised cost

5.1 DUE FROM BANKS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020					Dec. 31, 2019				
	Carrying amount		Fair Value			Carrying amount		Fair Value		
	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3
Loans and receivables with banks										
Deposits and current accounts	443,479	-	-	443,479	-	353,753	-	-	353,753	
Prepaid cards liquidity	49,624	-	-	49,624	-	37,440	-	-	37,440	-
Other assets	85,593	-	-	85,593	-	115,831	-	-	115,831	-
Total	**578,696**	**-**	**-**	**578,696**	**-**	**507,024**	**-**	**-**	**507,024**	**-**

The current account balance includes the daily settlement balance of transactions processed by Mercury Payment Services S.p.A. on behalf of Intesa Sanpaolo and the liquidity at the level of the operating entities only. Note that the deposits and current accounts include Euro 340 million in liquidity generated by the operating companies during the period, which has been included in the Group's Net Financial Position. Said amount is also inclusive of cash acquired via the acquisition of Intesa Sanpaolo's merchant acquiring business (see Note 40) and of the operating companies' working capital, all of which calculated as per Notes 12 and 15.

The liquidity of the prepaid cards relates to the electronic money business carried out on said cards. Such liquidity is considered as separate from operational liquidity to the extent that it is deposited in a restricted current account held with DEPObank, transactions on which are limited to covering uses of prepaid cards by cardholders.

The "Other assets" item refers to receivables for services for Euro 32.4 million (Euro 57.3 million as at December 31, 2019), mainly relating to services provided by Mercury Payment Services S.p.A. to Intesa Sanpaolo S.p.A.. The item also includes the escrow accounts connected with the factoring transactions on the balances of credit cards (Euro 53 million, on par with the balance as at December 31, 2019). A Euro 50.5 million pledge in favour of the factoring company is attached to said restricted accounts.

5.2 LOANS AND RECEIVABLES WITH FINANCIAL ENTITIES AND CLIENTS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020						Dec. 31, 2019					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
		Stage 3										
	Stages 1 and 2	Purchased	Other	L1	L2	L3	Stages 1 and 2	Purchased	Other	L1	L2	L3
Ordinary credit cards	335,728	-	2,157	-	335,728	2,157	375,399	-	-	-	375,399	-
Receivables from international schemes and merchants	314,381	-	1,098	-	314,381	1,098	398,821	-	1,504	-	398,821	1,504
Revolving credit cards	233,327	-	-	-	233,327	-	225,875	-	-	-	225,875	-
Personal loans	2,339	-	-	-	2,339	-	3,589	-	-	-	3,589	-
Other assets	72,856	-	-	-	72,856	-	83,497	-	-	-	83,497	-
Total	**958,631**	**-**	**3,255**	**-**	**958,631**	**3,255**	**1,087,181**	**-**	**1,504**	**-**	**1,087,181**	**1,504**

The "Ordinary credit cards" item refers to charge cards and is the balance at the end of each month of the amount cumulatively spent up to that date by the cardholders during the last operative month. Via the partner banks this amount is generally debited to the current accounts of holders on the 15th day of the following month. The group adopts a model according to which the receivables deriving from ordinary credits cards are the object of a factoring

agreement with a major Italian bank, for the daily sale of receivables. The balance at December 31, 2020 included Euro 167.9 million worth of receivables sold on a with recourse basis and which therefore have not been derecognised.
Positions in respect of international schemes refer to the daily settlement balances on the Visa-Mastercard schemes of which Nexi Payments S.p.A. and Mercury Payment Services S.p.A. are direct members and include the deposit paid by Nexi Payments S.p.A. to its customer merchants on transactions that are yet to be settled. All such positions are settled within a few days (generally 1 to 3 days). Moreover, these year-end balances are influenced by the number of non-working days running across the end of each period, days on which settlement systems are closed, determining a greater build-up of transactions and a consequent drawdown of funding facilities.
The item "Revolving credit cards" mainly includes- receivables guaranteed by partner banks.
"Other assets" mainly included the amount due from the factoring company of Euro 70.2 million (Euro 77.0 million in 2019), connected with the balance to be settled daily with the counterparty.

5.3 LOANS AND RECEIVABLES WITH CLIENTS: GROSS AND NET VALUES AND WRITE-OFFS OF PERFORMING AND NON-PERFORMING LOANS

	Dec. 31, 2020				Dec. 31, 2019			
	Gross	Fund	Net	Overall partial write-offs	Gross	Fund	Net	Overall partial write-offs
Performing loans								
- Stage 1	960,337	1,706	958,631		1,089,198	2,017	1,087,181	
- Stage 2	-	-	-		-	-	-	
Non-performing loans	-							
- Stage 3	12,824	9,569	3,255		8,815	7,311	1,504	
Total	**973,161**	**11,275**	**961,886**		**1,098,013**	**9,328**	**1,088,685**	

6. Equity investments

The balance of this item is zero as a result of disposals and recognised depreciations in the previous years.

7. Property and equipment

7.a) Property and equipment: breakdown of assets measured at cost

	Dec. 31, 2020	Dec. 31, 2019
Property		
a) Land	18,228	18,228
b) Buildings	44,522	46,926
c) Furniture	1,961	1,779
d) Electronic equipment/systems	87,189	100,465
e) Other	6,653	166
Rights of use from leasing contracts		
a) Land	-	-
b) Buildings	18,357	19,762
c) Furniture	-	-
d) Electronic equipment/systems	8,929	4,306
e) Other	1,067	1,467
Total	**186,906**	**193,099**

The value of real estate includes the effect of the write-back to Fair Value of the assets acquired in 2015 with the establishment of the Mercury Group, as a result of the completion of the price allocation process (PPA).
The amount entered is net of depreciation up until the reporting date. Note that the "Electronic equipement/systems" item includes POS terminals and ATMs.
The "Rights of use from lease contracts" item refers to assets recognised following the application of IFRS 16. At the date of publication there are no restrictions as to the usage of such rights of use. Furthermore, there are no contracts for which Nexi Group resorted to the possibility of exclusion from IFRS 16 for less than 12 months and/or contract value worth less than Euro 5,000.

7.b) PROPERTY AND EQUIPMENT: CHANGES

December 31, 2020	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance	**18,228**	**66,688**	**1,779**	**104,771**	**1,633**	**193,099**
B. Increases	**-**	**5,735**	**519**	**46,861**	**303**	**53,418**
B.1 Purchases	-	456	519	37,662	21	38,658
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive fair value adjustments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B 6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	5,279	-	9,199	282	14,760
C. Decreases	**-**	**9,545**	**337**	**48,917**	**813**	**59,612**
C.1 Sales	-	-	-	220	-	220
C.2 Depreciation	-	9,545	337	47,302	805	57,989
of which of rights of use	-	6,683	-	4,396	673	11,752
C 3 Impairment losses recognised in:	-	-	-	1,126	-	1,126
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	1,126	-	1,126
C.4 Negative fair value adjustments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C 5 Exchange rate losses	-	-	-	-	-	-
C 6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C 7 Other decreases	-	-	-	269	8	277
D. Net closing balance	**18,228**	**62,878**	**1,961**	**102,715**	**1,123**	**186,905**

8. Investment property

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

	Dec. 31, 2020				Dec. 31, 2019			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned								
a) land	413	-	-	-	413	-	-	-
b) buildings	1,688	-	-	-	1,816	-	-	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**2,101**	**-**	**2,204**	**-**	**2,229**	**-**	**2,244**	**-**

This item has changed as a result of depreciation recognised during the year.

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

These investments are recorded in accordance with IAS 40 and include properties held (whether through ownership or finance leases) either to obtain remuneration by way of their rental, or to benefit from a return on invested capital as they appreciate in market value. It should be noted that the annual rent generated by these properties amounts to Euro 180 thousand.
Investment property is measured at cost, net of depreciation.
As at the reporting date, there are no:
- restrictions or limits to the sale of property or collection of rental charges;
- obligations or contractual commitments for the purchase, construction, development, repair or extraordinary maintenance of these properties.

8.b) Investment property: changes

	Dec. 31, 2020	
	Land	Buildings
A. Opening balance	**413**	**1,816**
B. Increases:	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Reversals of impairment losses	-	-
B.4 Positive fair value adjustments	-	-
B.5 Exchange rate gains	-	-
B 6 Transfers from investment property	-	-
B.7 Other increases	-	-
C. Decreases:	**-**	**128**
C.1 Sales	-	-
C.2 Depreciation	-	128
C 3 Impairment losses		
C.4 Negative fair value adjustments	-	-
C.5 Exchange rate loss	-	-
C 6 Transfers	-	-
C.7 Other decreases	-	-
D. Net closing balance	**413**	**1,689**

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

	Dec. 31, 2020		Dec. 31, 2019	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill		2,856,460		2,093,428
A.2 Intangible assets - Customer contracts	631,762		386,912	
A.3 Other intangible assets	219,147		204,331	
Total	**850,909**	**2,856,460**	**591,243**	**2,093,428**

Goodwill increased by Euro 763 million compared with the balance of the previous year following Nexi Payment's acquisition of Intesa Sanpaolo's merchant book business, effective as of July 1, 2020. Further details of the transaction are available under Note 38 of these consolidated financial statements.

Goodwill as at December 31, 2020 is as follows:
- goodwill arising from the 2016 acquisition of Mercury Payment Services S.p.A. for Euro 590.8 million already net of the allocated amount, upon completion of PPA, as detailed below;
- goodwill arising from the consolidation of equity investments held in Nexi Payments S.p.A. and Help Line S.p.A. purchased in 2018 and equal to Euro 931 million;
- goodwill recognised in Nexi Payments S.p.A.' s Financial Statements for the Group interest, in the amount of Euro 1,335 million, as follows:
  - Euro 452 million relative to the acquisition of the merchant acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige, upon completion of PPA as detailed below;
  - Euro 120 million relative to the payments business unit acquired from DEPObank in 2018 following the reorganisation of Nexi Group;

- Euro 763 million relative to the goodwill for the year 2020 assigned to the acquired Intesa Sanpaolo's merchant acquiring business effectively closed on July 1, 2020. Such value is net of the amount allocated following the PPA as further detailed below (for further information please refer to Note 40 of these consolidated financial statements).

The other intangible assets consist of:
- software purchases and technological developments;
- intangible assets with a finite useful life as resulting from the above PPA processes. More specifically, said assets, net of amortisation accrued as at the reporting date, consist of:
  - Mercury Payment Services customer contracts for Euro 254 million; with reference to said customer contract, in 2020 its useful life was extended in order to transpose the effects of the extension of the contract in force with reference to issuing processing, with an impact of Euro 10 million;
  - customer relationship from the acquisition of merchant acquiring businesses for Euro 378 million (i.e. MPS book acquiring, Euro 93 million; DB book acquiring, Euro 10 million; Carige book acquiring, Euro 4 million, ISP Euro 280 million).

9.2 INTANGIBLE ASSETS: CHANGES

Dec. 31, 2020		Other acquired intangible assets		Other intangible assets: other		
	Goodwill	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Total
A. Opening balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**
A.1 Net impairment	-	-	-	-	-	-
A.2 Net opening balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**
B. Increases	**763,032**	**277,088**	**-**	**98,688**	**-**	**1,138,808**
Purchases	-	-	-	96,541	-	96,541
Other increases	763,032	277,088	-	2,147	-	1,042,267
C. Decreases	**-**	**32,238**	**-**	**83,872**	**-**	**116,110**
Sales	-	-	-	-	-	-
Amortisation	-	32,238	-	83,834	-	116,072
Other decreases	-	-	-	38	-	38
D. Net closing balance	**2,856,460**	**631,762**	**-**	**219,147**	**-**	**3,707,369**
D.1 Net amortisation	-	-	-	-	-	-
E. Gross closing balance	**2,856,460**	**631,762**	**-**	**219,147**	**-**	**3,707,369**

9.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

Nexi Group ran the impairment test on intangible assets with indefinite useful life only, since no triggers were detected with reference to intangible assets with definite useful life.
Impairment test were carried out with the support of independent experts, for the following CGUs identifiable at the reference date.

CGU	Carrying value (Group share)	of which Goodwill
CGU Monetica Nexi Payments S.p.A.	3,201,923	2,265,632
CGU Mercury Payment Services S.p.A.	923,250	590,828
Total	**4,125,173**	**2,856,460**

The allocation of goodwill recognised in the CGUs above was made in continuity with the CGUs identified for the impairment test 2019.

The CGUs were identified taking into account the way in which each Group activity generates cash flows, as well as the method with which the management monitors the Group's operations. Such criteria led to the identification, for 2020, of two separate CGUs that substantially coincide with the Group's two operating legal entities: the Monetica CGU coinciding with Nexi Payments S.p.A. and the Mercury CGU coinciding with Mercury Payments Services S.p.A..

Furthermore, it should be noted that no separate impairment tests were carried out on intangible assets with a defined useful life associated with customer contracts and customer relationships deriving from Purchase Price Allocation processes carried out with reference to the acquisition of Mercury Payment Services S.p.A. and MPS, DB, Carige and Intesa Sanpaolo corporate businesses, since no events requiring such checks emerged.
The recoverable value of a CGU is the greater of the following:
- Fair Value less costs of disposal;
- Value in Use.

Regarding the determination of the Value in Use, the method of discounted cash flow in the unlevered version ("DCF") was adopted. Such method is based on the general concept that the value of a company is equivalent to the discounted amount of the two following elements:
- the cash flows it will generate within the forecast horizon;
- the terminal value, namely the overall corporate value deriving from the period that lies beyond the forecast horizon.

In order to reflect the specific growth expectations of the reference sector and of the CGUs being tested, the H-model variant of the DCF was implemented, assuming two growth stages beyond the explicit planning period. More in detail, the first stage entails a gradual and linear decrease of the growth rate expected in the latest explicit planning period, which ends up aligning to the long-term growth rate.
Cash flows are discounted using the weighted average capital cost (WACC) which is the weighted average of the cost of equity and the cost of debt, after taxation. The formula for estimating WACC is the following:

$$WACC = Ke * \frac{E}{D+E} + kd * (1-t) * \frac{D}{D+E}$$

where:
- Ke = cost of equity;
- E/(D+E) = percentage of equity capital in the overall invested capital (equity + debt) equivalent to that of a sample of comparable companies;
- Kd = cost of debt before taxation; t = tax rate ("tax shelter ");
- D/(D+E) = percentage of the debt in the overall invested capital (equity + debt) equivalent to that of a sample of comparable companies;

The cost of equity is the expected return, in a situation not affected by contingent phenomena, on the relevant sector; it is calculated through the Capital Asset Pricing Model, the formula being:

$$Ke = Rf + \beta * (Rm - RF)$$

where:
- Rf = is the risk-free rate, equivalent to the medium-long term yield of investments such as government bonds. The adopted parameter, which refers to December 31, 2020, is 1.1%;
- Beta = "beta" coefficient expressing the risk of the specific enterprise in the market. The considered observations refer to a sample of similar companies and to a 5-year period, on a monthly basis. The adopted parameter is 1.33 on a levered basis;
- Rm - Rf = equity risk premium, namely the additional return requested by a risk averse investor compared with the return of risk-free assets; it is equivalent to the difference between the average return of the stock market and the risk-free rate. The considered parameter, referring to December 31, 2020, is 5.22% (source: Prof. A. Damodaran).

The cost of financial debt (Kd) is the interest rate with which the company may finance itself. This rate is usually estimated based on market rates, considering a spread to reflect the bargaining power of companies before debt capital suppliers. The debt cost must be considered net of the tax rate "t", in order to take into account the tax shield on interest costs. The relevant parameter is 1.5% (before taxation).

Capital costs	
Risk-free rate Dec. 31, 2020	1.1%
Equity market risk premium	5.22%
Average Beta (levered)	1.33
Ke	8.1%
Kd (after taxation)	1.1%
WACC	**6.6%**
Growth rate	**2.0%**

The estimated WACC was 6.6 %.
In order to estimate the long-term growth rate, the ECB's target inflation rate for the Euro Area, namely 2.0%, was referred to.

In view of the current macroeconomic scenario and the ongoing pandemic, in accordance with ESMA recommendations and considering the strategic transactions that Nexi Group is currently completing, solely for the purpose of the CGU impairment test as at December 31, 2020, multiple scenarios were developed so as to reflect the volatility deriving from the current macro-economic context:
- Baseline scenario: the DCF has been developed starting from the 2019-2023 Business Plan (including the effects of the acquisition of Intesa Sanpaolo's merchant book) and from the 2021 Budget of Nexi Group, approved by Nexi S.p.A.'s Board of Directors.
- ESMA scenario: the DCF has been developed starting from (i) the 2021 budget approved by Nexi's Board of Directors on December 22, 2020 and (ii) the 2022-2023 outlook deriving from the 2019-2023 Business Plan of Nexi Group, adjusted according to the EBITDA shortfall in 2020 - (Business Plan vs actual) and in 2021 (Business Plan vs Budget) in terms of the individual CGUs.

Regarding Fair Value, the Equity market multiples method was referred to; in particular EV/EBITDA market multiples were adopted, from the same peer group used to estimate the discount rate.

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

Since the Value in Use is determined through estimates and assumptions that may feature elements of uncertainty, sensitivity analyses were conducted - as provided for by IAS/IFRS standards - for verifying the sensitivity of the results obtained upon variation of some basic parameters and hypotheses.
In particular, we tested the impact - on the Value in Use - of a change of up to 25 bps more (for discount rates) and less (for growth rates) in terms of Terminal Value. Plus, we conducted analyses on the change of Value in Use following a negative change of cash flows used for Terminal Value. No cases of impairment emerged for any of the CGUs being tested. The following table shows the sensitivity (in percentage terms) of the Value in Use of the CGUs for which intangible assets with an indefinite useful life remain, to changes of growth rate "g" or of the discount rate by -/+ 25 bps, and to the 10% negative change of cash flows used to calculate Terminal Value.

	Growth rate (g) -25 bps	**Discount rate (WACC) + 25 bps**	**Terminal Value flow -10%**
CGU Nexi Payments	(4.9%)	(5.4%)	(9.2%)
CGU Mercury Payment Services	(4.8%)	(5.2%)	(8.9%)

Taking into account the indications provided by ESMA in October 2020, a further stress scenario, in conditions basically unchanged compared with 2021 Budget, was developed. It should be noted that this scenario too revealed no potential long-lasting loss for the CGUs analysed.

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

As at December 31, 2020, the financial statements show Euro 4.4 million (Euro 37.6 million as at December 31, 2019) relative to current IRES tax assets, Euro 2.4 million, and IRAP, Euro 2.0 million; current tax liabilities of Euro 19.1 million (Euro 1.8 million as at December 31, 2019) refer to payables for additional IRES tax, Euro 11.4 million, and for IRAP tax of Mercury Payment Services S.p.A. and Nexi Payments S.p.A. Euro 7.7 million.
Note that the current tax consolidation scheme refers not just to the Parent company Nexi S.p.A., but extends to subsidiaries Mercury Payment Services S.p.A., Nexi Payments S.p.A. and Help Line S.p.A..

10.2 DEFERRED TAX ASSETS: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Deferred taxes		
- of which: recognised in equity	548	553
- of which: recognised in profit and loss	49,996	63,742
Total	**50,544**	**64,295**

Deferred tax assets comprise the following:
- tax recognised in equity arising from deferred TFR tax;
- tax recognised in profit and loss mainly arising from adjustments to loans, the effects of first-time adoption of IFRS 15 and tax assets issuing from the transfer to Nexi of certain DEPObank S.p.A. equity investments.

10.2.2 Changes in deferred tax assets (recognised in equity)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**553**	**1,299**
2. Increases	**6**	**3,002**
2.1 Deferred tax assets recognised in the year	6	3,002
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**11**	**3,748**
3.1 Deferred tax assets derecognised in the year	11	
3.2 Decrease in tax rates	-	-
3.3 Other decreases		3,748
4. Closing balance	**548**	**553**

10.2.3 Changes in deferred tax assets (recognised in profit and loss)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**63,742**	**32,275**
2. Increases	**9,428**	**38,623**
2.1 Deferred tax assets recognised in the year	7,421	19,354
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,007	19,269
3. Decreases	**23,174**	**7,156**
3.1 Deferred tax assets derecognised in the year	23,174	7,156
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**49,996**	**63,742**

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax liabilities		
- of which: recognised in equity	7,026	4,725
- of which: recognised in profit and loss	133,211	34,690
- of which: recognised in profit and loss due to elimination from equity	83,911	90,660
Total	**224,148**	**130,075**

Deferred tax liabilities comprise the following:
- tax recognised in equity mainly arising from deferred tax relative to the Fair Value measurement of the Visa Shares portfolio;
- tax recognised in the profit and loss statement arising from temporary differences in goodwill and the effects of first-time adoption of IFRS 15 and from deferred taxes identified in the Purchase Price Allocation of the Merchant Book business acquired from Intesa Sanpaolo;
- tax recognised in the profit and loss statement arising from the elimination of equity investments in Mercury Payment Services S.p.A. and the allocation of part of the purchase price to intangible assets with a finite useful life.

10.3.1 Changes in deferred liabilities (recognised in equity)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**4,725**	**3,439**
2. Increases	**2,301**	**1,286**
2.1 Deferred tax liabilities recognised in the year	2,301	1,286
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**7,026**	**4,725**

10.3.2 Changes in deferred tax liabilities (recognised in profit and loss)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**125,350**	**128,617**
2. Increases	**101,638**	**8,824**
2.1 Deferred tax liabilities recognised in the year	8,407	8,824
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	93,231	
3. Decreases	**9,866**	**12,091**
3.1 Deferred tax liabilities derecognised in the year	9,866	12,091
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**217,122**	**125,350**

The item "Other increases" refers to the deferred taxes of the Purchase Price Allocation of the Merchant Book business business - acquired from Intesa Sanpaolo, as further detailed under Note 40.

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

	Dec. 31, 2020	Dec. 31, 2019
A. Assets held for sale		
A.1 Financial assets	1,474	2,123
A.2 Property, equipment	27	17
A 3 Intangible assets	102	16
A.4 Other assets	94	106
Total (A)	**1,697**	**2,262**
B. Liabilities held for sale		
Payables to banks		
B.1 Other liabilities	509	335
Total (B)	**509**	**335**

These are assets and liabilities referring to Orbital Cultura Srl (formerly BassmArt Srl). Concerning said company, a decision to carry through with the sale has been reached.
There are no circumstances warranting the recognition of impairment on assets held for disposal in respect of the expected value of the sale.

12. Other assets

	Dec. 31, 2020	Dec. 31, 2019
Tax assets	57,489	55,964
Assets for commissions to be collected	221,867	220,647
Deferred costs	84,085	65,329
Inventories	8,751	7,195
Other assets	109,478	125,307
Total	**481,670**	**474,442**

(*) 2019 figures have been reclassified consistent with the table in 2020

Accounts relative to e-money settlements are excluded from the calculation of the working capital of the Group's operating companies (see Note 5), and are presented, instead, under "Other assets", above. Amounts recognised under "Other assets for commissions to be collected" are reported excluding the effects of the merchant book acquisition, worth Euro 12.6 million.
The caption "Other assets for commissions to be collected" refers to receivables net of the relevant risk provisions.
The item "Inventories write downs" mainly refers to plastic materials, ATMs and spare parts net of the relevant amortisation fund.
The "Deferred costs" item included deferred expenses relating to costs to fulfil contracts with customers (IFRS 15.91) for Euro 59.6 million, other costs associated with customer contracts worth Euro 1.6 million and deferred expenses for costs paid but not yet accrued.
The caption "Other assets" includes accounts relative to e-money settlement.

LIABILITIES

13. Financial liabilities measured at amortised cost

13.1 FINANCIAL LIABILITIES DUE TO BANKS (BREAKDOWN BY PRODUCT)

	Dec. 31, 2020				Dec. 31, 2019			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	1,639,517	-	1,639,517	-	1,289,480	-	1,289,480	-
2. Other liabilities	576,448	-	576,448	-	647,233	-	647,233	-
3. Lease liabilities	10,453	-	10,453	-	15,359	-	15,359	-
Total	**2,226,418**	**-**	**2,226,418**	**-**	**1,952,072**	**-**	**1,952,072**	**-**

The "Financing" item refers to:
- the IPO facility for Euro 994.7 million, namely a syndicated loan granted by a group of leading banks, with a maturity of five years. The carrying amount as at the reporting date included direct residual transactions costs, not yet amortised, for Euro 7.2 million;
- the Term Loan for Euro 462.0 million, namely a floating-rate loan granted June 30, 2020 by a group of leading banks, with maturity in June 2025. The carrying amount as at the reporting date included direct residual transaction costs, not yet amortised, of Euro 4.5 million.

The item also includes bilateral facilities in support of revolving cards and the facilities with Intesa Sanpaolo used by Group for the daily settlement of transactions with ISP customers.
The "Other liabilities" item includes facilities used to finance the settlement of the acquiring and payments services, the residual portion of direct issuing services not covered by the factoring facilities, as well as payables for commercial services used by Group companies.
The item total includes Euro 1,456.7 million in debt facilities (i.e. the IPO Loan and the Term Loan) and Euro 11.1 million in other debts, principally lease debts, and Euro 4.4 million for deferred price included in the Net Financial Position.

13.2 FINANCIAL LIABILITIES DUE TO FINANCIAL ENTITIES AND CUSTOMERS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financing	300,838	-	300,838	-	318,436	-	318,436	-
2. Other liabilities	49,684	-	49,684	-	38,099	-	38,099	-
3. Lease liabilities	20,231		20,231		12,768		12,768	
Total	**370,753**	**-**	**370,753**	**-**	**369,303**	**-**	**369,303**	**-**

The item "Financing" refers for Euro 299.3 million to payables due to the factoring company for advances on ordinary credit cards transferred with recourse and, as for the remainder, to the technical balance in place with the factoring company.
The "Other liabilities" item refers to prepaid cards in place.
The item "Lease liabilities" includes the liability deriving from the application of IFRS 16 to operating leases, equal to the current value of the payment flows envisaged by current contracts.
The "Lease liabilities" total is included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

The following table refers to securities issued by Nexi in 2019 and in 2020.

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Fixed-rate securities	1,265,733	-	1,457,227	-	819,014	-	850,208	-
2. Floating-rate securities	-	-	-	-	-	-	-	-
Total	**1,265,733**	**-**	**1,457,227**	**-**	**819,014**	**-**	**850,208**	**-**

Note: with reference to the convertible bonds, the Fair Value above efers to financial liability for the issue as a whole.

As further detailed in the Board of Directors' Report, the year 2020 saw the issue of convertible bonds of aggregate principal amount of Euro 500 million with a 1.75% p.a. coupon payable semi-annually, maturing April 2027. As required under IAS 32, the Group has recognised the equity and liability components separately (see Note 41). The liability component as at December 31, 2020 amounted to Euro 445 million, including direct transaction costs for Euro 6 million
Furthermore, the item also refers to the existing senior fixed rate notes of Euro 820 million, including direct transaction costs, not yet amortised, of Euro 7 million.

The total for said item is included in Net Financial Position.

14. Financial liabilities at Fair Value through profit and loss

The item, worth about Euro 22.9 million, refers to the contingent considerations provided for by contracts with reference to the merchant book acquired from Intesa Sanpaolo. Such liability was initially recognised at Fair Value at the business combination date and included in the values considered for the purpose of recognising it. Subsequently, as provided for by IFRS 3, the liability was measured at Fair Value and recognised in the profit and loss statement.

14.1 FINANCIAL LIABILITIES AT FVTPL: CHANGES

	Dec. 31, 2020
Opening balance	**21,890**
Interest accrued over the period	745
Changes in Fair value	276
Other changes	-
Closing balance	**22,912**

15. Other liabilities

	Dec. 31, 2020	Dec. 31, 2019 (*)
Tax liabilities	8,906	8,741
Due to employees	29,547	48,467
Other liabilities for fees and commissions	243,973	242,771
Unsettled transactions	126,362	174,942
Other liabilities	62,454	59,060
Deferred loyalty fees and other revenues	55,283	63,199
Prepaid cards unsettled transactions	1,108	1,104
Cash advance to be settled	29,878	46,344
Total	**557,511**	**644,628**

(*) 2019 figures have been reclassified consistent with the table in 2020

Accounts relative to e-money settlements are excluded from the calculation of the working capital of the Group's operating companies (see Note 5), and are presented under the captions "Unsettled transactions", "Prepaid-card unsettled transactions", "Other liabilities" and "Cash advance to be settled". Amounts recognised under "Other liabilities for fees and commissions" are presented minus the effects of the merchant book acquisition, worth Euro 12.8 million.
The item "Deferred loyalty fees and other revenues" mainly includes liabilities associated with Loyalties programmes in place, worth Euro 37.4 million, aside from the liabilities deriving from customer contracts, worth Euro 10.1 million, mainly associated with one-off revenues for projects concerning the goodwill of new clients or new products.
The item "Unsettled transactions" refers to transaction associated with different processing stages of the settlement of transactions in the first days of the following month.
The item "Unsettled cash advance" refers to "cash advance" transactions yet to be settled on international schemes.

16. Post-employment benefits

Italian legislation establishes that upon termination of a contract of employment the employee has a right to receive severance indemnity defined according to the annual salary and the inflation rate. As at December 31, 2020, amounts payable pursuant to IAS 19 requirements for post-employment benefits totalled Euro 14.8 million (Euro 14.5 million as at December 31, 2019).

16.1 POST-EMPLOYMENT BENEFITS: CHANGES

	Dec. 31, 2020	Dec. 31, 2019
A. Opening balance	**14,528**	**14,084**
B. Increases	**468**	**1,248**
B.1 Accruals	-	168
B.2 Other increases	468	1,080
- Business combinations	*81*	-
- Other increases	*387*	*1,080*
C. Decreases	**188**	**804**
C.1 Payments	145	778
C.2 Other decreases	43	26
- Business combinations	-	-
- Other decreases	*43*	*26*
D. Closing balance	**14,808**	**14,528**

16.2 MAIN DEMOGRAPHIC AND ACTUARIAL ASSUMPTIONS USED TO MEASURE POST-EMPLOYMENT BENEFITS AT DECEMBER 31, 2020

Mortality among aged pensioners	Rate for the Italian population broken down by age and gender shown in the RG489 mortality tables published by the State General Accounting Office
Mortality among total and permanent disability pensioner	Rate inferred from the INPS invalidity tables, broken down by age and gender
Annual advances rate	1.92%
Annual turnover	1.90%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	0 80%
Annual discount rate	0 34% 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

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

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

		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Discount rate			
Change	(0.50%)	739	4.99%
Change	0.50%	(689)	(4.65%)
- Turnover rate			
Change	(0.50%)	76	0.51%
Change	0.50%	(72)	(0.48%)

17. Provisions for risks and charges

17.1 . PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
1. Internal pension funds	-	-
2. Other provisions for risks and charges	26,433	31,967
2.1 Legal and tax disputes	2,250	2,619
2.2 Employees	2,008	1,538
2.3 Other provisions	22,175	27,810
Total	**26,433**	**31,967**

The "Legal and tax disputes" item of Euro 2.25 million (Euro 2.6 million as at December 31, 2019) refers to the provisions made for litigations for which the risk is considered probable", Euro 2.1 million, aside from provisions for contract penalties.

The "Other provisions" of Euro 22.2 million (Euro 27.8 million as at December 31, 2019) mainly refer to:

a. provisions for contractual commitments made during the acquisition of the equity investment held in Bassilichi, for Euro 10.5 million, down compared with December 31, 2019 due to period use;
b. provisions for disposal costs of non-core equity investments held by the Bassilichi Group, for Euro 2.1 million (Euro 5.3 million as at December 31, 2019) mainly due to period use;
c. provisions for risks connected with transactions placed on hold and other disputes relating to routine operations, for approximately Euro 8.5 million, consistent with the previous year;
d. provisions for fraudulent transactions, of Euro 1.2 million.

With reference to the ongoing arbitration against Cedacri - details as to which are provided in the Board of Directors' Report on Group Operations and central to which is Cedacri's request of a Euro 74.1 million price adjustment - please note that the Group, also based on the opinion of its legal advisers, cannot rule out the risk of an adverse ruling.

17.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES

	Funds for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	-	-	31,967	31,967
B. Increase	-	-	4,404	4,404
C. Decrease	-	-	9,938	9,938
D. Closing balance			26,433	26,433

Use includes Euro 6 million associated with the settlement of existing liabilities whose values are substantially consistent with the estimates in the previous year's financial statement.

18. Shareholders' equity

As at 31 December 2020, the caption Shareholders' equity comprises the following items:

	2020	2019
Share capital	57,071	57,071
Share premium	1,082,204	1,082,204
Reserves	236,846	29,428
Valuation reserves	44,018	13,609
Profit (Loss) for the year	127,926	135,166
Equity attributable to non-controlling interests (+/-)	9,685	7,072
Total equity	**1,557,750**	**1,324,550**

The "Equity attributable to non-controlling interests" item of Euro 9.7 million, mainly refers to minority stakes in Nexi Payments S.p.A. (Euro 8.8 million) and Help Line S.p.A. (Euro 0.9 million). Reserve increases for the period largely reflect retained earnings from 2019 (Euro 135 million) and the convertible bonds' equity component (Euro 55 million net of direct transaction costs of Euro 0.8 million), as well as stock grants and the LTI plans (Euro 26 million).
As at December 31, 2020, the share capital comprised 627,777,777 fully paid-up ordinary shares. Besides, Nexi and its subsidiaries did not hold parent company shares at the reporting date.

19. Income statement

(Amounts in Euro thousand)

The figures of the Income Statement 2020 are not comparable to 2019 owing to the effects of the takeover of Intesa Sanpaolo's merchant book, completed on June 30, 2020, as further detailed under Note 40.

20. Fees for services rendered and commission income

	2020	2019
Issuing & Acquiring fees:	1,254,653	1,268,607
- Trading fees	*1,043,616*	*1,035,220*
- Fees from cardholders	*211,037*	*233,387*
- Other fees	-	-
Revenues from services	389,372	373,893
Total	**1,644,025**	**1,642,500**

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

The item "Revenue from services" mainly consists of POS and ATM rental and maintenance charges, of revenue from Digital & Corporate Banking services, and revenue from activities linked to Payment Services and revenues connected with Help Desk services.
Revenues recognised, in accordance with the provisions of IFRS 15 "At a point in time" mainly refer to revenues connected with transaction volumes, which, as at December 31, 2020 came to approximately Euro 993 million.

Note that, as required by IFRS 15.116, fees for services rendered and commission income include revenues recognised during the year, included in the opening balance of liabilities from customer contracts for Euro 6 million.

21. Fees for services received and commission expense

	2020	2019
Bank charges:	632,779	642,964
- fees due to correspondents	*423,191*	*444,624*
- fees due to banks	*209,588*	*198,340*
Other fees	5,017	4,107
Total	**637,796**	**647,071**

This item mainly comprises:
- Fees to correspondents, mostly consisting of interchange fees and other charges debited by the schemes;
- Fees to banks, mainly consisting of fees paid to partner banks.

22. Interest and similar income

	2020	2019
Receivables from banks		
Receivables from customers	15,290	17,950
Other assets	70	86
Total	**15,360**	**18,036**

Interest income with customers mainly refers to revolving credit card transactions.

23. Interest and similar expense

	2020	2019
Financial liabilities measured at amortised cost:		
- payables to banks and customers: leases	*919*	*1,319*
- payables to banks and customers	*58,522*	*178,811*
- securities issued	*27,504*	*3,145*
Other liabilities and provisions	970	268
Total	**87,915**	**183,543**

Interest expense mainly refers to:
- recourse credit facilities attached to the factoring - agreement entered in 2018 by Nexi Payments S.p.A.;
- debt securities, as detailed in the Board of Directors' Report and Note 41, increased during the year following the issue of the Convertible Bonds;
- the IPO Loan entered into in 2019 and the Term Loan entered into in 2020.

24. Profit (Loss) on held-for-trading/hedging assets and liabilities measured at FVTPOL

	2020	2019
Net trading income on financial assets	157	(7,526)
Net income on financial liabilities at FVTPL	(276)	-
Net hedging income on financial assets	-	-
Total	**(119)**	**(7,526)**

This item, in 2019, mainly included Fair Value change for the derivative stipulated against price and market risks linked to the Visa Shares portfolio for the portion classified as held for trading. The derivative matured in September 2019.
The item also includes the exchange gains/losses deriving from the Nexi Group's recurring operating activities, which have a limited impact to the extent that the risks connected with foreign exchange positions are mitigated by offsetting foreign currency positions which naturally reduce exposure to said risk and the effect deriving from the measurement at fair value of "Financial liabilities at fair value through profit and loss".

24.1 NET TRADING INCOME (EXPENSE): BREAKDOWN

	2020			2019		
	Trading income	Trading losses	Total	Trading income	Trading losses	Total
Financial assets held for trading - debt instruments	-	-	-	-	-	-
Other financial assets and liabilities: exchange differences	3,344	(3,187)	157	5,436	(4,785)	652
Financial derivatives	-	-	-	-	(8,178)	(8,178)
Total	**3,344**	**(3,187)**	**157**	**5,436**	**(12,963)**	**(7,526)**

25. Dividends and Profit (Loss) from investment and disposal of financial assets at FVTOCI

	2020	2019
Dividends	204	532
Profit/loss from disposal of financial assets at FVTOCI	(6,778)	(9,217)
Net result	**(6,574)**	**(8,685)**

The item's balance mainly refers to, under the scope of the factoring contract, expense due to transfer without recourse by Nexi Payments S.p.A. of a significant portion of the loans portfolio attached to credit cards issued.

26. Administrative costs

26.1 STAFF-RELATED COST: BREAKDOWN

	2020	2019
1) Employees		
a) wages and salaries	109,239	121,108
b) social security charges	28,952	30,619
c) post-employment benefits	1,414	1,338
d) pension and similar costs	28	25
e) accrual for post-employment benefits	538	197
f) accrual for pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution plans	*7,864*	*7,205*
- defined benefit plans	-	-
h) costs of share-based payment plans	26,362	53,811
i) other employee benefits	5,218	7,217
2) Other personnel	**957**	**2,201**
Total	**180,572**	**223,721**

Payroll costs also include costs linked to the stock grant plan (guaranteed by Mercury UK) for Nexi Group employees and the costs connected with the Long-Term Incentive plan, as further detailed in Note 39.

26.2 OTHER ADMINISTRATIVE COSTS: BREAKDOWN

	2020	2019
1. Third-party services	154,353	191,460
2. Lease and building management fees	2,443	2,381
3. Insurance companies	2,438	2,008
4. Rentals	8,635	6,452
5. Maintenance	43,557	47,107
6. Shipping costs	16,667	18,336
7. Telephone and telegraph	12,654	12,114
8. Cards and accessories	5,266	4,822
9. Printed material and stationery	5,005	4,336
10. Other taxes	6,964	8,043
11. Legal, notary and consultancy services	46,704	35,112
12. Agents' commissions and expense reimbursement	78	61
13. Advertising	2,888	5,181
14. Promotional material and competition prizes	17,320	24,948
15. Other commercial costs	463	1,841
16. Other general expenses	24,580	26,814
Total	**350,015**	**391,016**

As required by IFRS 15.128, note that the costs for the execution of customer contracts recognised during the year and included in the opening balance of assets deriving from customer contracts, amounted to Euro 3.7 million.

27. Other operating income (expenses)

	2020	2019
Other operating income	2,925	8,112
Other operating expenses	(7,313)	(10,168)
Total	**(4,388)**	**(2,056)**

28. Net value adjustment on assets measured at amortised cost

The item, worth Euro 6.9 million, refers to the net value adjustments applied to receivables due from customers mainly connected with direct issuing and acquiring operations carried out by Nexi Payments S.p.A..

	Impairment losses			Reversals of impairment losses		2020	2019
		Stage 3					
	Stages 1 and 2	Write-off	Other	Stages 1 and 2	Stage 3	Total	Total
A. Loans and receivables with banks	-	-	-	-	-	-	-
B. Loans and receivables with customers	48	-	7,153	(311)	(10)	6,880	6,239
Total	**48**	**-**	**7,153**	**(311)**	**(10)**	**6,880**	**6,239**

29. Net accruals for provisions to risks and charges

The item totalling a Euro 0.2 million reflects changes to the provision for risks and charges.

	2020	2019
Net accruals to provisions	(33)	(7,622)
Net accruals to provisions for frauds of Nexi Payments	(124)	1,167
Total	**(157)**	**(6,455)**

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

	2020	2019
Depreciation and net impairment loss on property, equipment and investment property	59,244	61,772
Amortisation and net impairment loss on intangible assets	116,071	94,045
Total	**175,315**	**155,817**

30.1. AMORTISATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS: BREAKDOWN

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount|
A. Intangible assets				
A.1 Owned	116,071			116,071
- Acquired	32,238			32,238
- Other	83,833			83,833
A.2 Leased				-
Total	**116,071**	**-**	**-**	**116,071**

30.2 AMORTISATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON TANGIBLE ASSETS: BREAKDOWN

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount
A. Tangible assets				
A.1 Owned				
- Property, equipment	46,238	1,126	-	47,365
- Investment property	128	-	-	128
A.2 Under Finance Lease	-			-
- Property, equipment	11,752			11,752
- Investment property	-			-
A.3 Under operating lease	-			-
Total	**58,118**	**1,126**	**-**	**59,244**

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

	2020	2019
Profit		
Profits from investments	-	-
Profits from sales of fixed assets	7	226
Loss		
Loss on investments	-	-
Loss on sales of fixed assets	(219)	(824)
Net result	**(212)**	**(598)**

32. Income taxes

	2020	2019
Current tax expenses	(62,193)	(19,876)
Changes in current taxes in previous years	152	233
Changes in deferred tax assets	(17,407)	12,197
Changes in deferred tax liabilities	(261)	3,266
Total	**(79,709)**	**(4,180)**

The item "income taxes" for 2019 benefitted from the impact of the use of previous tax losses, which ended in 2020.

32.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNISED

IRES	2020
Theoretical tax rate	27.50%
Non-deductible expense	4.2%
Deductible expense and othere decreases	(3.2%)
Effective tax rate	28.5%

IRAP	2020
Theoretical tax rate	5 57%
Non-deductible expense	6.0%
Deductible expense and othere decreases	(2.1%)
Effective tax rate	9.5%

33. Profit (loss) after tax from discontinued operations

The item refers to the positive and negative items of income from assets held for disposal (see Note 11).

34. Profit (loss) for the year attributable to non-controlling interests

These are minorities mainly referring to Nexi Payments S.p.A. for Euro 1.4 million and Help Line S.p.A. for Euro 0.02 million, and Orbital Cultura for negative Euro 0.04 million.

35. Information on Group operations

Amounts in Euro thousand

CONSUMER CREDIT

Breakdown by technical form

	Total at Dec. 31, 2020			Total at Dec. 31, 2019		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
1. Unimpaired assets						
- personal loans	2,339		2,339	3,589		3,589
- special purpose loans	233,742	416	233,326	226,272	345	225,927
- salary-backed loans						
2. Impaired assets						
Personal loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Special purpose loans						
- non-performing exposures						
- probable default	5,523	3,366	2,157	695	486	208
- impaired past due exposures						
Salary-backed loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Total	**241,604**	**3,782**	**237,822**	**230,556**	**831**	**229,724**

CLASSIFICATION BY RESIDUAL LIFE AND QUALITY

Timeframes	Unimpaired financing		Impaired financing	
	Total at Dec. 31, 2020	Total at Dec. 31, 2019	Total at Dec. 31, 2020	Total at Dec. 31, 2019
- up to 3 months	73,703	71,601		
- from 3 months to 1 year	139,958	131,182		
- from 1 year to 5 years	22,004	26,733	2,157	208
- over 5 years				
- open terms				
Total	**235,665**	**229,516**	**2,157**	**208**

OTHER INFORMATION

WARRANTIES AND COMMITMENTS

PERFORMANCE OF VALUE ADJUSTMENTS/ COMPREHENSIVE PROVISIONS

Reasons/ Categories	Amount
A. Value adjustments/ initial total provisions	**831**
B. Increases	**3,103**
B.1 Value adjustments from impaired financial assets acquired or originated	
B.2 Other value adjustments / provisions	3,103
B.4 Contractual changes without cancellation	
B.5 Other increases	
C. Decreases	
C.1 Valuation value gains	
C.2 Value recoveries	
C.3 Gain for sale	
C.4 Write-off	
C.5 Contractual changes without cancellation	
C.6 Other decreases	153
D. Value adjustments/final total provisions	**3,935**
Total	**3,935**

ELECTRONIC MONEY ISSUE AND PAYMENT SERVICES

Quantitative information

Liquid funds of customers held at banks

Liabilities	Dec. 31, 2020			Dec. 31, 2019		
	Closing balance	Maximum period balance	Average balance	Closing balance	Maximum period balance	Average balance
DEPObank	54,462	74,833	43,473	41,853	47,809	41,544
Total	**54,462**	**74,833**	**43,473**	**41,853**	**47,809**	**41,544**

Payables for electronic money in issue

Payables for electronic money	Dec. 31, 2020	Dec. 31, 2019
For registered instruments:		
a) rechargeable	49,624	37,485
b) not rechargeable		
For anonymous instruments		
Total	**49,624**	**37,485**

Commission income: electronic money

Commission income	Dec. 31, 2020	Dec. 31, 2019
From electronic money buyers		
a) registered instruments	1,822	3,183
b) anonymous instruments		
From authorised retailers	353,950	217,774
For other business carried out		
Other		
Total	**355,772**	**220,957**

36. Information on risks and related hedging policies

Nexi Group is mainly exposed to Liquidity Risk, Operational Risk (which includes Fraud Risk, Legal and Conduct Risk and IT Risk) and Reputational Risk.

Other risks monitored in the Nexi Group are the Strategic Risk, Credit Risk, Interest Rate Risk and -Market Risk as shown in the table below:

	NEXI S.p.A. (Parent)	NEXI PAYMENTS (IMEL regulated)	MERCURY PAYMENT SERVICES (IP regulated)	HELP LINE (Ancillary)
Strategic risk	x			
Reputational risk	x	x	x	x
Operational risk		x	x	x
Credit risk		x	x	
Liquidity risk	x	x	x	
Interest rate risk	x	x	x	
Market risk		x	x	

These risks are analysed in these Notes, with the exception of Strategic Risk, further detailed under the section on *Main risks and uncertainties* of the Board of Directors' Report on Group Operations.

Risk management at Nexi Group

With reference to risk management, the model adopted by Nexi establishes that the parent company monitors strategic risk and the Group's Internal Control System.
The Internal Control System - namely the organisational, regulatory and methodological environment for the effective and economical assurance of guidance and strategic, managerial and technical and operational control - is a process aimed at offering reasonable certainty as to the attainment of such corporate objectives as efficiency and effectiveness of operations, reliability of the information on the financial statements and conformity with the laws and regulations in force.
The rules governing relations between the parent company, Nexi, and Nexi Group companies (hereinafter the "Subsidiaries") are set out in specific regulations aimed at standardising organisational rules and conduct with a view to focusing development policies and Group management strategies towards convergent objectives, in line with the strategic guidelines issued by the parent company.
Such regulations also address safeguards to management autonomy as with reference to subsidiaries that are regulated and which operate in the payment services and electronic money sectors (hereinafter "Regulated Companies"), said companies operating subject to compliance with special legislation.
Parent company Nexi's own Audit Function, among its other duties, supports the parent company's Board of Directors via the Risk Committee, verifying that the Group's companies define an Internal Control System in line with group-level strategic guidelines and risk management policies defined by Nexi's Board of Directors.

Monitoring, provided via the Group's Internal Control System in accordance with mandatory rules applicable to regulated companies, ensures permanent oversight as to all risks that may impact the Group. To that end, the parent company's Board of Directors:
- defines guidelines applicable to the Group's Risk Management and Internal Control System in accordance with mandatory rules as applicable to the regulated companies;
- ensures control of the Group's comprehensive exposure to business risks;
- along with the Boards of Directors and Boards of Auditors of the Subsidiaries, is informed by the Company's Audit Function as to whether the controls carried out by the relevant organisational units of the Subsidiaries have made significant findings or revealed abnormal, problematic situations. Responsibility for the design, management and oversight of the Risk Management and Internal Control System (hereinafter the "RMICS") of each Nexi Group company rests with the Boards and managers of each Subsidiary individually, even in respect of compliance to special regulations on regulated companies. Said companies assure the establishment and adequate and effective maintenance of the RMICS, implementing the guidelines defined by the parent company.

The Subsidiaries:
- are responsible for implementing the risk management strategies and policies;
- provide the parent company's Audit departmentwith reports, defined each time according to Group needs, on a scheduled basis or upon request, in order to ensure standardised consolidated management of risk;
- organise corrective interventions to remove/mitigate anomalies and problems encountered, in line with any indications received from the parent company.

In accordance with current supervisory provisions, regulated companies' Internal Control Systems are structured around a three-tier control system:
- Tier 1 controls - line controls aimed at assuring proper fulfilment of operations; these controls are hierarchical and carried out by the production units themselves and are generally incorporated into their own procedures or alternatively performed as part of back-office activities;
- Tier 2 controls:
  - risk management controls aimed at defining the methods employed to measure risk, verify respect for limits assigned to the various operational functions and to check the consistency of the operations of the individual production areas with risk/return objectives;
  - control of compliance with standards aimed at overseeing the risks connected with failure to comply with internal and external regulations;
- Tier 3 - internal audits aimed at identifying any performance anomalies, breaches of procedures and both internal and external rules and regulations, as well as at assessing the overall Internal Control System function.

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

Nexi Group risks

Liquidity and interest rate risks

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

The Group is exposed to the risk that failure to respect the obligations and covenants envisaged by contractual documentation relative to this financial debt and, more specially, the Fixed-Rate Notes, the IPO Loan, the Term Loan and the Convertible Bonds and bank and factoring credit facilities in place, may result, amongst others, in the application of the acceleration clause, also due to cross-default clauses included in some of the contracts, regulating the Group's financial debt and facilities to support working capital needs generated by the subsidiaries. For further information please refer to Note 38 of these consolidated financial statements.

Sustainability of Nexi Group's debt level is correlated, first and foremost, to its operating results and thus to is capacity to generate sufficient liquid funds and to refinance debt at maturity.
The risk profiles correlated with the provided guarantees are associated with any defaults on the underlying loan contracts and, consequently, the possibility that lenders may, through the contract remedies available, enforce guarantees to protect their credit rights, thus negatively impacting Nexi Group's economic, equity and financial position.

The risk is limited by clauses in the contracts that come under the "standard" conditions used in similar transactions.

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

Changes in interest rates impact the market value of the company's financial assets and liabilities and the level of interest expenses, as some of the loans subscribed are variable rate.
In this regard, as at December 31, 2020 the Group was exposed for a significant percentage to sources of funding at a variable interest rate; more specifically, 53% of the amount of funding sources used, which represent financial debt, were index-linked to the Euribor variable interest rate: more specifically, via the IPO Term Line for Euro 1,000 million and the Term Loan for Euro 466.5 million. Although not representing financial debt, both the factoring agreement and most of the bilateral facilities were also index-linked to the Euribor variable interest rate.

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

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

The Group has set up procedures aimed at identifying, monitoring and managing liquidity and interest rate risks, which include the regular 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.

Finally, with reference to interest rate risk arising in connection with the specific nature of Nexi Payments S.p.A.'s business, it is worth stressing that exposures are mostly concentrated in the "within one month" category and, as such, mostly result in minimum risk exposure, except for exposures related to revolving cards, which have an average maturity of 10 months.
Exposure to this type of risk is, to all intents and purposes, irrelevant.
The other Group companies are not exposed to interest rate risks.

Breakdown of assets in terms of residual life

	Current	Non-current	Total
Cash and cash equivalents	159,084		**159,084**
Current financial receivables	1,463,395	77,188	**1,540,583**
Financial assets held for trading			**-**
Net trade receivables	221,867		**221,867**
Inventories	8,751		**8,751**
Other current assets	255,499		**255,499**
Discontinued/to be discontinued assets			**-**
Total	**2,108,596**	**77,188**	**2,185,784**

Breakdown of liabilities in terms of residual life

	Within 1 year	1 to 5 years	Over 5 years	Total
Payables to:				**3,862,905**
- Banks	761,786	1,464,632		**2,226,418**
- Financial entities and clients	358,136	12,617		**370,753**
- Securities issued		820,360	445,373	**1,265,733**
Other financial liabilities		22,912		**22,912**
Trade payables	243,972			**243,972**
Other current liabilities	332,664			**332,664**
Total	**1,696,558**	**2,320,521**	**445,373**	**4,462,452**

Covid-19 pandemic impacts on liquidity and interest rate risks

With specific reference to the impact on funding liquidity risk of the economic crisis triggered by the Covid-19 pandemic, as at the date of these notes there are no indications as to significant critical issues, insofar as available liquidity is deemed consistent with the Group's medium-term financing and investment needs. Consider that the most of the aforesaid lines of credit are committed and that parent company Nexi S.p.A. has a further revolving credit facility of Euro 350 million to be used to support any possible and temporary cash-related requirements.
Regarding interest rate risks, there are no specific critical points, including in view of the current context, which shows generally negative short-term interest rates.

Operational risk

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

Examples of fraud may include the intentional use of stolen or counterfeit debit or credit cards, of payment card numbers or other credentials to book sales or false transactions by merchants or other parties, the sale of counterfeit goods, the intentional failure to deliver goods or services sold under the scope of a transaction that is otherwise valid. Failure to identify thefts and the failure to effectively manage fraud risk and prevention may increase the Group's charge-back liability or cause the Group to incur other liability, including fines and sanctions.
It is worth noting that the overriding risk of external fraud relates to fraud in the issuing sector, which in the year 2020 accounted for 0.08% of spending by cardholders (gross fraud).

In order to tackle such risks, Nexi has set up a specific framework for the identification, management and monitoring of risks, comprising policies, processes, organisational measures and instruments. The framework incorporates the national and international regulatory provisions and requirements and best practices for the development and enhancement of supporting methods and instruments.

The Group has sophisticated systems in place for transaction control and detection suitable organisational measures to prevent fraud and control risk management.
In line with the high degree of technological innovation of the services supplied by the Group and given the sensitive nature of operations involving the management of payment data, specific policies and methods have been set in place to identify and manage IT risk (including cybersecurity risk) and specific organisational measures have been implemented under the scope of the Information Security Management System for line controls and risk management control.

Operational risk is also mitigated via specific insurance cover.

Covid-19 pandemic impacts on operational risk

The drastic measures taken to counter the health emergency on a national level called for the adoption of the measures envisaged by the Business Continuity plan for addressing, above all, the risk of business interruption. Said measures promptly enabled all staff to safely carry on working remotely and set up prevention initiatives aimed at preserving the health and safety of on-site employees and at efficiently communicating the crisis, thus planning the handling of the transition period that will lead to a new situation of normality.

The awareness of an exposure to the business interruption risk also gave further momentum to the initiatives previously started in terms of Vendor Risk Management, in particular the development of identification and assessment procedures for the critical areas of the supply chain and a more thorough, permanent monitoring of outsourced functions, especially of key or relevant functions.

Cyber risk is a crucial risk and a growing threat, globally speaking. The widespread use of remote work and the strong drive fostering the digitalisation of activities and services, sparked by the pandemic, further boosted, in all spheres, the IT security risks companies and users are exposed to.
In this context, Nexi Group's major risks are the possible direct attacks on infrastructure and corporate IT systems, or on technological providers; other risks stem from the weak points of smart working (e.g. the use of non-duly protected remote connections).

Hence, the Group - aside from pursuing the IT security initiatives provided for by the strategic plan and periodically checking its efficacy - has taken specific countermeasures in terms of governance and IT security, also organising staff training and awareness-raising sessions on the emerging risks and conduct to be followed. Finally, with specific reference to the payment services provided in the scopes of Corporate Banking and ATM & Self, several actions were taken to step up the security level of the exposed systems and applications, and to prevent users from falling victim to cyberattack fraud.

Reputational risk

Reputational risk is defined as the current or prospective risk of a loss, of a downturn to the business volume or profits or of a decline in the value of securities that is the product of a negative perception of the Group's image by customers, counterparties, shareholders, investors or by the relevant supervisory authorities. Such circumstances stand to impact Nexi's ability to either maintain or establish business relations and to continue to access funding resources, including through capital markets or banking channels.

Given the scope and nature of reputational risk and its prospective negative impacts, the Group has established dedicated subunits tasked with preventing operational and compliance risk factors that may impact the Group's reputation. These are assigned to:
- AML controls;
- privacy controls;
- IT risk monitoring and risk control;
- business continuity management;
- brand management and communication (for Nexi-branded cards);
- crisis management (i.e. the reputational risk management task force);
- compliance and operational risk monitoring and Tier 2 controls.

Furthermore, the Group operates on an ongoing basis with respect to all actions geared towards preventing and monitoring risk factors that may impinge on the Group's reputation (especially in respect of the Nexi brand holder, Nexi Payments S.p.A.). Such actions include:
(i) the assessment of reputational risk issuing from the periodic assessment of compliance and process operational risk;
(ii) the assessment of potential reputational risk during the design of new services/products; (iii) the assessment of potential impacts on reputation in the event of operating "incidents"; (iv) a behavioural and reputational risk-monitoring dashboard.

Credit risk

The Group is exposed to credit risk as further detailed herein.

Credit risk in the acquiring business

Settlement between counterparties results in the merchant-customer receiving the funds before the Group, as the acquirer, receives them:
(i) from the factor, for the receivables generated by cards issued by the Group under the factoring contract;
(ii) from the banks of the cardholders, for all other receivables generated by cards issued by the Group and not covered by the factoring agreement;
(iii) and/or, where cards are issued by other issuers, from the international payment card schemes.

In respect of acquiring services supplied by means of traditional and referral license contracts, as the acquirer, the Group is also exposed to counterparty risk issuing from the amounts paid to merchants before the goods or services are supplied to the consumer or disputed by the cardholder. In such an event, the amount of the transaction is usually charged back to the merchant and the purchase price is reimbursed by the Group, as acquirer, to the cardholder.

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

Credit risk in the issuing business

The Group's regulated companies, as issuers, grant credit to cardholders in order to finance purchases made using the payment cards of such customers (retail and corporate).
Timing of collection in regard to cardholders depends on the type of card used. If the purchase is made with a debit card, issuer exposure is not envisaged; vice versa, with charge cards, the issuer is exposed for an average period ranging between 15 and 45 days, which can extend up to 3 months for some types of 'corporate pay' cards.
If the cardholder is not able to pay off the balance, due to bankruptcy or insolvency, the partner bank ensures reimbursement of the amounts due by it. In the event of partner bank insolvency, the issuer can seek to recover the amounts directly from the cardholders.
In this regard, note that even in the event of an insolvent holder's card being blocked, the partner bank remains liable for any insolvencies for spending in the 5 days following. Once these 5 days have passed, if the issuer has not blocked the card, any additional amounts (namely, spending from the sixth day onwards) are the responsibility of the issuer.
As for directly issued card, in the event of the cardholder's insolvency, the credit risk is entirely borne by Nexi.

Credit risk in the servicing and associate business

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

Credit risk monitoring

Credit risk is monitored constantly, ensuring that exposures fall within the set budget limits for each year. Careful scoring is also carried out prior to any Direct Issuing agreements being drawn up with new merchants or new cardholders. The Risk Management Function constantly monitors credit risk performance and in the event of a budget overrun it activates the required escalation measures.
In order to control and measure the risk, specific maximum limits are set for gross and net insolvency and the related incidence on spending, monitored constantly together with the performance of expected losses with respect to effective losses recognised and the performance of losses incurred in connection with business performance.

Credit risk control is also carried out upstream via the Tier 1 functions, starting with the credit evaluation and approval process, which involves the following:
- internal checks;
- consistency checks;
- positive and negative Credit Bureau use;
- credit-scoring algorithms.

Further processes with a bearing on credit risk involve the monitoring and collection of debt from merchants and holders, designed to limit the impact of the risk events.
In the area of servicing activities, the Group has no direct credit risks with respect to retail customers to the extent that its business is focused on Issuing servicing and acquiring servicing. Such credit risk, therefore, lies with the banks that are the issuing and/or acquiring license holders.

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

Portfolio/ Quality	Non-performing exposures	Probable default	Impaired past due exposures	Unimpaired past due exposures	Other unimpaired exposures	Total
1. Financial assets measured at amortised cost		3,441		2,372	1,534,770	1,540,583
2. Financial assets measured at FVTOCI					151,700	151,700
3. Financial assets at Fair Value to profit and loss						-
4. Other financial assets mandatorily valued at Fair Value						-
5. Non-current assets held for sale and discontinued operations					1,697	1,697
Total at Dec. 31, 2020	**-**	**3,441**	**-**	**2,372**	**1,688,166**	**1,693,980**
Total at Dec. 31, 2019	**-**	**1,677**	**13**	**29,968**	**1,684,895**	**1,716,552**

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

Portfolio/ Quality	Impaired				Unimpaired			Total (net exposures)
	Gross exposure	Total value adjustments	Net exposure	Total write-off	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	13,010	9,569	3,441		1,538,897	1,755	1,537,142	1,540,583
2. Financial assets measured at FVTOCI					151,700		151,700	151,700
3. Financial assets at Fair Value to profit and loss								
4. Other financial assets mandatorily valued at Fair Value								
5. Non-current assets held for sale and discontinued operations					1,697		1,697	1,697
Total at Dec. 31, 2020	**13,010**	**9,569**	**3,441**	**-**	**1,692,294**	**1,755**	**1,690,538**	**1,693,980**
Total at Dec. 31, 2019	**9,001**	**7,311**	**1,690**	**-**	**1,716,929**	**2,066**	**1,714,863**	**1,716,553**

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

Exposure categories/amounts	Gross exposure Impaired	Gross exposure Not impaired	Total value adjustments and total provisions	Net exposure	Total partial write-offs
A. Cash credit exposure					
a) Non-performing exposures		X			
- of which: subject to grant		X			
b) Probable default		X			
- of which: subject to grant		X			
c) Impaired past due exposures		X			
- of which: subject to grant		X			
d) Unimpaired past due exposures	X				
- of which: subject to grant	X				
e) Other unimpaired exposures	X	578,696		578,696	
- of which: subject to grant	X				
Total A	**-**	**578,696**	**-**	**578,696**	
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	
Total (A+B)	**-**	**578,696**	**-**	**578,696**	

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

Exposure categories/amounts	Gross exposure Impaired	Gross exposure Not impaired	Total value adjustments and total provisions	Net exposure	Total partial write-offs
A. Cash credit exposure					
a) Non-performing exposures	2,035	X	2,035	-	
- of which: subject to grant		X			
b) Probable default	10,975	X	7,533	3,441	
- of which: subject to grant		X			
c) Impaired past due exposures		X		-	
- of which: subject to grant		X			
d) Unimpaired past due exposures	X			-	
- of which: subject to grant	X				
e) Other unimpaired exposures	X	960,201	1,755	958,446	
- of which: subject to grant	X				
Total A	**13,010**	**960,201**	**11,324**	**961,887**	**-**
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**13,010**	**960,201**	**11,324**	**961,887**	**-**

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

Categories	Non-performing exposures	Probable default	Impaired past due exposures
A. Initial gross exposure	**2,264**	**6,718**	**3**
- of which: transferred exposures not derecognised			
B. Increases	**647**	**8,017**	**-**
B.1 Income from unimpaired exposures	647	147	
B.2 income from impaired financial assets acquired or originated of impaired exposures			
B.3 Transfer from other impaired exposure categories			
B.4 Contractual changes without cancellation			
B.5 Other increases	1	7,870	
C. Decreases	**876**	**3,760**	**3**
C.1 Outflows to unimpaired exposure			
C.2 write-offs		48	
C.3 Collections	164	80	3
C.4 Gain from sale			
C.5 Loss from sale	650	3,632	
C.6 Transfer to other impaired exposure categories			
C.7 Contractual changes without cancellation			
C.8 Other decreases	62	-	
D. Final gross exposure	**2,035**	**10,975**	**-**
- of which: transferred exposures non derecognised			

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

	Non-performing exposures		Probable default		Impaired past due exposures	
Categories	Total	Of which: subject to grant	Total	Of which: subject to grant	Total	Of which: subject to grant
A. Initial gross adjustments	**2,264**		**5,047**			
- of which: transferred exposures not derecognised						
B. Increases	**471**		**6,387**			
B.1 Value adjustments from impaired financial assets		X		X		X
B.2 Other value adjustments						
B 3 Loss from sale						
B.4 Transfer from other impaired exposure categories						
B 5 Contractual changes without cancellation		X		X		X
B 6 Other increases	471		6,387			
C. Decreases	**699**		**3,901**			
C.1 Valuation reversals						
C.2. Value recoveries						
C.3. Gain from sale						
C.4. Write-offs						
C.5 Transfer to other impaired exposure categories						
C.7 Contractual changes without cancellation		X		X		X
C.8 Other decreases	699		3,901			
D. Final gross adjustments	**2,035**		**7,533**			
- of which: transferred exposures not derecognised						

Covid-19 pandemic impacts on credit risk

The persistence of great uncertainty as to the future evolution of the pandemic and its economic and social repercussions make it difficult to draft a reliable outlook on Italy's economic recovery trends, since it is still not possible to thoroughly assess the actual effectiveness of the measures aimed at supporting income and enterprises and of the economic policies adopted by the government.

A number of adverse, yet plausible, macro-economic scenarios, envisaged by international bodies and agencies (IMF, ECB, OECD, rating agencies), which include the negative effects of the shock suffered by the sectors particularly affected by the measures taken to curb the pandemic, all depict a significant impairment of credit quality, especially with reference to exposures to retail/SME customers, which show less resilience in terms of extended financial difficulties.

While the quantification of the expected credit losses (ECL) is therefore greatly affected by volatility, Nexi Group has worked very hard to estimate the increase in risk levels (both current and future) in the most vulnerable economic sectors, which are most likely to suffer the long-term effects of the pandemic, intensifying the monitoring of sector exposure. The set of internal indicators was also adjusted in order to identify potential probable defaults (if possible, including in terms of individual debtors), trying to sufficiently differentiate between temporary financial difficulties, eligible for relief, and structural impairment of credit.

At the date of publication of these Notes, despite facing potentially critical situations, the impact of Covid19 -related events on credit risk is rather limited, owing to the proper and prompt handling of such risk, to the monitoring activities and to the mitigation measures taken.
Duly accounting for the nature of its operations and the credit risk factors outlined above, the Group has identified three potential factors conducive to further losses:
1) Increased losses due to chargeback for undelivered goods / services not rendered (especially in the hardest hit sectors, such as the travel, tourism and entertainment sectors).

This risk factor, which stands to have potentially conspicuous impact also in light of a prospective rise in claims in the medium term, was studied in depth over the year. This phenomenon, stemming from the possibility, for the card issuer, to charge the acquirer the amount of non-rendered services or goods not delivered to the hold, witnessed just a slight increase compared with 2019, but it was particularly relevant for the Travel industry, because of the restrictions called for by the health emergency. The chargeback trend stabilised at year-end, with the final figures aligned - both in terms of volumes and amounts - to the months that immediately preceded the start of the pandemic.

Nexi Group has responded by constantly monitoring such instances and setting mitigation measures in place, among which:
- bolstering of fraud prevention efforts in order to reduce losses and limit the number of disputes and claims leading to compensation;
- effective claims management;
- ongoing dialogue with payment card circuits concerning the correct implementation of relevant rules with respect to force majeure representations made by counterparties (e.g. supply chain interruptions, workforce shortages, limitations to free movement of people) and to the consequences of certain relief measures in favour of private citizens and businesses approved by the Italian government.

An effective management of this type of risk, while burdening the operations of all corporate functions involved, ensured a significant mitigation of the effects on the income statement. In fact, at the date of publication of these Notes, total gross insolvencies are no greater than in 2019.
2) Increased default risk among merchants (especially SMEs).

As at the date of these Notes, there is nothing to indicate either any sizeable short-term increase in customer defaults or in any of the relevant risks thereto, save for potential delayed timeframes with respect to merchants' payment of commissions.
The mitigation measures set in place by Nexi include initiatives designed to help small and medium-sized merchants address temporary payment difficulties due to liquidity issues ("digital solidarity" initiative; refund of fees for electronic payments worth less than Euro 10).
3) Increased cardholder insolvency.

As at the date of these Notes there has been no appreciable increase in direct-issue card insolvency as a direct consequence of the cardholders' reduced economic means.

Market risk (price and currency)

Nexi Group is exposed to the risk of unfavourable movements in the price of its Visa Inc. Class C Shares and Visa Inc. Class A Shares, as well as negative effects on the value of said shares due to movements in the EUR/USD exchange rate. Visa Preferred Class C shares (convertible into Visa ordinary Class A shares at a conversion factor that varies based on the costs deriving from potential liabilities of ex Visa Europe, acquired by Visa Inc.), are illiquid financial instruments and, as such, are characterised by possible obstacles (in law or de facto) or restrictions on divestment within a reasonable time and at fair market conditions; Visa preferred Class A shares can be promptly converted into ordinary shares at a predefined and non-modifiable rate; Visa ordinary Class A shares are liquid financial instruments listed on regulated markets.

As at the reference date of these Notes, based on the measurement at Fair Value of the stock in the context of the reference markets, hedging against market risks via a derivative instrument was deemed unnecessary.
The Group companies are also marginally exposed to the foreign exchange risk, to the extent that the payments and collections, respectively for transactions to be paid or collected in relation to the Mastercard and Visa schemes, are denominated in euros.
Market risks have not been significantly impacted by the Covid-19 pandemic.

Breakdown of asset, liabilities and derivatives by currency

	Currency					
Items	**US dollar**	**Pound sterling**	**Yen**	**Canadian dollar**	**Swiss Franc**	**Other currencies**
1. Financial assets	**151,858**	**159**	**149**	**79**	**58**	**239**
1.1 Debt instruments						
1.2 Equity instruments	151,614					
1.3 Loans and receivables	244	159	149	79	58	239
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**13**	**-**	**-**	**-**	**-**	**-**
3.1 Liabilities	13	-	-			
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives	**-**					
5.1 Long positions						
5.2 Short positions						
Total assets	**151,858**	**159**	**149**	**79**	**58**	**239**
Total liabilities	**13**	**-**	**-**	**-**	**-**	**-**
Difference (+/-)	**151,845**	**159**	**149**	**79**	**58**	**239**

37. Statement of comprehensive income

(Amounts in Euro thousand)

Items	2020	2019
Profit (loss) for the year	**129,308**	**136,086**
Items that will not be reclassified subsequently to profit or loss		
Financial assets at FVTOCI:		
a) Fair Value changes	33,124	18,546
b) transfers to other equity components		
Hedging of equity instruments designated at FVTOCI:		
a) Fair Value changes (hedged instrument)		(42,935)
b) Fair Value changes (hedging instrument)		
Defined benefit plans	(216)	(977)
Income taxes related to high income components without profit and loss reversal	(2,243)	1,960
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges:		
a) Fair Value changes		(222)
b) income statement reversal		
c) other changes		
Income taxes related to high income components with profit and loss reversal		61
Other comprehensive income (net of tax)	**30,665**	**(23,567)**
Comprehensive income (Items 10 + 190)	**159,973**	**112,519**
Comprehensive income attributable to non-controlling interests	**1,638**	**643**
Comprehensive income attributable to the owners of the parent	**158,335**	**111,876**

38. Related Parties

The purpose of IAS 24 (Related party disclosure) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the equity-financial position and economic results may have been altered by the existence of related parties and transactions and balances applicable with said parties.

In accordance with these indications, applied to the organisational structure and governance of the Nexi Group, the following are considered as related parties:

a) entities that, directly or indirectly, by law or de facto, including through subsidiaries, trusts or intermediaries, control Nexi, included jointly, or exercise significant influence over it;
b) the subsidiaries or entities under the joint control of the entities listed at the point above;
c) the subsidiaries, associates or entities under the joint control of Nexi S.p.A.;
d) key management personnel of the Nexi Group and its direct Parent company and its subsidiaries, entities under its joint control or subject to its significant influence;
e) close family members of the natural persons included under letters a) and d) above;
f) the complementary pension fund established in the favour of employees of Nexi S.p.A. or its related entities.

38.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

Below are the fees paid, in the reference period, to the directors and managers and key management personnel.

(Amounts in Euro thousand)

	Directors	Board of Statutory Auditors	Key Management Personnel
Corporate bodies remuneration	1,367	699	-
Short-term benefits	-		4,352
Benefits subsequent to the termination of employment	-		524
Other long-term benefits	-		-
Indemnities for termination of employment	-		-
Total	**1,367**	**699**	**4,876**

38.2 INFORMATION ON RELATED-PARTY TRANSACTIONS

The effects of transactions with related parties, over and above the fees described above, are summarised below:

	Controlling company	Other related parties	Directors, Executives and other Supervisory Bodies
Cash and cash equivalents		7,128	
Financial assets measured at amortised cost		370,090	
Intangible assets		2,562	
Other assets	-	28,844	
Financial liabilities measured as amortised cost		-	
Other liabilities		21,497	
Fees for services rendered and commission income		29,577	
Fees for services received and commission expense		2,567	
Interest and similar income		403	
Interest and similar expense		1,738	
Other administrative expenses		8,086	
Other operating income (expense)			6

Note that these contracts are regulated by the terms and conditions in line with market terms and conditions.
The main contracts in place with related parties refer to the following relations entertained during the period with DEPObank (included in the category "other related parties" until March 1, 2021, date as of which the company is no longer related to Nexi Group):

- outsourcing contract for the supply of IT services by Nexi Payments S.p.A. to DEPObank. The price varies according to the effective use of internal and external resources; the contract was renegotiated in 2020, extending the deadline and reviewing the prices;
- agreement for the provision of commercial services that defines the terms and conditions on which basis Nexi Payments S.p.A. offers its customers the products and services of DEPObank through its commercial network. The price, identified upon completion of a market benchmark check, is correlated with the annual business volumes accrued by DEPObank as a result of the commercial activity of Nexi Payments S.p.A.;
- credit mandate contract whereby DEPObank provides a financing service through the advance of the daily settlement of issuing/acquiring transactions relative to servicing and associate banks. The price is measured to market conditions in place as at the contract stipulation date;
- outsourcing contract whereby Nexi Payments S.p.A. supplies DEPObank with a clearing service and accounting activities relative to a specific contract. The price is measured to the effective use of internal resources;
- deed of assessment stipulated with DEPObank, aimed at considering the effects deriving from the results of the query raised in respect of the tax asset pertaining to Nexi as a result of the spin-off;

- credit facility granted by DEPObank, used as a current account overdraft to manage the financial needs and guarantees. The contract is regulated by conditions in line with market conditions;
- current account contracts held with DEPObank. The contract is regulated by conditions in line with market conditions.

Other existing contracts, all of which falling within ordinary operations, mostly refer to services received from related parties (especially consulting and card production services) and positions linked to corporate cards that are regulated by conditions in line with market conditions.

39. Share-based payments

39.1 STOCK GRANT

Mercury UK HoldCo Ltd ("Mercury UK") in 2019 adopted two incentive plans (the "Plans"), with Nexi S.p.A. ("Nexi") shares as the underlying.
The Plans are reserved to certain selected employees (the "Beneficiaries") of Nexi Payments S.p.A., Help Line S.p.A. and Mercury Payment Services S.p.A. (together with Nexi, the "Group").

The Plans give Beneficiaries the right to receive free of charge a certain number of Nexi shares (the "Benefit in Shares"), for which Beneficiaries are not required to pay any strike price. The Benefit in Shares consists of ordinary shares in Nexi for which no restrictions are envisaged with respect to either voting rights or dividend distributions.

The Benefit in Shares is subject to a period of deferral.
More specifically, for some Beneficiaries, the shares are assigned as follows:
- 50% of the Benefit in Shares is assigned at the date of Nexi's stock exchange listing, which occurred on April 16, 2019;
- 25% of the Benefit in Shares is assigned after the first anniversary of Nexi's stock exchange listing;
- 25% of the Benefit in Shares is assigned after the second anniversary of Nexi's stock exchange listing.

For other Beneficiaries, however, the Plan envisaged delivery of 100% of the Benefit in Shares with a deferral period of at least 100 days from the date of Nexi's stock exchange listing.
In all cases of termination of the contract of employment before the first date of share assignment in accordance with the Plans, the Beneficiary forfeits the right to receive the entire Benefit in Shares. In the event of termination of the contract of employment after the first date of share assignment for certain selected causes not the fault of the Beneficiary, if the Benefit in Shares is deferred in multiple tranches, the Beneficiary maintains the right to the assignment of part of the deferred Benefit in Shares (on a pro-rata temporis basis throughout the deferral period). By contrast, in all other cases of suspension of the contract of employment (other than those specified above), after the first assignment date, the Beneficiary forfeits the right to the assignment of the deferred Benefit in Shares.

In addition, during 2020, Mercury UKuk adopted a new incentive plan, based on the shares of Nexi S.p.A. ("Nexi") and vesting period until April 16, 2022. This plan, reserved for selected employees of the companies of the Nexi Group, whose main characteristics (eg in the event of termination of the relationship) are similar to those of the existing plans, except for the presence of additional shares that can be assigned to employees based on the market performance of Nexi shares.
Beneficiaries ") of the companies of the Nexi Group, whose main characteristics (eg in the event of termination of the relationship) are similar to those of the existing plans, except for the presence of additional shares that can be assigned to employees based on the trend in the market price of the shares

The shares allocated to the Plans are reported below:

Description	Number of shares
Total shares allocated to the Plans	9,127,355
Shares assigned definitively in accordance with the Plans	(5,316,980)
Shares forfeited from the Plans in 2019 and 2020	(161,833)
Shares in place as at Dec. 31, 2020	**3,648,542**

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

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

The Fair Value of the "Stock Grant" Plan has been determined, for the Plans of 2019, taking into account the price of the IPO, which has also determined the time of delivery to most Beneficiaries of 50% of the granted shares and that, considering the short space of time that has passed between the assignment of the shares and the IPO, is considered a consistent indicator in terms of representing the share value at the grant date. For the 2020 Plan, Fair Value was determined, for base shares, considering the forward price of Nexi stock on 16.04.22. As for additional shares, the Monte Carlo method was adopted in order to simulate, for an adequate number of scenarios, the number of additional shares and the price of Nexi stocks. Implicit volatility was that obtained from info-providers as relevant to Nexi stock options with time-to-maturity set at equal to that of the plan.

Base on the above, the overall cost of the plan for 2020 is about Euro 17.4 million.

39.2 LONG TERM INCENTIVES

In 2019, the medium/long-term incentive Plan was implemented, as approved by the Shareholders' Meeting on March 12, 2019, in implementation of the remuneration policy adopted by the Company by Board of Directors' resolution passed on February 13, 2019. This plan, according to the provision of IFRS 2 described above with reference to the Stock Plan, must be accounted for as a transaction with employees to be settled with equity instruments of the entity.
The Plan is structured into three cycles, each with a three-year duration (2019-2021/2020-2022/2021-2023) and envisages the assignment of rights to receive ordinary shares in the Company once a year. These shares are not subject to any restrictions to voting rights or dividend distribution. As at the date of these financial statements, the first two cycles of the Plan has already been assigned in regard to which a vesting period is envisaged ending respectively on December 31, 2021 and on December 31, 2022.

More specifically, the process of assigning the rights to receive shares was completed as follows:
- First tranche: for most of the employees, on July 19, 2019, and for employees hired later, on September 30, 2019.
- Second tranche: for most of the employees, on July 15, 2020, and for employees hired later, on September 30, 2020.
- These dates are the grant dates for the purpose of IFRS 2.
- The rights to be assigned in the context of the LTI plan are divided up into:
- Performance Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) only upon achieving predetermined business performance objectives, referring to a specific period of time; and
- Restricted Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) regardless of whether or not the predetermined business performance objectives are achieved. These rights will accrue after the vesting period, subject to the beneficiary remaining in the Company.

A condition for the accrual of the rights and, therefore, the attribution of the shares for both the types described above is that the employee remains in service until the delivery date of the share attribution letter.
More specifically, with reference to Performance Share Rights:
- accrual is first and foremost subject to achieving - at the end of the Vesting Period of each Cycle - at least 80% of the Operating Cash Flow Target (the "Entry Gate");

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

Changes in the number of rights assigned are reported below:

Description	No. of performance share rights	No. of restricted share rights	Total
Outstanding rights at the grant date	1,564,834	743,372	2,308,206
Accrued rights			
Forfeited rights in 2019 and 2020	(10,478)	(11,226)	(21,704)
Outstanding rights at Dec. 31, 2020	**1,554,356**	**732,146**	**2,286,502**

The rights assigned were measured, reflecting the financial market conditions valid as at the grant date. Determination of the total plan value, as established by IFRS 2, is impacted by the number of rights that will accrue in accordance with the rules set out by the performance and Fair Value conditions of each right.
Measurement was carried out considering the two components of the Performance Shares and Restricted Shares included in the plan, separately. Moreover, within the Performance Share component, consideration was given to the presence of the aforesaid specific objectives.
More specifically, the market-based component was estimated using the Monte Carlo Method, a stochastic simulation technique which, based on a set of starting conditions, produces a wide array of outcomes within a specified time horizon. More specifically, for each outcome scenario, share price projections are computed as of the initial value according to geometric Brownian motion, whose formula is as follows:

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

According to above formula, for a given time interval, Δt, changes in share price, ΔS, are dependent on price variability (σ) and on a random variable (ε) governed by standard normal distribution. Starting conditions for the simulation include an expected dividend yield of zero for the 2019-2021 time interval so as to also reflect the Board of Directors' resolutions dating February 13, 2019 concerning the distribution of dividends. Based on market sources at the reference date, other starting conditions include a risk-free rate in Nexi share returns of 1% p.a. and a share price volatility of 25% for the first tranche and 47% for the second tranche (reasonable estimates based on historical volatility as at the measurement date).
At the grant date the simulation delivered a unit value of Euro 11.9 for shares assigned on July 12, 2019, and of Euro 11.6 for the first tranche and Euro 25.87 and 25.71 for the second tranche (respectively, with reference to the shares issued in July and September).
As for the likelihood of beneficiaries leaving, the annual exit probability was assumed to be zero.
In accordance with IFRS 2, the non-market-based component is a condition that rather than be measured at the time of assignment is to be updated periodically at each reporting date, so as to take into account the expectations in relation to the number of rights that may accrue. For these components the unit Fair Value is Euro 9.57 and Euro 9.36 for the first tranche and Euro 15.59 and Euro 17.12 for the second (respectively, with reference to the shares issued in July and September).

The overall cost of the plan for 2020 was about Euro 9 million.

40. Business combinations

40.1. TRANSACTIONS CARRIED OUT DURING THE PERIOD

Acquisition of the Intesa Sanpaolo merchant acquiring business

As detailed in the Board of Directors' Interim Report, the acquisition of Intesa Sanpaolo Group's merchant acquiring business, agreed to on December 19, 2019, was completed on June 30, 2020.

As a result of the transaction, Nexi Payments S.p.A. has acquired the merchant contracts formerly managed by Intesa Sanpaolo, with reference to both traditional and alternative payment methods and POS terminal management. With Nexi leading on the innovative product and services development front, Intesa Sanpaolo will ensure placement of such products and services.
The acquisition resulted in the transfer of Intesa Sanpaolo's acquiring business into Nexi Payments for Euro 1 billion, an amount reflected in a like increase in the transferee's equity.

Pursuant to a master and distribution agreement and reflecting long-standing ties between the Nexi and Intesa Sanpaolo groups, Intesa Sanpaolo will act as distributor for Nexi's acquiring services.
Since the transaction falls within the scope of a business combination, it has been accounted for pursuant to the IFRS 3 - Business Combinations standard. The latter defines a business combination as "a transaction or other event in which an acquirer obtains control of one or more businesses" and states that any assets acquired (including any intangible assets not featured in the acquiree's statements) and any liabilities assumed or contingent are subject to Fair Value consolidation as at the acquisition date, and that the same applies for measurement at goodwill of the difference between the Fair Value of the identifiable assets and the considerations transferred. Purchase price allocation process was completed on December 31, 2020.
The purchase price allocation mainly addressed the valuation of contracts with customers. Furthermore, the contract also provides for the Fair Value of the earn-out mechanism, included in the overall value of the transaction. In particular, the acquisition contract for Intesa Sanpaolo's merchant acquiring book envisaged an earn-out payment mechanism to Intesa Sanpaolo, in 2025, should the merchant book achieve revenues, in the first 4 years, exceeding initial expectations upon takeover. The relevant Fair Value was determined based on the most recent estimates of the expected profitability of the merchant acquiring book. Note that, the earn-out, in terms of the IFRS 3, is a contingent consideration whose initial value is equivalent to Fair Value at the acquisition date.

The transaction was recognised, in compliance with the provisions of IFRS3, starting from the date of acquisition (30 June 2020) with the consequence that the effects on the income statement deriving from it will be effective from the second half of 2020. Note that the costs incurred to execute the transaction, during the year amount to Euro 21.9 million.

The provisional goodwill arising from said business combination totals c. Euro 763 million broken down as follows:

Intesa Sanpaolo acquiring book	Provisional Fair Value *)	PPA allocation	Final Fair Value
Cash consideration paid	**1,000,000**	**-**	**1,000,000**
Contingent consideration	**4,416**	**21,890**	**26,306**
Minority interests	**(8,672)**	**1,517**	**(7,155)**
Cash and cash equivalents	54,810	-	54,810
Financial assets (**)	24,322	-	24,322
Intangible assets	2,147	276,721	278,868
Tax assets	4	-	4
Other assets	12,629	-	12,629
Other liabilities (***)	(22,985)	(91,512)	(114,497)
Net assets	**70,910**	**185,210**	**256,120**
Goodwill	**924,834**	**(161,802)**	**763,031**
Cash consideration paid	1,000,000	-	1,000,000
Cash acquired	54,810	-	54,810
Net cash consideration	**945,190**	**-**	**945,190**

(*) The "provisional FV" column includes the final values of some items of the business's balance sheet and the amounts of the price due with reference to the price adjustment mechanisms that had been determined provisionally for the ha f-year report 2020.

(**) Mainly receivables from merchants and relevant payments

(***) Mainly payables for processing services

40.2 RETROSPECTIVE ADJUSTMENTS

In 2020 no retrospective adjustments were carried out since the PPA process was not completed in the same financial year in which the business combination was completed.

40.3 OTHER INFORMATION

As provided for by IFRS 3, the following table shows, for the aforesaid corporate transaction, the figures, on a pro-forma basis, of revenues and costs if the transaction had been completed as at 1.1.2020.

(amounts in Euro million)	Income statement 2020	ISP business 1H 2020	Pro-forma 2020
Operating revenue	993.9	50.0	1,043.9
Operating costs	(440.2)	(2.3)	(442.5)
EBITDA	**553.7**	**47.7**	**601.4**
Pre-tax profit	209.0	26.9	235.9
Net profit	127.9	16.3	144.2

40.4 TRANSACTIONS AFTER THE REPORTING PERIOD

As detailed in the Board of Directors' Report on Group Operations, the binding framework agreement governing the merger by incorporation of SIA into Nexi was signed on February 11, 2021. The closing of the merger, expected by Q3 2021, is subject to the fulfilment of certain customary conditions precedent, among which obtaining appropriate authorisations and permits from relevant antitrust authorities. The transaction had no impact on the financial statements for the year ended December 31, 2020 other than to the extent of Euro 4 million in direct transaction costs.

41. Group funding transactions

The proceeds of financing transactions carried out by Nexi Group in 2020 have been entirely allocated to funding the acquisition of the Intesa Sanpaolo SpA's merchant acquiring business. Said acquisition was completed on June 30, 2020 pursuant to agreements between the parties and as announced on December 19, 2019, and upon fulfilment of conditions precedent.

The consideration towards the acquisition, which totalled Euro 1 billion, was funded via the April 2020 issue of equity-linked bonds of aggregate principal amount of Euro 500 million due April 2027, and a floating-rate syndicated loan granted June 30, 2020 by a group of leading banks of principal amount Euro 466.5 million and due June 2025 (i.e. the "Term Loan"). The residual amount towards the purchase price was funded with available cash. Said transactions replace the initial bridge loan of Euro 1 billion due by end of 2021.

ISSUE OF CONVERTIBLE BONDS

With a view to extending the average maturity of its debt and to curbing its average cost and also to strengthen the company's liquidity in view of the prospective acquisition of Intesa Sanpaolo's merchant acquiring business, Nexi S.p.A. issued equity-linked bonds (the "Convertible Bonds") with the following characteristics:

- settlement date: April 24, 2020;
- aggregate principal amount: Euro 500 million;
- issue price: 100% of par value;
- maturity date: April 24, 2027;
- coupon: 1.75% p.a. payable semi-annually;
- conversion rights for settlement in the Issuer's ordinary shares at conversion price of Euro 19.47 per share.

A share capital increase, excluding shareholder pre-emption rights pursuant to article 2441(5) of the Italian Civil Code, in service to the conversion of the equity-linked bonds and involving the issue of a maximum of 25,680,534 Nexi S.p.A. shares on terms equal to ordinary shares in issue, was approved by the Extraordinary Shareholders' Meeting on June 29, 2020.

The Convertible Bonds are classified as compound financial instruments under IAS 32, pursuant to which the debt host contract and the equity component for the Fair Value of the conversion rights (into Nexi S.p.A. shares) are recognised separately. Initial recognition values for both were determined as follows:

- the host contract component is the present value of the bond, calculated based on a discount rate equivalent to the fair market value of the interest rate that Nexi would have secured had it issued bonds of equal maturity but barring conversion rights. Said value, net of direct issuing costs, was equal Euro 438 million. This component is subject to subsequent measurement at amortised cost;
- the equity component is equal to the difference between the face value of the bond and the value of the host contract, namely Euro 55 million. This component is not subject to subsequent measurement.

Costs directly associated with the issue of the Convertible Bonds were allocated to debt (Euro 6 million) and equity (Euro 0.8 million) in amounts proportional to the abovementioned initial value.

COVENANTS AND OTHER GUARANTEES LINKED TO FUNDING TRANSACTIONS

In line with financing transactions of similar nature and complexity, the IPO Loan, the Term Loan and, to a lesser extent, the Fixed-Rate Notes and the Convertible Bonds envisage compliance by Nexi S.p.A., Nexi Payments S.p.A. and Mercury Payment Services S.p.A. (jointly, the "Obligors") with certain obligations, including:

i. financial maintenance covenant: financial maintenance covenant: at each "test date" (i.e. June 30 and December 31 of each year), starting June 30, 2020, respect for a financial leverage ratio (essentially the "leverage ratio", the ratio of net debt and consolidated LTM EBITDA), which will be tested with regard to the consolidated and separate financial statements and consolidated interim reports, which shall not exceed 5.75:1 throughout 2020 and shall eventually decrease to 5.25:1. Note that said covenant only applies to the IPO Loan and Term Loan;
ii. negative pledge: each Obligor must abstain from establishing or allowing for the continuation of collateral over its assets, with the exception of certain expressly permitted guarantees and restrictions;
iii. ban on carrying out any spin-off, merger or corporate restructuring, other than the specifically permitted transactions.

Note that as at December 31, 2020 all obligations attached to the abovementioned loans have been fulfilled.

Note that in Q4 2020, Nexi secured a bridge loan from leading banks for an overall available amount of Euro 1.7 billion, for the business combination of Nexi and Nets groups, announced in November 2020, to be completed via a merger on an all-stock basis.
Note that the consummation of such transaction shall not imply new financial debt, but will only generate a debt for Nets Group to be refinanced, secured by the aforesaid bridge loan, which, therefore, at the date of publication of these Notes, was entirely available.

42. Earnings per share

The share capital of Nexi S.p.A. is made up entirely of ordinary shares.
The indicator "Earnings per share" (or "EPS") is presented on both basic and diluted basis: the basic EPS is calculated by considering the ratio of profit theoretically attributable to shareholders to the weighted average of the shares issued, whilst the diluted EPS also takes into account the effects of any future issues.

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

Basic earnings per share	**2020**	**2019**
Profit from continuing operations attributable to the Group's ordinary shares	0.21	0.06
Income (Loss) after tax from discontinued operations	0.00	0.16
Total basic earnings per share	**0.21**	**0.22**
Diluted earnings per share	**2020**	**2019**
Profit from continuing operations attributable to the Group's ordinary shares	0.20	0.06
Income (Loss) after tax from discontinued operations	0.00	0.16
Total diluted earnings per share	**0.20**	**0.22**

Result attributed to ordinary shares

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

Description	**2020**	**2019**
Profit from continuing operations	130,047	36,539
Income (Loss) after tax from discontinued operations	(739)	99,547
Profit for the year	**129,308**	**136,086**

Average number of ordinary diluted shares

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

Description	**2020**	**2019**
Average number of ordinary shares used to compute basic earnings per share	627,778	612,068
Deferred Shares (*)	14,787	1,226
Average number of ordinary and potential shares used to compute diluted earnings per share	**642,564**	**613,294**

(Amounts in share thousand)
(*) Shares attributed to employees according to the first tranche of LTI Plan and potential shares in issue upon conversion of the convertible bonds issued June 29, 2020.

43. Segment reporting

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

The disclosure by business segment includes a single operating segment, represented by electronic money and payment services and which includes the central structures. A greater level of breakdown is given for net revenues from operations, which are divided up into three business lines that can be identified under the scope of the Nexi Group organisation and, therefore, specifically:
- Merchant Services & Solutions;
- Cards & Digital Payments;
- Digital Banking Solutions.

Allocation of the financial results to the various business lines is based on the accounting standards used in the preparation and presentation of the Consolidated Financial Statements.
The tables below thus provide a net revenue breakdown by business line, since the current structure does not require specific allocations by service line at the equity level.

Note 43.2 presents a reconciliation of the income statement drafted by means of segment disclosure and the income statement prepared in the Financial Statements that, in addition to including the effects of the various classifications, also highlights the impact deriving from the different contribution of the companies affected by the spin-off and the Payments BU, as described above. There is no provision for any alternative allocation of net revenues by geographic distribution, to the extent that business is conducted with reference to a nationwide customer base, which is thus managed as a whole.

43.1 SEGMENT REPORTING: INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

(amounts in Euro thousand)

Nexi Group P&L	Payments	Consolidation adjustments	Total segment Reporting
Merchant Services & Solutions	557,400	(57,420)	499,980
Cards & Digital Payments	381,708	(1,696)	380,012
Digital Banking Solutions	113,954	-	113,954
Operating revenues	**1,053,061**	**(59,116)**	**993,945**
Staff costs	(155,058)	(196)	(155,254)
Administrative costs	(330,970)	58,376	(272,595)
Adjustments and net operating provisions	(12,560)	196	(12,364)
Operating costs after amortisation	**(498,588)**	**58,376**	**(440,212)**
EBITDA	**554,473**	**(740)**	**553,733**
Amortisation and depreciation	-	-	(144,980)
Operating margin	**-**	**-**	**408,753**
Amortisation and depreciation (Customer contracts)	-	-	(32,238)
Interest and financing costs	-	-	(65,157)
Non-recurring items	-	-	(102,343)
Pre-tax profit	**-**	**-**	**209,014**
Income taxes	-	-	(79,709)
Profit for the year	**-**	**-**	**129,306**
Profit for the year attributable to non-controlling interests	-	-	(1,382)
Profit attributable to Group	**-**	**-**	**127,924**

Note:
the EBITDA presented above is the "normalised EBITDA" as described in the Alternative Performance Indicators section. Pursuant to IFRS 8 requirements, it is hereby disclosed that more than 10% of Group revenues was accounted for by a single customer.

43.2 SEGMENT REPORTING: RECONCILIATION OF SEGMENT REPORTING ON THE INCOME STATEMENT WITH INCOME STATEMENT FOR FY 2020

(amounts in Euro thousand)

Nexi Group P&L	Segment reporting	Reconciliation	Financial statements
Operating revenues/ Financial and operating income	**993,945**	**(66,966)**	**926,979**
Staff costs	(155,254)	(25,318)	(180,572)
Administrative costs	(272,595)	(77,420)	(350,015)
Adjustments and net operating provisions	(12,364)	1,251	(11,112)
Operating costs net of amortisation	**(440,212)**		
EBITDA	**553,733**		
Amortisation and depreciation	(144,980)	(30,334)	(175,315)
Operating margin	**408,753**		
Amortisation and depreciation (Customer contracts)	(32,238)	32,238	-
Interest and financing costs	(65,157)	65,157	-
Non-recurring items	(102,343)	101,392	(951)
Pre-tax profit	**209,014**	**-**	
Income taxes	(79,709)	-	(79,709)
Profit for the year	**129,306**	**-**	**129,306**
Profit for the year attributable to non-controlling interests	(1,382)	-	(1,382)
Profit attributable to Group	**127,924**	**-**	**127,924**

44. Independent auditors' fees for audits and for services other than auditing as per article 149 duodecies of Consob Regulation 11971

(amounts in Euro thousand)	Nexi S.p.A		Nexi Group	
Type of service	**PwC**	**PwC network**	**PwC**	**PwC network**
Audit (*)	121	-	305	-
Other certifications (**)	125	-	-	-
Other services:	-	-	-	-
- Due diligence	-	600	-	-
- Agreed verification procedures	-	-	-	-
- Methodological support on specific issues	-	-	-	-
Total	**246**	**600**	**305**	**-**

(*) including legal audit of consolidated financial statements and limited audit of the interim financial statements.
(**) including certification services assigned to audit firms pursuant to specific provisions and laws, aside from the audit of the non-financial statement.

Certification of the Consolidated Financial Statements

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

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

of administrative and accounting procedures for the preparation of financial statements in the year 2020.

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

3. It is also certified that:
   3.1 the Consolidated Financial Statements:
      a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information contained in the accounting ledgers and records;
      c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

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

Milan, March 11, 2021

Chief Executive Officer
Paolo Bertoluzzo

Manager in charge of preparing
the corporate accounting documents
Enrico Marchini

Independent auditor's report

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

To the shareholders of Nexi SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nexi Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key matters	*Audit procedures in response to the key matters*
Measurement of intangible assets with indefinite useful life – Goodwill *Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets* *"Balance Sheet", paragraph 9. Intangible Assets – Goodwill* As of December 31, 2020 the goodwill recognised in the consolidated financial statements as Intangible Assets amounts to Euro 2,856 million and comprises roughly 45% of total consolidated assets. This goodwill, which was recognised in connection with business combinations of current and past periods, is tested annually for impairment in accordance with IAS 36 – "Impairment of Assets". The recoverable amount of goodwill is determined on the basis of its value in use. Parent Company's directors allocated goodwill in accordance with IFRS 3 – Business Combination, to two identified cash-generating units ("CGUs"): Monetica Nexi Payments and Mercury Payments Services. The determination of the recoverable amount of the assets subject to impairment test, determined according to the value in use methodology, requires the directors to draw up estimates which, by their nature, contain significant elements of professional judgment regarding: - the identification of Cash Generating Units to which an activity and / or group of activities can be attributed and - the definition of the assumptions underlying the estimate of the expected cash flows of the CGUs identified and discounted as at 31 December 2020, for the purpose of determining the recoverable value of the assets.	The identification and measurement process of the recoverable amount of intangible assets with indefinite useful life requires in-depth knowledge of the relevant markets and specialised expertise. In carrying out of the audit procedures in this area, we were assisted by our corporate valuation experts. We gained an understanding of the assessments and the criteria used by Management to identify the CGUs, and we verified that they were consistent with the management reporting and the Group's organisational and operating structure. We have carried out an understanding over the process adopted in preparing the estimates of the expected future cash flows used for the purpose of the impairment test, adjusted to include the effects of the extraordinary transactions carried out during the 2020 financial year and the specificities deriving from the spread of the pandemic COVID-19. We verified the accuracy and reasonableness of the forward-looking data used to determine the future cash flows of the identified CGUs. We conducted a critical analysis on the reasonableness of the key assumptions used by Management to determine the recoverable amount of the CGUs, which included applying specific sensitivity analysis. We verified that the disclosures in the Notes to the Financial Statements concerning intangible assets with indefinite useful life were adequate and complete, particularly with respect to the description of how the impairment test was conducted, the inclusion of the key assumptions used, the quantitative results obtained and the sensitivity analyses

Key matters	*Audit procedures in response to the key matters*
Given the complexity and subjectivity of estimates of expected cash flows and financial assumptions, as well as the materiality of goodwill recognised in the financial statements and in light of the current context of macro-economic uncertainty due to the Pandemic Covid-19 ,we considered impairment testing of Goodwill as a key matter in the audit of the Group's consolidated financial statements as at and for the year ended December 31, 2020.	performed also in response to the current uncertainty of the macro-economic context.
Recognition of revenue	
Notes to the consolidated financial statements "Main Accounting Policies", paragraph Fee Income and Other Service Revenue *"Income Statement" paragraph 20. Fee Income and Other Service Revenue* The Nexi Group's fee income and service revenue amounted to Euro 1,644 million at December 31, 2020 and refers to the provision of services in the electronic payment sector, including any related services. The process of recognizing revenues is particularly complex due to the multiplicity of existing commercial schemes, the large number of counterparties and transactions, as well as the interfaces with different and complex IT platforms. The integrity, reliability and operating performance of the Group's Information Communication Technology (ICT) infrastructure and its technological network, which is mostly outsourced to service providers outside the Nexi Group, are key for the accurate recognition of revenues. Furthermore, the service invoicing process consists of several manual steps. Fee income and service revenue are considered as a key audit matter due to the complexity and multi-faceted nature of their recognition and measurement and because of their materiality.	We performed the audit procedures with the assistance of our IT experts, who supported us in the performance of the understanding, evaluation and validation of: - general IT controls for ICT systems that supported payment acceptance activities ("Acquiring ") and issuing and management of payment cards ("Issuing"). - relevant controls in place for the management of transactions and the consequent generation of commission income and remuneration for Services. We verified that, for the main commercial offers, the accounting policies and measurement criteria used to recognise revenue were compliant with IFRS 15 – "Revenues from contract with Customers". We reconciled management data with accounting data for the main financial statements items relating to revenue from the provision of services in the electronic payment sector. We carried out a trend analysis for some types of commission income recognized to the Nexi Group in the Acquiring and Issuing sector in the various service models, in correlation with the volumes and the relative physical drivers.

Key matters	***Audit procedures in response to the key matters***
	We verified, on a sample basis, the consistency between the accounting records, contractual information, invoicing and evidence demonstrating that the service was effectively provided in the proper reporting period. We sent, on a sample basis, letters to clients requesting a confirmation of balances. We verified the adequacy and completeness of the disclosures in the Notes to Financial Statements regarding Fee Income and Service Revenue, in accordance with the requirements of international accounting standards.
Purchase Price Allocation of Goodwill from Intesa Sanpaolo's Acquiring Book acquistition	
Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets *"Other information", section 40, Business Combination* During the 2020 financial year, the Nexi Group completed the purchase of the acquiring book from Intesa Sanpaolo for a value of Euro 1,000 million. The extraordinary operation took place through the transfer of the acquiring book business unit from Intesa Sanpaolo (hereinafter also the "Acquiring Branch") to the subsidiary Nexi Payments. The acquisition of the Acquiring Branch was accounted for on the basis of the acquisition method in accordance with the provisions of IFRS 3 "Business combinations" and involved, at the acquisition date, the recognition at fair value of the assets acquired and the liabilities assumed relating to the acquiring branch (the so-called	The following activities were carried out with the support of our corporate valuation experts. We verified the appropriate identification of the Acquiring Branch underlying assets and liabilities and the correct determination of the amount of the consideration paid (price paid). We carried out a critical examination of the reasonableness of the main assumptions used by the Management in determining the *fair value* of the identified assets and liabilities as well as the allocation of the price paid. We verified the adequacy and completeness of the information provided in the Notes to Financial Statements regarding to the allocation of the price paid for this acquisition.

Key matters	*Audit procedures in response to the key matters*
Price Allocation Process, hereinafter also PPA). The process was finally concluded with the recognition of residual goodwill. The management of the Group determined, with the support of external experts, the fair value of these assets and liabilities identified using methods based on the discounting of future cash flows and the related commissions to be recognized to Intesa Sanpaolo. This methodology requires the use of information and assumptions, resulting in a high level of complexity in the estimation processes with particular reference to: • the evolution of the volumes expected from the transferred contracts as a function of the expected residual life and an estimate of the related future flows; • the financial assumptions used to determine the discount rate. In consideration of the significance of the transaction, the values emerging from the PPA and the complexity of the assumptions used to determine the *fair value* of the assets acquired and liabilities assumed, we considered the process of allocating the price paid for the acquisition of the merchant book from Intesa Sanpaolo as a key audit matter of the consolidated financial statements at 31 December 2020.	

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

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

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

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

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

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

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

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

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of Nexi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Nexi Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Nexi Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Nexi Group as of 31 December 2020 and are prepared in compliance with the law.

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

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

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

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

Milan, 6 April 2021

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

NEXI S.P.A.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

CONSOLIDATED BALANCE SHEET

(Amount in Euro thousand)

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

(Amount in Euro thousand)

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

Note

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

CONSOLIDATED INCOME STATEMENT

(Amount in Euro thousand)

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

Note

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

STATEMENT OF COMPREHENSIVE INCOME

(Amount in Euro thousand)

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

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

(Amount in Euro thousands)

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

Note

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

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

(Amount in Euro thousands)

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

CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD)

(Amount in Euro thousands)

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

Note

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

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

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

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

- for financial assets: the possibility of evaluating at amortized cost also those loans which, in the event of early repayment, require payment by the grantor;
- for financial liabilities: in the event of a change in the contractual terms of a liability which do not result in a derecognition, it is expected that the effect of the change on the amortized cost must be attributed to the income statement date of the modification itself.

- IFRIC 23: Uncertainty over Income Tax Treatments: the interpretation aims to provide clarifications on how to apply the criteria for recording and measuring income taxes provided for by IAS 12, in the presence of uncertainties about a specific tax treatment.
- Amendment to IAS 28: Long term interests in Joint Venture and Associates: the amendments are intended to clarify that the provisions relating to impairment in IFRS 9 "Financial instruments" apply to long-term interests in associates and joint ventures.
- Amendment to IAS 19 Employee Benefits: the aim is to clarify the accounting treatment of the changes, reductions or extinctions of defined benefit plans, with reference to the method of determining the cost relating to past work services, profits and losses at the time of extinction, the cost relating to current employment services, net interest on net defined benefit liabilities (assets).
- Annual improvements to IFRS 2015-2017 entailing changes to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs: the purpose of the annual improvements is to provide some clarifications aimed at resolving some inconsistencies in the principles in question or terminological clarifications.

With the exception of IFRS 16 (see section "Transition to the international accounting standard IFRS 16" below), the other standards, amendments and interpretation applied from 2019 had no significant impact on the Group's consolidated financial statements.
As of January 1, 2020, the following new standards or amendments must now be applied, following their approval by the European Union:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform.

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

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

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

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

Transition to the international accounting standard IFRS 16

IFRS 16, which replaces IAS 17, introduces, for lessees, a single accounting model for operative and financial lease contracts, which must also be applied to all contracts that include a lease.
More specifically, the lessee must book:

- amongst "assets", the right of use of the asset underlying the contract, which also entails the booking of amortization on the income statement. The initial value of the asset for the right in use includes not only the value of the lease liability but also the direct costs of the transaction, the charges paid in advance, the costs for the removal and restoration of the asset and the lease incentives received from the lessor;

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

In terms of disclosure, the minimum information required of lessee companies includes, amongst others:

- the breakdown into the different "classes" of leased assets;
- an analysis by maturity of the liabilities connected with the lease contracts;
- information potentially useful to better understand the corporate business with reference to the lease contracts (e.g. early redemption or extension options).

Instead, there are no substantial changes to the accounting of leases by lessors, where in any case the distinction continues to be drawn between operating leases and financial leases.

It is also specified that the scope of application of IFRS 16 excludes software, which is therefore booked according to the rules of IAS 38.

In 2018, the Nexi Group had launched a project for the implementation of IFRS 16, in order to analyze and define the qualitative and quantitative impacts and identify and implement the application and organizational interventions necessary for a consistent adoption of the standard. From a procedural viewpoint, a specific application has been implemented on a Group level, to determine the values in accordance with IFRS 16.

The IFRS 16 project led to the identification of the following types of contracts coming under the scope of application of the new standard:

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

The Group has decided, at first time application of IFRS 16, not to redetermine the comparative data (which would be termed "modified retrospective application"), thereby meaning that the initial impacts have been noted in opening equity as at January 1, 2019. Additionally, in order to measure the right of use, the Group has decided to opt for the following practical expedients:

- possibility of assigning the right of use a value equal to that of the lease liability;
- determination of the value of the lease liability, according to the discount rate as at the date of first application of the standard;
- exclusion of the initial direct costs from the valuation of the right of use asset.

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

(Amount in Euro thousand)

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

With reference to the main assumptions made, please note the following:

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

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

(Amount in Euro thousand)

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

Contents of the accounting statements

Balance Sheet and Income Statement

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

Statement of Comprehensive Income

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

Statement of Changes in Equity

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

Statement of Cash Flows

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

Content of the Notes

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

Consolidation criteria

The Group has established the consolidation scope in accordance with IFRS 10 Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

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

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

Companies controlled have been consolidated by recognizing all the assets, liabilities, revenue and costs on a line-by-line basis and making the following adjustments:

- the carrying amount of investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated;
- non-controlling interests in equity and the profit (loss) for the year have been recognized separately.

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

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

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

Investments in subsidiaries

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

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

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

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

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

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

Significant judgements and assumptions adopted to define the consolidation scope

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

Significant restrictions

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

Other information

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

Main accounting policies

Financial assets at Fair Value through profit or loss

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Financial assets at Fair Value through OCI

Classification criteria

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

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Financial assets measured at amortized cost

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

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

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

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

Derecognition criteria

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

Hedging

Classification criteria

The items of the assets and liabilities include hedging derivatives, which, as at the reference date of the financial statements, respectively have a positive and negative Fair Value. The hedges seek to mitigate potential losses that can be recognized on a given financial instrument or group of financial instruments, attributable to a specific risk, compensating these with the earnings that can be recognized on a different financial instrument or group of financial instruments. As at December 31, 2019, there are no hedges in place. Moreover, during the year and the previous year, the following types of hedge contracts were used, as envisaged by IFRS 9:

- Fair Value hedges, which aim to hedge the exposure to changes in Fair Value (attributable to the different risk categories) of assets and liabilities recognized, or part thereof; this type of hedge is used to hedge the exposure to changes in the Fair Value of a specific asset, attributable to the foreign exchange and price risk;
- cash flow hedges, which aim to hedge the exposure to movements in future cash flows attributable to specific risks associated with accounting items. This type of hedge is essentially used to neutralize the foreign exchange risk deriving from highly likely future transactions.

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

Recognition criteria

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

Measurement criteria

Hedging derivatives are measured at Fair Value. More specifically:

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

Derecognition criteria

If the hedge efficiency test is not passed, the risk management objective underlying the hedging contract is modified. The hedge is interrupted and the derivative classified amongst trading transactions.

The hedge contract is also interrupted when:

- the derivative expires;
- the hedge instrument is derecognized;
- the hedged items are derecognized.

Equity investments

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

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

Property, equipment and investment property

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

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

Derecognition criteria

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

Intangible assets

Classification criteria

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

Recognition criteria

Intangible fixed assets are recognized at the cost of acquisition when the main risks and benefits connected with the asset are transferred, but only if it is likely that the related future economic benefits will be realized and if the cost can be reliably measured. If not, the cost is recognized as profit and loss in the year in which it is incurred.
More specifically, the cost of software development includes only the expenses incurred that can be directly attributed to the development process and constitute intangible assets only if all the following conditions are met:

- the cost attributable to the development activity can be reliably determined;
- the entity has the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits.

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

Measurement criteria

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

- Customer contracts: on the basis of the contract terms;
- Customer relationship: approximately 20 years.

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

Derecognition criteria

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

Goodwill

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

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

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

Other assets

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

Current and deferred tax

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

Financial liabilities measured at amortized cost

Classification criteria

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Financial liabilities held for trading

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

Share-based payments

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

Employee benefits

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

Post-employment benefits

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

Provisions for risks and charges

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

Foreign currency transactions

Initial recognition

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

Subsequent recognition

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

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

Other information

Income Statement and statement of comprehensive income

Interest and similar income and expense

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

Fee for services rendered and commission income

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

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

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

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

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

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

Specifically:

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

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

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

Commission expense

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

Fee for services received

Fee for services received are recognized when incurred or when the related revenues are recorded.

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

Dividends

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

Basis for presentation of the segment disclosure

The segment disclosure of the Nexi Group is based on the elements that the management uses to make its operative decisions and is therefore consistent with the information requirements envisaged by IFRS 8.

More specifically, although the Nexi Group identifies two different CGUs, which substantively coincide with the two operative legal entities of the Group (the Electronic Money CGU, coincides with Nexi Payments SpA and the Mercury CGU coincides with Mercury Payment Services SpA), they relate to a single operating segment, i.e. that of electronic money and the technological services related to the payments segment.

More specifically, the identification of a single operating segment is based on the consideration that the information that the "chief operating decision maker" (i.e. the highest operative decision-making level, as defined by IFRS 8) receives and uses for the purpose of decision-making in regard to the resources to be allocated and the assessment of results, prepared exclusively on a consolidated basis.

Business combinations

Business combinations are accounted for using the "purchase method", which requires: (i) the identification of the buyer; (ii) the determination of the combination costs; (iii) the purchase price allocation ("Purchase Price Allocation").

According to the IFRS 3, an acquirer is identified for all business combinations. The acquirer is the entity that obtains control over another entity, which is the power to determine the financial and management policies of that entity in order to receive benefits from its activities.

The consideration transferred in a business combination is equal to the Fair Value, at the acquisition date, of the assets sold, the liabilities incurred and the equity instruments issued by the buyer in exchange for obtaining control of the acquiree.

The consideration that the buyer transfers in exchange for the acquired entity includes any assets and liabilities resulting from an agreement on the "potential consideration", to be recognized on the acquisition date on the basis of Fair Value.

Based on the purchase method, on the acquisition date, the buyer must allocate the cost of the combination (so-called PPA, "Purchase Price Allocation") to the identifiable assets acquired and the liabilities measured at the relative Fair Value on that date, also recognizing the value of the minority interests of the acquired entity.

Use of estimates and assumptions in preparing the Consolidated Financial Statements

Financial statement aggregates are measured according to the standards set out above.

The application of these standards sometimes involves the adoption of estimates and assumptions that can have a significant impact on the values entered on the consolidated balance sheet and consolidated income statement.

In stressing that the use of reasonable estimates is an essential part of preparing financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant:

- measurement of the financial instruments measured at Fair Value (including derivatives) not listed on active markets;
- measurement of the financial assets measured at amortized cost and loan commitments;
- measurement of intangible fixed assets, including goodwill;
- measurement and estimated useful life of tangible fixed assets;
- quantification of provisions made for risks and charges and payables for Loyalty programs;
- quantification of deferred taxation.

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

Subsequent events (after December 31, 2019)

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

Transfers between portfolios of financial assets

There were no transfers of financial assets between portfolios.

Fair Value disclosure

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

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

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

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

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

Qualitative disclosure

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

The assets and liabilities measured at Fair Value on a recurring basis mainly consist of Visa Inc shares held in the portfolio and derivatives stipulated in view of the price and foreign exchange risk deriving from such instruments. Please note that the derivative in place expired during the year.

For these instruments, without prices that can be directly observed on active markets, the Fair Value is determined as follows:

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

Measurement processes and sensitivity

Not applicable due to the absence of level 3 instruments.

Fair Value hierarchy

Transfers between Fair Value levels derive from the empirical observation of intrinsic phenomena of the instrument taken into account or the markets on which it is traded.

Changes from Level 1 to Level 2 are brought about by a lack of an adequate number of contributors or the limited number of investors holding the float in issue.

Conversely, securities that at issue are not very liquid but have high numbers of contracts - thereby classified as Level 2 - are transferred to Level 1 when the existence is seen of an active market.

There have been no transfers between categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

Quantitative information

Fair Value hierarchy

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

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

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

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

No such present.

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

No such present.

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

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

Information on "day one profit or loss"

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

2. Balance Sheet

(Amount in Euro thousands)

ASSETS

3. Cash and cash equivalents

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

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

The item total is included in the Net Financial Position.

4. Financial assets at Fair Value through profit or loss

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

5. Financial assets at Fair Value through OCI

5.1 BREAKDOWN BY PRODUCT

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

5.2 BREAKDOWN BY ISSUER

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

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

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

6. Financial assets measured at amortized cost

6.1 DUE FROM BANKS: BREAKDOWN BY PRODUCT

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

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

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

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

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

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

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

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

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

* Value for disclosure purposes.

7. Equity investments

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

8. Property, equipment

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

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

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

8.b) Property, equipment: changes

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

8.1 INVESTMENT PROPERTY

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

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

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

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

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

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

8.1.b) Investment property: changes

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

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN BY ASSET TYPE

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

Goodwill as at December 31, 2019 is as follows:

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

The other intangible assets consist of:

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

9.2 INTANGIBLE ASSETS: CHANGES

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

9.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

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

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

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

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

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

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

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

As regards the determination of the value in use, the discounted cash flow ("DCF") method has been adopted in the "unlevered" version. The method in question is inspired by the general concept that the value of a business is equal to the sum of the discounted value of the following two elements:

- cash flows, which it will be able to generate within the forecasting time frame;
- residual value, i.e. the value of the business complex deriving from the period outside the forecasting time frame.

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

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

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

The above parameters have been determined as follows:

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

With reference to the estimate of the CGU's Terminal Value:

- Growth rate (g): 2.0%, reference was made to the ECB target inflation rate for the Eurozone.

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

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

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

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

	Growth rate (g) -25 bps	Discount rate +25 bps	Terminal value flow -10%
CGU Nexi Payments	-4.7%	-5.4%	-8 8%
CGU Mercury Payment Services	-4.7%	-5.4%	-8 8%

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

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

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

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

As at December 31, 2019, the Financial Statements show Euro 37.6 million (Euro 29.3 million as at December 31, 2018) relative to current IRES tax assets; current tax liabilities of Euro 1.8 million (Euro 31.1 million as at December 31, 2018) refer to the payable for additional IRES (Euro 0.7 million) and IRAP payable (Euro 1.1 million) of Mercury Payment Services SpA. More specifically, it is noted that current tax liabilities have benefited from the effect deriving from the use of tax losses acquired from the companies Sparkling 18 Srl and Bassilichi SpA, incorporated at end 2018 into Nexi Payments SpA, the effects of which were recognized on the 2019 financial statements upon specific query.

Please note that starting FY 2019, the current tax consolidation scheme, which involved not only the Parent Company Nexi SpA, but also the subsidiary Mercury Payment Services SpA, has been extended to also include Nexi Payments SpA and Help Line SpA.

10.2 DEFERRED TAX ASSETS

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

Deferred tax assets are as follows:

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

10.2.1 Changes in deferred tax assets (recognized in equity)

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

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

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

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

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

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

10.3.1 Changes in deferred tax liabilities (recognized in equity)

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

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

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

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

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

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

12. Other assets

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

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

LIABILITIES

13. Financial liabilities measured at amortized cost

13.1 FINANCIAL LIABILITIES DUE TO BANKS (BREAKDOWN BY PRODUCT)

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

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

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

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

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

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

La voce include i titoli emessi nel 2019 da Nexi.

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

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

The item total is included in the Net Financial Position.

14. Financial liabilities held for trading

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

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

15. Hedging derivatives

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

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

16. Other liabilities

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

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

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

17. Post-employment benefits

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

17.1 POST-EMPLOYMENT BENEFITS: CHANGES

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

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

Mortality among aged pensioners	Rate for the Italian population broken down by age and gender shown in the RG48 mortality tables published by the State General Accounting Office.
Mortality among total and permanent disability pensioners	Rate inferred from the INPS invalidity tables, broken down by age and gender.
Annual advances rate	2.35%
Annual turnover	1.56%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance.
Inflation	1.30%
Annual discount rate	0 72% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees.

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

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

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

18. Provisions for risks and charges

18.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

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

18.1.1 Provisions for risks and charges: changes

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

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

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

19. Shareholders' equity

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

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

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

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

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

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

20. Income Statement

(Amount in Euro thousand)

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

21. Fee for services rendered and commission income

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

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

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

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

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

22. Fee for services received and commission expense

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

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

23. Interest and similar income

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

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

24. Interest and similar expense

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

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

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

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

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

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

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

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

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

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

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

27. Administrative expenses

27.1 PERSONNEL EXPENSES: BREAKDOWN

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

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

27.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

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

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

28. Other operating income, net

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

29. Net value adjustments on assets measured at amortized cost

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

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

30. Net accruals to provisions for risks and charges

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

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

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

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

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

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

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

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

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

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

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

33. Income taxes

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

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

33.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNIZED

IRES	31.12.2019
Theoretical tax rate	27 50%
Non-deductible costs	6 7%
Tax Exemption income and other decreases	(59 0%)
Effective rate	(25%)

IRAP	31.12.2019
Theoretical tax rate	5 57%
Non-deductible costs	37 9%
Revenues - Not relevant costs	(8 0%)
Effective rate	35 5%

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

34. Profit (loss) after tax from discontinued operations

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

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

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

36. Information on Group operations

(Amount in Euro thousand)

CONSUMER CREDIT

Breakdown by technical form

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

Classification by residual life and quality

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

OTHER INFORMATION

Performance of value adjustments/comprehensive provisions

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

ELECTRONIC MONEY ISSUE AND PAYMENT SERVICES

Liquid funds of customers held at banks

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

Payables for electronic money in issue

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

Commission income: electronic money

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

Operative volumes, number and revenues from payment transactions

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

Fraudulent uses

(Amount in Euro thousand except for number of operations)

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

Credit cards revoked for insolvency

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

The Nexi Group is market leader in numerous business segments in Italy, including Cards & Digital Payments, Merchant Services, ATM Management, Interbank Corporate Banking and Clearing & Settlement.
The Nexi Group offers best-in-class solutions in support of Banks, Financial and Insurance Institutions, Merchants, Businesses and Public Administration: from Cards to payment acceptance technologies, money transfers between Businesses and Private Individuals and the management of highly complex techniques for collection and payment services.

37. Information on risks and related hedging policies

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

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

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

Risk management in the Nexi Group

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

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

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

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

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

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

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

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

Nexi Group risks

Liquidity risk and interest rate risk

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

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

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

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

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

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

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

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

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

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

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

Market risk (price, exchange)

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

Operational risk

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

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

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

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

Reputational risk

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

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

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

Credit risk

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

Credit risk in the exercise of the acquiring business

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

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

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

Credit risk in the exercise of the issuing business

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

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

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

Credit risk monitoring

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

- internal auditing;
- consistency checks;
- positive and negative Credit Bureau use;
- Credit Scoring algorithm.

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

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

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

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

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

* Value to be displayed for information purposes.

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

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

* Value to be displayed for information purposes.

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

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

* Value to be displayed for information purposes.

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

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

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

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

Interest rate risk

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

Foreign exchange risk

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

Quantitative information

Breakdown of assets, liabilities and derivatives by currency

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

38. Statement of Comprehensive Income

(Amount in Euro thousand)

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

39. Related parties

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

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

39.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

(Amount in Euro thousand)

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

39.2 INFORMATION ON RELATED-PARTY TRANSACTIONS

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

(Amount in Euro thousand)

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

It is specified that these contracts are regulated by the terms and conditions in line with market procedures.
The main contracts in place with related parties refer to the following relations entertained during the year with DEPObank (included in the category "other related parties"):

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

40. Share-based payments

40.1 STOCK GRANT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40.2 LONG TERM INCENTIVE

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

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

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

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

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

Below is the evolution of the number of rights assigned:

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

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

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

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

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

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

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

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

41. Business combinations

41.1 TRANSACTIONS IMPLEMENTED DURING THE YEAR

In 2019, no business combinations took place.

41.2 RETROSPECTIVE ADJUSTMENTS

Reconciliation of goodwill during the measurement period

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

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

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

42. Group funding transactions

42.1 ISSUE AND REIMBURSEMENT OF DEBT INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42.2 FACTORING

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

The contract envisages three credit facilities:

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

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

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

43. Earnings per share

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

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

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

Result attributed to ordinary shares

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

(Amount in Euro thousand)

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

Average number of ordinary diluted shares

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

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

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

44. Segment reporting (segment disclosure)

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

The disclosure by business segment includes a single operating segment, represented by electronic money and payment services and which includes the central structures. A greater level of breakdown is given for net revenues from operations, which are divided up into three business lines that can be identified under the scope of the Nexi Group organization and, therefore, specifically:
- Merchant Services & Solutions;
- Cards & Digital Payments;
- Digital Banking Solutions.

Allocation of the economic results to the various business lines is based on the accounting standards used in the preparation and presentation of the Consolidated Financial Statements.

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

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

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

(Amount in Euro thousand)

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

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

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

(Amount in Euro thousand)

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

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

45. Restatement of 2018 financial statements

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

(Amount in Euro thousand)

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

(Amount in Euro thousand)

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

(Amount in Euro thousand)

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

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

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

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

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

Certification of the consolidated Financial Statements

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

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

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

3. It is also certified that:

   3.1 the Consolidated Financial Statements:
   a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the information contained in the accounting ledgers and records;
   c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

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

Milan, March 6, 2020

Chief Executive Officer Paolo Bertoluzzo	Manager in charge of preparing the corporate accounting documents Enrico Marchini

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

Nexi SpA

Consolidated financial statements as of 31 December 2019

pwc

Independent auditor's report

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

To the shareholders of Nexi SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key matters	***Audit procedures in response to the key matters***

Measurement of intangible assets with indefinite useful life – Goodwill

Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets

"Balance Sheet", paragraph 9. Intangible Assets – Goodwill

The goodwill recognised in the consolidated financial statements as Intangible Assets amounts to Euro 2,093 million and comprises roughly 40% of total consolidated assets. This goodwill, which was recognised in connection with business combinations of previous years, is tested annually for impairment in accordance with IAS 36 – "Impairment of Assets".

The recoverable amount of goodwill is determined on the basis of its value in use.

Management of the Parent Company allocated goodwill in accordance with IFRS 3 to two cash-generating units ("CGUs") that it had identified: Monetica and Mercury Payments.

With the assistance of independent experts, Management of the Parent Company tested goodwill for impairment using the following approach:

- they determined the recoverable amount of the goodwill by calculating its value in use applying the unlevered discounted cash flow method ("DCF");
- the cash flows of each group of CGUs were discounted using the weighted average cost of capital ("WACC");
- the recoverability of the carrying amounts was verified by comparing the carrying amount of each group of CGUs to which goodwill was allocated with its value in use;
- in determining the recoverable amount of the CGUs, various methodologies and

The identification and measurement process of the recoverable amount of intangible assets with indefinite useful life requires in-depth knowledge of the relevant markets and specialised expertise. In carrying out of the audit procedures in this area, we were assisted by our business valuation experts.

We gained an understanding of the process used to prepare the Business Plan 2020-2023, the Budget2020 and the impairment test approved by Management of the Parent Company.

We gained an understanding of the assessments and the criteria used by Management to identify the CGUs, and we verified that they were consistent with the management reporting and the Group's organisational and operating structure.

We verified the accuracy and reasonableness of the forward-looking data used to determine the future cash flows of the identified CGUs.

We conducted a critical analysis on the reasonableness of the key assumptions used by Management to determine the recoverable amount of the CGUs, which included applying specific sensitivity analyses.

We verified that the disclosures in the Notes to the Financial Statements concerning intangible assets with indefinite useful life were adequate and complete, particularly with respect to the description of how the impairment test was conducted, the inclusion of the key assumptions used, the quantitative results obtained and the sensitivity analyses performed.

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

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

Other Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

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

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

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

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

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

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

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

Milan, 3 April 2020

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

NETS TOPCO 2 S.À R.L.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Audit report

To the Shareholders of
Nets Topco 2 S.à r.l.

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Nets Topco 2 S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019 and 2020, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the years then ended;
- the consolidated statement of other comprehensive income for the years then ended;
- the consolidated balance sheet as at 31 December 2019 and 2020;
- the consolidated statement of cash flows for the years then ended;
- the consolidated statement of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under thos ethical requirements.

Audit report (continued)

Other information
The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report but does no include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements
The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements
The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, bu is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will alway 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 consolidated financial statements.

Audit report (continued)

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 Board of Managers;
- conclude on the appropriateness of the Board of Managers' 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 audit 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 audit 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 11 March 2021

Brieuc Malherbe

Consolidated income statement

EURm	Note	2020	2019
Continuing operations			
Revenue, gross	2.1	1,567.4	1,883.2
Interchange fees and processing fees		(592.3)	(872.4)
Revenue, net of interchange fees and processing fees	2.1	**975.1**	**1,010.8**
Cost of sales		(69.3)	(63.6)
External expenses		(252.9)	(257.3)
Staff costs	2.3	(308.8)	(326.9)
Operating result before depreciation and amortisation before special items (EBITDA B.S.I.)		**344.1**	**363.0**
Special items	2.2	(214.4)	(317.2)
Operating result before depreciation and amortisation (EBITDA)		**129.7**	**45.8**
Amortisation of business combination intangibles, customer agreements & impairment losses	4.2 & 4.3	(193.0)	(186.5)
Underlying depreciation and amortisation	4.2 & 4.3	(128.1)	(109.1)
Operating result (EBIT)		**(191.4)**	**(249.8)**
Result from associates after tax	4.5	1.1	0.5
Fair value adjustment on liability related to Visa shares		0.0	(1.6)
Fair value adjustment of Visa shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden		0.4	5.0
Financial income and expenses, net	5.4	(279.2)	(304.5)
Financial expenses – refinancing costs	5.4	(9.1)	-
Net financials		**(286.8)**	**(300.6)**
Result before tax		**(478.2)**	**(550.4)**
Income taxes	6.1	20.8	34.0
Result from continuing operations		**(457.4)**	**(516.4)**
Result from discontinuing operations	4.6	61.5	35.7
Result for the year		**(395.9)**	**(480.7)**

EURm
The result is attributable to:
Owners of Nets Topco 2 S.à r.l., continuing operations
Owners of Nets Topco 2 S.à r.l., discontinuing operations
Non-controlling interests, continuing operations

Non-GAAP performance measures, continu operations

Operating result before depreciation and amortisation (EI before special items	
Underlying depreciation and amortisation	
Adjusted EBIT	

Consolidated statement of other comprehensive income

EURm	Note	2020	2019
Result for the year		**(395.9)**	**(480.7)**
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial gains/(loss) on defined benefit pension plans	7.1	(0.3)	(0.7)
Total items never reclassified to the consolidated income statement		**(0.3)**	**(0.7)**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Currency translation adjustments, foreign enterprises		(120.0)	20.0
Reclassification of currency swap to the consolidated income statement		(24.2)	-
Net gains/(loss) on cash flow hedges		29.5	1.5
Tax on fair value adjustments		(1.2)	(0.3)
Total items that may be reclassified to the consolidated income statement subsequently		**(115.9)**	**21.2**
Other comprehensive income for the year, net of tax		**(116.2)**	**20.5**
Total comprehensive income for the year, net of tax		**(512.1)**	**(460.2)**
Total comprehensive income for the year is attributable to:			
Owners of Nets Topco 2 S.à r.l., continuing operations		(574.8)	(498.0)
Owners of Nets Topco 2 S.à r.l., discontinuing operations		61.5	35.7
Non-controlling interests, continuing operations		1.2	2.1
		(512.1)	**(460.2)**

Consolidated balance sheet as at 31 December

EURm	Note	2020	2019	1 Jan 2019
Assets				
Non-current assets				
Goodwill	4.2	4,064.6	3,755.6	3,993.4
Other intangible assets	4.2	1,230.6	1,320.5	1,469.5
Plant and equipment	4.3	183.1	177.6	118,3
Investment in associates	4.5	36.0	35.3	32.5
Derivative financial instruments	3.5	0	9.3	3.6
Deferred tax assets	6.1	34.9	53.2	32.8
Total non-current assets		**5,549.2**	**5,351.5**	**5,650.1**
Current assets				
Inventories	3.1.1	17.8	12.3	6.0
Trade and other receivables	3.1.2	331.4	277.9	117.6
Contract assets	2.1	27.7	10.5	3.5
Clearing-related assets	3.2	514.9	787.6	919.7
Prepayments		43.0	38.9	31.1
Other financial assets		9.1	15.8	34.6
Cash and cash equivalent	3.3	728.4	956.2	183.1
Assets held-for-sale	4.6	1,779.9	1,724.9	-
Total current assets		**3,452.2**	**3,824.1**	**1,295.6**
Total assets		**9,001.4**	**9,175.6**	**6,945.7**

EURm
Equity and liabilities
Equity
Share capital
Reserves
Equity, owners of Nets Topco 2 S.à r.l.
Non-controlling interests
Total equity
Non-current liabilities
Borrowings
Interest-bearing loans from owners
Preferred Equity Certificates
Unsettled shares
Pension liabilities, net
Derivative financial instruments
Other liabilities
Lease liabilities
Deferred tax liabilities
Total non-current liabilities
Current liabilities
Bank overdraft
Trade and other payables
Contract liabilities
Clearing-related liabilities
Other liabilities
Lease liabilities
Other financial liabilities
Current tax liabilities
Liabilities held-for-sale
Total current liabilities
Total liabilities
Total equity and liabilities

Consolidated statement of cash flows for the year ended 31 Decembe

EURm	Note	2020	2019
EBITDA before Special items from continuing operations		344.1	363.0
Special items from continuing operations		(200.7)	(128.0)
Charge-back losses related to Thomas Cook		(40.4)	(162.0)
EBITDA from discontinued operations	4.6	80.9	97.0
Other non-cash items		1.7	-
Change in narrow working capital		17.0	(33.4)
Interest and similar items, net		(200.4)	(169.8)
Taxes paid	6.1	(10.8)	(20.1)
Net cash flow from operating activities excluding clearing-related balances		**(8.6)**	**(53.3)**
Change in clearing-related balances		(256.5)	179.1
Net cash from operating activities		**(265.1)**	**125.8**
Purchase of intangible assets	4.2	(116.9)	(130.9)
Purchase of plant and equipment	4.3	(26.8)	(44.1)
Investments and mergers	4.1	(386.9)	572.6
Proceeds from Visa shares		6.2	2.8
Net cash from investing activities		**(524.4)**	**400.4**
Repayment of Equity Certificates		-	(5.7)
Base fee in connection with borrowings		(20.2)	(14.0)
Proceeds from borrowings		651.1	824.0
Repayment of borrowings		(51.2)	(431.0)
Repayment of finance lease liabilities		(24.2)	(26.9)
Settlement of interest swap		24.2	-
Net cash from financing activities		**579.7**	**346.4**

EURm
Net cash flow for the year
Cash and cash equivalents as at 1 January
Exchange gain/(loss) on cash and cash equivalents
Net cash and cash equivalents as at 31 December
Bank overdraft (clearing-related balances)
Bank overdraft (own cash)
Cash and cash equivalents as at 31 December

Non-GAAP performance measures

Net cash and cash equivalents as at 31 December
Clearing-related assets as at 31 December
Clearing-related liabilities as at 31 December
Adjustment for Visa proceeds
Deposit from squeeze out
Own cash as at 31 December
Own cash as at 1 January
Net cash from operating activities excluding clearing-rela balances
Net cash from investing activities in the year
Net cash from financing activities excluding clearing-rela activities
Own cash aquired from takeover
Net cash from pass-through Visa proceeds
Exchange gain/(loss) on cash and cash equivalents
Own cash as at 31 December

Consolidated statement of changes in equity as at 31 December

	2020					
EURm	Share capital	Legal reserve	Hedge reserves	Currency translation reserves	Equity Certifi-cates*	Retained earnings
2020						
Equity as at 1 January	1.5	0.1	2.1	(65.8)	953.9	(587.1)
Result for the year	-	-	-	-	(56.6)	(347.1)
Other comprehensive income for the year						
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	-	-	(0.3)
Currency translation adjustments, foreign enterprises	-	-	-	(113.4)	-	-
Net gain/(loss) on cash flow hedges	-	-	29.5	-	-	-
Settlement of currency swap	-	-	(24.2)	-	-	-
Tax on fair value adjustments	-	-	(1.2)	-	-	-
Other comprehensive income for the year	**-**	**-**	**4.1**	**(113.4)**	**-**	**(0.3)**
Total comprehensive income for the year	**-**	**-**	**4.1**	**(113.4)**	**(56.6)**	**(347.4)**
Capital contribution	-	-	-	-	-	2.5
Share based payments	-	-	-	-	-	1.7
Adjustment Other Liabilities	-	-	-	-	-	(185.3)
Adjustment	-	-	-	-	(0.6)	-
Total changes in equity	**-**	**-**	**4.1**	**(113.4)**	**(57.2)**	**(528.5)**
Equity as at 31 December	**1.5**	**0.1**	**6.2**	**(179.2)**	**896.7**	**(1,115.6)**

* Includes Preferred Equity Certificates, Equity Preferred Certificates and Junior Preferred Equity Certificates. Total changes from Equity Certificates was negative EUR 57.2 million of w
Preferred Equity Certificates and Junior Preferred Certificates. For further information refer to Note 5.2.

Consolidated statement of changes in equity as at 31 December

	2019					
EURm	Share capital	Legal reserve	Hedge reserves	Currency translation reserves	Equity Certifi-cates*	Retained earnings
2019						
Equity as at 1 January	1.5	0.1	0.9	(85.8)	1,392.2	(199.9)
Result for the year	-	-	-	-	(102.4)	(380.4)
Other comprehensive income for the year						
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	-	-	(0.7)
Currency translation adjustments, foreign enterprises	-	-	-	20.0	-	-
Net gain/(loss) on cash flow hedges	-	-	1.5	-	-	-
Tax on fair value adjustments	-	-	(0.3)	-	-	-
Other comprehensive income for the year	**-**	**-**	**1.2**	**20.0**	**-**	**(0.7)**
Total comprehensive income for the year	**0.0**	**-**	**1.2**	**20.0**	**(102.4)**	**(382.4)**
Capital increase	-	-	-	-	-	34.9
Acquisition of non-controlling interests	-	-	-	-	-	26.0
Addition of non-controlling interests from Businesss Combinations	-	-	-	-	-	-
Adjustment Other Liabilities	-	-	-	-	-	(153.4)
Adjustment	-	-	-	-	(335.9)	86.4
Total changes in equity	**-**	**-**	**1.2**	**20.0**	**(438.3)**	**(387.2)**
Equity as at 31 December	**1.5**	**0.1**	**2.1**	**(65.8)**	**953.9**	**(587.1)**

* Includes Preferred Equity Certificates, Equity Preferred Certificates and Junior Preferred Equity Certificates. Total changes from Equity Certificates was negative EUR 433.3 million of redemption and interest for the Preferred Equity Certificates and new Junior Preferred Certificates and EUR 341.0 million related to new Equity Preferred Certificates. For further inforr

Contents

With the aim of providing enhanced information and a better understanding of the Group's financial results, position and cash flows, the notes to the consolidated financial statements have been structured into key themes. Further, to provide additional context to the IFRS financial statements and disclosures, narrative comments have been placed adjacent to the disclosures in the relevant theme section. The notes are presented in the following themes:

- Basis of preparation
- Earnings
- Working capital
- Strategic investment and divestment
- Funding and capital structure
- Tax and Governance
- Other disclosures

For ease of reference, an overview of how the financial statement disclosure notes have been allocated to each of the respective themes is set out below.

Section 1:

Basis of preparation

In this section

Section 1

Basis of preparation

Note 1.1

BASIS OF PREPARATION

The basis of preparation relates to the accounting framework which Executive Management has applied in the preparation of the consolidated financial statements of Nets Topco 2 S.à r.l. The consolidated financial statements are prepared on going concern.

These consolidated financial statements, for the years ended December 31, 2020 and 2019, are the first consolidated financial statements the Company has prepared in accordance with IFRS as issued by the IASB and adopted by the European Union. The opening consolidated statement of financial position was prepared as of January 1, 2019 (the date of transition to IFRS). For periods up to and including the year ended December 31, 2019, the Company and its Subsidiary prepared their separate financial statements in accordance with Luxembourg generally accepted accounting principle (Lux GAAP). However, no reconciliation from Lux GAAP (the prior reporting standards of the Company) to IFRS is presented because only separate financial statements of the Company were presented.

Included within these financial statements are the following financial measures which are non IFRS:

- Adjusted EBIT

Section 1

Basis of preparation (continued)

Note 1.2

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. None of these amendments have had material impact on the Group.
A summary of IFRS Standards issued but not yet effective is included in Note 7.3.

Note 1.3

SUMMARY OF KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period.

Estimates and judgements used in the determination of reported results are continuously evaluated and are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Management considers the following estimates and related judgements material to the assets and liabilities recognised in the consolidated financial statements; these are described in further detail adjacent to the disclosure Note.

- Use of special items (Note 2.2) (judgements)
- Business combinations and asset acquisitions (Note 4.1) (judgment and estimate)
- Useful life of intangible assets (Note 4.2) (estimate)
- Recoverable amount of capitalised development projects (Note 4.4) (estimate)
- Goodwill and other intangible assets allocated to Discontinued operations (Note 4.6) (estimate)
- Fair value of Equity Certificates (Note 5.2) (estimate)
- Incremental borrowing rate and expected lease term for lease agreements (Note 5.3) (estimate)
- Recognition of deferred tax assets and uncertain tax positions (Note 6.1) (judgment)

Note 1.4

BASIS FOR CONSOLIDATION

The consolidated financial statements incorporates the financial information of Nets Topco 2 S.á.r.l. (the "Parent Company") and its subsidiaries (together, "the Group" or "Nets"). Control is achieved where the Group is exposed or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Potential voting rights are included in the assessment of whether the Group has power over an entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive incom from the date on which the Group obtains contro or up to the date on which the Group ceases to have control, as appropriate. Total comprehensiv income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Note 1.5

FOREIGN CURRENCY TRANSLATION

Functional and presentational currency items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial information is presented in Euro (EUR), which is also the functional and presentational currency of the Parent Company.

On recognition of foreign branches which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Items in the consolidated income statements are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

TRANSLATION OF TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

TRANSLATION OF GROUP COMPANIES

Financial information of foreign subsidiaries is translated into Euro at the exchange rates prevailing at the end of the reporting period for assets and liabilities, and at average exchange rates for consolidated income statement and other comprehensive income items.

All effects of exchange rate adjustment are recognised in the consolidated income statement, except for exchange rate adjustment of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets including goodwill recognised at acquisition date, at the beginning of the year at the exchange rates at the end of the reporting period;
- the translation of foreign subsidiaries' income statements using average exchange rates, whereas balance sheet items are translated using the exchange rates prevailing at the en of the reporting period.

The above exchange rate adjustments are recognised in other comprehensive income.

Section 2:

Earnings

This section contains disclosure information related to revenue and costs. The section also discloses information regarding foreign currency exposure.

Revenue	EBITDA b.s.i.
975	**344**

In this section

Note 2.1

Revenue

Significant accounting policies

REVENUE RECOGNITION
The Group earns revenue from its customers on a transactional basis and on a non-transactional basis:

Transaction based revenue – includes revenue generated through a combination of (a) a fee per transaction processed (which represents the primary revenue model in the Issuers & eSecurity Services business areas) and (b) an ad valorem fee based on the value of transactions acquired (which represents the primary revenue model of the Merchant Services business area).

Non-transaction based revenue – includes revenue generated through provision of subscription-based fees related to the sale and rental of point-of-sale (POS) and related solutions, fees related to the sale of value-added services and revenue from development projects across the two business areas.

Revenue from transaction service charges, transaction processing and similar services is recognised as revenue when services are rendered.

Note 2.1

Revenue (continued)

CONTRACT ASSETS AND LIABILITIES

A contract asset is recognised for the Group's transferring of goods or services, if the customer has either not paid consideration or if the payment is not due. The contract assets primarily relate to development projects in progress.

A contract liability is recognised if the customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer. The contract liabilities primarily relate to prepayments received from customers in relation to development contracts and other non-transaction-based revenue.

BUSINESS AREAS

The Executive Management evaluates the activities from a business unit perspective. Related to the announced sale of the account-to-account business to Mastercard the remaining business activities have been reorganised under two business areas Merchant Services and Issuer & eSecurity Services:

Merchant Services provide in-store, online and mobile payment acceptance solutions to more than 740,000 merchants across the Nordic and central European regions, from large corporate chains to small and medium-sized enterprises and micro-merchants. We serve our merchants through a broad set of distribution channels, including indirect partnership relations such as bank referrals, value-added resellers and web developers as well as through our direct sales force. Our breadth of service, payment type and geographic coverage allows us to be a one-stop shop for merchants in the countries in which we operate.

Issuer & eSecurity Services provide outsourced processing services to more than 250 issuers of payment cards, primarily banks as well as complementary services including Card Management Systems (CMS), fraud and dispute solutions and mobile wallet technology. This business area is also operating and processing the national debit card schemes in Denmark and Norway, branded Dankort and BankAxept, respectively.

EURm
Gross revenue per transaction type
Transaction services
Non-transaction services
Total
Gross revenue per business area
Merchant Services
Issuer & eSecurity Services
Total
Net revenue per business area
Merchant Services
Issuer & eSecurity Services
Total

Note 2.1

Revenue (continued)

EURm	2020	2019
Gross revenue per geographical area		
Denmark	466.1	490.1
Germany	450.1	702.7
Finland	201.8	244.1
Norway	199.5	236.9
Sweden	99.4	114.2
Poland	94.6	33.0
Croatia	45.3	49.6
Baltics	9.8	11.3
Schweiz	0.8	1.3
Total	**1,567.4**	**1,883.2**
Net revenue per geographical area		
Denmark	308.9	306.9
Germany	210.1	214.6
Finland	121.7	149.2
Norway	173.9	202.9
Sweden	58.0	61.5
Poland	50.3	18.0
Croatia	44.1	48.5
Baltics	7.7	8.8
Schweiz	0.4	0.4
Total	**975.1**	**1,010.8**

The geagraphical breakdown of the revenue is based on the location of the legal entities and branches in the Group.

EURm
Assets and liabilities related to contracts w
Contract assets relating to projects and consultancy serv
Total contract assets
Other prepayments from customers
Total contract liabilities

No amounts are overdue for contract assets relating to p
Contract assets mainly relates to contracts with the Dani

Note 2.2

Costs and Special items

Significant accounting policies

COST OF SALES
Cost of sales comprises all costs related to products and services which have been sold. This mainly represents the cost of terminals sold and cost related to the pay-later solution.

EXTERNAL EXPENSES
External expenses mainly comprise IT operation, software, maintenance and development costs that do not qualify for capitalisation, lease expenses and other marketing, sales and distribution costs, losses and card fraud.

Immaterial other gains and losses of a nature secondary to the main activities of the Group are recognised within external expenses.

SPECIAL ITEMS
Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities. They are therefore separately disclosed to allow a more comparable view of underlying business performance.

Special items in the year amounted to EUR 214.4 million (2019: EUR 317.2 million) and included the fo

	2020		
EURm	External expenses	Staff costs	To
Special items			
Reorganisation, restructuring and refurbishment	(5.4)	(31.5)	**(36**
Business set-ups, acquisitions and disposals	(33.7)	(3.1)	**(36**
Transformation programme	(46.8)	(11.0)	**(57**
Costs arising from the insolvency of the client Thomas Cook and other losses, handling costs etc.	(79.6)	(3.3)	**(82**
Total special items	**(165.5)**	**(48.9)**	**(214**

Key accounting estimates and judgements
The use of special items entails Management judgement in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and restructuring of the Group carried out to enhance the future earnings potential. All costs presented under Special items are directly derived from the books and records and carefully monitored by Management on a monthly basis to ensure that only cost meeting the criteria are included.

Note 2.2

Costs and Special items (continued)

Financial comments

REORGANISATION, RESTRUCTURING AND REFURBISHMENT

Costs of reorganisation, restructuring and refurbishment amounted to EUR 36.9 million and mainly include costs related to termination of
employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operationally excellent.

BUSINESS SET-UPS, ACQUISITIONS AND DISPOSALS

Costs associated with business set-ups, acquisitions and disposals amounted to EUR 36.8 million and include costs related to external advisors in connection with acquisitions and other M&A related activities.

TRANSFORMATION PROGRAMME

Costs related to the transformation programme amounted to EUR 57.8 million and included costs related to the transformation programme.

These costs related to the further development of a target operating model, and continued investments in security and stability programs as well as the implementation of cost optimisation programmes related to technology, operations and procurement. The cost of third-party consultants represents the majority of the costs relating to the transformation programme.

THOMAS COOK GROUP AND OTHER LOSSES INCLUDING HANDLING COST ETC.

On 23 September 2019 one of the Nets Group's customers, Thomas Cook, filed for bankruptcy and a cost of EUR 189 million was included in the financials, reflecting the Management best estimate of gross losses related to the bankruptcy, as the Nets Group has the financial liability to compensate the card scheme and/or the issuing bank for charge-backs that had arisen/will arise if a customer did not/will not receive the services for which they have paid and seek compensation from the card issuer. In 2020, we saw additional losses related to the Thomas Cook bankruptcy of EUR 13.7 million, taking the total losses to EUR 202.7 million. Refer to Note 3.2 for a further description of the risk exposure.

Note 2.3

Staff costs

Significant accounting policies

STAFF COSTS

Wages, salaries, pension contributions, social security contributions, annual leave, sick leave

EURm
Staff costs
Wages and salaries
Share-based payment cost
Pensions – defined contribution plans
Pensions – defined benefit obligations
Other social security contributions
Other employee costs
Total employee costs for the year
Employee costs included in development projects
Total employee costs expensed in the income statemen
Employee costs included in special items
Total employee costs included in EBITDA before specia
Actuarial losses recognised in other comprehensive inco
Average number of employees, full time equivalant
Year-end number of employees, full time equivalant

Information about remuneration to the Board of Manager

Note 2.4

Foreign currency exposure

Financial comments

TRANSACTION RISK

The Group operates predominantly in Northern Europe and Central Europe. Hence, it is primarily exposed to exchange-rate risks from DKK, NOK, SEK, PLN, and HRK, and to a minor degree USD, CHF, GBP and ISK. The DKK-based exposure is considered low, given the de facto fixed-rate policy that Denmark maintains against the Euro. The Group has only minor exposure to currencies other than those mentioned above.

Foreign currency risk is managed at Group level, focusing on two distinct areas: business activities and Group financial assets and liabilities.

BUSINESS ACTIVITIES

There is exchange-rate exposure associated with settlement assets and settlement obligations; however, the exposure is limited, as card transactions are generally executed and settled in the same currency and in the same timeframe. Discrepancies in outflow and inflow of clearing funds result in the Group trading currencies on an ongoing basis to settle these.

GROUP FINANCIAL ASSETS AND LIABILITIES

The Group holds assets and liabilities in foreign currency, mainly in two different classes, which are as follows:

- Cash at bank – the Group has cash at bank which is in different currencies relevant to underlying card-clearing structure. This and the Group's own cash are not being hedged.
- Borrowings – the Group has Senior Notes denominated in Euro (refer to Note 5.2 for further information).

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

The Group's exposure to foreign currency fluctuations is summarised in the following tables.

A probable change in the following currencies would hypothetically impact the Group's revenue and operating profit before depreciation and amortisation for the year as outlined in the following table:

EURm	Probable change in currency	Net reven
NOK	+10%	[illegible]
SEK	+10%	[illegible]
DKK	1%	[illegible]
PLN	10%	[illegible]
HRK	10%	[illegible]
EUR	+1%	[illegible]

Exchange rate EUR per 100	
Key currencies	
Average	[illegible]
End of year	[illegible]
Year-end change	[illegible]

Exchange rate EUR per 100	
Key currencies	
Average	[illegible]
End of year	[illegible]
Year-end change	[illegible]

Note 2.4

Foreign currency exposure (continued)

Financial comments

A probable change in the following currencies against the currencies as at the balance sheet date would have the following hypothetical impact on profit before tax and the Group's equity based on the exposure of balances in foreign currency. Development in the hypothetical impact on profit before tax is given by a changed capital structure (refer to Note 5.2).

	2020				
EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]
Exposure of balance in foreign currency					
NOK	111.1	803.0	100.1	(684.7)	(177.6)
SEK	41.7	346.7	4.8	(299.0)	(70.0)
DKK	(53.6)	1,026.9	420.0	(161.8)	(426.5)
PLN	108.3	523.6	33.3	-	(114.5)
CHF	64.1	22.9	3.2	-	(8.2)
HRK	-	-	8.0	-	(2.6)
Total	**271.6**	**2,723.1**	**569.4**	**(1,145.5)**	**(799.4)**

	2019				
EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]
Exposure of balance in foreign currency					
NOK	115.5	859.1	105.7	(674.0)	(266.9)
SEK	(5.7)	324.1	39.8	(287.4)	(70.8)
DKK	(66.0)	1,017.9	614.0	-	(455.0)
PLN	38.5	225.1	9.8	-	(75.2)
HRK	1.0	-	13.3	-	(6.0)
Total	**83.3**	**2,426.2**	**782.6**	**(961.4)**	**(873.9)**

[1] Receivables include settlement assets.
[2] Liabilities include merchant creditors and settlement obligations.
[3] A large part of the balances in foreign currency is naturally hedged by the underlying business activities.

Section 3:

Working capital

The working capital of the Group comprises narrow working capital and clearing-related balances.

Narrow working capital comprises inventory (primarily terminals, spare parts, etc.), trade receivables, pay-later solution, prepayments and other receivables and trade and other payables. Management actively focuses on optimising the narrow working capital requirements of the Group's operations.

Clearing-related balances comprise the aggregate of settlement assets less the aggregate of merchant creditors and settlement obligations, as these balances tend to offset each other.

However, Management has limited ability to improve the working capital of clearing-related balances on a day-to-day basis, as these are driven by the volume of transactions and the time elapsed since the last clearing of financial issuers/card schemes, which is why these balances fluctuate from reporting date to reporting date. A description of the components in the clearing-related balances and the key drivers behind their respective amounts is provided in Note 3.2.

Separate credit lines have been established to cover day-to-day fluctuations – see Note 5.2.

In this section

Significant accounting policies

FINANCIAL ASSETS

Financial assets are classified, at initial recognition, as financial assets at fair value through the income statement, financial assets at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets except for trade receivables are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the income statement, transactio costs that are directly attributable to the acquisition of the financial asset.

Trade receivables including contract assets that do not contain a significant financing componen are recognised at the transaction price.

SUBSEQUENT MEASUREMENT

Financial assets at amortised cost

This category is the most relevant to the Group and applies to trade and other receivables and clearing-related assets.

Financial assets at amortised cost are subsequentl measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Interest income arising under the EIR method is recognised in financial income in the income statement. Losses arising from impairment are recognised in the income statement under external expenses.

Note 3.1.1

Inventories

EURm	2020	2019
Inventories		
Finished goods and merchandise	19.4	13.7
Total inventories (gross)	**19.4**	**13.7**
Inventory write-downs at year-end	(1.6)	(1.4)
Total inventories (net)	**17.8**	**12.3**
Movements in the inventory write-downs		
Inventory write-downs as at 1 January	(1.4)	(1.3)
Inventory write-downs during the year	(0.5)	(0.7)
Provisions utilized	0.3	0.6
Inventory write-downs as at 31 December	**(1.6)**	**(1.4)**

Write-downs of inventories to net realisable value amounted to EUR 0.5 million net (2019: EUR 0.7 million) and are included in cost of sales.

Note 3.1.2

Trade and other receivables

EURm	2020	2019
Trade receivables		
Trade receivables	176.2	147.4
Receivables from pay-later solution	185.3	137.9
Allowances for doubtful debts	(41.1)	(16.1)
Trade receivables, net	**320.4**	**269.2**
Deposits	4.4	4.8
Other receivables	6.6	3.9
Total	**331.4**	**277.9**

Note 3.1.2

Trade and other recei

EURm	Current	Less than 3 months past due
Expected loss rate	1.21%	5%
Trade receivables	145.2	16.2
Receivables from pay-later solution	94.9	59.6
Allowance for doubtful debts as at 31 December	**(2.9)**	**(3.7)**
Trade receivables, net		

EURm	Current	Less than 3 months past due
Expected loss rate	0.64%	3%
Trade receivables	127.2	10.6
Receivables from pay-later solution	61.6	45.9
Allowance for doubtful debts as at 31 December	**(1.2)**	**(1.5)**
Trade receivables, net		

RELATED CREDIT RISK

The Group is exposed to credit risks related to the trade receivables and receivables from the pay-later solution. The base consists of a large

Note 3.1.3

Trade and other payables

EURm	2020	2019
Trade and other payables		
Trade payables	112.4	91.5
Payables from pay-later solutions	83.5	79.8
Other liabilities	314.7	263.1
Total	**510.6**	**434.4**
Other liabilities		
Employee costs payable	99.6	84.4
Other payables	155.3	147.7
Interest payable	21.2	18.9
VAT and duties payable	38.6	12.1
Total	**314.7**	**263.1**

In 2020 other liabilities includes COVID-19 related postponement of employee tax in Denmark EUR 12.0 million and VAT in Germany EUR 21.1 million.

Note 3.2

Clearing-related bala

EURm
Clearing-related assets
Settlement assets
Total
Clearing-related liabilities
Merchant creditors
Settlement obligations
Total

The carrying amount of clearing-related balances is, in g
settlement days and timing of settlement.

Settlement assets consist primarily of the Group's receivables from the card schemes/ networks/banks for transactions processed on behalf of merchants or card issuing banks.

Merchant creditors consist primarily of the Group's liability to merchants for transactions that have been processed but not yet settled. Certain settlement terms towards merchants exceed settlement terms towards the remittanc from card scheme/banks, thus creating negativ working capital.

Note 3.2

Clearing-related balances (continued)

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group is exposed to the risk of unpaid merchant service charges where a customer ceases to trade. To manage this risk, the Group maintains credit risk exposure in line with approved appetite for risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group. In addition, the Group is exposed to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a charge-back lies with the merchant, in the event that the merchant is no longer in business, the Group has a liability to re-compensate the card scheme or the issuing bank.

During 2020 Nets continued the work, initiated in 2019, to further strengthen the credit risk exposure including continued legal review of contracts, renegotiation of merchant credit risk insurance programmes, improved risk assesment for new merchants and improved monitoring of existing merchants.

Note 3.3

Cash and cash equiva

Significant accounting policies

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and therefore subject t insignificant risk of change in value.

EURm
Cash at bank and on hand
Cash and cash equivalents as at 31 December
Bank overdrafts
Cash and cash equivalents as at 31 December, net
Restricted cash included in cash at bank and on hand

EURm
Cash and cash equivalants as at 31 December, net
Clearing-related assets as at 31 December
Clearing-related liabiliteis as at 31 December
Cash related to pass through Visa proceeds
Deposits from squeeze out
Own cash as at 31 December

Note 3.4

Financial risk management

Financial comments

LIQUIDITY AND FINANCING RISK MANAGEMENT

Liquidity management is executed on an ongoing daily basis, ensuring availability of required liquidity of the Group by appropriate cash management, and maintaining adequate liquidity reserves at any time through a combination of readily available cash, liquid investment portfolios and uncommitted as well as committed credit facilities.

The Group has established cash pooling arrangements to ensure cost-efficient and secure cash management. The Group continuously monitors actual and future cash flows to match the maturity profiles of financial assets and liabilities.

A part of the Group's liquidity position relates to its settlement activities (settlement cash). The Group ensures that it has sufficient liquidity at any time to meet its settlement payment obligations as they fall due. This is achieved by holding significant cash balances and maintaining sufficient credit lines.

Settlement cash

The Group's acquiring business has a short-term settlement cycle where card schemes (predominantly Visa/Mastercard) remit cash and the Group pays merchants from these remittance

The settlement activities can result in a significant increase in cash balances or a significant decrease in cash balances. Liquidity is needed only when merchants are remitted prior to funds being received; however, the settlement are normally performed within a few days.

The Group's issuing business also has a short-term settlement cycle where the network (local banks) remits cash and the Group pays the car

EURm	Note	2020 < 1 month	1-3 months	4-12 months	> 1 year	Total	< 1 month
Trade and other receivables including contract assets		290.9	23.2	35.0	10.0	**359.1**	201.
Clearing-related assets		514.9	-	-	-	**514.9**	787.
Total financial assets at the end of the year by maturity		**805.8**	**23.2**	**35.0**	**10.0**	**874.0**	**988.**
Borrowings	5.2	615.4	42.1	236.6	4,263.9	**5,158.0**	386.
Interest bearing loan from owners	5.2	-	-	1,368.2	255.6	**1,623.8**	
Preferred Equity Certificates	5.2	-	-	-	772.8	**772.8**	
Trade and other payables including contract liabilities		375.1	43.1	89.7	7.7	**515.6**	281.
Merchant creditors		891.4	-	-	-	**891.4**	1,310.
Clearing-related obligations		127.0	-	-	-	**127.0**	236.
Other liabilities		2.0	0.4	331.6	15.7	**349.7**	0.
Lease liabilities	5.3	3.8	1.8	15.2	74.6	**95.4**	3.
Total financial liabilities at the end of the year by maturity		**2,014.7**	**87.4**	**2,041.3**	**5,390.3**	**9,533.7**	**2,219.**

The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates. A more detailed maturity analysis of the Group loans is disclosed in Note 5.2.

Note 3.5

Derivative financial instruments

THE GROUP HAS THE FOLLOWING DERIVATIVE FINANCIAL CERTIFICATES

EURm	2020	2019
Non-current assets		
Currency swap	-	9.3
Total non-current derivative financial instruments	**-**	9.3
Non-current liabilities		
Currency swap	30.1	-
Interest swaps	14.5	10.9
Total non-current derivative financial instruments	**44.6**	10.9

EURm
As at 1 January 2019
Add: Change in fair value of hedging instrument recognised in OCI for the year
Add: Costs of hedging deferred and recognised in OCI
Less: Reclassified from OCI to profit or loss – included in finance costs
Less: Deferred tax
As at 31 December 2019

EURm
As at 1 January 2020
Add: Change in fair value of hedging instrument recognised in OCI for the year
Less: Reclassified from OCI to profit or loss – included in finance costs
Less: Deferred tax
As at 31 December 2020

CLASSIFICATION OF DERIVATIVES

Derivatives are only used for economic hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in Note 5.2. Further information about the derivatives used by the Group is provided in the section on market risk.

FAIR VALUE MEASUREMENTS

For information about the methods and assumptions used in determining the fair value of derivatives, refer to Note 7.2.

HEDGE INEFFECTIVENESS

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item, such as changes in the credit risk of the Group or the derivative counterparty, the Group uses the hypothetical derivative method to assess effectiveness.

There was no ineffectiveness during 2020 in relation to the currency swaps.

Note 3.5

Derivative financial certificates (continued)

MARKET RISK

Foreign exchange risk

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in the different currencies used by the Group, is shown in Note 2.4 and 5.2, respectively.

The Group operates across Europe and is exposed to foreign exchange risk.
Refer to description in Note 2.4.

Instruments used by the Group

The Group's treasury policy includes a target to hedge a minimum of 50% of the Group's exposure to variable interest rates. This is done through a combination of interest rate swaps and cross-currency swaps. In total, 52% of the Group's exposure to variable interest rates was hedged as at 31 December 2020. In general, cross-currency swaps are used to match interest expenses (in NOK and EUR) with the currency in which the Group's cash flow is generated. By doing so, the Group is able to minimize its exposure to foreign exchange rates while at the same time hedging the exposure to floating rate exchange rates.

The fixed rate EUR interest and notional exposure related to the corporate bonds (notional of EUR 220 million) has been swapped to fixed rate DKK and NOK, respectively. The DKK/NOK currency swap ratio is determined based on the forecasted consolidated EBITDA origination in DKK and NOK, respectively. The cross-currency swaps used to hedge foreign exchange risk from the corporate bonds are classified as a cash flow hedge (EUR/DKK) and a hedge of net investment in a foreign operation (EUR/NOK), respectively, as the EUR/DKK swap is assessed to not qualify as a hedge of a net investment in a foreign operation.

Due to the Exchange Rate Mechanism ERM II agreed between the Danish Central Bank and The European Central Bank (ECB), that limits the EUR/DKK fluctuation band to +/- 2.25%, the hedge is considered effective.

The swaps in place to hedge foreign exchange risk from the corporate bonds matches the EUR payments on the bond until maturity in 2024. The cross-currency swaps replace the fixed EUR interest rate of 2.875% with a fixed DKK interest rate of 2.9285% and a fixed NOK interest rate of 4.7020%, respectively.

The swap contracts require settlement of EUR payments every 6 months. The settlement dates coincide with the dates on which note principal and interests are payable.

The Group's term loans are denominated in EUR and NOK. The floating rate interest exposure from the EUR denominated debt is hedged through interest rate swaps (notional of EUR 1,400 million) and EUR/SEK cross-currency swaps (notional EUR 279 million).

The floating rate interest exposure from the NOK-denominated debt is hedged through interest rate swaps (notional NOK 3,995 million
Both the EUR and NOK interest rate swaps are classified as cash flow hedges, as they swap floating rate interest rate exposure into fixed rates. The EUR/NOK cross-currency swaps are classified as a hedge of net investment in foreign operation.

Currency certificates
Carrying amount (assets/liability) (EURm)
Notional amount (EURm)
Maturity date
Change in fair value of outstanding hedging instruments since 1 January (EURm)
Hedged fixed interest rate until maturity

Interest certificates
Carrying amount (asset/liability) (EURm)
Notional amount (EURm)
Maturity date
Change in fair value of outstanding hedging instruments since 1 January (EURm)
Hedged fixed interest rate until maturity

Section 4:

Strategic investments and divestments

This section includes disclosure information related to how the Group executed its growth strategy related to:
- Expansion of geographical and service offering footprint through acquisitions
- Development of innovative product and service offerings

STRATEGIC ACQUISITIONS
The Group is actively committed to renewing and supplementing the portfolio of services offered and to strengthening our geographical footprint.

This section provides information on the consideration paid by the Group for acquiring these entities and shows how these businesses have impacted the Group's balance sheet at their respective acquisition dates, including details on goodwill and other intangible assets acquired.

INVESTMENTS IN DEVELOPMENT PROJECTS
At Nets, we see easier payments as the foundation for growth and progress – both in commerce and in society. The Group continuously innovates to bring to market products and services relevant to our focus areas in new payment certificates, analytics and authentication.

This section includes financial information related to expenditure on development projects.

In this section

Note 4.1

Business combination

Significant accounting policies

BUSINESS COMBINATIONS
Acquisitions of businesses are accounted for usin the acquisition method. The cost of an acquisitio is measured as the aggregate of the consideratio transferred measured at acquisition date fair valu and the amount of any non-controlling interests i the acquiree. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at either fair valu (full goodwill) or at the non-controlling interest' proportionate share of the recognised amounts of the acquiree's identifiable assets.

Any contingent consideration to be transferred is measured at fair value at the acquisition date. Acquisition-related costs are expensed as and whe incurred within Special Items for external expenses and staff costs.

At the acquisition date, the identifiable assets acquired and the liabilities, including contingent liabilities assumed, are recognised at their fair value at the acquisition date. Goodwill is initiall measured at cost, being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired.

If the initial accounting for a business combination is incomplete by the end of the

Note 4.1

Business combinations and asset acquisitions

Key accounting estimates and judgements
The most significant assets acquired generally comprise goodwill, customer agreements and development projects. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of acquired intangible assets, Management makes estimates of the fair value. The methods applied are based on the present value of future cash flows, churn rates or other expected cash flows related to the specific asset.

The fair value of development projects and customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired portfolio and related customer relationships. Measurement is based on a discounted cash flow model on key assumptions about the estimated split of the acquired and expected revenue, the related churn rates and profitability of the revenue at the time of the acquisition.

ACQUISITION OF BUSINESSES
In 2019 the Group acquired the Concardis Payment Group, Dotcard Group and the company PayPro. In January 2020 the Group acquired the companies Poplatek Payments Oy and Poplatek Oy and in October 2020 The Group acquired the "PeP Group" and the company CCV SA. In 2019 and 2020 the acquisitions will have the following effect on the Group's consolidated financial statements as at the reporting date:

	2020		2020		2020
	Poplatek Payments Oy		Poplatek Oy		CCV SA
EURm	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	Book value on acquisition date
Goodwill	-	9.3	-	5.3	-
Other intangibles	0.1	2.3	-	1.2	-
Plant and equipment	0.1	0.1	0.1	0.1	2.3
Investment in associates	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Other assets	0.5	0.5	0.3	0.3	2.4
Cash and cash equivalent	0.1	0.1	0.4	0.4	1.4
Deferred tax liabilities	-	(0.4)	-	(0.2)	-
Borrowings	(0.3)	(0.3)	-	-	(0.7)
Other liabilities	(0.2)	(0.3)	(0.7)	(0.8)	(3.0)
Non-Controlling entities	-	-	-	-	-
Consideration transferred		**6.5**		**3.5**	
Cash and cash equivalent in aquisition of business		(0.1)		(0.4)	
Total cash consideration		**6.4**		**3.1**	

Poplatek Oy and Poplatek Payments Oy
An agreement to acquire 100% of the shares and voting rights in the Finnish companies Poplatek Oy and Poplatek Payments Oy was signed 23 December 2019, with closing date 8 January 2020 The combined purchase price amounted to EUR 18 million. Total combined consideration paid at closing was EUR 10 million and a remaining futur

Note 4.1

Business combinations and asset acquisitions (continued)

The combined acquisition has further strengthened the Group's presence in Finland and Europe and will support the Merchant Services business with strengthened payment application capabilities and offerings within payment terminal services.

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group.

Acquisition costs related to the combined purchase amounted to EUR 0.7 million.

Centrum Rozliczeń Elektronicznych Polskie ePłatności SA ("PeP Group")
An agreement to acquire 100 % of the shares and voting rights in PeP Group was signed on 11 March 2020, with closing date 26 October 2020 for a total cash consideration of PLN 1,559 million (EUR 349 million).

The acquisition of PeP Group, consisting of Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A. (PeP) and fully owned subsidiaries PayLane Sp. z o.o., BillBird S.A. and TopCard Sp. z o.o. has further strengthened the Group's European presence and gained access to the sixth-largest country in the EU with high growth in digital payments and helped Nets to become one of the largest payment providers in Poland.

Goodwill represents the value of the current workforce and know-how and also the operational synergies and growth expected from integration within the Group.

If the acquisition had occurred on 1 January 2020, pro-forma revenue and loss for the year ended 31 December 2020 would have been EUR 52.6 million and EUR (3.4) million, respectively.

Acquisition costs related to the purchase amounted to EUR 7.5million.

CCV SA
An agreement to acquire 100 % of the shares and voting rights in CCV SA was signed on 22 October 2020, with closing date 30 October 2020 for a total cash consideration of CHF 33 million (EUR 30 million).

The acquisition of CCV has further strengthened the Group's presence in Switzerland and Europe and will support the Merchant Services business within payment terminal services.

Goodwill represents the value of the current workforce and know-how and also the operational synergies and growth expected from integration within the Group.

If the acquisition had occurred on 1 January 2020 pro-forma revenue and loss for the year ended 3 December 2020 would have been EUR 15.3 million and EUR 0.0 million, respectively.

Acquisition costs related to the purchase amounted to EUR 2.2 million.

2019:

CONCARDIS GMBH
An agreement to merge the Nets Group and Concardis Payment Group by issuing shares and preferred equity certificates was signed in June 2018 with closing date start January 2019 for the total consideration of EUR 698 million

In recent years, both companies have actively driven consolidation in their home countries through strategic acquisitions, especially within the high growth area of merchant services. With the merger, Nets Group and Concardis Payment Group combine market-leading positions as payment service champions in the Nordics and Germany. Both companies offer their customers a broad portfolio of payment services including offline, online, mobile, recurring payments and real-time services.

Both Nets Group and Concardis Payment Group enjoy leading positions in the Nordic region and the DACH region within merchant relevant payment solutions. Together, the joint Group will respectively be able to accelerate its European

Note 4.1

Business combinations and asset acquisitions (continued)

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group.

Acquisition costs relating to the purchase amounted to EUR 2 million.

PAYPRO S.A.

An agreement to acquire 51% of the share capital and voting rights in PayPro was signed 8 February 2019 with a closing date 1 August 2019. The total purchase price for the acquisition of 51% of the shares, included a total cash consideration of EUR 100 million and a transfer of 49% of the ownership and voting rights of the Dotcard Group.

As of the closing date 1 August, 49% of the Dotcard Group, corresponded to a fair market value of EUR 35 million. In addition to this, the Group entered into a put/call option agreement to acquire the remaining 49% at an exercise price, based on a number of elements including Revenue and EBITDA in the following years.

The acquisition has further strengthened the Group's European presence and access to the sixth-largest country in the EU with high growth in digital payments.

	2019		2019
	Concardis GmbH		Dotcard Sp. z o
EURm	Book value on acquisition date	Opening Balance	Book value on acquisition date
Goodwill	426.3	766.4	-
Other intangibles	203.6	404.0	0.1
Plant and equipment	32.7	32.7	0.3
Investment in associates	3.2	3.2	-
Deferred tax assets	2.0	15.3	0.1
Other assets	359.5	359.5	10.4
Cash and cash equivalent	697.8	697.8	31.8
Deferred tax liabilities	(49.7)	(104.6)	-
Borrowings	(496.2)	(496.2)	(9.4)
Other liabilities	(953.4)	(980.3)	(31.8)
Non-Controlling entities	-	-	-
Consideration transferred		**697.8**	
Payment in shares		**-**	
Cash and cash equivalent in aquisition of business		(697.8)	
Total cash consideration		**-**	

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group.

If the acquisition had occurred on 1 January 2019, pro-forma revenue and loss for the year ended 31 December 2019 would have been EUR 16.0 million and EUR 9.4 million respectively.

Note 4.2

Intangible assets

Significant accounting policies

GOODWILL
Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised. The carrying amount of goodwill is tested annually and if events or changes in circumstances indicate impairment.

CUSTOMER AGREEMENTS AND RIGHTS
Customer agreements and rights are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which does not exceed:

- Customer agreements 3–15 years
- Rights 3–10 years.

SOFTWARE
Capitalised software is amortised over the estimated useful lives of 3–7 years.

DEVELOPMENT PROJECTS IN PROGRESS
Development costs that are directly attributable to the design and testing of identifiable and unique projects, including software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use
- Management intends to complete the asset and there is an ability to use or sell it
- The asset will generate probable future economic benefits
- Expenditure attributable to the asset during its development can be reliably measured.

Costs associated with maintaining the assets are recognised as an expense as and when incurred.

Directly attributable costs that are capitalised as part of the assets include employee costs.

Development projects in progress are tested for impairment at least annually.

Key accounting estimates and judgements

CUSTOMER AGREEMENTS
The useful life of customer agreements is determined based on periodic assessments of customer churn or actual useful life and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment.

SOFTWARE
The useful life of software is determined based on periodic assessments of actual useful life and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment.

Note 4.2

Intangible assets (continued)

	2020					
		Other intangible assets				
EURm	Goodwill	Customer agree-ments	Software	Devel-opment projects in progress	Other intangible assets	Total intangible assets
Accumulated cost as at 1 January	**3,755.6**	842.3	752.5	87.9	**1,682.7**	**5,438.3**
Additions from acquisitions	**356.1**	83.2	5.6	-	**88.8**	**444.9**
Additions	**-**	3.7	6.5	93.7	**103.9**	**103.9**
Transfer between asset groups	**-**	-	103.9	(103.9)	**-**	**-**
Assets disposed of	**-**	-	(30.8)	(5.0)	**(35.8)**	**(35.8)**
Currency translation adjustment	**(47.1)**	(6.9)	(8.7)	-	**(15.6)**	**(62.7)**
Reclassification to Assets held for sale	**-**	-	-	-	**-**	**-**
Accumulated cost as at 31 December	**4,064.6**	**922.3**	**829.0**	**72.7**	**1,824.0**	**5,888.6**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(149.8)	(212.4)	-	**(362.2)**	**(362.2)**
Amortisation	**-**	(111.8)	(154.9)	-	**(266.7)**	**(266.7)**
Transfer between asset groups	**-**	-	-	-	**-**	**-**
Assets disposed of	**-**	-	30.7	-	**30.7**	**30.7**
Currency translation adjustment	**-**	1.8	3.0	-	**4.8**	**4.8**
Reclassification to Assets held for sale	**-**	-	-	-	**-**	**-**
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(259.8)**	**(333.6)**	**-**	**(593.4)**	**(593,4)**
Carrying amount as at 31 December	**4,064.6**	**662.5**	**495.4**	**72.7**	**1,230.6**	**5,295.2**

EURm	Goodwill	Custom agre mer
Accumulated cost as at 1 January	**3,993.4**	70
Additions from acquisitions	**977.2**	40
Additions	**-**	
Transfer between asset groups	**-**	
Assets disposed of	**-**	
Currency translation adjustment	**13.0**	
Reclassification to Assets held for sale	**(1,228.0)**	(272
Accumulated cost as at 31 December	**3,755.6**	**84**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(79
Amortisation	**-**	(120
Transfer between asset groups	**-**	
Assets disposed of	**-**	
Currency translation adjustment	**-**	(0
Reclassification to Assets held for sale	**-**	5
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(149**
Carrying amount as at 31 December	**3,755.6**	**69**

Note 4.3

Plant and equipment

Significant accounting policies

PLANT AND EQUIPMENT

Plant and equipment are stated at their purchase price, including incremental expenses on acquisition less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on a straight-line basis over the expected useful economic life of the assets concerned.

The estimated useful life for this purpose is:

- Leasehold improvements: 10 years
- Terminals: 3-5 years
- Plant and machinery: 2–12 years

	2020				
EURm	Leasehold improvements	Terminals	Plant and machinery	Total	Leasehold improvements
Accumulated cost as at 1 January	13.6	39.2	153.3	**206.1**	10.5
Impact from implementing IFRS 16	-	-	-	**-**	-
Additions from acquisitions	-	22.7	4.6	**27.3**	1.4
Additions	2.8	17.1	17.6	**37.5**	6.4
Assets disposed of	-	(23.0)	(14.6)	**(37.6)**	(4.8)
Currency translation adjustment	(1.1)	(0.6)	(8.2)	**(9.9)**	0.1
Accumulated cost as at 31 December	**15.3**	**55.4**	**152.7**	**223.4**	**13.6**
Accumulated depreciation and write-downs for impairment as at 1 January	1.1	(12.4)	(17.2)	**(28.5)**	(1.4)
Depreciation	(2.6)	(17.3)	(32.6)	**(52.5)**	(2.2)
Write-downs for impairment	-	-	-	**-**	-
Assets disposed of	-	21.8	13.6	**35.4**	4.8
Currency translation adjustment	0.5	0.6	4.2	**5.3**	(0.1)
Accumulated depreciation and write-downs for impairment as at 31 December	**(1.0)**	**(7.3)**	**(32.0)**	**(40.3)**	**1.1**
Carrying amount as at 31 December	**14.3**	**48.1**	**120.7**	**183.1**	**14.7**

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate in 2021 and 2023. The agre

Note 4.4

Impairment tests

Significant accounting policies

IMPAIRMENT OF GOODWILL

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently if there is any indication that the unit may be impaired.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When determining a cash-generating unit, various factors have to be considered, including how Management monitors the operations and makes decisions.

If the recoverable amount of the cash-generating unit is less than it's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the income statement and cannot be reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

IMPAIRMENT OF OTHER INTANGIBLE ASSETS AND PLANT AND EQUIPMENT

At each reporting date, the Group assesses whether there is any indication that its other intangible assets or plant and equipment are impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss (if any). If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of it's fair value less cost to sell and its value in use. If the recoverable amount of an intangible asset or plant and equipment is less than its carrying value, an impairment loss is recognised immediately in the consolidated income statement.

A reversal of an impairment loss on other intangible assets or plant and equipment is recognised as and when it arises only to the extent that the carrying amount does not exceed the recoverable amount (adjusted for depreciation and amortisation), had no impairment loss been recognised.

Key accounting estimates and judgements

In 2020 the recoverable amount of goodwill has been based on a fair value less cost to sell basis. The fair value less cost to sell has been based

The carrying amount of goodwill allocated to ca

EURm
Cash-generating unit
Merchant Services
Issuer & eSecurity Services
Total

MERCHANT SERVICES

Merchant Services consists of goodwill recognised as part of the purchase of the Nets Group to private equity funds in 2014 and 2018, and from acquisition of activities the following years in Germany (Concardis and RatePay), Sweden (Payzone, DIBS Payment Services and Kortaccept Nordic), Poland (DotCard, PayPro and PeP), Denmark (Storebox), Switzerland (CCV) and Finland (Paytrail and PoplaTek). Goodwill has been evaluated at aggregated level as Merchant Services is considered as one CGU. Entities are not evaluated separately, as value-added processes are generated across the Group, including synergies from combining operations, economies of scale and future growth potential.

Note 4.5

Investment in associates

Significant accounting policies

ASSOCIATES
An associate is an entity over which the Group has significant influence. Investments in associates are recognised under the equity method.

Investments in associates are recognised in the balance sheet at the proportional share of the entity's equity value calculated in accordance with Group accounting policies.

Associates with negative equity value are measured at zero, and any receivables from these enterprises are written down, if required, based on an individual assessment. If a legal or constructive obligation exists to cover the associate's negative balance, a liability is recognised.

The income statement reflects the Group's share of the results of operations of the associate.

Any change in other comprehensive income of the associate is presented as part of the Group's other comprehensive income. In addition, when a change has been recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The proportionate share of the net profit/loss in associates after tax and elimination of the proportionate share of intra-group gains/losses is recognised in the Group's consolidated income statement.

EURm
Investment in associates
Accumulated cost as at 1 January
Additions from acquisitions
Currency translation adjustment
Accumulated cost as at 31 December
Revaluation as at 1 January
Adjustment previous year
Dividend distributed
Share of result after tax
Currency translation adjustment
Revaluation as at 31 December
Carrying amount as at 31 December
Fair value recognition from business combinations
Carrying amount excluding fair value recognition from b combinations as at 31 December

	2020									
						Nets' share				
EURm	Share	Currency	Revenue	Result for the year	Net assets	Equity	Result for the year	Share	Currency	Re
Company name										
e-Boks A/S, Denmark	50%	DKK	30.9	5.3	28.4	5.4	2.6	50%	DKK	
WEAT Electronic Datenservice GmbH, Germany	40%	EUR	11.4	2.0	8.5	2.3	0.8	40%	EUR	
Orderbird AG, Germany*	20.84%	EUR	**	(2.2)	9.4	0.4	(0.5)	20.84%	EUR	
Total				**5.1**	**46.3**	**8.1**	**2.9**			

* Reporting date 30 September 2019
** Operating result. Orderbird AG do not announce revenue in the public Annual Report.
Financial figures are according to latest public Annual Report.

Note 4.6

Discontinued operations

Significant accounting policies

Divestment of activities which can be clearly distinguished, operationally and for financial reporting purposes from the other business and is expected to be carried out within twelve months in accordance with a formal plan is reported as discontinuing operations.

The result after tax from discontinuing operations is presented in a separate line item in the income statement with comparative figures and is specified in this note.

Net cash from discontinuing operations is also presented in the note with comparative figures.

Assets and liabilities related to discontinuing operations are presented in separate line items as held-for-sale and are specified in the note but are presented without comparative figures.

At the time non-current assets are classified as held-for-sale an assessment of the fair value is made to identify any impairment loss from the discontinuing operations.

From the time non-current assets are held-for-sale no further depreciation or amortisation is made.

On 6 August 2019, it was announced that Nets had agreed to sell the account-to-account payment business to Mastercard for EUR 2.85 billion. On 17 August 2020, the European Commission granted a conditional clearance of the transaction, and on 5 March 2021, the transaction was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions. Management assessed, that the signing of the agreement with Mastercard fulfilled the requirements for presenting the Group's account-to-account payment business as discontinuing operations. The activities sold to Mastercard were previously included in the business unit Corporate Services providing the payment platform for recurrent bill payments and credit transfer transactions. At the centre of this business is the ability to provide seamless and integrated solutions for recurring bill payments to corporations and consumers (e.g. Leverandørservice and Betalingsservice). It also includes solutions for real-time clearing providing instant payments.

Management has made a number of significant estimates related to the discontinuing operations. The main estimates relate to allocation of Goodwill and Other intangible assets in the concolidated balance sheet.

EURm
Result from discontinuing operations
Revenue, gross
Interchange fees and processing fees
Revenue, net of interchange fees and processing fees
Cost of sales
External expenses
Staff costs
Operating result before depreciation and amortisation (
Amortisation of business combination intangibles, custom agreements & impairment losses
Underlying depreciation and amortisation
Result before tax
Income taxes
Result from discontinuing operations

External expenses and Staff cost comprises cost directly associated with the discontinued business and allocated indirect cost.

For Goodwill and Other intangible assets a majority of the values previously allocated to the Corporate Services business has been allocated to discontinued operations based on an evaluation of the individual cash inflows. The change in deferred tax from liability to

Note 4.6

Discontinued operations (continued)

EURm	2020	2019
Net cash from discontinuing operations		
Net cash from operating activities*	84.8	96.5
Net cash from investing activities	(16.8)	(12.4)
Total	**68.0**	84.1
Assets held-for-sale		
Goodwill	1,202.6	1,228.0
Other intangible assets	483.3	478.0
Deferred tax asset	77.9	-
Trade and other receivables	13.2	11.9
Contract assets	0.7	2.9
Prepayments	2.2	4.1
Total	**1,779.9**	**1,724.9**
Liabilities held-for-sale		
Pension liabilities, net	-	0.7
Deferred tax liabilities	-	103.8
Trade and other payables	32.6	24.2
Contract liabilities	1.7	-
Current tax liabilities	10.2	-
Total	**44.5**	**128.7**

* Net cash from operating activities does not include a share of the Groups tax payments.

Section 5:

Funding and capital structure

This section includes disclosure information related to the equity and borrowings of the Group. In addition, the section includes financial risk management information related to the borrowings in the form of interest rate and funding risk.

In this section

Note 5.1

Share capital

Significant accounting policies

EQUITY

Dividends

Dividends expected to be distributed for the year are recognised under a separate item in equity. Dividends and interim dividends are recognised as a liability at the time of adoption by the Annual General Meeting and the meeting of the Board of Managers, respectively.

Foreign currency translation reserve

Foreign currency translation reserve comprises exchange rate differences arising from translation of the functional currency of foreign enterprises' financial information into Euro.

Translation adjustments are recognised in the consolidated income statements when the net investment is realised.

Hedge reserve

The hedge reserve comprises fair value of hedging instruments qualifying for hedge accounting. Hedge accounting ceases when the hedging certificates matures or is no longer effective. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the income statement in the same period that the non-financial asset or liability affects the income statement.

Note 5.1

Share capital (continued)

	2020		2019	
	Number of shares ('000)	Nominal value (EURm)	Number of shares ('000)	Nominal value (EURm)
Share capital				
Share capital as at 1 January	1,100,000	1.5	1,100,000	1.5
Share capital as at 31 December	**1,100,000**	**1.5**	**1,100,000**	**1.5**

Nets Topco 2 S.á r.l. was incorporated on 4 October 2017. During 2018 the share capital was increased by DKK 10,910,691.20 to DKK 11 million at the end of 2018. The share capital has been unchanged since and consists of 1,100,000,000 shares each share with a nominal value of DKK 0.1.

Note 5.2

Borrowings and relat

Significant accounting policies

FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade an other payables, clearing-related liabilities, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial certificates.

Loans and borrowings

This is the category most relevant to the Group.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same

Note 5.2

Borrowings and related risks (continued)

LOANS AND BORROWINGS

The Leveraged Buy Out facilities are mixed first and second lien secured debt, and benefit cross-guarantees and security provided by Nets Topco 3 S.à r.l., Nets Topco 4 S.à r.l., Nets Holdco 1 ApS, Nets Holdco 2 ApS, Nets Holdco 3 ApS, Nets Holdco 4 ApS, Nets Holdco 5 AS, Evergood Germany 1 GmbH and Evergood Germany 2 GmbH.

They consist of a combination of four seven-year first lien term loans (EUR 1,640 million, EUR 595 million, EUR 300 million and NOK 2,795 million) and three eight-year second lien term loans (EUR 190 million, EUR 100 million and NOK 3,844 million) as well as a six and a half-year, multi-currency, revolving credit facility ('RCF') terminating in August 2024, a seventeen month, multi-currency, additional revolving credit facility ("RCF II") terminating in February 2021 and a twelve month, multi-currency, revolving facility ("RCF III") terminating in April 2021. Subject to certain conditions, the RCF II will convert into a first lien term loan with similar maturity as the existing first lien term loans if not repaid by February 2021. The RCF commitment is EUR 240 million, of which EUR 24 million are carved out in an overdraft facility ('Overdraft Facility') and EUR 2 million are committed as a bank guarantee. The RCF II commitment is EUR 300 million and the RCF III commitment is EUR 300 million.

Together, the RCF, the Overdraft Facility, the RCF II and the RCF III are available for general corporate purposes of the Group. As of 31 December 2020, the RCF was drawn EUR 214 million, EUR 213 million netted of unamortised debt cost (2019: EUR 108 million, EUR 106 million netted of unamortised debt cost), leaving EUR 0 million (2019: EUR 103 million) undrawn. The Overdraft Facility was undrawn (2019: EUR 10 million) as of 31 December 2020 leaving EUR 24 million (2019: EUR 14 million) available.

As of 31 December 2020, the RCF II was drawn EUR 300 million, EUR 298 million netted of unamortised debt cost (2019: EUR 271 million, EUR 270 million netted of unamortised debt cost), leaving EUR 0 million (2019: EUR 29 million) undrawn. As of 31 December 2020, the RCF III was drawn EUR 96 million, EUR 94 million netted of unamortised debt cost (2019: EUR 0 million, EUR 0 million netted of unamortised debt cost), leaving EUR 204 million (2019: EUR 0 million) undrawn.

Further, the Group has EUR 220 million Senior notes outstanding, with cross-guarantees and security provided by Nets Topco 3 S.à r.l., Nets Topco 4 S.à r.l., Nets Holdco 1 ApS, Nets Holdco 2 ApS, Nets Holdco 3 ApS, Nets Holdco 4 ApS, Nets Holdco 5 AS, Nassa Topco AS, Nassa A/S, Nets A/S, Nets Holding A/S, Nets Denmark A/S, Evergood Germany 1 GmbH and Evergood Germany 2 GmbH. The Senior Notes (EUR 220 million) are issued by Nassa Topco AS an indirect subsidiary of Nets Topco 2 S.à.r.l. The future payments of the Senior notes have been swapped to DKK (DKK 1,204 million) and NOK (NOK 530 million) with fixed interest rates until maturity and final exchange of notional at maturity.

Apart from the Group borrowings, three subsidiary credit facilities are in place. Nets CE d.o.o has a 1-year revolving credit facility (EUR million) available for general corporate purposes. As of 31 December 2020, EUR 1 million of the Mercury Processing Services RC was drawn. Ratepay GmbH has a 1-year EUR 125 million credit facility available, of which EU 106 million was drawn as of 31 December 2020 CCV Switzerland SA has an open-ended CHF 1 million credit facility available, of which CHF 0 million was drawn as of 31 December 2020.

REPAYMENT OF EXISTING DEBT IN RELATIO TO THE LEVERAGED BUY OUT FACILITIES AND DE-LISTING

In February 2018 the former shareholders of Nets A/S accepted the public takeover offer by Nets Holdco 5 AS, an indirect subsidiary of Net Topco 1 S.à.r.l., which resulted in the removal of Nets A/S' shares from trading and official listin on Nasdaq Copenhagen A/S. As a part of the takeover all existing term loans in Nets A/S an

Note 5.2

Borrowings and related risks (continued)

	2020					
	Interest rate					
EURm	**Nominal**	**Effective**	**Year of maturity**	**Currency**	**Available facility**	**Draw amou**
Term and maturity of the Group's interest bearing loans and borrowing						
Term Loan 1 (EUR)	EURIBOR + 3.25%[1]	3.71%	2025	EUR	1,640.4	1,640
Term Loan 1 (EUR) II	EURIBOR + 3.75%[1]	3.97%	2025	EUR	595.0	595
Term Loan 1 (EUR) III	EURIBOR + 3.75%[1]	3.75%	2025	EUR	300.0	300
Term Loan 1 (NOK)	NIBOR + 4.00%[1]	5.74%	2025	NOK	264.9	264
Term Loan 2 (EUR)	EURIBOR + 7.00%[2]	8.00%	2026	EUR	190.0	190
Term Loan 2 (EUR)	EURIBOR + 7.00%[2]	8.00%	2026	EUR	100.0	100
Term Loan 2 (NOK)	NIBOR + 8.00%[2]	9.36%	2026	NOK	364.4	364
Revolving credit facility(3)	IBOR + 3.25%[1]	3.25%	2024	Multi	240.0	213
Revolving credit facility II	IBOR + 3.75%[1]	3.75%	2021	Multi	300.0	300
Revolving credit facility III	IBOR + 8.00%[1]	8.00%	2021	Multi	300.0	95
Senior notes	2.88%	4.01%	2021	EUR	219.6	219
Credit facility	2.55%	2.55%	2021	EUR	125.0	105
Revolving Credit Facility	EURIBOR + 1.50%[1]	1.50%	2021	EUR	4.5	0
Revolving Credit Facility	4.50%	4.50%	2021	CHF	0.9	
Total long term borrowings (non-current liabilities)						
Overdraft Facility (own cash)[2]	IBOR + 2.5%	2.5%	2025	Multi	24.0	
Overdraft Facility (clearing-related balances)[4]				Multi	205.0	8
Money Market (clearing-related balances)				Multi	30.0	
Total short-term borrowings (current liabilities) – Included in own cash calculation						
Total loans and borrowings						

As at 31 December 2020, total long term borrowings included the following: Preferred Equity Certificates at carrying amount EUR 773 million (2019: EUR 0.0 %. Year of maturity is 2028 and currency of the facility is DKK. Available facility is EUR 1,335 million (2019: EUR 1,331 million), and equals the drawn a amount EUR 1,368.2 (2019: EUR 1,339.1). Nominal interest rate is 1.75% and effective interest rate is 1.80%. Year of maturity is 2021 and currency of the fac (2019: EUR 1,339.1), and equals the drawn amount. Interest Bearing Loan from owners at carrying amount EUR 255.5 (2019: EUR 245.9). Nominal interest of maturity is 2024 and currency of the facility is DKK. Available facility is EUR 255.5 million (2019: EUR 245.9), and equals the drawn amount.

1. For the 1st Lien Term Loans and Revolving Credit Facility, there is a floor of 0.0% on the EURIBOR and NIBOR.
2. For the 2nd Lien Term Loans there is a floor of 1.0% on the EURIBOR and NIBOR.
3. Revolving Credit Facility commitment is EUR 240 million and overdraft carveout of EUR 24 million.
4. Overdraft Facility for Clearing Working Capital ("CWC") with commitment of EUR 205 million in bank lines.

Note 5.2

Borrowings and related risks (continued)

EURm	2020	2019
Net interest-bearing debt		
Total long term borrowings exclusive of lease liabilities (non-current liabilities)	4,333.2	3,716.2
Interest Bearing Loan from owners	1,623.7	1,585.0
Preferred Equity Certificates	772.8	711.9
Capitalised debt costs included in carrying amount	57.1	67.9
Own cash	(216.2)	(178.0)
Net interest-bearing debt	**6,570.6**	**5,903.0**

	2020					
EURm	Carrying amounts	Contractual cash flow	<1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Debt	3,404.2	4,199.9	168.4	337.0	3,027.8	666.7
Senior Notes	217.9	239.9	7.5	15.1	217.3	-
Revolving Credit Facility	711.1	718.2	718.2	-	-	-
Clearing-related Facilities	8.0	8.0	8.0	-	-	-
Preferred Equity Certificates	772.8	1334.5	-	-	-	1,334.5
Interest Bearing Loan from owner	1,623.7	1,663.2	1,380.0	-	283.2	-
Total	**6,737.7**	**8,163.7**	**2,282.1**	**352.1**	**3,528.3**	**2,001.2**

	2019					
EURm	Carrying amounts	Contractual cash flow	<1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Debt	3,037.7	3,851.5	140.8	273.1	262.8	3,174.8
Senior Notes	217.3	249.4	7.3	14.5	227.6	-
Revolving Credit Facility	461.2	466.6	466.6	-	-	-
Clearing-related Facilities	7.2	7.2	7.2	-	-	-
Preferred Equity Certificates	711.9	1,331.0	-	-	-	1,331.0
Interest Bearing Loan from owner	1,585.0	1,666.2	-	1,374.3	291.9	-
Total	**6,020.3**	**7,571.9**	**621.9**	**1,661.9**	**782.3**	**4,505.8**

The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates.

Note 5.3

Leases

The Group has entered into a number of lease agreements related to equipment. The leasing period is 3–12 years and none of the agreements include conditional payments. Some of the agreements give the Group an

EURm
Lease assets
Lease assets as at 1 January 2020
Additions from acquisitions
Additions
Remeasurement of leases
Depreciation
Currency translation
Total lease assets as at 31 December 2020

EURm
Lease assets
Lease assets as at 1 January 2019
Impact from implementing IFRS 16
Additions from acquisitions
Additions
Depreciation
Total lease assets as at 31 December 2019

Leases (continued)

EURm	2020	2019
Lease liabilities		
Commitments in relation to lease liabilities are payable as follows:		
Less than 1 year	20.8	23.9
1-5 years	45.9	48.2
More than 5 years	28.7	37.4
Minimum lease payments	**95.4**	**109.5**
Future finance charges	(9.7)	(9.4)
Recognised as a liability	**85.7**	**100.1**
The present value of the lease liabilies is as follows:		
Less than 1 year	17.8	23.0
1-5 years	41.8	43.8
More than 5 years	26.1	33.3
Minimum lease payments	**85.7**	**100.1**

EURm	2020	2019
Lease, Other disclosures		
Interest expenses, lease liabilities	(2.6)	(2.0)
Total Cash outflow	(25.2)	(19.2)
Expense of Short team leases	-	(0.2)

Note 5.4

Net financials

Significant accounting policies

FINANCIAL ITEMS

Financial income and expenses comprise interest income and expenses, realised and unrealised gains, and dividends, losses on transactions denominated in foreign currencies,

EURm
Financial income
Net foreign exchange gains
Fair value adjustment of financial liabilities
Other income etc.
Total financial income, exclusive of refinancing costs
Financial expenses
Interest expense
Interest expense preferred equity certificates
Interest expense lease liabilities
Net foreign exchange loss
Interest expense loans from owner
Fair value adjustment of financial liabilities
Amortisation of transaction costs
Other fees etc.
Total financial expenses, exclusive of refinancing costs
Financial income and expenses, net
Financial expenses - refinancing costs
Extraordinary amortisation of transaction costs in conne refinancing.
Total financial expenses - refinancing costs

Note 5.5

Interest risk management

The Group is exposed to interest rate risk on loans, credits and cash balances as well as mismatches on maturities between loans and cash, resulting in variable interest cash flows.

The Group's loan arrangements are based on variable interest rates. Cash held at variable rates partly offsets risk arising from changing interest rates on the Group's loans and credits.

EURm	Variable, non-contractual	Contractual variable rates < 1 month	Total
Exposure to changes in interest rates			
Cash and cash equivalents	728.4	-	**728.4**
Bank loans	-	4,333.2	**4,333.2**
Preferred Equity Certificates	-	772.8	**772.8**
Interest Bearing Loan from owners	-	1,623.8	**1,623.8**
Overdraft facilities	-	8.0	**8.0**
Net	**728.4**	**6,737.8**	**7,466.2**

A probable change in interest rates compared to the interest as at the balance sheet date would have the following hypothetical impact on profit before tax and the Group's equity, based on the exposure of balances as at 31 December.

	2020			2019	
EURm	Probable change in interest	Hypothetical impact on result for the year	Hypothetical impact on equity	Hypothetical impact on result for the year	Hypothetical impact on equity
Borrowings	1 p.p.	(12.1)	4.9	(9.7)	33.4

An increase in the interest rate of 1 p.p. would only affect result for the year with regards to the unhedged borrowings in EUR and NOK and the Revolving Credit Facility.

An increase in the interest rate of 1 p.p. would only affect equity with regards to float to fixed rate hedging certificates.

Note 5.6

Other Liabilities

Other liabilities consist of deferred considerations of EUR 19.7 million and Put-option liabilities of EUR 330 million related to the Groups merger and acquisition activities. Liabilities has been measured in accordance

Note 5.7

Commitments, contin

Significant accounting policies

COMMITMENTS

The Group has entered into a number of long-term service agreements.

Section 6:

Tax and Governance

This section includes disclosures that relate to the Group's Tax and Governance policies.

In this section

Note 6.1

Income and deferred

Significant accounting policies

INCOME TAXES

Tax for the year comprises current income tax, change in deferred tax and adjustments from prior years. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, as at the reporting date in the countries where the Group operates and generates taxable income. Deferred tax arises due to temporary differences between the carrying amount in the consolidated financial statements and the tax base of assets and liabilities as at the balance sheet date. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill and other items where amortisation for tax purposes is disallowed.

Deferred tax assets are recognised if they can be offset against deferred tax in other consolidated enterprises or if it is probable that they can be utilised in future earnings.

Note 6.1

Income and deferred income taxes (continued)

Key accounting estimates and judgements

DEFERRED TAX ASSETS

The Group recognises deferred tax assets, including the expected tax value of tax loss carry-forwards if Management assesses that these tax assets can be offset against positive taxable income in the near future. This judgement is made annually and is based on budgets and business plans for the coming years, including planned commercial initiatives.

As at 31 December 2020, the carrying amount of the deferred tax assets was EUR 34.9 million and unrecognised tax losses amounted to EUR 64.5 million (2019: EUR 9 million) of which EUR 59.2 million will be forfeited upon change of ownership. In connection with the demerger of the Centurion activities a net payable tax of EUR 182 million was realized in 2020. The demerger also created a corresponding step-up value in the divested entities, offsetting the impact in the income statement. Please refer to note 4.6.

EURm	2020	2019
Income taxes expensed		
Current tax on result for the year	17.0	(34.8)
Deferred tax on result for the year	2.3	69.4
Adjustments related to previous years – current tax	1.5	(0.6)
Income taxes in the Income statement	**20.8**	**34.0**

EURm	2020	2019
Income taxes paid		
Income taxes paid in Denmark	(16.8)	(7.3)
Income taxes paid outside Denmark	6.0	(12.8)
Total income taxes paid	**(10.8)**	**(20.1)**

The tax on the Group's result before tax differs
the weighted average tax rate applicable to pro

EURm
Result before tax
Income tax expense calculated at domestic tax rate
Deviation in foreign subsidiaries' tax rates compared with
Permanent differences [1]
Not recognised tax losses utilised or capitalised
Currency translation adjustment
Change in income tax rates on deferred tax
Other taxes
Income tax expense recognised in the income statemen

EURm
Computation of effective tax rate percentag
Statutory corporate income tax rate in Luxemburg
Deviation in foreign subsidiaries' tax rates compared with
Permanent differences [1]
Not recognised tax losses utilised or capitalised
Currency translation adjustment
Change in income tax rates on deferred tax
Other taxes
Effective tax rate

[1] Permanent differences mainly include non-deductible

Note 6.1

Income and deferred income taxes (continued)

	2020			
EURm	**Intangible assets**	**Plant & equipment**	**Inventories**	**Other accru**
Development in deferred income tax assets and liabilities				
Net deferred tax assets/(liabilities) as at 1 January	(261.2)	3.2	0.1	2
Additions from acquisitions	(16.1)	0.4	-	
Deferred tax on result for the year	30.9	(1.2)	(0.1)	(2
Adjustment to previous year tax	(0.4)	1.6	-	
Currency translation adjustment	2.0	(0.2)	-	
Net deferred tax assets/(liabilities) as at 31 December	**(244.8)**	**3.8**	**-**	
Classified as follows:				
Deferred tax asset as at 31 December				
Deferred tax liability as at 31 December				

	2019			
EURm	**Intangible assets**	**Plant & equipment**	**Inventories**	**Other accru**
Development in deferred income tax assets and liabilities				
Net deferred tax assets/(liabilities) as at 1 January	(309.1)	3.9	0.1	
Deferred tax on items transferred to assets held for sale	114.0	-	-	
Additions from acquisitions	(116.4)	-	-	
Deferred tax on result for the year	49.4	(0.7)	-	
Deferred tax on result on discontinued operations	-	-	-	
Currency translation adjustment	0.9	-	-	
Net deferred tax assets/(liabilities) as at 31 December	**(261.2)**	**3.2**	**0.1**	**2**
Classified as follows:				
Deferred tax asset as at 31 December				
Deferred tax liability as at 31 December				

Note 6.2

Related party transactions

RELATED PARTY TRANSACTIONS
As at 31 December 2020 the Group was controlled by Evergood H&F Lux S.à r.l. (Luxembourg), which holds 45,57% of the shares and 53,94% of the voting rights in Nets Topco 1 S.à r.l. which is the parent company of Nets Topco 2 S.à r.l.

Related parties with significant influence are the Board of Managers, Key Personnel and their related parties. Furthermore, related parties are companies in which the above persons have significant interests, as well as associates of the Group. All transactions with related parties are made on arm's length terms except the preferred equity certificates as described in Note 5.2 and Note 7.3.

Transactions with associated companies, comprise mainly administrative services amounting to EUR 6.6 million.

There were no transactions with members of the Board of Managers and other Key Personnel, other than remuneration, and furthermore, no loans were granted to the Board of Managers or other Key Personnel in 2020.

REMUNERATION OF THE BOARD OF MANAGERS AND KEY PERSONNEL
Short-term benefits included fixed-base salary and accrued cash bonuses designed to incentivise individual performance and the achievement of a number of predefined short-term functional and individual business targets linked to goals in the Group's balanced scorecard.

At year-end 2020, Key Personnel consisted of seven members (2019: seven members).

	2020			2019		
EURm	Board of Managers	Key Personnel*	Total	Board of Managers	Key Personnel*	Total
Fixed base salary	(0.1)	(3.1)	**(3.2)**	(0.1)	(3.1)	**(3.2)**
Bonus including termination bonus and sign-on fee (2019)	-	(2.5)	**(2.5)**	-	(5.8)	**(5.8)**
Pensions	-	(0.3)	**(0.3)**	-	(0.3)	**(0.3)**
Benefits	-	(0.2)	**(0.2)**	-	(0.2)	**(0.2)**
Total remuniration	**(0.1)**	**(6.1)**	**(6.2)**	**(0.1)**	**(9.4)**	**(9.5)**

* Includes Key Personnel that is part of the discontinued operations.

Note 6.3

Share-based payment

Accounting policies

The all Employee Share programme (2019) is accounted for on an accrual basis over the vesting period. Employee Share programme has been measured at the fair value of the Nets Group at the launch date of the programme times the probability of vesting. Share options issued were measured at fair value at the date of granting times the probability of vesting. The total amount expensed over the vesting period is determined by reference to the value of the shares and options granted, excluding the impact of any non-market vesting conditions. The value was fixed at grant date. Non-marked vesting conditions is included in assumptions about the number of shares and options that is expected to vest. Any impact of adjustments to estimates is recognised in the income statement and in a corresponding adjustment to Equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

EMPLOYEE SHARE PROGRAMME

In August 2019 an all Employee share program was announced with the purpose of giving all employees of the Nets Group the opportunity to become co-owners of the Nets Group. Under the program employees could invest in the Nets Group and have their investment matched with two free shares if participating employees are employed when the Nets Group is either sold or if its shares are offered in an initial Public Offering. The matching shares were granted at 13 December 2019 and were expected to vest 36 months from grant date. The total value of the programme at grant date amounts to EUR 5.0 million. In connection with the Nexi transaction a change of control clause will be triggered and the remaing value of the programme will be recognised in the period until expected closing. The cost recognised in 2020 amounts to EUR 1.7 million (2019: 0.1 million).

Note 6.4

Fee to statutory audit

EURm
Remuneration to Auditors (PwC as elected by the Annual General Me
Statutory audit
Non-statutory audit services:
Other assurance engagements
Tax advisory services
Other services
Total non-statutory audit services
Total

The fee for services other than the statutory audit of the financial statements provided by several PwC member firms to the Group

Section 7:

Other disclosures

Included in this section are disclosures which are material to the financial statements from either a quantitative or a qualitative perspective, but which do not directly relate to a specific theme section.

In this section

Note 7.1

Pension assets and p

Significant accounting policies

PENSIONS

The Group has entered into defined benefit plans and defined contribution plans with its employees.

In a defined benefit plan, the Group is obliged to pay a specific benefit to certain employees from the time of retirement. A pension asset or pension obligation corresponding to the presen value of the obligations less the defined pensio plan's assets at fair value is recognised for thes benefit plans.

The costs of providing benefits under the defined benefit plan are determined annually b independent actuaries using the projected unit credit method.

The defined pension plans' assets are estimate at fair value at the balance sheet date.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur.

Note 7.1

Pension assets and pension obligations, net (continued)

Key accounting estimates and judgements

DEFINED BENEFIT PENSION PLANS

The Group has defined benefit pension plans mainly in Norway and Germany. The defined benefit plans have been closed. Employees covered by the plans will continue to be entitled to the pension payments earned however, employees will not earn further pension payments and no new members are entering into the agreements.

The pension obligation costs for defined benefit plans are estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability etc.). The assumed discount rate may fluctuate significantly. We believe the assumptions used in the actuarial valuation illustrate current market conditions and expectations for market returns in the long term. Even modest changes to the actuarial assumptions may result in significant changes to the pension liability.

EURm	2020	2019
Assets and obligations		
Specification of pensions		
Fair value of plan assets	11.3	11.6
Projected benefit obligations	(17.4)	(17.9)
Pension assets/(obligations) recognised in the balance sheet	**(6.1)**	**(6.3)**
Change in pension assets/(obligations) recognised in the balance sheet		
Pension assets/(obligations) recognised in the balance sheets as at 1 January	(6.3)	(5.2)
Additions from aquisitions	(0.2)	(1.6)
Pension (costs)/income recognised in the income statement	(0.3)	(0.6)
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in Other comprehensive income	(0.3)	(0.7)
Gain on plan assets	0.1	0.2
Nets' contribution	0.2	0.5
Benefit paid to employees	0.3	0.4
Gain from transfer of employees to external part	-	0.2
Settlement/Curtailment	0.2	-
Exchange rate adjustments	0.2	(0.2)
Reclassification to liabilities held-for-sale	-	0.7
Pension assets/(obligations) recognised in the balance sheet as at 31 December	**(6.1)**	**(6.3)**

	Assumptio	
	2020	
Discount rate	0.9%-1.7%	0.9
General wage inflation	0%-2.3%	0
Expected regulation of minimum payment	0%-1.5%	0

The assumptions used for the actuarial valuation of the pension obligation are based o regularly used assumptions within insurance fo demographic factors. For Norway the Group ha used a mortality rate in accordance with the Norwegian K2013 table and in Germany the 2018 G mortality tables by Klaus Heubeck has been applied.

EURm
Expected maturity of projected benefit obli
Within 1 year
1–5 years
Beyond 5 years
Total

Note 7.2

Classification of financial assets and financial liabilities

FAIR VALUE MEASUREMENT HIERARCHY

The carrying values and fair values are identical, except for bank loans and PEC's measured at amortised cost. Refer to Note 5.2 for carrying amounts and nominal value of bank loans. Fair value of bank loans is assumed to be similar to the nominal value.

THE METHODS AND ASSUMPTIONS ARE AS FOLLOWS:

- the fair value of financial assets and liabilities traded in active markets is based on quoted market prices as at the balance sheet date (Level 1).
- the fair value of financial assets and liabilities is based on inputs other than quoted prices included in Level 1 that are observable either directly or indirectly i.e. floating rate bank loans (Level 2).

	2020		
EURm	Financial assets and liabilities measured at fair value	Financial assets and liabilities measured at amortised cost	Total
Financial assets and liabilities			
Trade and other receivables	-	331.4	331.4
Contract assets	-	27.7	27.7
Settlement assets	-	514.9	514.9
Cash at bank and on hand	-	728.4	728.4
Other financial assets[3]	9.1	-	9.1
Total financial assets	**9.1**	**1,602.4**	**1,611.5**
Borrowings	-	(4,333.2)	(4,333.2)
Preferred equity certificates[5]	-	(772.8)	(772.8)
Interest-bearing loans from owners	-	(1,623.7)	(1,623.7)
Bank overdraft	-	(8.0)	(8.0)
Trade and other payables	-	(510.6)	(510.6)
Contract liabilities	-	(5.0)	(5.0)
Merchant creditors	-	(891.4)	(891.4)
Settlement obligations	-	(127.0)	(127.0)
Other liabilities[2, 4]	(349.7)	-	(349.7)
Lease liabilities	-	(85.7)	(85.7)
Other financial liabilities[1]	(1.2)	-	(1.2)
Total financial liabilities	**(350.9)**	**(8,357.4)**	**(8,708.3)**
Total net financial assets/(liabilities)	**(341.8)**	**(6,755.0)**	**(7,096.8)**

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is based on expected future cash flows discounted to its present value.
[3] Level 3 in the fair value hierarchy. Ownership in VN Norge AS is considered to be a financial asset in line with shares and other securities. The valuation is based on input from VN Norge AS.
[4] Level 2 in the fair value hierarchy.
[5] Fair market value amounts to EUR 825.6 million, basend on an interest rate of 7%.

EURm	Financ liabilitie
Financial assets and liabilities	
Trade and other receivables	
Contract assets	
Settlement assets	
Cash at bank and on hand	
Other financial assets[3]	
Total financial assets	
Borrowings	
Preferred equity certificates[5]	
Interest-bearing loans from owners	
Bank overdraft	
Trade and other payables	
Contract liabilities	
Merchant creditors	
Settlement obligations	
Other liabilities[2, 4]	
Lease liabilities	
Other financial liabilities[1]	
Total financial liabilities	
Total net financial assets/(liabilities)	

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is base
[3] Level 3 in the fair value hierarchy. Ownership in VN Norg other securities. The valuation is based on input from VN
[4] Level 2 in the fair value hierarchy.
[5] Fair market value amounts to EUR 769.5 million, basen

Note 7.3

Standards issued but not yet effective

The standards and interpretations which have been issued, but are not yet effective, up to the date of issuance of the Group's financial statements, and which are considered to have an effect on the Group, are disclosed below.

New standards and amendments which are not yet effective and which are not considered to have an impact on the Group are not disclosed. The Group intends to adopt these standards, if applicable, when they become effective.

Currently there are no new standards, amendments and interpretations which have been adopted by the IASB and adopted by the EU, which are relevant to Nets.

Note 7.4

Events after the balar

In January 2021, Nets announced the acquisitions of Checkout Finland Oy a rapidly growing company within eCommerce. For additional information.

In March 2021, the sale of Nets' account-to-account payment business to Mastercard for EUR 2.85 billion was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions.

Note 7.5

Companies in the Group

Company	Structure	Currency	Ownership
Parent company			
Nets Topco 2 S.à r.l.			
Luxembourg			
Nets Topco 3 S.à r.l.	Subsidiary	DKK	100%
Nets Topco 4 S.à r.l.	Subsidiary	DKK	100%
United States			
Nets US LLC	Subsidiary	USD	100%
Denmark			
Nets Holdco 1 ApS	Subsidiary	DKK	100%
Nets Holdco 2 ApS	Subsidiary	DKK	100%
Nets Holdco 3 ApS	Subsidiary	DKK	100%
Nets Holdco 4 ApS	Subsidiary	DKK	100%
Nets A/S	Subsidiary	DKK	100%
Nassa A/S	Subsidiary	DKK	100%
Nets Holding A/S	Subsidiary	DKK	100%
Nets Denmark A/S	Subsidiary	DKK	100%
Nets DanID A/S	Subsidiary	DKK	100%
Nets Cards Processing A/S	Subsidiary	DKK	100%
Storebox ApS	Subsidiary	DKK	100%
Signaturgruppen A/S	Subsidiary	DKK	100%
e-Boks A/S	Associate	DKK	50%
Centurion DK A/S	Subsidiary	DKK	100%
Norway			
Nets Holdco 5 AS	Subsidiary	NOK	100%
Nassa Topco AS	Subsidiary	NOK	100%
Nets Norge Infrastruktur AS	Subsidiary	NOK	100%
EDIGard AS	Subsidiary	NOK	100%
e-Boks AS	Associate	NOK	50%
Centurion NO AS	Subsidiary	NOK	100%
Centurion NNI AS	Subsidiary	NOK	100%
Sweden			
Nets Sweden AB	Subsidiary	SEK	100%
Nassa Bidco AB	Subsidiary	SEK	100%
Nets Spectracard AB	Subsidiary	SEK	100%
e-Boks Sverige AB	Associate	SEK	50%

Company
Finland
Paytrail Oyj
Paytrail Technology Oy
Poplatek Oy
Poplatek Payments Oy
Germany/Austria/Switzerland
Evergood Germany 1 GmbH
Evergood Germany 2 GmbH
Eagle Germany GmbH
Eagle Frankfurt GmbH
Concardis Payment Group GmbH
Concardis GmbH
CCV (Suisse, Schweiz, Svizzera, Switzerland) SA
Concardis Austria GmbH
Concardis Schweiz AG
CPG Service GmbH
CPG Sales GmbH
CPG Netzbetries GmbH
RatePAY GmbH
WEAT Electronic Datenservice GmbH
Orderbird AG
Croatia
Nets CEE d.o.o.
Slovenia
Nets CEE d.o.o.
Estonia
Nets Estonia AS
ITP Baltic SIA (Estonia)
Poland
P24 Dotcard Sp. z o.o.
PayPro S.A.
eCard S.A.
Dotpay Sp. z o.o.
Dotpay Polska Sp. z o.o.
Rementi Investments S.A.
Centrum Rozliczen Elektronicznych Polskie ePlatnosci S
PayLane Sp. z o.o.
BillBird S.A.
TopCard Sp. z o.o.

Note 7.6

Financial definitions

Key figures and financial ratios stated in the consolidated financial statements have been calculated as follows:

Growth in revenue, reported	Absolute revenue growth / Revenue in comparative period
Growth in revenue, organic	Organic growth is a measure of growth excluding the impact of acquitions, divestments and foreign exchange adjustments from year-on-year comparisons
EBITDA b.s.i. *	EBITDA before special items
EBITDA before special items margin, % *	EBITDA before special items / Net revenue
Special items *	As defined in Note 2.2
EBITDA *	Earnings before interest, tax, depreciation, amortisation and impairment losses
Underlying depreciation and amortisation	Depreciation & amortisation adjusted for amortisation of business combination intangibles & impairment losses
Adjusted EBIT *	EBITDA before special items and adjusted for underlying depreciation and amortisation
EBIT	Earnings before interest and tax (operating profit)
Capital expenditure (CAPEX)	Purchase of intangible assets and plant & equipment and capitalised development projects for the year, excluding acquisition of subsidiaries
Cash flow from operating activities excl. clearing-related balances	Operating cash flow excluding clearing-related cash flow

*This key figure, ratio or element thereof is a non-IFRS financial measure.

Narrow working capital	A
Operating free cash flow	C
Own cash	C
Net interest bearing debt (NIBD)	Ir
Clearing-related balances	A

Glossary*

Acceptance – a service that allows merchants to accept card payments

Acquiring services (merchant acquiring) – the act of handling credit or debit card payments on behalf of a merchant

Artificial intelligence (AI) – intelligence exhibited by machines

Authentication – the process of recognising a user's identity

Avtalegiro – a service offered by Nets in Norway for automatic invoicing and payment of recurring bills

BankAxept – a domestic payment scheme owned by Norwegian banks. Nets operates the common operating infrastructure for BankAxept's debit card

BankID – a digital identity solution in Norway operated by Nets on behalf of banks

Betalingsservice – a direct debit solution offered by Nets to Danish corporates and their customers

Biometrics – metrics related to human characteristics, such as fingerprint, iris and face recognition or behavioural patterns such as typing patterns, used a.o. for access control

Blockchain – a distributed ledger technology / decentral database

Clearing – the process of reconciliation of orders between transacting parties

CMS – Consumer Management Services

Contactless transactions – payment card transactions carried out in-store without the consumer having to insert their card into a terminal or enter their PIN

Dankort – the Danish domestic debit card owned and operated by Nets

Digital identity – information on an entity used by computer systems to represent an external agent. That agent may be a person, organisation, application, or device

Digital login – login details to log on to a digital mailbox or similar

Direct debit payment – (Betalingsservice) an instruction from a consumer to their bank, authorising the receiver, usually a corporate, to collect varying amounts from the consumer's account, provided the account holder has been given advanced notice of the amount and date of collection

e-commerce (electronic commerce) – a transaction of buying or selling online

eFaktura – Nets' Norwegian e-billing service

Fintech – Nets and other providers of new solutions which demonstrate innovative development of applications, processes, products or business models in the financial services industry

Fraud & Dispute Services – card fraud management and dispute handling

General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) – a regulation intended to strengthen and unify data protectio for individuals within the EU and which also addresses export of personal data outside the EU

Instant payments – refer to 'real-time clearing'

Internet of Things (IoT) – machine-to-machine communication. Payment IoT enables automatic payment when objects are linked to the interne

Issuer processing (front-end processing) – processing of card-based transactions on behal of issuing banks

Malware – short for 'malicious software'. Software used to disrupt computer or mobile operations, gather sensitive information or gain access to private computer systems

Merchant acquiring – refer to 'acquiring services'

NemID – a national digital identity solution offered by Nets to Danish citizens, corporates, banks and the public sector on behalf of Digitaliseringsstyrelsen

* Terms are explained in the context of this report

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

SIA S.P.A.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Consolidated statement of financial position

Consolidated Balance Sheet - Assets

Thousands of euro	Note	31/12/2020	31/12/2019
Plant and machinery	1	71,295	64,479
Industrial and commercial equipment	1	516	456
Land and buildings	1	63,315	71,383
Other assets	1	4,378	3,666
Tangible assets in progress and advances	1	9,104	6,189
Leasehold improvements	1	4,629	5,065
Tangible assets		**153,237**	**151,238**
Goodwill	2	521,020	569,139
Other intangible assets	2	254,628	275,162
Intangible assets in progress and advances	2	44,766	49,733
Intangible assets		**820,414**	**894,034**
Investments	3	653	725
Non current financial assets	4	12	12
Non current contract work-in-progress	5	-	566
Other non current assets	6	80	837
Deferred tax assets	7	27,492	13,162
Total non current assets		**1,001,888**	**1,060,574**
Inventories and contract work-in-progress	8	5,623	3,926
Current financial receivables	9	11,016	5,456
Current financial assets	10	111	127
Current tax assets	11	67,753	87,200
Current trade receivables	12	221,223	219,892
Other current assets	13	33,888	33,056
Cash and cash equivalents	14	161,390	97,435
Total current assets		**501,004**	**447,092**
TOTAL ASSETS		**1,502,892**	**1,507,666**

Consolidated Balance Sheet - Liabilities and shareholders' equity

Thousands of euro	Note	31/12/2020	31/12/2019
Share capital	15	22,275	22,275
Share premium reserve	15	5,317	5,317
Reserves	15	300,060	204,779
Valuation reserve	15	(12,208)	(10,519)
Profit/(loss) for the year attributable to the Group	15	16,829	95,281
Equity attributable to owners of the Company		**332,273**	**317,133**
Profit/(loss) - third parties	15	-	-
Consolidation reserve - third parties	15	-	-
Non-controlling interests		**-**	**-**
TOTAL EQUITY		**332,273**	**317,133**
Non current financial payables	16	595,660	679,150
Non current financial liabilities	17	3,614	5,855
Provisions for employee benefits	18	26,869	25,866
Deferred tax liabilities	19	50,983	62,395
Provisions for risks	20	54,611	3,041
Other non current liabilities	21	845	6,045
Total non current liabilities		**732,582**	**782,352**
Current financial payables	22	258,660	227,807
Current financial liabilities	23	3,192	2,587
Current tax liabilities	24	13,535	4,314
Current trade payables	25	85,595	95,996
Other current liabilities	26	77,055	77,477
Total current liabilities		**438,037**	**408,181**
TOTAL LIABILITIES		**1,170,619**	**1,190,533**
TOTAL LIABILITIES AND EQUITY		**1,502,892**	**1,507,666**

Consolidated statement of profit or loss

Thousands of euro	Note	31/12/2020	31/12/2019
Revenues from sales and services	27	758,619	733,237
Other revenues and income	28	3,204	3,317
Changes in inventories third parties	29	971	760
Costs for raw materials, supplies, consumables and goods	30	(12,676)	(14,206)
Costs for services	31	(237,528)	(217,189)
Payroll costs	32	(207,882)	(215,020)
Other operating expenses	33	(31,203)	(33,000)
Adjusted operating margin		**273,505**	**257,899**
Depreciation and amortization	34	(115,217)	(110,824)
Adjustments to tangible and intangible assets	34	(49,325)	(3,607)
Adjustments to trade receivables	35	(1,089)	(3,670)
Provision for risks	36	(52,863)	(1,678)
Operating Income		**55,011**	**138,120**
Equity investments result	37	(67)	-
Adjustments to investments	37	(6)	-
Income/(charges) from investments	**37**	**(73)**	**-**
Profit/(loss) on financial assets and liabilities management	38	(1,933)	-
Management/trading of financial assets and liabilities	**38**	**(1,933)**	**-**
Interest income	39	452	442
Other financial income	39	-	2,175
Financial income	**39**	**452**	**2,617**
Interest expenses	40	(13,730)	(17,484)
Bank charges	40	(551)	(629)
Financial expenses	**40**	**(14,281)**	**(18,113)**
Net income before taxes		**39,176**	**122,624**
Income taxes	**41**	**(22,347)**	**(27,343)**
Net income from continuing operations		16,829	95,281
Profit/(loss) for the year		**16,829**	**95,281**
Net income attributable to the Group		**16,829**	**95,281**
Net Income to minority interests		**-**	**-**
Earnings per share	**42**	**0.10**	**0.56**

Consolidated statement of comprehensive income

Thousands of euro	Note	31/12/2020	31/12/2019
Profit/(loss) for the year		**16,829**	**95,281**
Remeasurement of net defined benefit liability		(939)	(2,889)
Income taxes relating to items that will not be reclassified subsequently to profit and loss		225	693
Items that will not be reclassified subsequently to profit and loss	*15*	*(714)*	*(2,196)*
Foreign exchange differences on translation of foreign operations		(743)	11
Cash flow hedges		(305)	(2,267)
fair value gain (loss) on hedging instruments during the period		*(7)*	*(3,210)*
less cumulative (gain)/loss arising on hedging instruments reclassified to proft and loss		*(298)*	*943*
Income taxes relating to items that may be reclassified subsequently to profit and loss		73	544
Items that may be reclassified subsequently to profit and loss	*15*	*(975)*	*(1,712)*
Other comprehensive income for the year, net of tax		**(1,689)**	**(3,908)**
Total comprehensive income for the year		**15,140**	**91,373**
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income attributable to the owners of the Company		**15,140**	**91,373**

Consolidated statement of changes in shareholders' equity

Changes in shareholders' equity during 2020

Thousands of euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/ (loss) for the year	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2020	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**
Allocation of profit			95,281		(95,281)	-	-	-
Distribution of dividends			-			-	-	-
Total net comprehensive income			-	(1,689)	16,829	15,140	-	15,140
Exchange rate differences				*(743)*		*(743)*	-	*(743)*
Cash flow hedging				*(232)*		*(232)*	-	*(232)*
Actuarial gain/(losses)				*(714)*		*(714)*	-	*(714)*
Result of the year					*16,829*	*16,829*	-	*16,829*
Balance at 31 December 2020	**22,275**	**5,317**	**300,060**	**(12,208)**	**16,829**	**332,273**	**-**	**332,273**

On May 11, 2020, the Shareholders' Meeting of SIA S.p.A. resolved to allocate the entire amount of the 2019 profit of the Parent Company SIA to the equity reserves of "Retained earnings".

Changes in shareholders' equity during 2019

Thousands of euro	Share capital	Share premium reserve	Reserves	Valuation reserve	Profit/(loss) for the year	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 31 December 2018 as Restated	**22,275**	**5,317**	**187,921**	**(6,198)**	**76,416**	**285,731**	**5**	**285,736**
Change in opening balances	-	-	827	(413)	-	414	-	414
Balance at 1 January 2019 as Restated	**22,275**	**5,317**	**188,748**	**(6,611)**	**76,416**	**286,145**	**5**	**286,150**
Allocation of profit	-	-	76,416	-	(76,416)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Changes during the year	-	-	(415)	(3,908)	95,281	90,958	(5)	90,953
Exchange rate differences				*11*		*11*	-	*11*
Cash flow hedging				*(1,723)*		*(1,723)*	-	*(1,723)*
Actuarial gain/(losses)				*(2,196)*		*(2,196)*	-	*(2,196)*
Changes in the scope of consolidation/IFRS 3			*(415)*			*(415)*	*(5)*	*(420)*
Result of the year					*95,281*	*95,281*	-	*95,281*
Balance at 31 December 2019	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**

On April 29, 2019, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2018 to a dividend of 59,970,129 euro (equal to 0.35 euro per share).

Consolidated cash flow statement – indirect method

Thousands of euro		31/12/2020		31/12/2019
Profit/(loss) for the year		**16,829**		**95,281**
Income taxes		22,347		27,343
Financial income		(452)		(2,617)
Financial expenses		14,281		18,113
Result of financial assets and liabilities management		1,933		-
(Income)/charges from investments		73		-
Depreciations and write-off of tangible assets		37,455		36,367
Amortizations and write-off of intangible assets		127,087		78,064
Adjustments to trade receivables		1,089		3,670
Provision for risks		52,863		1,678
Operating cash flow before movements in working capital		*273,505*		*257,899*
Income taxes paid		(19,122)		(46,193)
Witholding tax paid to recognize goodwill for tax purpose		-		(40,000)
Change in trade receivables		(2,420)		(34,799)
Change in trade payables		(10,401)		10,599
Change in non current contract work-in-progress		566		(566)
Change in inventories and current contract work-in-progress		(1,697)		449
Change in provisions for employees		64		(168)
Change in provisions for risks		(1,293)		(994)
Change in other assets		(75)		3,794
Change in other liabilities		(5,622)		(5,355)
Change in operating financial receivables		(5,560)		(3,753)
Change in operating financial payables		(223)		(622)
Net cash from operating activities		**227,721**		**140,290**
(Investments) in owned tangible assets	*(13,271)*		*(19,732)*	
Divestments in owned tangible assets	*180*		*648*	
Purchases of owned tangible assets		(13,091)		(19,084)
(Investments) in intangible assets	*(58,434)*		*(58,024)*	
Divestments in intangible assets	*4,967*		*533*	
Purchases of intangible assets		(53,467)		(57,491)
Net cash (used in) from investing activities		**(66,558)**		**(76,575)**
Dividends paid		-		(59,970)
Repayments of non current term loans		(80,000)		(70,000)
Proceed from non current term loans		100,189		-
Repayments of credit lines		(115,000)		-
Proceed from credit lines		29,473		105,132
Interest paid on non current financial liabilities		(7,942)		(10,380)
Differentials paid for hedging derivatives		(2,535)		(2,682)
Change in financial payables		(17,535)		(24,009)
Change in financial liabilities		(3,874)		944
Change in financial assets		16		33
Net cash (used in) from financing activities		**(97,208)**		**(60,932)**
Net increase/(decrease) in cash and cash equivalents		**63,955**		**2,783**
Cash and cash equivalents at beginning of year		97,435		94,652
Change in cash and cash equivalents		63,955		2,783
Cash and cash equivalents at end of year		**161,390**		**97,435**

Consolidated Notes

Statement of compliance with international accounting standards

The consolidated financial statements of the SIA Group at December 31, 2020 consist of the compulsory accounting statements set forth in IAS 1 (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement), as well as the Notes and are accompanied by the Management Report on the results of the SIA Group.

The consolidated financial statements of the SIA Group at December 31, 2020 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force on the date of approval of this document and applicable to financial statements beginning on January 1, 2020. IFRS include all the International Financial Reporting Standards, International Accounting Standards (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), formerly called the "Standing Interpretations Committee" (SIC). The international accounting standards were also applied by making reference to the "Systematic Framework for the Preparation and Presentation of Financial Statements" and no exemptions to IAS/IFRS were made.

The consolidated financial statements of the SIA Group are audited by the independent auditors Deloitte & Touche S.p.A., in execution of the shareholders' resolution of April 29, 2019, which conferred the mandate for the three-year period 2019-2021.

General accounting principles

The Group has presented the statement of profit or loss by nature of expense, while the assets and liabilities of the statement of financial position are broken down between current and non current.

An asset is classified as current when:

- it is expected that the asset will be realized, or is held for sale or use, in the normal course of the operating cycle;
- it is held with the primary intent of trading;
- it is expected to be realized within twelve months of year-end close;
- it consists of cash and cash equivalents (unless the asset is prohibited from being exchanged or used to extinguish a liability for at least twelve months after year-end close).

All other assets are classified as non current. In particular, IAS 1 includes tangible assets, intangible assets and financial assets that are long-term under non current assets. A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held with the primary intent of trading;
- it will be extinguished within twelve months of year-end close;
- there is no unconditional right to defer its settlement for at least twelve months after year-end close. The clauses of a liability which could, as decided by the counterparty, give rise to its extinction through the issue of equity instruments, do not impact its classification.

All other liabilities are classified by the company as non current. The operating cycle is the time between the acquisition of goods for the production process and their realization in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

Beginning in 2020 and consequently restating the data at December 31, 2019 (for the amounts shown below), the following balance sheet reclassifications were made, which did not have any impact on the shareholders' equity or the result:

- reclassification of the non current portion of social security debts from the item "Other current liabilities" to the item "Other non current liabilities" for an amount of 4.3 million euro;
- reclassification of assets in progress from "Intangible assets" to "Tangible assets" amounting to 477 thousand euro.

The cash flow statement is prepared using the indirect method.

The reporting currency is the euro and the information reported in these financial statements, if not specified otherwise, is expressed in euro. The financial statements, notes and explanatory tables are in thousands of euro.

The consolidated financial statements have been prepared clearly and provide a true and fair view of the financial position, profit and loss for the year, change in shareholders' equity and cash flows of the Group. If the information required by international accounting standards is insufficient to provide a true and fair, relevant, reliable, comparable and comprehensible view, the notes provide the necessary additional information.

The consolidated financial statements have been prepared on a going-concern basis, according to the accrual basis of accounting, in compliance with the principle of relevance and significance of information, with the prevalence of substance over form, and with a view to favoring consistency with future presentations.

The assets and liabilities, costs and revenues are not offset, unless this is permitted or required by international accounting standards. If an asset or liability is split between various headings of the balance sheet, the notes explain the situation if this is needed to understand the financial statements properly.

Items of a different nature or purpose have been presented separately, unless they were considered immaterial.

Use of estimates

The application of IFRS requires management to make important estimates and assumptions that could have a material impact on many of the figures in the financial statements and the disclosures on contingent assets and liabilities. The preparation of these estimates implies the use of available information and the adoption of subjective evaluations, based also on historical experience, used to formulate reasonable assumptions for the recognition of operating events.

In this regard, it should be noted that the spread of the COVID-19 pandemic on a global scale and the consequent impact on economic activity entail an increase in uncertainty that makes it more complex to formulate estimates for some of the financial statement figures, given the greater uncertainty associated, in the current context, with the assumptions and parameters used to support them.

An estimate can be corrected if there have been changes in the circumstances on which it was based or having gained new information or greater experience. If in the future these estimates and assumptions, which are based on the best assessment by management at the date of these financial statements, differ from the actual circumstances, they will be modified appropriately in the period in which the circumstances vary. The change in the estimate is applied prospectively and therefore generates an impact on the statement of profit or loss of the year in which the change takes place and, possibly, on that of future years.

In reiterating that the use of reasonable estimates is an essential part of preparing financial statements, the items for which the use of estimates and assumptions is particularly significant are: the quantification of provisions for risks; the definition of the depreciation and amortization charges on tangible and intangible assets with a finite useful life and the assessment of any impairment indicators; the measurement of intangible assets with indefinite useful life, goodwill and equity investments; the measurement of the recoverability of receivables; the measurement of employee benefits; the quantification and assumptions on the recoverability of deferred tax assets.

For some of the cases listed above, it is possible to identify the main factors that are subject to estimates by the Group and that therefore contribute to determining the value at which assets and liabilities are recorded in the financial statements. It should be noted that:

- for the calculation of the expected losses on receivables, the main estimates concern the determination of the parameters for increasing credit risk, based essentially on the evolution of the historical series of losses on receivables that occurred in previous years and on the inclusion of forward-looking factors, including macroeconomic factors;

- in order to determine the value in use of intangible assets with indefinite useful life with reference to the Cash Generating Units (CGUs) of which the Group is composed, estimated separately and discounted appropriately are future cash flows for the period of the analytical forecast and the cash flows used to determine the "terminal value", generated by the CGU and the cost of capital is also included among the elements subject to estimation;
- in determining the value in use of intangible assets with finite useful life for the CGUs of which the Group is composed (customer relationships), the useful life, on the one hand, and the future cash flows deriving from the asset, on the other, are estimated;
- for the valuation of provisions for employees, the present value of the obligations is estimated, taking into account the flows, appropriately discounted, deriving from historical-statistical analyses and the demographic curve;
- for the quantification of the provisions for risks, an estimate is made - where possible - of the amount of the outlays necessary to fulfill the obligations, taking into account the actual probability of having to use resources;
- for the determination of the items relating to deferred tax assets, the probability of actual future taxation is estimated (taxable temporary differences) and the degree of reasonable certainty - if any - of future taxable amounts at the time when tax deductibility will occur (deductible temporary differences and tax losses carried forward).

In this regard, it should be noted that 2020 did not feature any changes in the estimation criteria applied when preparing the financial statements at December 31, 2019.

Key sources of estimation uncertainty

For the SIA Group, the risk of uncertainty in the estimates is primarily connected to the measurement of goodwill, the quantification of which may vary over time, even significantly, depending on the trend of the national and international macroeconomic outlook and the consequent effects on the Group's profitability and the trend of the financial markets, which can influence the fluctuation of interest rates. For further information, please refer to the specific section on impairment tests, which also describes the valuation methods and sensitivity analysis to changes in the parameters and information used.

There are no other items in the Consolidated Financial Statements subject to critical judgement by Group Management.

Going Concern

In preparing the Financial Statements for the year ended December 31, 2020, the Directors consider the going concern basis of accounting to be appropriate because, in their opinion, despite the current context characterized by uncertainty about the effects of the COVID-19 pandemic and the associated measures to contain it on the real economy, given the Group's economic and financial position, there are no events or circumstances giving rise to uncertainties which, considered individually or as a whole, might cast doubt on the Group's ability to continue as a going concern for the foreseeable future.

Consolidation criteria and methods

The scope of consolidation has changed compared with December 31, 2019 as a result of the merger by incorporation of the company Emmecom into SIApay and the merger by incorporation of the companies SIA Central Europe Zrt. and SIA Hungary Kft. into SIA Slovakia a.s., which changed its name to SIA Central Europe, a.s.; the latter incorporated the company in Hungary as its branch, naming it SIA Central Europe a.s. - Hungarian branch. Both of the extraordinary transactions described above were effective as of January 1, 2020. In addition, during the fourth quarter of 2020, the Parent Company SIA completed the acquisition of the shares held by the minority shareholder of SIAadvisor and therefore held 100% of the share capital at December 31, 2020 (the company, although 51% owned, was already 100% consolidated in the previous year due to the holding of a specific option on the remaining shares).

At the reporting date, the scope of consolidation includes, in addition to the parent company SIA:

- the direct foreign subsidiaries Perago FSE, PforCards, SIA Central Europe, and SIA Greece,
- the direct Italian subsidiaries P4cards, SIAadvisor, and SIApay,
- the companies they control.

SIA Central Europe directly controls SIA Croatia, SIA Czech Republic, SIA Romania and SIA Serbia. P4cards and SIA Greece control respectively Consorzio QuenIT in liquidation and DMAN in liquidation, which from 2019 were excluded from the scope of consolidation and are recognized as investments carried at cost (the amounts involved are not material, both individually and in aggregate).
It should be noted that the company Consorzio QuenIT has prepared the final liquidation financial statements at December 15, 2020 and that cancellation from the Companies' Register of Verona was on January 4, 2021.

Thousands of euro	Share capital	Equity	Result for the period	Ownership interest
SIA	**22,275**	**375,874**	**60,264**	
Subsidiaries				
Perago FSE	2	(3,253)	(2,318)	100%
P4cards	49,240	62,179	3,773	100%
PforCards	35	2,063	417	100%
SIApay	600	14,100	2,278	100%
SIA Central Europe	4,906	35,427	7,496	100%
SIA Croatia	3	469	114	100%
SIA Czech Republic	137	208	27	100%
SIA Romania	88	149	7	100%
SIA Serbia	-	546	109	100%
SIA Greece	43,852	44,051	(4,609)	100%
SIAadvisor	10	1,737	1,086	100%
Associates				
ATS (*)	120	2,175	73	30%

(*) The figures refer to 2019, as the latest figures from the approved financial statements.

As regards the consolidation method, the investments in subsidiaries are consolidated on a line-by-line basis, while the interests over which the Group exercises significant influence (associates) are measured using the equity method. The adequacy of the goodwill of assets with indefinite life and equity investment carrying amounts is checked at least yearly, and in any case, any time there is a sign that an asset may have suffered impairment. If there are trigger events, IAS 36 also requires impairment tests to be carried out on all assets with a finite useful life.

Line-by-line consolidation

Equity investments in subsidiaries are consolidated line-by-line. In compliance with IFRS 10, the concept of control is based on all three of the following elements: (a) power on the company acquired; (b) exposure, or rights, to variable returns from involvement with the same; (c) ability to use the power to influence the amount of such variable returns. IFRS 10 requires an investor to assess whether it has control over the company acquired by focusing on activities that significantly affect the returns of the same (concept of relevant activities). IFRS 10 also requires that, in assessing the existence of control, only substantial rights be considered, that is those that can be exercised in practice when significant decisions must be taken on the company acquired.

This method of consolidation involves aggregating subsidiaries' balance sheet and statement of profit or loss items line by line. To this end, the following adjustments are made:

(a) the carrying amount of the investments held by the parent company and the corresponding part of shareholders' equity are eliminated;

(b) the portion of shareholders' equity and profit or loss for the year pertaining to non-controlling interests is recognized as a separate item.

The results of the above adjustments, if positive, are recorded - after any allocation to assets or liabilities of the subsidiary - as goodwill under the item "Intangible assets" at the date of first consolidation if the conditions exist. The resulting differences, if negative, are normally recognized in the statement of profit or loss.

Intragroup balances and transactions, including revenues, expenses and dividends, are derecognized in full.

The economic results of a subsidiary acquired during the year are included in the consolidated financial statements from the date of acquisition of control. Similarly, the economic results of a subsidiary sold are included in the consolidated financial statements up to the date on which control ceased.

The accounting situations used in preparing the consolidated financial statements are prepared as of the same date.

The consolidated financial statements have been prepared using uniform accounting standards for similar transactions and events.

If a subsidiary uses accounting standards other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, adjustments are made to its financial statements for the consolidation of the statement of profit or loss and balance sheet balances.

Equity method

Equity investments over which the Group exercises significant influence or has joint control, as defined by IAS 28, are measured at equity. According to this method, the equity investment is initially recognized at cost and the carrying amount is increased or decreased to reflect the investor's share of the profit or loss that the investee makes after the acquisition date. The investor's share of the investee's results for the period is recognized in the investor's statement of profit or loss. Dividends received from an investee reduce the carrying amount of the investment; adjustments in the carrying amount may also be necessary if the investor's share in the investee is modified following changes in the investee's shareholders' equity not recognized in the statement of profit or loss. These modifications include changes deriving from the revaluation of property, plant and machinery and differences from the translation of items in foreign currency. The share of these changes is recognized directly in its shareholders' equity.

The consolidating company discontinues the use of the equity method from the date on which it ceases to exercise significant influence or joint control over the investee company and accounts for this investment as "Current financial assets" or "Non current financial assets", in accordance with the logic described above, from that date, provided that the associate or jointly controlled company does not become a subsidiary.

The balance sheets and statement of profit or loss of Group companies operating in areas other than the Eurozone are translated into euro by applying the exchange rates current at the balance sheet date to assets and liabilities and the average exchange rates for the year to statement of profit or loss items.

The exchange differences arising from translation of the financial statements of these companies, deriving from the application of different exchange rates to assets and liabilities and to the statement of profit or loss, are recognized in the "Valuation reserve" under shareholders' equity. All exchange differences are reversed to the statement of profit or loss in the year in which the equity investment is disposed of.

Accounting standards and valuation criteria

The criteria adopted with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the revenue recognition criteria, are described below. The accounting standards applied are the same as those applied in the Annual Financial Statements for the year ended December 31, 2019, except for new accounting standards, amendments and interpretations that became effective and applicable from years beginning January 1, 2020.

Financial assets and receivables

Financial assets measured at fair value through profit or loss
Financial assets other than those classified under "Financial assets at fair value through other comprehensive income" and " Financial assets at amortized cost". In particular, the item includes:

- financial assets held for trading, essentially represented by debt and equity instruments and by the positive value of derivative contracts held for trading;
- financial assets obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income.

This item also includes derivative contracts not classifiable as hedges, which are recognized as assets if the fair value is positive and as liabilities if the fair value is negative.
Initial recognition of financial assets takes place on the settlement date for debt and equity instruments, and on the subscription date for derivative contracts. On initial recognition, the financial assets at fair value through profit or loss are recognized at fair value, without considering the transaction costs or income directly attributable to the instrument. On subsequent reference dates, they are measured at fair value and the valuation effects are recognized in the statement of profit or loss. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Financial assets at fair value through other comprehensive income (FVOCI)
This category includes equity investments not qualified as investments in subsidiaries, associates and companies subject to joint control, which are not held for trading, for which the option for designation at fair

value through other comprehensive income has been exercised. On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, non-controlling equity investments are valued at fair value, and the amounts recognized as a contra-entry in equity (Statement of comprehensive income) must not subsequently be transferred to the statement of profit or loss, even in the case of disposal. The only component of these equity instruments subject to recognition in the statement of profit or loss is their dividends. For the equity instruments included in this category which are not listed in an active market, the cost approach is used as an estimate of fair value only on a residual basis and in limited circumstances, i.e. when all measurement methods previously referred to do not apply, or if there is a broad range of possible fair value measurements, within which cost represents the most meaningful estimate. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Financial receivables and financial assets at amortized cost

Financial assets (in particular, loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held in accordance with a business model whose objective is achieved through the collection of contractually agreed cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (SPPI test passed).

On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, these financial assets are measured at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying discounting logic negligible, for those without a defined maturity date and for revocable receivables. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Hedging transactions

The SIA Group takes advantage of the possibility, envisaged at the time IFRS 9 was introduced, to continue applying all of the provisions of IAS 39 "Hedge accounting" for all type of hedges. Hedging transactions aim to neutralize the economic effects on a specific element or group of elements (the hedged item), with reference to a given risk, through opposite economic effects on a different element or group of elements (the hedging instrument). IAS 39 provides for the possibility of designating the following three hedging relationships:

- fair value hedge (FVH);
- cash flow hedge (CFH);
- hedging the risks of a net investment in a foreign currency investment or net investment hedge (NIH).

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the strategy for undertaking the hedge and the methods that will be used to verify its prospective and retrospective effectiveness.
The designation of the type of relationship is made at the beginning of the relationship and evaluated on the basis of a criterion of continuity; it must therefore prospectively remain highly effective for all the reference periods for which it has been designated. Effectiveness is assessed at each annual or interim reporting date. A hedge is considered highly effective if at the start of the hedge and in subsequent periods it is expected to be highly effective and if its retrospective results (the relationship between changes in value of the hedged item and those of the hedging derivative) are included within a certain range (80%-125%).
If the verifications do not confirm the effectiveness of the hedge, from that moment the contract is no longer accounted for as a hedging transaction and the hedging derivative contract is reclassified to trading instruments. The hedging relationship is also terminated when:

- the derivative expires, is sold, rescinded or exercised;
- the hedged item is sold, expires or is redeemed;
- it is no longer highly likely that the future hedged transaction will be carried out.

Tangible assets

The categories of assets included in tangible assets are shown in the table below, which also includes the depreciation criteria used:

Category	Subclasses	Depreciation rate
Land and buildings	Land Civil/industrial buildings	- 3%
Plant and machinery	Plant Hardware Machinery	10% - 25% 20% - 25% 15% - 25%
Equipment	Commercial and miscellaneous industrial equipment Electrical machines	12% - 20% 12% - 20%
Other assets	Office machines Furniture and furnishings Motor vehicles and cars	12% - 20% 12% - 20% 20% - 25%

Costs for restructuring properties that are not owned ("leasehold improvements") are capitalized considering the fact that for the term of the rental agreement the company using the assets has control over them and can obtain future economic benefits from them. Assets that can be clearly identified and separated are not included in this category.

Accounting for property, plant and machinery among tangible assets occurs only when the following conditions occur simultaneously:

- it is probable that the future economic benefits attributable to the asset will be enjoyed by the enterprise;
- the cost can be determined reliably.

Tangible assets are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other consideration provided to acquire an asset at the moment of acquisition or replacement. After initial recognition, tangible assets are measured with the cost method, net of depreciation previously accounted for and any accumulated impairment, on the basis of which the cost of the tangible asset generally remains unchanged until it is derecognized.

Tangible assets are depreciated on a straight-line basis throughout their useful lives and depreciation is recognized on an accrual basis. As operating practice, depreciation is calculated from the first day of the month in which the asset is available for use.

At the end of each year, the Group checks if there have been significant changes in the expected characteristics of the economic benefits arising from capitalized assets and, in that case, modifies the depreciation method, which is considered a change in estimate according to IAS 8.
Furthermore, at the end of each year, the company checks whether tangible assets measured according to the cost method have suffered from impairment and any loss identified is recognized in the statement of profit or loss. The carrying amount of a tangible asset is reversed in full when it is disposed of or when the company does not expect to obtain any economic benefit from its sale.

In accordance with IFRS 16, leased assets are recognized as tangible assets when the following conditions are met: identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits arising from the use of the asset and, lastly, the right to direct the use of the asset underlying the contract. The rights of use of leased assets, including those under operating leases, are recorded in this item with a financial liability as the contra-entry. Leases with a contractual duration of less than one year and leases where the underlying asset is configured as a low-value asset are not recognized.

Intangible assets

An intangible asset is an asset that simultaneously meets the following conditions:

- it is identifiable;
- it is non-monetary;
- it has no physical consistency;
- it is under the control of the company that prepares the financial statements;
- it is expected to produce future economic benefits for the enterprise.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to purchase it or to generate it internally is accounted for as a cost when it is incurred. However, if the asset in question is acquired during a business combination, it forms part of the goodwill recognized at the time of the acquisition.

Intangible assets are initially recognized at cost. The cost of the intangible assets acquired externally includes the purchase price and any directly attributable costs. The main types of intangible assets acquired separately include software purchased from third parties or used under license. On the other hand, costs for assets acquired under a lease with a short useful life that entail the depletion of economic benefits within no more than the term of the contract are recognized in the statement of profit or loss.

Intangible assets acquired through business combinations are initially recognized at cost, corresponding to their fair value on the acquisition date. An intangible asset is recognized separately from goodwill if its fair value can be measured reliably, regardless of whether the asset was recognized by the acquiree prior to the business combination: in particular, there is a presumption of reliable measurability of fair value, unless the asset derives from legal or contractual rights and is not separable, or is separable but there is no evidence of similar transactions in the past.

Goodwill generated internally is not recognized as an asset, like intangible assets deriving from research (or from the research phase of an internal project).

An intangible asset arising from the development or the development phase of an internal project is recognized if it is demonstrated that the following conditions have been met:

- the technical feasibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the way in which the intangible asset is able to generate future economic benefits and in particular, the existence of a market for the product of the intangible asset or for the intangible asset or, if it is to be used for internal purposes, its usefulness;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset;
- the ability to reliably measure the cost attributable to the intangible asset during its development.

The main types of intangible assets generated internally are represented by software projects. The following costs are considered directly attributable, incurred to bring the business to normal operating conditions, and capitalizable:

- costs for materials and services used or consumed for the generation of the intangible asset;
- taxes to register a legal right;
- the amortization of patents and licenses that are used for the realization of the intangible asset;
- financial expenses;
- the cost of personnel assigned and planned for the development of the project;
- fees paid to external consultants for services received directly on the project already started and identified.

Intangible assets are measured at cost according to one of the two criteria envisaged by IAS 38 (the cost model and the revaluation model). The cost model provides that after initial recognition an intangible asset must be shown in the financial statements at cost, net of accumulated amortization and impairment losses.

At each reporting date, an assessment is carried out to identify any indicators of impairment. If such an indicator exists, the asset's recoverable amount is determined and compared with the carrying amount in an impairment test in compliance with IAS 36.

For intangible assets with a finite useful life, amortization is calculated from the first day of the month in which the asset is available for use, using the straight-line method.

The following table shows the amortization rates adopted by the SIA Group for the main classes of intangible assets:

Category	Subclasses	Amortization rate
Intangible assets acquired separately and/or through business combinations	Patents and other industrial rights Trademarks Software licenses Other	10% - 33%
Internally generated assets	Software projects developed internally	20% - 33%

Intangible assets that are infrastructural in nature and particularly important from a strategic point of view, or linked to contracts with a duration exceeding three years, are examined on a case-by-case basis to assess their correct technical/economic useful life, which in exceptional cases may be greater than three years.

Intangible assets with an indefinite useful life and those not yet available for use are not amortized, but, in accordance with IAS 36, they are subjected to an impairment test. The impairment test is carried out at least once a year, and in any event any time there is an indication that an intangible asset may have suffered impairment. Within the Group, the only intangible asset with indefinite useful life is represented by goodwill arising from business combinations.

Intangible assets with a finite useful life are monitored on an annual basis to identify any impairment or review the amortization rate.

Intangible assets are completely reversed upon disposal or when it is expected that no future economic benefit will derive from their disposal. The gain or loss generated from the derecognition of an intangible asset is recognized in the statement of profit or loss when the asset is derecognized. In determining the disposal date, the provisions set forth in IFRS 15 for the recognition of revenues from the sale of assets and in IFRS 16 for disposals carried out through sale and lease back transactions apply.

Investments

Equity instruments qualified as equity investments have as their common denominator the acquisition of a more or less significant part of the power of governance over the investee company and are broken down into:

- subsidiaries, which have not been consolidated due to insignificance;
- companies subject to joint control;
- associates.

Investments in subsidiaries, associates and joint ventures are recognized at the date of acquisition of the investment, which is assumed to be the date on which control, significant influence or joint control is acquired. This date is also the reference date in business combinations for measuring the fair value of the assets and liabilities acquired and, therefore, of goodwill. Investments in subsidiaries, joint ventures and associates are initially recognized at cost and subsequently measured under the equity method. Every time the accounts are closed, an assessment is carried out to verify whether an asset has suffered from impairment, resulting in the need to adjust the carrying amount of the investment (impairment). Investments are derecognized when the contractual rights to the cash flows from the financial asset expire or the investment and substantially all the risks and rewards of ownership thereof are transferred.

Business combinations and impairment testing

A business combination is a transaction or other event whereby an acquirer obtains control over one or more business activities. Based on IFRS 3, all business combinations are accounted for by applying the acquisition method, which considers a business combination from the perspective of the acquirer and, as a result, presumes that an acquirer must be identified in every business combination. The acquisition date is the date on which the acquirer obtains control over the other businesses or business activities subject to the combination. On the acquisition date, a set of accounts of the acquired company must be available for the consolidation of the results and the measurement of the fair value of the assets and liabilities acquired, including goodwill, to be completed within a maximum of 12 months. If there are no reliable accounts available as of that date, the Group assumes as the acquisition date - for these purposes - the first day of the quarter immediately following the actual acquisition date or, if closer, the last day of the preceding quarter.

The assets acquired and the liabilities assumed are valued by the acquiring company at their fair value at the acquisition date, based on the definition provided by IFRS 13.

Goodwill is a business asset that represents the sum of future benefits deriving from all assets acquired as part of the business combination which are not individually identifiable and measurable separately one from the other. On the acquisition date it is measured as the surplus between the fair value of the net identifiable assets of the acquired company and the sum of the following components:

- the amount transferred, generally measured at fair value;
- the amount relating to non-controlling interests;
- the fair value at the acquisition date of the interests already held by the acquirer prior to the business combination.

If the fair value of the identifiable net assets exceeds the aggregate consisting of the amount transferred, the non-controlling interests and the fair value of all interests already held previously, the difference is recognized immediately as a gain in the statement of profit or loss, as this is considered *negative goodwill*.

In accordance with the provisions of IAS 36 and the specific guidelines approved by the Board of Directors of SIA S.p.A., the verification of the fairness of the carrying amount of the goodwill recorded following the business combinations and any other intangible assets with an indefinite life or not yet in use is performed at least once a year and, in any case, whenever there is an indication that an asset may have suffered from impairment. The impairment test for goodwill is always carried out within a cash-generating unit (CGU) or group of CGUs, as goodwill does not generate cash flows independently of the other assets. For the goodwill emerging in the consolidated financial statements of the SIA Group deriving from the acquisition of a business included in a legal entity, the impairment test is carried out by estimating the recoverable amount of the legal entity to which the goodwill refers. In other words, for the purpose of the impairment, the cash-generating unit with which goodwill is associated is the legal entity by which it was generated. For the remaining goodwill not attributable to a single legal entity and/ or resulting from business combinations (such as mergers), the impairment test is carried out by identifying the CGUs that represent the business to which the goodwill is associated.

The impairment test on investments in subsidiaries included in the financial statements of SIA S.p.A. is carried out on individual legal entities, in line with the provisions of IAS 36, as it is believed that they present autonomous capacity for the generation of cash flows. In the event that a high level of integration of the businesses does not make it possible to carry out the test for a single legal entity, the impairment test is carried out for the CGU represented by the consolidated financial statements, as only at this level is it possible to determine the recoverable amount of the CGU.

An asset has suffered from impairment when its carrying amount exceeds its recoverable amount. For the determination of the recoverable amount, reference is made to the greater of the value in use and the net realizable value, i.e. the sale price, net of selling costs.

To perform the impairment test on goodwill and equity investments, the most accurate forecast data approved by the parent company's Board of Directors and by the competent corporate bodies of the subsidiaries are used. The discount rate used is the pre-tax rate which reflects current market assessments of the time value of money and the specific risks of the asset for which estimates of future cash flows have not been adjusted. This rate is estimated through the implicit rate used for similar assets in the negotiations currently present on the market or through the weighted average cost of capital of a listed company that has a single activity (or a portfolio of activities) similar to the one being considered in terms of service and risks. When the rate of a specific asset is not directly available from the market, the company uses other techniques to estimate its discount rate (taking into account, for example, the following rates: the entity's weighted average cost of capital determined using valuation techniques such as the Capital Asset Pricing Model (CAPM); the enterprise's incremental borrowing rate; other market borrowing rates).

An impairment loss is recognized if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the unit (group of units) in proportion to the carrying amount of each asset in the unit (group of units).

Sensitivity analyses are also carried out to capture additional elements supporting the reasonableness of the results obtained from the estimates of values which, by their very nature, inevitably contain degrees of uncertainty, in order to verify the sensitivity of the results obtained in the impairment test to changes in certain estimation parameters and other underlying assumptions.
As laid down in IAS 36, an impairment loss recognized for goodwill cannot be eliminated in later years. If the reasons for the impairment loss on an equity investment no longer apply following an event taking place subsequent to the recognition of impairment, a write-back is recognized in the statement of profit or loss.

Inventories
Inventories are assets:

- held for sale in the ordinary course of business;
- used in production processes for sale;
- in the form of materials or supplies of goods for use in the production process or in the provision of services.

In the specific case of the Group, the inventories of finished products and goods refer essentially to chip cards and card readers purchased from third parties and due to be sold to fulfill obligations under contracts with customers.

Inventories are recognized and valued at the lower of cost and net realizable value. In accordance with IAS 2, the weighted average cost method is used to determine the cost of inventories on an annual basis, unless there are abnormal price fluctuations that could have a distorting effect. The net realizable value of inventories is determined by referring to the estimated sale price in the ordinary course of business, net of estimated costs of completion as well as those considered necessary to carry out the sale, which can be deduced from contracts already concluded for the supply of services or from the most recent prices for similar transactions already carried out in the recent period, providing they can be documented.

When the net realizable value is lower than the cost, the excess is immediately written down in the statement of profit or loss. The write-off must be made on the basis of an evaluation carried out item by item and therefore it is not considered appropriate to write down inventories based on their classification or if they are part of a particular operating segment.

Trade receivables
Trade receivables from the provision of services are recognized according to the terms laid down in the contract with the customer on the basis of IFRS 15 and classified based on the nature of the debtor and/or the due date of the receivable (this definition also includes invoices to be issued for services already provided). In addition, as trade receivables are generally short-term and do not require the payment of interest, the amortized cost is not calculated and they are accounted for on the basis of the nominal value

reported on the invoices issued or in the contracts entered into with customers: this also applies for trade receivables with a contractual duration of more than 12 months, unless the effect is particularly significant. This is due to the fact that the amount of short-term receivables is very similar applying the historical cost method or the amortized cost method, and the impact of discounting would therefore be negligible.

Trade receivables are tested for impairment on the basis of IFRS 9. IFRS 9 § 5.5.15 envisages the possibility of using a simplified approach, which also takes into account future economic scenarios, to determine the "lifetime expected credit losses" on trade receivables, using, for example, a "provision matrix" (IFRS 9 § B5.5.35), which specifies impairment percentages based on days past due. The Group's policy for the valuation of trade receivables envisages that customers are subdivided according to time periods in which they are past due in order to apply appropriate impairment percentages on the basis of historical experience to the various categories of customer, taking into account expected losses. If there is information on the creditworthiness of counterparties that has a significant impact on the possibility of recovering the receivable, the Group plans to carry out specific assessments of open positions.

Receivables are derecognized when the contractual rights to the cash flows arising from them expire. Trade receivables are derecognized only for non-collectible exposures for which, following recovery, an agreement has been reached with the customer.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value. Other cash equivalents represent short-term, highly liquid financial investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity or at the time of purchase of not more than three months.

Employee benefits

Employee benefits include benefits provided to employees or their dependents and can be settled by payments (or by the provision of goods and services) made directly to employees, their spouses, children or other dependents or to third parties such as insurance companies and are divided into short-term benefits, termination benefits and post-employment benefits.

Short-term benefits, which also include incentive programs such as annual bonuses, MBOs and one-off renewals of national collective bargaining agreements, are accounted for as a liability (accrual of costs) after deducting any amounts already paid, and as an expense, unless some other IFRS standard requires or permits the inclusion of the benefits in the cost of an asset (e.g. the cost of personnel employed in the development of internally generated intangible assets).

The category of benefits for the termination of the employment relationship includes early retirement incentive plans, arising in the case of voluntary resignations that entail the participation of the employee or a group of employees in union agreements for the activation of "solidarity funds", and lay-off plans, which take place in the case of the termination of the employment relationship based on the unilateral decision of the company. The company recognizes the cost of those benefits as a liability in the financial statements at the most immediate date between the moment at which the company can no longer withdraw the offer of such benefits and the moment at which the company recognizes the costs of a restructuring that falls within the scope of IAS 37. Early retirement provisions are reviewed at least every six months.

Post-employment benefit plans are divided into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension funds which involve the contribution of a set amount by the company;
- employee severance indemnity provision, limited to the amounts accruing from January 1, 2007 for companies with more than 50 employees, irrespective of the allocation option chosen by the employee;
- the portions of severance indemnity accrued since January 1, 2007 and allocated to supplementary pensions, in the case of companies with less than 50 employees;
- supplementary health care funds.

The defined benefit plans include:

- the severance indemnity, limited to the portion accrued up to December 31, 2006 for all companies, as well as the portions accrued from January 1, 2007 and not intended for supplementary pensions for companies with less than 50;
- supplementary retirement plans the conditions of which require the payment to participants of a defined benefit;
- seniority bonuses, which provide for an extraordinary payment to the employee upon reaching a certain level of seniority.

In defined contribution plans, the obligation of the company drawing up the financial statements is determined on the basis of the contributions due for that year, and therefore the valuation of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

Actuarial assumptions are however required to account for the value of the obligation for defined benefit plans. That valuation is assigned to an external actuary and is carried out every year. For discounting purposes, the company uses the projected unit credit method, which makes a projection of future outlays on the basis of statistical historical analyses and the demographic curve and the financial discounting of such flows on the basis of a market interest rate. Actuarial gains and losses are recognized as a contra-entry to shareholders' equity (in the valuation reserve) as required by IAS 19.

Provisions for risks and contingent assets and liabilities

Provisions are different from other liabilities as there is no certainty with respect to their due date or the amount of the future expenditure required to fulfill the obligation. Given their different nature, provisions are shown separately from trade payables and allocations made for presumed payables.

A liability or provision is accounted for when:

- there is a current legal or implicit obligation as a result of past events;
- it is likely that the use of resources capable of producing economic benefits will be necessary to fulfill the obligation;
- the amount of the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances in which a reliable estimate cannot be made, the item in question is deemed a liability that cannot be reliably determined, which is therefore described in the notes to the financial statements as a contingent liability.

To account for the expense, provisions are recognized if there is uncertainty as to the due date or the amount of cash flows necessary to fulfill the obligation, or other liabilities are recognized, in particular trade payables or allocations for presumed payables.

An allocation is made to the provisions for risks in an amount representing the best possible estimate of the expense required to settle the relative obligation existing at the reporting date and takes into consideration the risks and uncertainties inevitably surrounding many events and circumstances. The amount of the provision reflects any future events that may impact the amount required to extinguish an obligation if there is sufficient objective evidence that they will take place.

Once the best possible estimate of the expenditure required to settle the relevant obligation existing at the reporting date has been determined, the present value of the provision is determined, where the effect of the present value of money is a material consideration.

The components arising from the effects of discounting are reported under the same item used for the provision for contingent liabilities.

Contingent assets are assets for which there is no certainty and therefore cannot be recorded in the financial statements, although appropriate information is provided.

Payables

Trade payables and other payables are recognized initially at fair value and subsequently valued at amortized cost.

Payables to banks and other lenders are initially recognized at fair value, net of directly attributable accessory costs, and they are subsequently measured at amortized cost, applying the effective interest rate approach. If there is a change in the estimate of expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the effective internal rate initially determined. Payables to banks and other lenders are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Payables to banks and other lenders are derecognized when they are settled and when the Group has transferred all risks and expenses relating to the instrument.

Revenues and costs

Revenues from the sale of products and the provision of services

Revenues from the sale of products and the provision of services are only recognized when all of the following conditions are met:

- the contract with the customer has been identified - to identify a contract, the parties need to have approved the contract (in writing or in compliance with other customary commercial practices) and must have committed to fulfilling their respective obligations;
- the performance obligations contained in the contract have been identified - the goods and services to be transferred must be identified;
- the price has been determined - the fees and terms of payment must be defined;
- the price was allocated to individual performance obligations contained in the contract - if a contract calls for the delivery/supply of multiple goods or services, the agreed consideration must be allocated to the individual goods/ services;
- the performance obligations in the contract have been satisfied - goods and services must be effectively transferred to the customer.

Revenues are recognized when (or as), the performance obligation is fulfilled by transferring the promised good or service to the customer. The asset is transferred when (or as) the customer acquires control over it. The consideration set forth in the contract with the customer may include fixed amounts, variable amounts or both.

The consideration relating to one-off contributions to activate the related services, where considered as a separate performance obligation, is recognized as revenues when the goods or services are provided.

The variable components relating to the invoicing of transactions exceeding a threshold are included in the consideration only when the adjustment is applied if they cannot be easily estimated at the beginning of the year.

In the case of contracts where the pricing depends on the annual volume of transactions occurred, revenues are recognized considering the expected annual volume of transactions.

In particular, revenues from the provision of services falling within the Group's various business segments and related to transaction volumes in the payment/card area or network traffic volumes in the capital markets area are recognized on the basis of the date of execution of the transaction or of the use of network traffic; the contracts with customers relating to these services in some cases provide for annual fees, which are recognized in the statement of profit or loss during the year in line with the invoicing frequency. Revenues related to recurring services (such as platform maintenance, assistance services, POS rental, service desk, etc.) are recognized linearly over the duration of the contracts.

Revenues from project activities

For long-term orders, such as software development for customers, the revenue on the order is recognized in the course of the development (over time) according to contractual and/or project milestones, if established and recognized by the customer, if one of the following conditions is met:

- the customer simultaneously receives and uses the benefits arising from the service as it is provided;
- the service creates or improves the asset that the customer controls as the asset is created or improved;
- the asset produced has no alternative uses and the entity is entitled to be paid for the work carried out until that time.

If the project is not developed specifically for the customer, or if no milestones are envisaged, the costs relating to the order are suspended if it is possible to demonstrate their recoverability. Revenues will be recognized only upon completion and acceptance by the customer of the order (point in time). Costs incurred for development and any additional amounts considered probable and prudently measured must be suspended in the item "*Inventories and contract work-in-progress*" in current assets with a contra-entry in the statement of profit or loss item *"Change in inventories and contract work-in-progress"*.

Interest income and dividends

Interest income is recognized using the effective interest rate approach. Dividends are recognized in the consolidated financial statements as a reduction of the value of the investment when the right arises to receive the established dividend, or following the shareholders' meeting resolution of the subsidiary (not consolidated), associate or joint venture. In the separate financial statements, dividends are recognized in the statement of profit or loss when the right to receive the dividend is established.

Costs

Costs are recognized in the statement of profit or loss on an accruals basis; costs related to obtaining and fulfilling contracts with customers are recognized in the statement of profit or loss in the periods in which the related revenues are recorded.

Income taxes

Current taxes for the year and previous years are recognized as liabilities to the extent to which they have not been paid. Current tax assets and liabilities for the current and previous years must be determined at the value expected to be recovered or paid to the tax authorities, respectively, by applying the tax rates and tax legislation in force or substantially issued at the reporting date.

Deferred taxes are broken down into:

- deferred tax liabilities: these are the amounts of income taxes due in future years in respect of taxable temporary differences;
- deferred tax assets: amounts of income taxes recoverable in future years referring to deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to identified taxable or deductible temporary differences, i.e. unused tax losses and unused tax credits.

At each reporting date, a new assessment is performed on deferred tax assets not recognized in the financial statements as well as deferred tax assets recognized in the financial statements in order to verify whether it is more likely than not that the deferred tax assets will be recovered. This verification is carried out by means of the probability test, using the forecasts in the business plans as a reference.

For presentation in the financial statements, the items recognized on consolidation which at the time of recognition for the same phenomenon are offsettable, are offset in the consolidated financial statements.

The Group companies proceed with offsetting only with reference to temporary differences which, aside from meeting the above requirements, refer to a defined period of cancellation and the same year of cancellation. As a result, in years in which deductible temporary differences are higher than taxable temporary differences, the deferred tax assets are recognized as assets in the statement of financial position under deferred tax assets; on the other hand, in years in which taxable temporary differences are higher than deductible temporary differences, the relative deferred taxes are recognized as liabilities in the statement of financial position under deferred tax liabilities.

For all Italian companies (with the exception of Consorzio QuenIT in liquidation), the Group has adopted "domestic tax consolidation", with reference to corporate income tax (IRES), which enables groups of companies to offset their income, or determine a single tax base to an extent corresponding to the sum of the tax bases of each of the participating Group companies, which are included for their entire amount, irrespective of the consolidating company's stake in them. Based on this option, the Group companies that participate in domestic tax consolidation determine their own tax burden and the corresponding taxable income is transferred to the Parent Company (similarly in the case of tax losses for consolidated companies, in the presence of consolidated income for the year or high probability of future taxable income). In the separate financial statements of the consolidating company, therefore, the liability for its own individual income taxes and for the individual income taxes of subsidiaries participating in the tax consolidation scheme is recognized under "Current tax liabilities" net of advances paid, or if the latter are greater than the balance of current liabilities, the net balance is shown under "Current tax assets". As a result, the items transferred by the subsidiaries are offset by a receivable from (payable to) the subsidiaries, classified as "Other current assets" and "Other current liabilities", respectively. The item "Income taxes" includes the cost relating to the taxable income of the consolidating company. The adhesion of each subsidiary is for three years with tacit renewal, the current expiry dates varying between 2021 and 2022.

Disclosure on fair value

With respect to the assets and liabilities recognized in the statement of financial position, IFRS 13 requires those values to be classified on the basis of a hierarchy which reflects the significance of the inputs used in determining the fair value. The classification of the fair value of financial instruments is reported below on the basis of the following hierarchical levels:

- level 1: fair value determined with reference to (unadjusted) listed prices in active markets for identical financial instruments. Thus, in Level 1 emphasis is placed on the determination of the following elements: (a) the primary market of the asset or liability or, in the absence of a primary market, the most advantageous market of the asset or liability; (b) the possibility for the entity to carry out a transaction with the asset or the liability at the price of that market on the valuation date;
- level 2: fair value determined with valuation techniques with reference to variables observable in active markets. The inputs for this level include: (a) listed prices for similar assets or liabilities in active markets; (b) listed prices for identical or similar assets or liabilities in inactive markets; (c) data other than listed prices observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implicit volatilities, credit spreads or inputs corroborated by the market;
- level 3: fair value determined with valuation techniques with reference to variables not observable in the market.

Please refer to the "Disclosure on fair value" section for details on the breakdown of assets and liabilities measured by the Group at fair value based on the levels of the hierarchy.

IFRS accounting standards, amendments and interpretations applied as of January 1, 2020

Some amendments - none of which are particularly significant for the Company - made to the accounting standards already in force, highlighted below, are obligatorily applicable and for the first time, starting from the years beginning January 1, 2020:

- On October 31, 2018 the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material" contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and has introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a set of financial statements an effect similar to that which would have occurred if the information in question had been omitted or incorrect.

- On March 29, 2018, the IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods starting on January 1, 2020 or later, but early adoption is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

- On September 26, 2019, the IASB published its "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". It also amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements needed for hedge accounting, providing for temporary exemptions from them, in order to mitigate the impact from uncertainty about the IBOR reform on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships, which are directly affected by the uncertainties generated by the reform and to which the above exemptions apply.

- On October 22, 2018, the IASB published its "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications on the definition of business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and a process which together significantly contribute to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without all of the inputs and processes necessary to create an output. The amendment also introduced an optional test ("concentration test") that allows the exclusion of the presence of a business if the price paid is substantially referable to a single activity or group of activities. The changes apply to all business combinations and acquisitions of activities after January 1, 2020, but early adoption is permitted.

- On May 28, 2020, the IASB published an amendment entitled "Covid-19 Related Rent Concessions (Amendments to IFRS 16)". The document provides lessees with the ability to account for rent reductions related to the COVID-19 pandemic without having to assess through contract analysis whether the definition of lease modification in IFRS 16 is met. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the statement of profit or loss on the effective date of the reduction. This amendment applies to financial statements beginning on or after June 1, 2020.

To the extent applicable, these standards, amendments and accounting interpretations did not have a material impact on the Group's financial position, results of operations and cash flows at December 31, 2020.

IFRS accounting standards, amendments and interpretations already issued and approved by the European Union, not yet obligatorily applicable and not adopted in advance by the Group at December 31, 2020

- On May 28, 2020, the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from the application of IFRS 9 to be extended until January 1, 2023 for insurance. These amendments will take effect on January 1, 2021.

- On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document "Interest Rate Benchmark Reform-Phase 2", which contains amendments to the following standards: IFRS 9 Financial Instruments, IAS 39 Financial Instruments - Recognition and Measurement, IFRS 7 Financial Instruments – Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases. All amendments will take effect on January 1, 2021.

The directors do not expect the adoption of these amendments to have any effect on the financial position, results of operations and cash flows of the Company's Group.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union at December 31, 2020

At the date of reference of this document the EU competent authorities have not yet completed the standardization process required to adopt the accounting standards and amendments described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts; the objective of the new standard is to ensure that an entity provides relevant information that fairly represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting standards by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also includes presentation and disclosure requirements to improve comparability among entities in this segment. The new standard measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA"). The standard applies from January 1, 2023. However, earlier application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or non-current". The document aims to clarify how to classify payables and other short-term or long-term liabilities. The changes take effect on January 1, 2023. However, earlier application is in any case permitted.

- On May 14, 2020, the IASB published the following amendments, which will become effective on January 1, 2022, entitled:
    - Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing any changes to the provisions of IFRS 3;
    - Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of tangible assets of the amount received from the sale of goods produced during the test phase of the asset. These revenues from sales and related costs will therefore be recognized in the statement of profit or loss;
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct materials used in the work), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as

the share of payroll costs and depreciation of machinery used to perform the contract);

- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples of IFRS 16 Leases.

- On January 30, 2014, the IASB issued IFRS 14 - Regulatory Deferral Accounts that allows only first-time adopters of IFRS to continue to recognize amounts related to Rate Regulation Activities under the previous accounting standards adopted.

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent that they are applicable and relevant to the Group, are reasonably estimated not to be significant; the relative analyses, also in relation to the fact that endorsement has not yet taken place, are still to be completed.

Notes to the statement of financial position

Assets

Non current assets

1. Tangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	2020 Vs 2019
Plant and machinery	323,793	(252,498)	71,295	319,859	(255,380)	64,479	6,816
Industrial and commercial equipment	2,395	(1,879)	516	3,653	(3,197)	456	60
Land and buildings	102,076	(38,761)	63,315	103,151	(31,768)	71,383	(8,068)
Other assets	21,950	(17,572)	4,378	20,356	(16,690)	3,666	712
Construnction in progress and advances	9,104	-	9,104	6,189	-	6,189	2,915
Leasehold improvements	16,030	(11,401)	4,629	15,870	(10,805)	5,065	(436)
Total	**475,348**	**(322,111)**	**153,237**	**469,078**	**(317,840)**	**151,238**	**1,999**

Changes in tangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Gross	258,860	(484)	9,646	(2,137)	-	1,161	267,046
Leased plant and machinery - Gross	60,999	-	28,068	(32,747)	-	427	56,747
Equipment - Gross	3,653	(126)	419	(39)	-	(1,512)	2,395
Leased Industrial and commercial equipment - Gross	-	-	-	-	-	-	-
Land	2,472	-	-	-	-	-	2,472
Buildings - Gross	38,497	-	155	(634)	-	1	38,019
Other assets - Gross	18,104	(16)	304	(58)	-	143	18,477
Construction in progress and advances	6,189	(11)	6,323	(2,919)	(1)	(477)	9,104
Leased buildings - Gross	62,182	(56)	1,444	(1,970)	-	(15)	61,585
Leased other assets - Gross	2,252	-	1,581	(273)	-	(87)	3,473
Leasehold improvements - Gross	15,870	-	145	-	-	15	16,030
Total	**469,078**	**(693)**	**48,085**	**(40,777)**	**(1)**	**(344)**	**475,348**

Depreciation fund	31/12/2019	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2020
Plant and machinery - Fund	(212,885)	418	(17,796)	2,092	-	(1,373)	(229,544)
Leased plant and machinery - Fund	(42,495)	-	(9,506)	29,071	-	(24)	(22,954)
Equipment - Fund	(3,197)	78	(265)	221	-	1,284	(1,879)
Leased Industrial and commercial equipment - Fund	-	-	-	-	-	-	-
Buildings - Fund	(24,664)	-	(763)	630	-	8	(24,789)
Other assets - Fund	(15,924)	12	(501)	211	-	(49)	(16,251)
Leased buildings - Fund	(7,104)	45	(7,563)	259	-	391	(13,972)
Leased other assets - Fund	(766)	-	(861)	273	-	33	(1,321)
Leasehold improvements - Fund	(10,805)	-	(256)	-	-	(340)	(11,401)
Total	**(317,840)**	**553**	**(37,511)**	**32,757**	**-**	**(70)**	**(322,111)**
Total net amount	**151,238**						**153,237**

Total investments are substantially in line with the previous year, mainly due to the effect of purchases made by the Parent Company SIA for the modernization of the technological infrastructure against the regular depreciation of properties leased for the headquarters and offices of the various Group companies.

2. Intangible assets

Thousands of euro	31/12/2020			31/12/2019			Change
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	2020 Vs 2019
Goodwill	**521,020**	**-**	**521,020**	**569,139**	**-**	**569,139**	**(48,119)**
Internally generated asset	385,610	(337,873)	47,737	358,848	(331,250)	27,598	20,139
Software Licences	178,514	(150,448)	28,066	169,438	(140,234)	29,204	(1,138)
Intangible assets others	398,152	(219,327)	178,825	399,079	(180,719)	218,360	(39,535)
Other intangible assets	**962,276**	**(707,648)**	**254,628**	**927,365**	**(652,203)**	**275,162**	**(20,534)**
Intangible assets in progress and advances	**44,766**	**-**	**44,766**	**49,733**	**-**	**49,733**	**(4,967)**
Total	**1,528,062**	**(707,648)**	**820,414**	**1,546,237**	**(652,203)**	**894,034**	**(73,620)**

Changes in intangible assets in 2020 are shown below:

Gross amount	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Goodwill	569,139	-	-	-	(48,119)	-	521,020
Internally generated asset	358,848	(429)	40,000	(8,879)	(1,161)	(2,769)	385,610
Software Licences	169,438	(7)	19,740	(12,716)	-	2,059	178,514
Intangible assets others	399,079	-	10	(937)	-	-	398,152
Intangible assets in progress and advances	49,733	-	27,554	(33,584)	(44)	1,107	44,766
Total	**1,546,237**	**(436)**	**87,304**	**(56,116)**	**(49,324)**	**397**	**1,528,062**

Amortization fund	31/12/2019	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2020
Internally generated asset	(331,250)	69	(16,414)	8,539	-	1,183	(337,873)
Software Licences	(140,234)	(5)	(21,811)	12,713	-	(1,111)	(150,448)
Intangible assets others	(180,719)	-	(39,538)	937	-	(7)	(219,327)
Total	**(652,203)**	**64**	**(77,763)**	**22,189**	**-**	**65**	**(707,648)**
Total net amount	**894,034**						**820,414**

Significant investments in intangible assets were made during the year, also with reference to the continuation of technological integration projects with Group companies. These higher investments were related in particular to the development of internal projects, a large part of which are still under development and therefore included in "Intangible assets in progress". It should be noted that a significant portion of the projects in progress consists of activities developed for important banking customers.

Other intangible assets mainly include customer relationships, originally valued by discounting the cash flows over a period that reflects the residual duration of the relationships at the date of the business combination from which they derive and amortized over their useful life. These assets are attributable to the business combinations carried out by the Group in previous years and in particular to P4cards for 129 million euro (compared to the original 215 million euro on which deferred taxes of 60 million euro were allocated), to SIA Greece for 23.9 million euro (compared to the original 43.6 million euro on which deferred taxes of 12.9 million euro were allocated), and to SIA Slovakia for 25.4 million (compared to the original 46.3 million euro on which deferred taxes of 13.7 million euro were allocated) and which decreased compared to the previous year due to regular amortization.

The table below summarizes the amounts of goodwill recognized in the consolidated financial statements at December 31, 2020 and the comparison with 2019, which shows an impairment of SIA Greece's goodwill of 48.1 million euro:

Thousands of euro	Business combination	Consolidated goodwill at 31/12/2019	Impairment	Consolidated goodwill at 31/12/2020
CGU				
SIA	SiNSYS S.A. (i)	7,485	-	7,485
	RA Computer S.r.l. (ii)	523	-	523
SIApay	SIApay S.r.l.	-	-	-
	Emmecom S.r.l. (iii)	3,275	-	3,275
SIA Central Europe	SIA Central Europe Zrt. (iv)	9,945	-	9,945
	SIA Slovakia a.s. (v)	183,840	-	183,840
SIAadvisor	SIAadvisor S.r.l.	1,732	-	1,732
P4cards	P4cards S.r.l.	284,029	-	284,029
	PforCards GmbH	1,608	-	1,608
SIA Greece	SIA Greece S.A.	76,702	(48,119)	28,583
Total goodwill		**569,139**	**(48,119)**	**521,020**

(i) SiNSYS S.A. was merged by incorporation into SIA S.p.A. with effective date January 1, 2013.
(ii) RA Computer S.r.l. was merged by incorporation into SIA S.p.A. with effective date January 1, 2015.
(iii) Emmecom S.r.l. was merged by incorporation into SIApay S.r.l. with effective date January 1, 2020.
(iv) SIA Central Europe Zrt. was merged by incorporation into SIA Central Europe a.s. (SIA Slovakia a.s. until 31.12.2019) with effective date January 1, 2020.
(v) SIA Slovakia a.s. changed its name to SIA Central Europe a.s. following the integration with SIA Central Europe Zrt. and SIA Hungary Kft., with effective date January 1, 2020.

Impairment test on consolidated goodwill and other non-financial assets

The SIA Group adopted a specific impairment procedure, approved by the Board of Directors of SIA S.p.A. in January 2020, for carrying out impairment tests on goodwill and intangible assets with finite life, represented by the valuation of customer relationships following business combinations, in compliance with the provisions of IAS 36 and in line with best market practices. This procedure was supplemented, with the approval of the Board of Directors on January 28, 2021, by additional guidelines that became necessary to take into account, in the context of the COVID-19 pandemic, the uncertainties mainly related to the limited external information supports and the possible necessary changes in the architecture of the valuation system compared to the previous impairment test, consistently with the guidelines under discussion "Guidelines for impairment testing after the effects of the COVID-19 pandemic" issued on July 10, 2020 by the Organismo Italiano di Valutazione - OIV (Italian Valuation Body).

The procedure envisages that the SIA Group, with the support of an external qualified third party, at least once a year subjects the goodwill, and therefore the cash generating units (CGUs) or groups of CGUs to which the goodwill has been allocated, to an impairment test and continuously monitors certain qualitative and quantitative indicators of presumed impairment, in order to verify the existence of any presumed impairment requiring the test to be repeated more frequently. In addition, the above-mentioned procedure requires that the value of investments and other intangible assets with finite useful life be tested for impairment when there are indications of impairment and, in any case, annually at the end of the reporting period.

In this regard, in assessing at December 31, 2020, the presence of the impairment indicators provided for by IAS 36 and any additional supplementary indicators, also considering the indications of national and international supervisory authorities on financial reporting profiles relating to risks, uncertainties, estimates, assumptions and valuations, SIA's management considered the difficulties associated with the impacts of the health crisis due to the spread of the COVID-19 pandemic. The spread of the COVID-19 pandemic on a global scale and the consequent impacts on economic activity have led to an increase in uncertainty, which makes the formulation of estimates regarding quantities such as the cash flows deriving from participating assets more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used to support the valuation of the assets.

At December 31, 2020, SIA's management analyzed all the main elements from internal and external sources that could constitute a presumption of impairment, i.e. a presumption of lower recoverable amount compared to the carrying amount of the CGUs to which the goodwill is allocated. In particular, the COVID-19 pandemic, due to its intensity and unpredictability, constituted, in the opinion of management, an external factor of potential impairment and therefore required a preliminary analysis of the impact of the crisis on all CGUs. This analysis was conducted by preliminarily comparing the pre-consolidated results achieved by the CGUs at December 31, 2020 with the budget forecasts for the same period.

The impairment procedure has not been modified in the architecture of the valuation system compared to the impairment test at December 31, 2019, because, despite the high uncertainty of the macroeconomic context, which is summarized in the volatility of market variables, the difficulty of identifying a clear evolution of the scenario, the absence of comparable transactions that can be used as a reference for fair value and, more generally, in the particular nature of the crisis that is destined to show more intense effects in the short term than in the long term, the Group's management has in any case revised the economic forecasts of the CGUs under review for purposes consistent with the impairment test.

Definition of the CGUs

According to IAS 36 the "recoverable amount" of an asset is equal to the higher of its value in use and its market value, net of disposal costs; an asset has suffered a loss in value when its carrying amount exceeds its recoverable amount.

For the amounts of goodwill recorded in the Group's consolidated financial statements (also referred to here as "assets"), the impairment tests were carried out by estimating the recoverable amount of the CGU to which they refer.

The CGUs subject to the valuation procedure did not undergo any changes compared to the previous year, as the intragroup business combination and integration transactions effective as of January 1, 2020 had already been taken into account in the impairment test at December 31, 2019.

As noted above, the CGUs tested for impairment at December 31, 2020 are as follows:

- SIA CE, which includes the companies SIA Slovakia (considered as a sub-holding, as it has 100% direct control of SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia) and SIA Central Europe, which has been merged by incorporation as of January 1, 2020;
- SIA Greece, wholly owned subsidiary of SIA;

- P4cards, consisting of the investments in P4cards and PforCards, which are wholly owned subsidiaries of SIA;
- SIApay, consisting of the investments in SIApay and Emmecom, following the absorption of Emmecom by SIApay, effective January 1, 2020;
- SIAadvisor, wholly owned subsidiary of SIA.

Criteria for estimating the value in use of CGUs

For the purposes of estimating the "recoverable amounts" of the assets recognized in the consolidated financial statements at December 31, 2020, reference was made to the concept of "value in use", determined by estimating the present value of the future cash flows expected to be generated by the CGUs. These cash flows are normally estimated using the latest available business plan or, in the absence thereof, through the formulation of an internal forecast plan by Management. Normally, the analytical forecast period covers a maximum time frame of five years. The flow of the last year of analytical forecasting is projected in perpetuity (through the use of perpetual return formulas or alternatively temporary ones if it is not realistic that the assets being assessed are capable of producing positive cash flows in the long term), through an appropriate growth rate "g" for the purposes of the "terminal value". The "g" rate is determined by assuming as a growth factor the rate of development of the gross domestic product in the countries where the flows are generated. Alternatively, the terminal value could be determined using a final sale or liquidation value. In determining the value in use, cash flows must be discounted at a rate that reflects current assessments of the time value of money and the risks specific to the asset. In particular, the discount rates to be used must incorporate current market values with reference to the risk free component and the risk premium related to the equity component observed over a sufficiently long period of time to reflect different market conditions and economic cycles. In addition, differentiated Beta coefficients must be used for each CGU in view of the different riskiness of their respective operating areas. All rates determined in this way are adjusted to take account of the "country risk".

In line with the provisions of IAS 36, the "unlevered" financial criterion was used as the basic reference for the estimate of value in use.

Estimate of cash flows

In the current market context, the Supervisory Authorities seem to agree in suggesting extreme caution, at least in the immediate future, in modifying valuation scenarios, in light of the extreme uncertainty regarding both the developments of the COVID-19 pandemic and the extent and effects of government measures to support the economy. Moreover, the Authorities suggest caution in using estimates based on assumptions and hypotheses that are highly uncertain at this stage and recommend considering, if they can be reliably determined, any long-term effects, which, as mentioned, represent the time reference at the basis of the impairment test logic.

For each of the CGUs, therefore, the general trends of a scenario for the context following the COVID-19 pandemic have been outlined, even if susceptible to unpredictable evolutions in view of the significant uncertainty profiles that characterize the extraordinary nature of the COVID-19 event. The forecast estimates used for the purpose of the impairment test were prepared starting from the 2020 forecast data, updated in October 2020, subsequently integrated with the preliminary figures at December 31, 2020, and included, on the one hand, an analysis of the exposure to the crisis induced by the COVID-19 pandemic by updating the 2021 budget data and, on the other hand, an analysis of the verification of the ability to maintain an economic and financial balance in subsequent years, which confirmed the strategic actions of the plan for the following years, until 2025. These economic projections, aimed solely at performing the impairment test, were approved by the corporate bodies of the subsidiaries from which the goodwill originated in December 2020 and January 2021.

As an alternative to the method of estimating the terminal value illustrated above, the doctrine also envisages the approach based on the use of exit multiples and the approach based on an estimate of the company's liquidation value. In particular, with regard to the approach based on multiples, it should be noted that the estimation of a forward multiple presents elements of complexity (and, potentially, subjectivity) that are even more pronounced in times of uncertainty and market volatility, such as the current one; the approach based on the estimate of the liquidation value is valid only for companies that are going to cease at the end of the analytical forecast period and, therefore, it is not useful to use it in the presence of prospects of going concern. In view of the above, reference was made to the value in use to estimate the impairment test.

Discount rates for cash flows

In determining value in use, cash flows must be discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. In practice, the first characteristic (current market conditions) results in the determination of all parameters based on the most up-to-date information available at the reference date of the estimate, in order to best consider current market assessments. The second characteristic (consistency between risks/flows and rates) must be considered in relation to the specificities of the flows used for the impairment test of the CGUs. The rate (in its various components) must, therefore, be chosen by observing the specificities of the flows used in the valuation of each CGU, so as to be congruous and consistent with respect to these flows. In particular, consistency is important with regard to inflation, country risk and other risk factors that could be expressed, according to IAS 36, in the flows or in the rate.

It should be noted that a common characteristic of all CGUs containing goodwill (and, in general, intangible assets with indefinite life) is the long-term perspective of the flows used in estimating the value in use of the CGUs. In fact, goodwill has by definition indefinite useful life and, therefore, the cash flows expected from it are normally projected in perpetuity. This long-term perspective should be reflected in all the parameters of the discount rate through an appropriate choice of each of them, so that they express "normal" conditions in the long term.

Normally, the discount rate must include the cost of the different sources of financing of the asset to be assessed, i.e. the cost of equity and the cost of debt, and corresponds to the WACC, i.e. the weighted average cost of capital, which weights the cost of equity and financial debt, calculated as the nominal and net tax rate. The cost of capital is determined as the sum of the return on risk-free investments and a risk premium, which in turn depends on the specific riskiness of the business (i.e. the business riskiness, the execution risk incorporated in the business plans and the geographical riskiness).

As the different CGUs have different risk factors, specific costs have been identified for each of them.

With reference to the risk free component and the country risk premium (CRP), the current extremely low values were taken into account with reference to the general interest rate context. Although the level of interest rates is not expected to rise, it is nevertheless worth considering whether or not the current situation can reasonably be expected to last beyond the "explicit period" of cash flow projection for assessments for impairment testing purposes. As is well known, in fact, a significant component of the calculation of the value of the CGUs is represented by the terminal value, calculated as the perpetual return of a cash flow that can be achieved "when fully operational"; in this sense, the reflections must focus on the analysis of the current macroeconomic context, to verify whether the current level of interest rates can be representative of an ordinary situation and therefore can be incorporated in the discount rate of the flow implicit in the terminal value, in a long-term calculation logic, such as that underlying the impairment test process.

On the basis of the situation described above, considering the aforementioned long-term perspective that must guide the impairment test and the fact that the current low level of interest rates (especially in the risk free component), which is strongly influenced by the ECB's monetary policies, is unlikely to continue beyond the medium term, it was decided, as a continuation of the 2019 financial statements, to adopt an approach involving the use of differentiated discount rates to discount the cash flows of the CGUs, as permitted by IAS 36. In particular:

- with regard to the risk free rate included in the discount rate of the cash flows of the "explicit" forecast horizon, it was decided to use the average yield of the government bonds of the country of reference in the last 12 months before December 31, 2020 (source: Factset);
- as regards the risk free included in the discount rate of the cash flow of the terminal value, it was decided to use the average yield of the 10-year government bonds of the reference country in the last 10 years prior to December 31, 2020; only for Greece, the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 3 years prior to December 31, 2020, thus excluding the extraordinary yields recorded during the Greek public debt crisis, in

order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset).

The equity risk premium (ERP), i.e., the premium for business risk, represented by the difference between the return on the stock market and the return on an investment in risk-free securities determined with reference to a sufficiently long time horizon, was determined with reference to the arithmetic average of the historical and prospective data of the last 12 months prior to December 31, 2020 (average value between historical and forward looking ERP - source: Damodaran).

The Beta coefficient, which measures the specific riskiness of the individual company or operating segment, was determined by identifying - for each CGU - a sample of comparable companies (in terms of business) and with respect to this sample, the median figure was used of the Betas recorded through monthly observations over a 5-year horizon starting from December 31, 2020. In particular, the beta unlevered has been estimated at 1.02 and is based on a sample of 11 comparable companies, adjusted using the Blume formula (source: Factset).

The results of the impairment test

The parameters used to determine the value in use and the results of the impairment test are summarized below for each CGU, together with the sensitivity of the results obtained to changes in certain parameters and assumptions. It should be noted that the parameters and information used to verify the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic scenario resulting from the COVID-19 pandemic and could undergo changes that are not foreseeable today.

In particular, it should be noted that:

- for the purposes of the estimates, data relating to market quotations and parameters were used, which are subject to fluctuations, even significant ones, due to the continuing turbulence and volatility of the markets, also related to the COVID-19 pandemic;
- the assessments carried out involved the use of forecasting data which are, by their very nature, random and uncertain, in that they are sensitive to changes in macroeconomic variables and phenomena external to the company, as well as being based, in this case, on a set of assumptions regarding future events and actions by the administrative bodies that will not necessarily occur. Because of the uncertainty inherent in the occurrence of any future event, both with regard to the actual occurrence of the event and the extent and timing of its occurrence, variances between actual and budgeted amounts could be significant, even if the events that were projected as part of the assumptions upon which the projections were based were to occur. This limitation is even more pronounced in the current context of uncertainty related to the future effects of the COVID-19 pandemic.

Therefore, we reiterate the profound uncertainty connected with the effects deriving from the pandemic and the complexity of foreseeing its effects in the short and medium term, which entails a high degree of complexity and uncertainty in the estimates made, due to the possibility that the basic assumptions and hypotheses could be subject to further revisions, following the evolution of elements not under the control of management, thus determining impacts that are not expected or foreseeable. In the current reference context, therefore, it is necessary to constantly monitor the evolution of these elements because, if the macroeconomic scenario worsens in the future compared to as hypothesized, this could have effects on the estimated cash flows of the CGUs and on the main assumptions adopted, which could lead in future financial statements to results that differ from those forecast in these financial statements.

SIA Greece

Basic parameters

The risk-free rate for the years of the plan is 1.3%; the risk-free rate for the terminal value is 2.7%.

The equity risk premium is 5%.

The specific risk premium, in continuity with the previous year, was set at 1%, in order to reflect certain elements of intrinsic uncertainty in the specific operating context of the business and specifically to incorporate the effects of the significant concentration of turnover with an important customer; this parameter was raised to 2% in the estimate of the terminal value to reflect further elements of uncertainty deriving from the concentration of turnover with an important customer.

The beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13, which, adjusted (beta levered adjusted) to consider a risk factor related to the limited size and lack of marketability, estimated at 20%, becomes 1.35.

The growth rate "g" is estimated as the inflation rate expected for Greece in 2024 and is equal to 1.8% (source: IMF).

The resulting WACC is 8.3% for the years of the plan and 10.5% on the terminal value.

Finally, it should be noted that at the date of approval of these financial statements, the tender procedure called by a major listed Greek bank, with which SIA Greece boasts a significant concentration of its turnover, is underway for the renewal of the processing services offered; management has taken this aspect into account when carrying out the impairment test and to this end, has drawn up specific forecasts up to the expiry of the contract expected to be stipulated with this bank, adopting assumptions consistent with those used to estimate the terminal value and using a differentiated WACC on the flows of this time horizon (equal to 9.6%).

Summary of results

The results of the impairment test carried out showed that the value in use was lower than the carrying amount in the consolidated financial statements, resulting in the need to proceed with overall impairment in the year of 48.1 million euro to the value of goodwill; on the other hand, in line with the provisions of IAS 36, no adjustments emerged as at December 31, 2020 on the residual value of the intangible asset represented by the value of the contractual relationships with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation, as provided for by the provisions of IAS 36 in relation to the methods for allocating value adjustments resulting from the impairment test.

The sensitivity analyses carried out showed that the impact on the value in use of an increase in discount rates of up to 100 bps would result in further impairment of 11.2 million euro, while a 5% reduction in terminal EBITDA would result in further impairment of 10.1 million euro.

SIA CE

Basic parameters

The risk-free rate for the years of the plan is 1.2%; the risk-free rate for the terminal value is 2.9%.

The equity risk premium is 5%.

A country risk premium (CRP) has been factored in as the bulk of the company's activities take place outside the country where the registered office is located. It is calculated differently from the Slovak CRP, taking into account the weighted average CRP of the countries where the company generates its turnover (source: Damodaran). The CRP has been set at 1.1%.

An execution risk premium of 1% was introduced to reflect certain elements of inherent uncertainty in the specific operating context of the business and specifically to incorporate the execution risk of the business plan.

The beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13, which, adjusted (beta levered adjusted) to consider a risk factor related to the limited size and lack of marketability, estimated at 20%, becomes 1.36.

The growth rate "g" is estimated as the inflation rate expected for the European Union in 2024 and is equal to 1.8% (source: IMF).

The resulting WACC is 8.2% for the years of the plan and 9.9% on the terminal value.

Summary of results

The results of the *impairment* test carried out showed that the value in use of the CGU is higher than its carrying amount in the consolidated financial statements and, therefore, there was no need to proceed with impairment to the value of goodwill, as well as to the net residual value at December 31, 2020 of the intangible asset represented by the value of the contractual relationships with certain customers recognized in the consolidated financial statements at the time of the purchase price allocation.

The sensitivity analyses carried out showed that the impact on the value in use of an increase in discount rates of up to 100 bps would result in impairment of 2.6 million euro, while a 5% reduction in terminal EBITDA would result in a value in use that would be 12.3 million euro higher than the carrying amount.

P4cards

Basic parameters

The risk-free rate for the years of the plan is 1.1%; the risk-free rate for the terminal value is 2.9%.

The equity risk premium is 5%.

The specific risk premium was set at 1% and 2% for the terminal value, in order to reflect elements of intrinsic uncertainty in the operating context of the business and specifically to incorporate the significant concentration of turnover towards an important customer.

The beta unlevered, as reported above, is estimated at 1.02, while the beta levered is 1.13.

The growth rate "g" is estimated as the inflation rate expected for Italy in 2024 and is equal to 1.4% (source: IMF).

The resulting WACC is 7.1% for the years of the plan and 9.7% for the terminal value.

Lastly, as reported in the section on events occurring after the end of the year, in February 2021, the parent company SIA finalized an overall agreement with the UniCredit Group, which, among other things, provides for the option to extend the existing processing contract until 2036; management has taken into account the impact of this extension when carrying out the impairment test and to this end, has drawn up specific forecasts up to the new expiry date of the contract, adopting assumptions that are consistent with those used to estimate the terminal value and using a differentiated WACC on flows over this time horizon (equal to 8.9%).

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is higher than the carrying amount in the consolidated financial statements. Therefore, there was no need to proceed with impairment of the value of goodwill, nor of the residual net carrying amount at December 31, 2020 of the intangible asset represented by the value of the contractual relationship with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation.

The sensitivity analyses carried out have shown that the impact on the value in use of an increase in discount rates up to 100 bps would show a value in use higher than the carrying amount of 30.3 million euro, while a reduction in terminal EBITDA of 5% would show a value in use higher than the carrying amount of 66.6 million euro; the alignment between value in use and carrying amount would occur in the case of the combined effect of an increase in the discount rate up to 100 bps and a reduction in terminal EBITDA of 5%.

Goodwill allocated to the SIA CGU (relating to companies absorbed by SIA in previous years)

The goodwill recorded in the consolidated financial statements relating to companies that were absorbed by SIA in the previous years (SiNSYS as of January 1, 2013 and RA Computer as of January 1, 2015), with a carrying amount of 8 million euro, were subject to impairment considering the whole of SIA as a CGU. Taking into account the strategic plan approved by SIA's Board of Directors in February 2020 and the budget forecasts for 2021, the value of the aforementioned CGU is largely higher than the carrying amount of the goodwill in question.

SIApay/SIAadvisor CGU

The amounts of goodwill allocated to the other CGUs (SIApay and SIAadvisor) are not material, both individually and in aggregate.

SIApay's final results show substantial stability in terms of turnover, with a slight reduction in profitability compared to budget forecasts. Moreover, in the economic projections for the period 2021-2023 prepared by management, margins are expected to grow driven by the acquisition of additional acquiring customers, some of which have already been activated during the first months of 2021.

The economic results of SIAadvisor have overall far exceeded the budget prepared at the beginning of the year and confirm this company's positive trend. In particular, the value of production of SIAadvisor was higher than budget forecasts (+2.9%) and EBITDA recorded a significant increase compared to expectations (+60.5%), thanks to the different mix of revenues compared to the plan; in particular, revenues referring to the resale of services to SIA, with lower margins, were replaced with revenues from third parties with higher margins. The 2021-2023 plan drawn up by Management shows moderate growth in value of production and margins.

Based on impairment tests on the goodwill allocated to the CGUs in question, there is no need to make any value adjustments for 2020.

3. Investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Subsidiaries	-	5	(5)
Associates	653	720	(67)
Total	**653**	**725**	**(72)**

The value of the investment in the company Consorzio QuenIT, directly controlled by P4cards, was reduced to zero following the submission of the cancellation request to the Chamber of Commerce of Verona on December 23, 2020 and subsequent cancellation on January 4, 2021.

The equity valuation of the associate ATS, carried out on its 2019 financial statement figures, approved in the second half of May 2020, resulted in impairment of the carrying amount of 67 thousand euro.

4. Non current financial assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial asset at fair value through other comprehensive income - non current	12	12	-
Total	**12**	**12**	**-**

Non current financial assets amount to 12 thousand euro and correspond to the carrying amount of the shares held by the Parent company in MIP Politecnico di Milano.

5. Non current contract work-in-progress

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Work on commission - non current	-	566	(566)
Total	**-**	**566**	**(566)**

At December 31, 2019, the contract work-in-progress includes costs incurred by the subsidiary Perago FSE for a job order in progress which, in 2020, after reaching the project milestones, generated revenues in accordance with IFRS 15.

6. Other non current assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current assets	80	837	(757)
Total	**80**	**837**	**(757)**

The decrease in other non current assets is related to some items linked to the acquiring services provided by SIApay, which became current during the year.

7. Deferred tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax assets	27,492	13,162	14,330
Total	**27,492**	**13,162**	**14,330**

Deferred tax assets total 27.5 million euro, broken down as follows:

- deferred tax assets recognized for the difference between statutory and fiscal depreciation and amortization and for write-offs of tangible and intangible assets;
- deferred tax assets recorded on provisions for risks;
- deferred tax assets recognized on the actuarial components of defined benefit plans for employees and on the change in the fair value of hedging derivatives, recognized with a balancing entry in equity;
- deferred tax assets on other temporary differences found in the calculation of current taxes between carrying amounts and tax amounts.

The main increase is explained by the effect resulting from the provisions recognized in the provisions for risks in 2020 and, in particular, the provision made by the company P4cards in relation to the definition of the requests received by the UniCredit Group with reference to certain profiles relating to the services provided in the 2016-2020 period under the existing outsourcing contract.

Below is shown the composition of deferred tax assets divided in those recognized in profit or loss and those recognized in equity:

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax assets	27,492	13,162	14,330
of which:			
- in return for the Net Equity	*3,387*	*3,322*	*65*
- in return for the P&L	*24,105*	*9,840*	*14,265*
Total	**27,492**	**13,162**	**14,330**

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**13,162**	**12,755**
Deferred tax assets recognized during the period with return for the P&L	19,361	2,730
Deferred tax assets recognized during the period with return for the Net Equity	1,603	1,831
Other increases		666
Deferred tax assets reversed during the period with return for the P&L	(5,341)	(2,795)
Deferred tax assets reversed during the period with return for the Net Equity	(1,293)	(466)
Other decreases		(1,559)
Closing balance	**27,492**	**13,162**

Current assets

8. Inventories and contract work-in-progress

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Finished products and raw materials	3,709	2,860	849
Work in progress - current	1,914	1,066	848
Total	**5,623**	**3,926**	**1,697**

Inventories of finished products and raw materials primarily relate to the inventory of credit/debit card plastics and telephone top-up PINs of the company P4cards and increased compared to December 31, 2019 due to increased procurement. Work in progress refers to multi-year project work on behalf of third parties started during the year, in particular by the parent company SIA and Perago FSE.

9. Current financial receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other financial receivables	11,016	5,456	5,560
Total	**11,016**	**5,456**	**5,560**

This item entirely comprises the financial receivables of the subsidiary SIApay from international and national circuits for transactions relating to the settlement of collection and payment transactions within the scope of acquiring services. The increase is explained by the increased operations of the subsidiary compared to the previous year.

10. Current financial assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Financial asset measured at amortized cost - current	111	127	(16)
Total	**111**	**127**	**(16)**

Financial assets measured at amortized cost are composed of a cash deposit held by Perago FSE as collateral at a bank so that it can use a credit line. The instrument is recognized at nominal value since the adjustments deriving from the measurement at amortized cost and the assessment of counterparty risk were not considered significant. The change is due to exchange rate fluctuations (RAND/EUR).

11. Current tax assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other tax assets	63,328	71,673	(8,345)
Current tax assets - IRES	-	7,316	(7,316)
Current tax assets - IRAP	-	2,113	(2,113)
Foreign tax assets	4,425	6,098	(1,673)
Total	**67,753**	**87,200**	**(19,447)**

The item decreases as the Parent Company's tax position in 2020 is a debit, while in the previous year, it was a credit, as well as due to the decrease in tax credits.

In particular, tax credits amount to 63.3 million euro at December 31, 2020 (71.7 million euro at December 31, 2019) and mainly refer to the following:

- the remainder of the payment made in 2017 of the substitute tax for the redemption of a portion of the goodwill recognized in the Group's consolidated financial statements, generated in the acquisition of P4cards (21.4 million euro, reduced by approximately 14.4 million euro compared to the original 35.8 million euro and by approximately 7.2 million euro compared to the previous year); a portion of the amortization of this step-up goodwill was deducted for tax purposes in 2020 (it should be noted that the amortization period is 5 years), reducing current taxes by approximately 6.1 million euro;
- the payment of a substitute tax for 40 million euro in July 2019 for the step-up of a 250 million euro portion of the goodwill recorded in the consolidated financial statements following the acquisition of SIA Greece and SIA Slovakia; this step-up will begin to produce economic benefits in terms of lower current taxes (estimated at 6.8 million euro per year) starting from the second year following payment of the substitute tax, i.e. from 2021;
- the credit for the IRES refund application submitted by SIA in 2013, for the non-deduction of IRAP on employee and assimilated payroll costs for the years 2007-2011, originally amounting to 3.0 million euro, reduced to 1.9 million euro at December 31, 2020 as a result of refunds received during the year with reference to the tax years 2010 and 2011.

12. Current trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade receivables - current	227,691	225,639	2,052
Bad debt provision - current	(6,468)	(5,747)	(721)
Total	**221,223**	**219,892**	**1,331**

Overall, trade receivables are essentially stable compared to December 31, 2019; receivables of the Group's Italian companies showed an increase in relation to the increase in turnover volumes, while foreign companies recorded a decrease related to the drop in turnover linked to the effects of the COVID-19 pandemic.

Given the short-term nature of trade receivables, it is believed that the carrying amounts, net of the bad debt provision, represent a good approximation of fair value. At December 31, 2020, the assessment of the recoverability of receivables was updated in accordance with the provisions of IFRS 9.

The change in the bad debt provision is shown below:

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Opening balance	**(5,747)**	**(5,618)**	**(129)**
Increase	(1,089)	(1,966)	877
Decrease	368	1,837	(1,469)
Closing balance	**(6,468)**	**(5,747)**	**(721)**

In 2020, the bad debt provision recorded a net increase of 721 thousand euro, as a result of updating the historical series of loss rates and forward-looking parameters used to estimate expected losses. In the previous year, the bad debt provision was used, above all to write off some receivables for which a specific provision had been made in 2018.

The exposure to credit risk and the expected losses relating to trade receivables and other receivables (classified according to criteria defined internally) have been processed by the Group as follows:

Thousands of euro	Bonis	Past due			Unlikely to pay		Dispute	Legal	Default	Total
		1 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	> 180 days				
Customers	200,215	8,919	2,954	1,863	3,095	6,293	2,332	2,020	-	227,691
Gross amount	**200,215**	**8,919**	**2,954**	**1,863**	**3,095**	**6,293**	**2,332**	**2,020**	**-**	**227,691**
Bad debt provision	1,186	323	186	319	264	938	1,317	1,937	-	6,468
Net Value	**199,029**	**8,597**	**2,767**	**1,544**	**2,831**	**5,355**	**1,016**	**83**	**-**	**221,223**

13. Other current assets

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Security deposits	486	560	(74)
Prepayments to suppliers	3,728	2,499	1,229
Receivables from employees	442	476	(34)
Other activities	3,332	1,862	1,470
Tax receivables	456	924	(468)
Prepayments and accrued expenses	25,444	26,735	(1,291)
Total	**33,888**	**33,056**	**832**

14. Cash and cash equivalents

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Cash on hand	12	14	(2)
Bank accounts and deposits	161,375	97,388	63,987
Other cash and cash equivalents	3	33	(30)
Postal accounts and deposits	-	-	-
Total	**161,390**	**97,435**	**63,955**

The Group's cash and cash equivalents are represented by current accounts and deposits held with leading banks. The significant change in this item compared to the previous year is due to the opening, on December 16, 2020, of bank deposits of 76.5 million euro restricted in favor of the creditors of SIA and P4cards, pursuant to and for the purposes of article 2503 of the Italian Civil Code. These deposits, which are restricted for 60 days from the date of registration of the resolution to merge P4cards S.r.l. into SIA S.p.A. at the Companies' Register of the offices of the two companies involved in the merger, have the characteristics of cash and cash equivalents envisaged by IAS 7.

An analysis of the consolidated cash flow statement shows that the Group generated operating cash flow of approximately 227.7 million euro during the period, which fully covered investing and financing activities. In 2020, the Parent Company did not distribute dividends to its shareholders and repaid the principal of the medium/long-term loan for 80 million euro (in addition to interest and differentials on derivative instruments to hedge cash flows connected with the variability of the interest rate on the aforementioned loan). It is recalled that the previous year was also characterized by the payment of substitute tax relating to the step-up of consolidated goodwill associated with the acquisition of SIA Greece and SIA Slovakia, for an amount of 40 million euro.

Liabilities and Shareholders' Equity

15. Shareholders' equity

Share capital

The share capital of SIA S.p.A. amounts to 22,275 thousand euro, divided into 171,343,227 ordinary shares with a nominal value of 0.13 euro each, unchanged compared to the previous year. The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

Share premium reserve amounts to 5,317 thousand euro and does not change during the year.

Reserves

Reserves amount to 300,060 thousand euro (204,779 thousand euro at December 31, 2019). The change from the previous year, as shown in the consolidated statement of changes in shareholders' equity, is attributable to the allocation of profits for 2019 to reserves, in execution of the shareholders' resolution approving the financial statements for 2019.

Valuation reserve

The valuation reserve is recorded at a negative value of 12,208 thousand euro (at December 31, 2019 it was negative by 10,519 thousand euro) and represents the effects on equity arising from items whose valuation requires a contra-entry in the balance sheet in accordance with IAS/IFRS. Changes during the year were generated by the actuarial component of defined benefit plans, as well as the income effects of cash flow hedges on bank debt and the effect of exchange rate translation.

Reconciliation between the shareholders' equity and the profit for the period of SIA and the shareholders' equity and profit attributable to the Group

Thousands of euro	Shareholders' Equity at 31/12/2020	Profit/(loss) for 2020	Shareholders' Equity 2019	Profit/(loss) for 2019
SIA S.p.A.	375,874	60,264	316,238	105,575
Shareholders' Equity and result for the period attributable to the Group	157,676	8,380	196,948	49,919
Shareholders' Equity and result for the period attributable to non-controlling interests	-	-	-	-
Subsidiaries carrying amount elimination	(844,200)	-	(908,548)	-
Write-off consolidated investments elimination	-	66,472	-	-
Write-off intra-group receivables elimination	4,100	4,100	-	-
Intra-group dividends elimination	1,274	(44,326)	-	(32,196)
Allocated goodwill	521,020	-	569,139	-
Non-allocated goodwill	-	-	-	-
Impairment of goodwill	-	(48,119)	-	-
Valuation of Equity investments	-	-	-	-
Intangible assets recognised as a result of PPA processes and depreciations of the period (net of deferred taxes)	127,768	(28,183)	155,951	(28,149)
Allocated fair value buildings - PPA	(4,483)	271	(4,754)	271
Debts for non-controlling interests	(1,274)	(1,933)	(2,117)	-
Other consolidation adjustments	(5,482)	(97)	(5,724)	(139)
SIA Group	**332,273**	**16,829**	**317,133**	**95,281**

Non current liabilities

16. Non current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - non current	535,752	617,750	(81,998)
Other financial payables - non current	59,908	61,400	(1,492)
Total	**595,660**	**679,150**	**(83,490)**

The change in non current bank loans is explained by the repayment of principal amounts of the medium/long-term loan taken out by the Parent Company for 80 million euro (plus interest and differentials related to derivative contracts that exchange the floating rate of the loan for a fixed rate), originally taken out in 2017 and renegotiated in 2018 in connection with the acquisitions of subsidiaries.

Other non current financial payables, which mainly include payables on leased assets and the debt related to new investments in leased assets made by SIA for the modernization of the technology infrastructure, do not change significantly, as the new investments offset the effect of the regular expiration of existing contracts.

17. Non current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current financial liabilities	-	2,117	(2,117)
Hedging derivatives - non current	3,614	3,738	(124)
Total	**3,614**	**5,855**	**(2,241)**

The item other non current financial liabilities is reduced to zero as the payable for the purchase of the minority shares of SIAadvisor, which represents the entirety of the item, became current during the year (please refer to the comment on the item "Current financial liabilities").

The negative mark-to-market of hedging instruments is substantially stable compared to the previous year. In 2020, following the repayment of the principal amount of 80 million euro of the Parent Company's medium/long-term loan, the residual notional value of the derivatives in question is 425 million euro (compared with the original 575 million euro at the initial date of January 2019); the differentials accruing in the period amount to 2.4 million euro.

It is recalled that the hedging derivatives stipulated by the Company in 2018 exchange the floating borrowing rate with a fixed market rate determined on the date of signing the contract and are accounted for as cash flow hedges on the basis of IAS 39.

18. Provisions for employee benefits

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Employee benefits	26,869	25,866	1,003
Total	**26,869**	**25,866**	**1,003**

The provisions for employee benefits mainly refer to the employee severance indemnity for employees of the Group's Italian companies and the defined benefit plans envisaged by trade union agreements for foreign companies and branches.

The changes in provisions for employee benefits during the year are shown below:

Thousands of euro	Funds for staff
Opening balance	**25,866**
Increase	
Provision	6,033
Decrease	
Liquidation	(5,030)
Closing balance	**26,869**

Changes in the year include actuarial losses recorded in the statement of comprehensive income for 714 thousand euro.

The actuarial assumptions used to determine the provisions for employee benefits are shown below:

Financial and economic assumptions:

Discount rate	***Curve Eur Composite AA at 30.11.2020***

Maturities (years)	*Rates*
1	*-0.426%*
2	*-0.373%*
3	*-0.339%*
4	*-0.295%*
5	*-0.234%*
7	*-0.113%*
8	*-0.048%*
9	*0.024%*
10	*0.107%*
15	*0.328%*

Inflation rate	***European curve Zero-Coupon Inflation-Indexed Swap at 30.11.2020***

Maturities (years)	*Rates*
1	*1.099%*
2	*0.883%*
3	*0.864%*
4	*0.890%*
5	*0.915%*
6	*0.945%*
7	*0.978%*
8	*1.010%*
9	*1.039%*
10	*1.071%*
12	*1.130%*
15	*1.224%*
20	*1.331%*
25	*1.406%*
30	*1.453%*

Expected rate of pay increase (including inflation)	N.A.
Percentage of employees severance indemnity requested in advance	100.00%

Demographic assumptions:

Minimum requirements for retirement	*According to latest legal provisions*
Mortality tables	SI 2019
Average annual percentage of personnel exit *	3.68%
Annual probability of request for an advance	1.00%

* calculated for any cause of termination, in the first ten years after the assessment year.

19. Deferred tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Deferred tax liabilities	50,983	62,395	(11,412)
Total	**50,983**	**62,395**	**(11,412)**

The change in deferred tax liabilities compared to the previous year, which are recorded as a contra-entry in the statement of profit or loss, is mainly explained by the use of deferred taxes allocated on intangible assets with finite useful life identified on completion of the purchase price allocation transactions of the subsidiaries P4cards, SIA Greece and SIA Slovakia (which from January 1, 2020 changed its name to SIA Central Europe a.s. following the integration transaction with SIA Central Europe Zrt. and SIA Hungary Kft.), the amortization of which is in progress.

Changes in deferred tax liabilities are shown below:

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**62,395**	**73,643**
Deferred tax liabilities recognized during the period with return for the P&L	995	27
Other increases	-	88
Deferred tax liabilities reversed during the period with return for the P&L	(12,407)	(11,363)
Other decreases	-	-
Closing balance	**50,983**	**62,395**

20. Provisions for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provisions for risks	54,611	3,041	51,570
Total	**54,611**	**3,041**	**51,570**

Provisions for risks include provisions for:

- seniority bonuses to be paid to employees of the Group's Italian companies in relation to the agreements provided for in the supplementary company contract, adjusted in relation to the payments made during the year and the impact of the actuarial valuation, the assumptions of which are the same as those given above in the comment on provisions for employee benefits;
- certain legal disputes related to the Group's normal operations, including an estimate of the related legal expenses;
- tax litigation, which concerns disputes with SIA relating to tax periods from 2006 to 2011;

- charges that cannot be determined with a sufficient degree of certainty for risks of damages to customers, as well as the amount of 48.2 million euro relating to the settlement of claims received by the UniCredit Group with reference to certain profiles relating to the services provided by P4cards for the period 2016-2020 under the existing outsourcing contract.

The increase compared to the previous year is mainly explained by the aforementioned provision made by the company P4cards (this amount was paid, by SIA, as the merging company of P4cards from January 1, 2021, when the relevant agreements between the parties were signed in February 2021), as well as by the provisions made on legal and tax disputes by the Parent Company. In particular, the change in provisions for legal disputes is due to developments during the year in disputes relating to the supply of licenses and software development services for a new payment system for an international customer, while the change in provisions for tax disputes reflects the adjustment made following an unfavorable ruling.

Changes in provisions for risks during the year are shown below:

Thousands of euro	**Charges for employees**	**Tax disputes**	**Other provisions**	**Total**
Balances at 31/12/2019	510	204	2,327	**3,041**
Increase				
Provisions of the period	56	1,083	52,065	**53,204**
Decrease				
Utilisation of the period	(121)	(86)	(551)	**(758)**
Releases	-	-	(876)	**(876)**
Balances at 31/12/2020	**445**	**1,201**	**52,965**	**54,611**

21. Other non current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other non current liabilities	845	6,045	(5,200)
Total	**845**	**6,045**	**(5,200)**

This item consists of the Parent Company's payable to personnel and to INPS relating to the early retirement incentive plan launched in previous years, for the portion due beyond 12 months. The decrease compared to the previous year is mainly explained by the portion of the payable that became current at December 31, 2020.

Current liabilities

22. Current financial payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bank loans - current	216,511	199,424	17,087
Other current financial payables	42,149	28,383	13,766
Total	**258,660**	**227,807**	**30,853**

Current bank loans increase following the activation, during the fourth quarter of the year, of a short-term credit line with a leading Italian bank for ordinary operations. The increase in other current financial payables is mainly explained by payables connected to the acquiring activity carried out by the subsidiary SIApay, whose volumes recorded a significant increase compared to the previous year, and by new investments in leased assets made by the Parent Company for the modernization of the technological infrastructure.

23. Current financial liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other current financial liabilities	300	-	300
Hedging derivatives - current	2,892	2,587	305
Total	**3,192**	**2,587**	**605**

Other current financial liabilities refer to the amount due to the previous minority shareholder of the subsidiary SIAadvisor (as well as its Chief Executive Officer), as provided for in the contractual agreements related to the acquisition of the relevant minority interests, which took place during the fourth quarter of 2020.

24. Current tax liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current tax liabilities - IRES	11,665	44	11,621
Current tax liabilities - IRAP	1,742	224	1,518
Foreign tax liabiities	128	4,046	(3,918)
Total	**13,535**	**4,314**	**9,221**

The item increase as the tax position of the Parent Company, which accounts for the majority of the balance, is a debit at December 31, 2020 in relation to tax due on lower tax advances paid on the basis of the previous year's taxable result. It should also be noted that this amount benefits, in terms of lower taxes, from the tax amortization of the consolidated goodwill relating to the acquisition of P4cards. However, unlike the previous year, it does not include the benefits relating to the Patent Box, since at the end of the year, the agreement with the Tax Authorities for the five-year period 2020-2024 had not yet been renewed, according to the application submitted in September 2019. In the previous year, on the other hand, the tax relief resulting from the Patent Box had led to a benefit of approximately 3.8 million euro in lower taxes.

25. Current trade payables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Trade payables - current	85,595	95,996	(10,401)
Total	**85,595**	**95,996**	**(10,401)**

Trade payables show a change related to the decrease, especially in the fourth quarter of 2020, in the volume of operating costs compared to the previous year.

Given the short-term characteristics of trade payables, it is believed that the nominal amounts represent a good approximation of the fair value.

26. Other current liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Customer advance payments	9,541	6,881	2,660
Social security debts	17,735	18,493	(758)
Amounts due to Directors and Auditors	577	497	80
Payables to employees	28,398	30,533	(2,135)
Deferred income and accrued liabilities	4,696	4,788	(92)
Tax liabilities	7,821	9,020	(1,199)
Other liabilities	8,287	7,265	1,022
Total	**77,055**	**77,477**	**(422)**

Although the item as a whole does not undergo any significant changes, there is a decrease in social security debts and payables to employees, due to the payment during the year of variable compensation (MBO and VAP) and the release of part of the variable remuneration provided for Top Management, relating to 2019. On the other hand, customer advance payments increased in relation to the invoicing times foreseen by some contracts for multi-year project activities and to the change in security deposits received from the subsidiary SIApay. Other liabilities mainly comprise credit notes to be issued by the Parent Company to customers, substantially in line with the previous year.

Notes to the statement of profit or loss

27. Revenues from sales and services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Revenues from sales and services	758,619	733,237	25,382
Total	**758,619**	**733,237**	**25,382**

The Group's revenues are attributable to sales of products and services of approximately 757.1 million euro and project activities of approximately 1.5 million euro. The increase in revenues derives mainly from higher volumes in the Card & Merchant Solutions sector, due to the activation of new services for banks, financial institutions and transport companies and new fraud management solutions, and from initiatives in the Digital Payment Solutions sector, with particular reference to the development of collection and payment solutions and IMEL initiatives that exploit the Group's digital factory.

Revenues from volumes managed showed strong growth in the first two months of the year, but then felt the effects of the economic contraction generated by the COVID-19 pandemic, especially in March and April, settling at the end of the year at values slightly higher than the previous year; revenues from services invoiced on a fee basis showed significant growth compared to the previous year; finally, revenues from project activities were substantially stable.

A breakdown of revenues by business operating segment and geographical area is provided below:

Revenues by business operating segment

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019	Change %
Card & Merchant Solutions	511,887	490,474	21,413	4.4%
Digital Payment Solutions	155,339	150,761	4,578	3.0%
Capital Market & Network Solutions	91,393	92,002	(609)	-0.7%
Total	**758,619**	**733,237**	**25,382**	**3.5%**

Revenues by geographical area at 31 December 2020

Thousands of euro	Italy	Abroad	Total 31/12/2020
Card & Merchant Solutions	337,292	174,595	511,887
Digital Payment Solutions	102,769	52,570	155,339
Capital Market & Network Solutions	81,920	9,474	91,394
Total	**521,981**	**236,639**	**758,619**
Percentage	***68.8%***	***31.2%***	***100.0%***

Revenues by geographical area at 31 December 2019			
Thousands of euro	Italy	Abroad	Total 31/12/2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**
Percentage	***68.4%***	***31.6%***	***100.0%***

It should also be noted that there are no individual foreign countries in which the Group achieved a share of more than 10% of total revenues.

Complete economic data by operating segment are provided in the specific section of these notes.

28. Other revenues and income

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Other revenues	2,444	1,126	1,318
Contingent income	239	1,992	(1,753)
Gains	521	199	322
Total	**3,204**	**3,317**	**(113)**

Other revenues include non-operating income, mainly consisting of insurance reimbursements, grants on innovation projects and exchange rate differences.

29. Changes in inventories for third parties

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Software projects for third parties	971	760	211
Total	**971**	**760**	**211**

The change in inventories and work in progress refers to project activities for customers carried out in particular by SIA and the subsidiary Perago FSE, as reported in the comment on the corresponding balance sheet item.

30. Costs for raw materials, supplies, consumables and goods

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Goods and products	(12,676)	(14,206)	1,530
Total	**(12,676)**	**(14,206)**	**1,530**

The cost of raw materials, linked to card production and to POS and hardware purchased for resale mainly by the subsidiaries P4cards and SIApay, fell due to lower business volumes.

31. Costs for services

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Rental	(23,513)	(24,228)	715
Maintenance	(45,480)	(36,922)	(8,558)
Network	(16,660)	(16,249)	(411)
Outsourcing	(33,206)	(34,280)	1,074
Building	(8,360)	(7,876)	(484)
Professional Services	(72,110)	(66,531)	(5,579)
Royalties	(30,136)	(19,527)	(10,609)
General expenses	(6,633)	(10,184)	3,551
Insurance	(1,430)	(1,392)	(38)
Total	**(237,528)**	**(217,189)**	**(20,339)**

The main changes in costs for services compared to the previous year are shown below:

- maintenance costs increased as a result of the increased level of investment in upgrading the existing technological infrastructure, including strengthening cyber security;
- professional services increased mainly as a result of higher non-recurring activities related to intra-group reorganization transactions, potential acquisitions on the market and extraordinary transactions that involved the Group during the year;
- general expenses decreased due to lower structural costs as a result of the revision of some expenses induced by the effects of the COVID-19 pandemic;
- royalties increased significantly due to the full operation, from the second half of the previous year, of the acquiring services of the company SIApay.

Specifically, professional services include non-recurring costs incurred for M&A projects of approximately 1.5 million euro, costs related to the Parent Company's listing project initiated of approximately 1.9 million euro, costs related to the extraordinary integration transaction with Nexi of approximately 5.8 million euro, costs for corporate reorganization transactions within the Group of approximately 1.2 million euro, and costs for technological integration for Group companies of approximately 1.8 million euro. It should also be noted that:

- rental costs include 63 thousand euro relating to corporate reorganization costs within the Group, and maintenance costs include 19 thousand euro in technology integration costs incurred by Group companies;
- general expenses include, inter alia, non-recurring expenses incurred to deal with the COVID-19 emergency (approximately 639 thousand euro, part of which is recognized in payroll costs).

The following table shows the amount of fees due to the independent auditors for the audit of the financial statements, attestation services and other services other than the audit provided to the Group in 2020:

The fees for auditing the statutory and consolidated financial statements of the Group, for verifying that the company accounts are properly kept, including the signing of tax returns, and for other non-audit services provided to the Group by the independent auditors Deloitte & Touche S.p.A. during the year are shown below (excluding VAT):

Type of service	Amount
Audit	**275**
SIA	150
P4cards	82
SIApay	27
SIAadvisor	16
Attestation services	**352**
SIA	344
SIApay	8
Other services	**215**
SIA	175
SIApay	40
Total	**842**

32. Payroll costs

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Wages and salaries	(154,258)	(154,736)	478
Social charges	(37,872)	(39,944)	2,072
Post-employment and termination benefits	(6,033)	(5,848)	(185)
Payments to pension funds	(5,037)	(4,326)	(711)
Charges for restructuring	(2,451)	(4,796)	2,345
Other costs	(6,644)	(9,039)	2,395
Travel	(945)	(4,020)	3,075
Other staff	(451)	(422)	(29)
Directors and Auditors	(1,689)	(1,491)	(198)
Recoveries seconded staff	-	(43)	43
Refunds seconded staff	(115)	(150)	35
Capex internal staff costs	7,613	9,795	(2,182)
Total	**(207,882)**	**(215,020)**	**7,138**

The overall reduction in payroll costs is explained by the following components:

- the decrease in wages and salaries and social charges due to the use, in the first half of 2020, of income support services during the period of generalized closure in Italy due to the COVID-19 pandemic for an amount of 2.5 million euro (considered as a non-recurring expense and having an impact of approximately 1.6 million euro on the item "Wages and salaries" and of approximately 800 thousand euro on the item "Social charges");
- the decrease in non-recurring monetary incentives to management linked to the achievement of long-term results; in 2020, in fact, contingent assets of 1.5 million euro were recognized due to the absence of part of the allocation made in 2019, while in the previous year, an allocation of 5.7 euro million was made;
- the decrease in charges for restructuring compared with the previous year, which was marked by the numerous accessions of employees to the industry solidarity fund as a result of the "quota 100";
- the decrease in other staff costs and travel expenses, due to the lower cost of the provision for accrued and unused holidays and travel expenses, as an effect of the widespread adoption of smart working from March 2020; other staff costs also include an amount of approximately 66 thousand euro relating to non-recurring expenses incurred to deal with the COVID-19 pandemic;
- the decrease in capex internal staff costs.

The following table shows the average and point-in-time number of employees of the Group at December 31, 2020, broken down by category, as well as a comparison with the situation at December 31, 2019:

Workforce (year-end)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,512	35	1,491	34	1,547	1,525
SIApay	38	-	28	-	38	28
SIAadvisor	31	-	29	-	31	29
Ubiq (i)	-	-	-	-	-	-
Emmecom (ii)	-	-	10	-	-	10
P4cards	504	4	464	4	508	468
PforCards	23	1	24	1	24	25
SIA Central Europe (iii)	-	-	35	-	-	35
Perago FSE	80	-	79	-	80	79
SIA Greece	994	1	965	1	995	966
SIA Central Europe (iv)	354	1	289	1	355	290
SIA Romania	1	-	1	-	1	1
SIA Hungary (v)	-	-	15	-	-	15
SIA Czech Republic	2	-	-	-	2	-
SIA Croatia	5	-	5	-	5	5
SIA Serbia	74	-	75	-	74	75
Total	**3,618**	**42**	**3,510**	**41**	**3,660**	**3,551**

Workforce (average)	31/12/2020		31/12/2019		31/12/2020	31/12/2019
	Non Executives	Executives	Non Executives	Executives	Total	Total
SIA	1,505	35	1,476	35	1,540	1,511
SIApay	40	-	27	-	40	27
SIAadvisor	30	-	27	-	30	27
Ubiq (i)	-	-	6	-	-	6
Emmecom (ii)	-	-	11	-	-	11
P4cards	491	4	429	4	495	433
PforCards	24	1	22	1	25	23
SIA Central Europe (iii)	-	-	40	-	-	40
Perago FSE	78	-	76	-	78	76
SIA Greece	983	1	970	1	984	971
SIA Central Europe (iv)	346	1	281	1	347	282
SIA Romania	1	-	1	-	1	1
SIA Hungary (v)	-	-	16	-	-	16
SIA Czech Republic	1	-	-	-	1	-
SIA Croatia	5	-	5	-	5	5
SIA Serbia	74	-	75	-	74	75
Total	**3,577**	**42**	**3,462**	**42**	**3,619**	**3,504**

(i) Ubiq S.r.l. was merged by incorporation into P4cards effective July 1, 2019.
(ii) Emmecom S.r.l. was merged by incorporation into SIApay effective January 1, 2020.
(iii) SIA Central Europe Zrt. was merged by incorporation into SIA Slovakia (now SIA Central Europe, a.s.) effective January 1, 2020.
(iv) SIA Central Europe, a.s. changed its name on January 1, 2020, following the merger of SIA Central Europe Zrt. and SIA Hungary Kft. from SIA Slovakia a.s. to SIA Central Europe, a.s..
(v) SIA Hungary Kft. was merged by incorporation into SIA Slovakia (now SIA Central Europe, a.s.) effective January 1, 2020 and was subsequently transformed into its own branch called SIA Central Europe, a.s. – Hungarian branch.

33. Other operating expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Non-deductible VAT	(27,288)	(28,537)	1,249
Tax expenses	(666)	(761)	95
Losses on disposal of assets	(385)	(241)	(144)
Other charges	(2,864)	(3,461)	597
Total	**(31,203)**	**(33,000)**	**1,797**

This item mainly comprises non-deductible VAT, which decreased compared to the previous year due to a different composition of revenues (whether subject to VAT or not) of SIA, P4cards and SIA CE compared to the previous year, and other operating expenses relating to fines, penalties, negative exchange rate differences and contingent liabilities, with the latter component explaining most of the change in other charges.

The item includes non-recurring charges of 103 thousand euro relating to losses on disposal of assets by the subsidiary P4cards and approximately 203 thousand euro relating to other charges, mainly represented by exchange rate differences arising from the reorganization of the Group and penalties.

34. Depreciation, amortization and adjustments

Thousands of euro	Depreciation at 31/12/2020	Write-off	Total
Tangible assets	(19,325)	(1)	(19,326)
Leased tangible assets	(18,129)	-	(18,129)
Total tangible assets	**(37,454)**	**(1)**	**(37,455)**

Thousands of euro	Amortization at 31/12/2020	Write-off	Total
Goodwill	-	(48,119)	(48,119)
Software licences	(21,813)	-	(21,813)
Internally developed software	(16,414)	(1,205)	(17,619)
Intangible assets others	(39,536)	-	(39,536)
Intangible assets in progress	-	-	-
Total intangible assets	**(77,763)**	**(49,324)**	**(127,087)**
Total depreciation, amortization and write-off	**(115,217)**	**(49,325)**	**(164,542)**

Thousands of euro	Depreciation at 31/12/2019	Write-off	Total
Tangible assets	(21,487)	(9)	(21,496)
Leased tangible assets	(14,871)	-	(14,871)
Total tangible assets	**(36,358)**	**(9)**	**(36,367)**

Thousands of euro	Amortization at 31/12/2019	Write-off	Total
Goodwill	-	(2,482)	(2,482)
Software licences	(11,262)	(46)	(11,308)
Internally developed software	(23,937)	(160)	(24,097)
Intangible assets others	(39,267)	(693)	(39,960)
Intangible assets in progress	-	(217)	(217)
Total intangible assets	**(74,466)**	**(3,598)**	**(78,064)**
Total depreciation, amortization and write-off	**(110,824)**	**(3,607)**	**(114,431)**

Impairment of intangible assets for the year include the write-off carried out during the year on the consolidated goodwill of the subsidiary SIA Greece, amounting to 48.1 million euro, as already highlighted in the specific section of the balance sheet; other impairment refers to the write-off of SIA and SIA CE software projects, which have exhausted their economic benefits before the expected amortization end date, as well as to projects developed by the company Perago FSE, whose carrying amount was adjusted to the fair value determined by an independent third-party expert.

Excluding the above components, depreciation and amortization of tangible and intangible assets do not change significantly.

35. Adjustments to trade receivables

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Bad debt provision	(1,089)	(1,966)	877
Write-off on receivables	-	(1,704)	1,704
Total	**(1,089)**	**(3,670)**	**2,581**

For further information on the changes in the bad debt provision, reference should be made to the comment on the asset item "Current trade receivables from customers" in the consolidated balance sheet. It is recalled that the previous year was characterized by losses on receivables by the subsidiary SIA Slovakia (now SIA Central Europe) in relation to a trade receivable position with the previous shareholder First Data.

36. Provision for risks

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Provision fund risk	(52,863)	(1,678)	(51,185)
Total	**(52,863)**	**(1,678)**	**(51,185)**

For further information on the changes in the provisions for risks, reference should be made to the comment on the liability item "Provisions for risks" in the consolidated balance sheet.

37. Income/(charges) from investments

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Equity investments result	(67)	-	(67)
Adjustments to investments	(6)	-	(6)
Total	**(73)**	**-**	**(73)**

This item includes the impairment of the carrying amount of the investment in the associate ATS S.p.A. and the full write-off of the investment held by the subsidiary P4cards in Consorzio QuenIT, as already described in the comment on the corresponding item in the balance sheet.

38. Management/trading of financial assets and liabilities

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Profit/(loss) on financial assets and liabilities management	(1,933)	-	(1,933)
Total	**(1,933)**	**-**	**(1,933)**

This item includes the impact deriving from the impairment of the financial liability allocated for the purchase of minority interests in the company SIAadvisor for 1.9 million euro, determined on the basis of contractual agreements between shareholders.

39. Financial income

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest income	452	442	10
Other financial income	-	2,175	(2,175)
Total	**452**	**2,617**	**(2,165)**

This item, which includes interest income from cash held, decreases significantly compared to fiscal year 2019, as it included amounts collected by SIA for 2.6 million euro (subsequent to the *measurement period* of twelve months) from First Data, as price adjustment of the acquisition transaction of the companies SIA Greece and SIA Slovakia in accordance with the Sale&Purchase Agreement concluded in 2018; this amount had been reduced by 398 thousand euro following the partial write-off made in June 2019 of the financial receivable allocated at December 31, 2018 for the price adjustment of the extraordinary transaction.

40. Financial expenses

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Interest expenses	(8,845)	(12,727)	3,882
Interest expenses on hedging derivatives	(2,411)	(2,682)	271
Interest expenses IFRS 16	(2,474)	(2,075)	(399)
Bank charges	(551)	(629)	78
Total	**(14,281)**	**(18,113)**	**3,832**

Interest expenses decrease by approximately 3.8 million euro compared to the previous year following the reduction in the Group's bank debt, in particular that of the parent company SIA, and the related hedging derivatives. Correspondingly, interest expenses on cash flow hedging derivatives for the variability of interest rates on the bank loan decrease to 2.4 million euro and includes the negative change in the fair value of derivatives for the ineffective portion, amounting to approximately 298 thousand euro.

41. Income taxes

Thousands of euro	31/12/2020	31/12/2019	Change 2020 Vs 2019
Current taxes	(47,311)	(38,392)	(8,919)
Prepaid/deferred taxes	25,291	11,271	14,020
Taxes from previous years	(327)	(222)	(105)
Total	**(22,347)**	**(27,343)**	**4,996**

The overall tax burden is lower than in the previous year due to changes in taxable income and, in particular, the impact of impairment of equity investments held by the Parent Company. It is recalled that the Group benefits from the tax amortization of the consolidated goodwill recognized following the business combination of P4cards, with step-up in 2017 by the Parent Company SIA through the payment of a substitute tax, while the Parent Company, unlike in the previous year, did not benefit from the reduction in taxable income associated with the Patent Box, as a result of as described in the commentary on the liability item of the balance sheet "Current tax liabilities".

As shown in the comment on the asset item of the balance sheet "Deferred tax assets", the increase in deferred tax assets was significantly affected by the provisions made during the year to provisions for risks.

Below is a reconciliation of the theoretical tax charge with the actual tax charge, specifying that the theoretical rate considered is that in force for the Parent Company in the year of reference:

Thousands of euro	Taxes
Aggregated earnings before taxes	**102,188**
Earnings before taxes	**39,176**
Theoretical tax rate	**24.00%**
Aggregated theoretical taxes	**24,525**
Increasing/ decreasing variations	
Non-taxable revenues	(10,228)
Costs not deductible for tax purposes	19,778
Amortization of goodwill	(6,115)
IRAP effect	8,558
Other differences	(2,973)
Aggregated income taxes	**33,545**
Tax effects of consolidation entries	(11,198)
Income taxes recorded in the P&L	**22,347**
Effective tax rate	**57.04%**

Non-taxable revenues consist mainly of dividends received by the Parent Company from its subsidiaries, while costs that are not tax deductible refer mainly to the impact of leases, provisions for risks, bad debts and bonuses for the year that will be paid in future years to employees. The other differences are essentially related to the different tax incidence of the Group's foreign companies. The tax effects of the consolidation entries consist almost entirely of the balance of deferred taxes recorded against the amortization of the intangible assets identified in the consolidated financial statements following the business combination transactions.

42. Earnings per share

Basic earnings per share at December 31, 2020 amount to 0.10 euro and has been determined by dividing the Group's economic result of approximately 16.8 million euro by the weighted average number of outstanding shares for the year (171,343,227). At December 31, 2019, basic earnings per share were 0.56 euro.

The Group has no potential dilutive shares and, therefore, diluted earnings per share is equal to the basic earnings per share shown above.

Segment information

Segment information prepared in accordance with IFRS 8 is provided below. The allocation of the economic results to the various operating segments is based on the accounting standards used in the preparation and presentation of the consolidated financial statements; common costs have been allocated in proportion to the turnover of the individual operating segments, in continuity with the previous year.

The tables below provide a breakdown of the statement of profit or loss by operating segment for the 2020 financial year and for the comparative year, as the current management structure does not require specific allocations by service line to the balance sheet.

INCOME STATEMENT BY OPERATING SEGMENT AT 31/12/2020

Thousands of euro	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total 31/12/2020
Revenues from sales and services	511,888	155,339	91,393	758,620
Other revenues and income	1,761	231	1,211	3,203
Changes in inventories third parties	-	874	97	971
Costs for raw materials, supplies, consumables and goods	(11,623)	(500)	(553)	(12,677)
Costs for services	(161,072)	(45,127)	(31,331)	(237,530)
Payroll costs	(132,376)	(51,076)	(24,430)	(207,882)
Other operating expenses	(24,437)	(2,500)	(4,265)	(31,204)
Adjusted operating margin	**184,140**	**57,241**	**32,123**	**273,505**
Depreciation and amortization				(115,217)
Adjustments to tangible and intangible assets				(49,325)
Adjustments to trade receivables				(1,089)
Provision for risks				(52,863)
Operating Income				**55,011**
Equity investments result				(67)
Adjustments to investments				(6)
Income/(charges) from investments				**(73)**
Profit/(loss) on financial assets and liabilities management				(1,933)
Adjustments to financial assets and financial receivables				-
Management/trading of financial assets and liabilities				**(1,933)**
Interest income				452
Other financial income				-
Financial income				**452**
Interest expenses				(13,730)
Bank charges				(551)
Financial expenses				**(14,281)**
Net income before taxes				**39,176**
Income taxes				**(22,347)**
Net income from continuing operations				16,829
Profit/(loss) for the year				**16,829**
Net income attributable to the Group				**16,829**
Net Income to minority interests				**-**

INCOME STATEMENT BY OPERATING SEGMENT AT 31/12/2019

Thousands of euro	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total 31/12/2019
Revenues from sales and services	490,474	150,761	92,001	733,236
Other revenues and income	2,198	665	453	3,317
Changes in inventories third parties	-	760	-	760
Costs for raw materials, supplies, consumables and goods	(12,860)	(983)	(363)	(14,206)
Costs for services	(147,071)	(41,720)	(28,391)	(217,182)
Payroll costs	(134,779)	(54,961)	(25,286)	(215,026)
Other operating expenses	(25,593)	(2,187)	(5,220)	(33,000)
Adjusted operating margin	**172,371**	**52,336**	**33,193**	**257,899**
Depreciation and amortization				(110,824)
Adjustments to tangible and intangible assets				(3,607)
Adjustments to trade receivables				(3,670)
Provision for risks				(1,678)
Operating Income				**138,120**
Equity investments result				-
Adjustments to investments				-
Income/(charges) from investments				**-**
Profit/(loss) on financial assets and liabilities management				-
Adjustments to financial assets and financial receivables				-
Management/trading of financial assets and liabilities				**-**
Interest income				442
Other financial income				2,175
Financial income				**2,617**
Interest expenses				(17,484)
Bank charges				(629)
Financial expenses				**(18,113)**
Net income before taxes				**122,624**
Income taxes				**(27,343)**
Net income from continuing operations				95,281
Profit/(loss) for the year				**95,281**
Net income attributable to the Group				**95,281**
Net Income to minority interests				**-**

Disclosure on fair value

The table below shows the assets and liabilities measured at fair value, divided on the basis of the levels envisaged by the fair value hierarchy. For financial assets and liabilities at amortized cost, represented by transactions with a maturity of less than three months, the carrying amount is considered an adequate approximation of fair value, which results in classification in level 3 of the hierarchy.
For the definition of fair value levels, the company refers to the hierarchy established by IFRS 13, which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1**: includes quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the valuation date;
- **level 2**: includes inputs other than quoted prices included in level 1 that are directly or indirectly observable for the asset or liability;
- **level 3**: includes unobservable input data for the asset or liability.

Financial assets

Thousands of euro	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial assets at Fair value through other comprehensive income - non current	12			12
Total	**12**			**12**

Change in financial assets

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**12**	**50**
Purchases/increases	-	-
Sales/settlements	-	(38)
Fair value adjustment	-	-
Reclassifications	-	-
Other changes	-	-
Closing balance	**12**	**12**

The amount of 12 thousand euro relates to the shares held by the Parent Company in MIP Politecnico di Milano, whose estimated fair value is in line with the previous year's valuation.

Financial liabilities

Thousands of euro	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	-			
Hedging derivatives - non current	3,614		3,614	
Financial liabilities - current				
Other financial liabilities - current	300			300
Hedging derivatives - current	2,892		2,892	
Total	**6,806**		**6,506**	**300**

Other current financial liabilities refer to the debt recognized for the finalization of the purchase of the minority shares of the subsidiary SIAadvisor, as shown in the comment on the relative liability item in the balance sheet. At December 31, 2019, there were no level 3 financial liabilities.

Change in financial liabilities

Thousands of euro	31/12/2020	31/12/2019
Opening balance	**8,442**	**5,231**
Purchases/increases	-	-
Sales/settlements	-	-
Fair value adjustment	(1,636)	3,211
Reclassifications	-	-
Other changes	-	-
Closing balance	**6,806**	**8,442**

The change in the year is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is a cash flow hedge, the derivative instruments exchange the floating 3-month Euribor rate with a fixed market rate determined on the date the contracts were entered into, which occurred in December 2018).

Transactions with related parties

Information on the remuneration of key management

At December 31, 2020, compensation for key management amounted to 3,048 thousand euro. The remuneration due to the Directors and Statutory Auditors for the 2020 financial year amounted to 975 thousand euro, including expenses and social security charges. There are no receivables or guarantees in favor of Directors and Statutory Auditors.

Other transactions with related parties

Transactions with related parties form part of the ordinary business activities of Group companies and are carried out in accordance with the criteria of substantial and procedural fairness, at conditions similar to those applied to transactions with independent third parties. For the purposes of this report, a related party is defined in IAS 24 as a person or entity that is related to the entity preparing the financial statements. A person or close family member of that person is related to the reporting entity if that person:

- has control or joint control of the company preparing the financial statements;
- has a significant influence on the company preparing the financial statements;
- is one of the key managers of the company preparing the financial statements, one of its parent companies or subsidiaries.

An entity is related to the company preparing the financial statements if any of the following conditions applies:

- the entities are part of the same Group (which means that each parent, subsidiary and Group company is related to the others);
- an entity is an associate or joint venture of the other entity (or an associate or joint venture that is part of a group of which the other entity is part);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is represented by a post-employment benefit plan for employees of the company preparing the financial statements or a related company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the entity preparing the financial statements;
- the entity is controlled or jointly controlled by a person identified as a related party;
- a person identified as a related party has significant influence over the entity or is a member of the key management of the entity (or of a parent).

Related party transactions also include transactions with the company ATS, in which SIA holds a 30% stake. These values for both the statement of profit or loss and the statement of financial position are not considered significant.

The impact of the above transactions on the items in the statement of financial position and statement of profit or loss at December 31, 2020 is considered marginal. The financial and economic relations with companies identified as related parties are mainly attributable to commercial contracts for payment services stipulated at market conditions.

The table below provides a summary of transactions with related parties identified by the Group:

Thousands of euro	Receivables 31/12/2020	Debts 31/12/2020	Revenues 2020	Costs 2020
ATS S.p.A.				
Trade	-	461	-	2,996
POSTE ITALIANE S.p.A.				
Trade	4,075	12	7,341	10
ENI S.p.A.				
Trade	3,016	4	6,658	-
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	361	-	582	-
SACE BT S.p.A.				
Trade	9	-	15	-
SACE S.p.A.				
Trade	9	-	15	-
FINCANTIERI S.p.A.				
Trade	1	-	1	-
CDP EQUITY S.p.A.				
Trade	-	13	-	13

Transactions with other related parties generated costs in 2020 of 232 thousand euro and payables at December 31, 2020 of 23 thousand euro.

Capital management policy

The Group's objective is to maximize the return on net invested capital while maintaining the ability to operate over time, ensuring adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. In order to achieve these objectives, as well as pursuing satisfactory earnings results and generating cash flows, the Company may adjust its policy regarding dividends and the configuration of the Company's capital.

The main indicators used by the Company to manage its capital are as follows:

- R.O.E. (Return on equity): this is calculated as the ratio between the Group's share of net income and the Group's shareholders' equity. It is an indicator representing the Group's ability to remunerate shareholders. The objective is for this indicator to be higher than the rate of return on a risk-free investment, correlated with the nature of the operated businesses. At December 31, 2020, this ratio was 5.1% (30.0% at December 31, 2019).
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and net invested capital; the indicator represents the ability of the company's results to remunerate invested capital. At December 31, 2020, this ratio was 5.4% (12.2% at December 31, 2019).

Financial risk management policy

The main qualitative and quantitative information on the Group's financial risks are reported below.

Credit risk

Group companies operate mainly with well-known customers that have a high standing, many of them belonging to the world of finance. Whenever new customers are acquired, if there is any doubt about their reliability as a counterparty, precise checks are carried out on the financial solidity of the potential customer. As regards debt collection activities, the Group has implemented procedures to monitor expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. Looking also at past years, the phenomenon of losses on receivables was in any case negligible; furthermore, during the 2020 financial year, the Group did not experience significant difficulties in collecting receivables from customers and past due amounts were substantially in line with the previous year.

The Group is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. For quantitative information, reference should be made to the comment on the asset item "Current trade receivables from customers" in the consolidated balance sheet.

Liquidity risk

The business model and the approach to operational management implemented at Group level have, over the years, shown that they are able to generate positive cash flows, also during economic crises, both cyclical and structural. Also in 2020, the Group generated substantial positive operating cash flows, as shown in the consolidated cash flow statement, and the Parent Company suspended the distribution of dividends to shareholders, allocating the profit for 2019 to reserves, following the approval by the Shareholders' Meeting on May 11, 2020 of the Board of Directors' proposal made on April 9, 2020. The Group has a consistent amount of liquidity (calculated as sum of current financial receivables, cash and cash equivalent and committed credit lines not used) because of the loan obtained from a syndicate of banks to cope with the strategic acquisitions concluded in previous years.

The medium/long-term loan agreement entered into in July 2018 by SIA with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia (which, with effective date January 1, 2020 changed its name to SIA CE and incorporated SIA Central Europe), with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the investment in P4cards, is subject to two financial covenants concerning early repayment of the loan and the distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between the EBITDA variables and the Group's net financial position and were complied with at December 31, 2020.

Based on the best estimates available to date and on periodic analyses of variances between actual and forecast data and the strategic objectives defined, it is reasonable to believe that, in the twelve months following the reference date of these financial statements, there are no significant liquidity risks, i.e., risks inherent in the ability to repay debt and comply with financial covenants, also in view of the reshaping of its operating requirements and the completion of additional credit lines during the year.

The tables below show the quantitative information relating to the liquidity reserves in place at the reporting date and the breakdown by maturity of payables and other financial liabilities.

Liquidity reserves

Thousands of euro	31/12/2020	31/12/2019
Cash	161,390	97,435
Financial assets - current	111	127
Financial receivables - current	11,016	5,456
Committed lines not used	100,100	20,114
Uncommitted lines not used	104,577	27,600
Total	**377,194**	**150,732**

Liabilities by maturities

Thousands of euro	Within 1 year	From 1 to 2 years	From 3 to 5 years	More than 5 years	Total
Bank loans	216,511	86,268	449,484		752,263
Leases	22,582	13,322	27,842	18,744	82,490
Other financial debts	19,567				19,567
Trade payables	85,595				85,595
Total	**344,255**	**99,590**	**477,326**	**18,744**	**939,915**

Exchange rate risk

The Group operates mainly in the euro area, and therefore it is not significantly exposed to exchange rate risks. The parent company SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA CE), also with reference to the exchange rate trend, to prevent unexpected fluctuations from affecting the results and carrying amounts of the investments, which, if they occurred, would give rise to indicators that would have to be considered in an impairment test. In addition, contracts receivable and payable in foreign currencies are of insignificant amounts and therefore do not have a material impact on the values recorded. The exchange differences realized by Group companies are recognized in the consolidated statement of profit or loss under the items "Other revenues and income" and "Other operating expenses".

As the Group is only marginally exposed to exchange rate risk, sensitivity analyses are omitted.

Interest rate risk

The SIA Group invests the liquid assets available in current bank accounts and bank deposits, with fixed or floating rate returns. Changes in interest rates can influence the yields on investments, marginally affecting financial income, also depending on the amounts involved. The only significant financial payables recognized by the Group, in addition to the medium/long-term loan contracted with a syndicate of banks for the acquisition of P4cards, SIA Greece and SIA CE and some short-term lines used for operational needs, are connected to finance lease contracts, normally at floating rates.

As regards the aforementioned bank loan granted by a pool of banks in favor of the Parent Company SIA, in order to avoid possible negative effects deriving from future interest rate fluctuations, in December 2018, a hedge was taken out with the banks in the syndicate using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 425 million euro on December 31, 2020 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge for hedge accounting purposes under IAS 39, which exchanges the floating interest rate of the loan into a fixed market rate determined at the time of signing the contract.

Given the above, since the financial liabilities are covered by IRS, the change in the hedging instrument offsets the change in the underlying debt, with practically zero effect on the statement of profit or loss.

The tables below show the breakdown of financial assets and liabilities between fixed-rate and floating-rate components:

Financial assets

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash on hand	-	12	-	14
Bank accounts and deposits	-	161,375	-	97,388
Other cash and cash equivalents	-	3	-	33
Postal accounts and deposits	-	-	-	-
Non current financial assets (*)	-	-	-	-
Current financial receivables	-	11,016	-	5,456
Current financial assets (*)	-	111	-	127
Total	**-**	**172,517**	**-**	**103,018**

(*) Amounts relating to non-controlling interests and derivatives on share are excluded due to their nature.

The amounts relating to current financial receivables mainly refer to receivables connected to the acquiring activities carried out by the subsidiary SIApay.

Financial liabilities

Thousands of euro	31/12/2020		31/12/2019	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Hedging derivatives - non current	-	3,614	-	3,738
Other financial liabilities - non current	-	-	-	2,117
Non current financial liabilities	**-**	**3,614**	**-**	**5,855**
Hedging derivatives - current	-	2,892	-	2,587
Other financial liabilities - current	-	300	-	-
Current financial liabilities	**-**	**3,192**	**-**	**2,587**
Bank loans - non current	-	535,752	-	617,750
Other financial payables - non current	-	-	-	-
Financial payables IFRS 16 - non current	59,908	-	61,400	-
Non current financial payables	**59,908**	**535,752**	**61,400**	**617,750**
Bank loans - current	-	216,511	-	199,424
Other financial payables - current	-	19,567	-	19,790
Financial payables IFRS 16 - current	22,582	-	8,593	-
Current financial payables	**22,582**	**236,078**	**8,593**	**219,214**
Total	**82,490**	**778,636**	**69,993**	**845,406**

The sensitivity analysis on floating-rate bank loans not hedged by derivative financial instruments shows that a 1% change in the interest rate at December 31, 2020 would, up to the maturity date of the loans not hedged by derivative financial instruments, result in an increase in interest expenses of 2.9 million euro, of which 1.2 euro million within twelve months.

Significant non-recurring events and transactions

During the year, there were no significant non-recurring events and/or transactions that were not disclosed in these consolidated financial statements.

Positions or transactions deriving from atypical and/or unusual operations

No positions or transactions deriving from atypical and/or unusual operations were recorded during the year.

Significant events subsequent to the end of the financial year

No events occurred after the reporting date that would adjust the results presented in these Consolidated Financial Statements at December 31, 2020.

In accordance with IAS 10, the date on which the financial statements were authorized for publication by the Board of Directors, was March 4, 2021.

With reference to significant events occurring after the end of the year, the following is reported.

- On January 1, 2021, the merger by incorporation of the company P4cards S.r.l. into SIA S.p.A. became effective for accounting, statutory and fiscal purposes, following the signing of the merger deed on December 28, 2020. In light of the fact that the entire share capital of the merged company was wholly owned by the merging company, the rules set forth in article 2505 of the Italian Civil Code were applied and, therefore, as of January 1, 2021, the shares representing the entire share capital of the merged company were canceled, without exchange, without issuing new shares and without a capital increase. The merger is part of a wider project to rationalize the activities of SIA Group companies, with a view to achieving greater operational and corporate efficiency, increasing effectiveness and favoring the achievement of economies of scale and synergies in the performance of operational and commercial activities.
- On January 18, 2021, SIA fully subscribed to a bond issue by its subsidiary SIA Greece, amounting to 30 million euro and maturing on December 31, 2025, in connection with its operating needs.
- On January 20, 2021, SIA signed a partnership with Finleap Connect, the open banking platform of the leading European fintech ecosystem Finleap, to offer new open banking services to European banks, financial institutions and fintechs. The agreement will enable the integration of their respective PSD2-compliant solutions, enabling the international adoption of innovative use cases based on Accounting Information Services (AIS) and Payment Initiation Services (PIS) and thus boosting the development of new applications for digital payments across various channels.

- On January 26, 2021, SIA signed a partnership with WizKey, a fintech active in offering innovative solutions for the credit market, to launch an innovative platform available to banks, funds and financial operators to negotiate credits on blockchain and encourage greater liquidity for the benefit of SMEs. The initiative aims at the creation of an ecosystem that will make it possible to manage, through SIA's technological infrastructure, the entire process of negotiating and assigning loans, also as part of NPL (Non-Performing Loans) securitization transactions.
- On February 4, 2021, fintech ZEN selected SIA as its technology partner for its new online payment card platform. Thanks to the agreement, SIA's digital infrastructure will manage the processing of transactions made with physical and virtual payment cards issued by ZEN for online and offline payments in over 150 currencies. ZEN allows managing money and making payments with complete peace of mind and, in addition to a multi-currency current account associated with Mastercard payment cards, it offers exclusive benefits to consumers, including a moneyback option or a one-year extended manufacturer's warranty, and to businesses such as chargeback and instant availability of payments to their account following their customers' online purchases.
- On February 9, 2021, SIA signed a loan agreement called "Facility Agreement" ("Bridge Loan Agreement") with Unicredit Bank Austria AG, as mandated lead arranger and original lending bank, and UniCredit S.p.A. as mandated lead arranger, original lending bank and agent bank, for a total principal amount of approximately 400 million euro, aimed at meeting the working capital requirements and financing the general business activities of the Parent Company. On the same date, SIA and Pforcards GMBH entered into an intercompany loan agreement for an amount of 4.3 million euro, in order to allow the Austrian subsidiary to fulfill the obligations associated with the agreements with the UniCredit Group, of which information is provided below.
- On February 11, 2021, following approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement relating to the merger by incorporation of SIA into Nexi was signed, in line with the terms and conditions of the memorandum of understanding signed and announced on October 5, 2020. The closing of the merger is subject to the fulfillment of certain standard conditions precedent for transactions of this type, including the obtaining of the relevant authorizations, also from the relevant Antitrust Authority. The transaction is also subject to a whitewash vote at Nexi's Extraordinary Shareholders' Meeting called to approve the merger. The agreement provides that, if the closing of the planned merger by incorporation of Nets into Nexi (hereinafter the "Nets Transaction") occurs, as expected, prior to the closing of the transaction with SIA, CDP Equity will be entitled to approve a capital increase in SIA, aimed at offsetting the dilutive effect on its prospective investment in the capital of Nexi as a result of the closing of the Nets Transaction. Also in the expected event that the merger occurs after completion of the Nets Transaction, a shareholders' agreement will be entered into between Mercury UK, CDP Equity and FSIA and the existing shareholders of Nets.

- On February 12, 2021, the SIA Group entered into two different agreements with the UniCredit Group.

The first agreement is aimed at defining the requests received from the UniCredit Group with reference to certain profiles relating to the services provided, including the performance levels contributed, as part of the processing agreement in place for the period 2016-2020; this agreement entailed, at the time it was signed, the payment by SIA (as the merging company of P4Cards S.r.l. as from January 1, 2021) of 48.2 million euro, fully accounted for in the provisions for risks in the consolidated financial statements at December 31, 2020 in relation to the evidence already emerged at the date of preparation thereof and insofar as pertaining to previous years.

The second agreement gives SIA the right to extend the same processing agreement, which expires in 2026, for the period 2027-2036, including the extension of the potential content of the services that can be provided by the SIA Group to the Unicredit Group as Preferred Provider and cooperation for the development of new outsourcing services. As a result of this agreement, and at the same time as it was signed, SIA (as the parent company of P4cards S.r.l.) and PforCards Austria GmbH made a total upfront payment of 180 million euro to the legal entities of the UniCredit Group to acquire the aforementioned extension option to be exercised between 2021 and 2025. In particular, at each intermediate annual expiry date between 2021 and 2025, SIA is required to communicate any waiver of the aforementioned option, while the absence of any communication is considered as confirmation of the maintenance of the option, in 2026, to extend the contract for the duration indicated above. If, during the 2021-2024 period, SIA notifies UniCredit that it has waived the right to extend the contract, it will obtain the repayment of a portion of the amount paid in line with the residual annuities in relation to which, as a result of the express waiver, the right to extend the contract no longer applies.

The agreement to extend the duration of the contract, in the presence of the explicit scope out of IAS 38, was qualified by the SIA Group as amount paid to the customer as part of a contractual amendment, in accordance with IFRS 15.70 and IFRS 15.20, with recognition thereof, in 2021, as non current asset classified in other assets and recognized in the statement of profit or loss as a reduction in revenues from the service covered by the contract over the period of the extension of the performance obligation in which the corresponding benefits are expected, i.e. the period 2027-2036, in direct correlation with the expected revenue volume curve.

The aforementioned amounts were paid by the SIA Group to the UniCredit Group entities on February 15, 2021, using the aforementioned Bridge Loan for a principal amount of approximately 274 million euro.

Report of the Independent Auditors on consolidated financial statements

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SIA S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of SIA Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of SIA S.p.A. are responsible for the preparation of the report on operations of SIA Group as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of SIA Group as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of SIA Group as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Milan, Italy
March 22, 2021

This report has been translated into the English language solely for the convenience of international readers.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

SIA S.P.A.

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Balance Sheet - Assets

TOTAL ASSETS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Plant and machinery	1	64,479	61,645
Industrial and commercial equipment	1	456	1,464
Land and buildings	1	71,383	16,844
Other assets	1	3,666	1,616
Tangible assets in progress and advances	1	5,712	4,003
Leasehold improvements	1	5,065	4,102
Tangible assets		**150,761**	**89,674**
Goodwill	2	569,139	571,621
Other intangible assets	2	275,162	315,222
Intangible assets in progress and advances	2	50,210	27,764
Intangible assets		**894,511**	**914,607**
Investments	3	725	720
Non current financial assets	4	12	50
Non current contract work-in-progress	5	566	-
Non current trade receivables	6	-	6
Other non current assets	7	837	-
Deferred tax assets	8	13,162	12,755
Total non current assets		**1,060,574**	**1,017,812**
Inventories and contract work-in-progress	9	3,926	4,375
Current financial receivables	10	5,456	1,703
Current financial assets	11	127	122
Current tax assets	12	87,200	39,375
Current trade receivables	13	219,892	188,757
Other current assets	14	33,056	37,687
Cash and cash equivalents	15	97,435	94,652
Total current assets		**447,092**	**366,671**
TOTAL ASSETS		1,507,666	1,384,483

(*) The figures for the year ended December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In addition, following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified to property, plant and equipment and rights of use have been booked to "Land and buildings" in accordance with IFRS 16. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

Consolidated balance sheet - Liabilities and shareholders' equity

TOTAL LIABILITIES AND EQUITY *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Share capital	16	22,275	22,275
Share premium reserve	16	5,317	5,317
Reserves	16	204,779	187,921
Valuation reserve	16	(10,519)	(6,198)
Profit/(loss) for the year attributable to the Group	16	95,281	76,416
Equity attributable to owners of the Company		**317,133**	**285,731**
Profit/(loss) - third parties	16	-	-
Consolidation reserve - third parties	16	-	5
Non-controlling interests		**-**	**5**
TOTAL EQUITY		**317,133**	**285,736**
Non current financial payables	17	679,150	709,178
Non current financial liabilities	18	5,855	5,231
Provisions for employee benefits	19	25,866	23,145
Deferred tax liabilities	20	62,395	73,643
Provisions for risks	21	3,041	2,357
Other non current liabilities	22	1,723	9,928
Total non current liabilities		**778,030**	**823,482**
Current financial payables	23	227,807	105,997
Current financial liabilities	24	2,587	-
Current tax liabilities	25	4,314	4,922
Current trade payables	26	95,996	85,397
Other current liabilities	27	81,799	78,949
Total current liabilities		**412,503**	**275,265**
TOTAL LIABILITIES		**1,190,533**	**1,098,747**
TOTAL LIABILITIES AND EQUITY		1,507,666	1,384,483

(*) The figures for the year ended December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Revenues from sales and services	28	733,237	614,802
Other revenues and income	29	4,077	1,305
Costs for raw materials, supplies, consumables and goods	30	(14,206)	(13,750)
Costs for services	31	(217,189)	(193,087)
Payroll costs	32	(215,020)	(182,501)
Other operating expenses	33	(33,000)	(25,382)
Adjusted operating margin		**257,899**	**201,387**
Depreciation and amortization	34	(110,824)	(77,530)
Adjustments to tangible and intangible assets	34	(3,607)	(3,962)
Adjustments to trade receivables	35	(3,670)	(1,220)
Provision for risks	36	(1,678)	(823)
Operating Income		**138,120**	**117,852**
Profit/(loss) on financial assets and liabilities management	37	-	(396)
Management/trading of financial assets and liabilities	**37**	**-**	**(396)**
Interest income	38	442	347
Other financial income	38	2,175	-
Financial income	**38**	**2,617**	**347**
Interest expenses	39	(17,484)	(11,385)
Bank charges	39	(629)	(592)
Financial expenses	**39**	**(18,113)**	**(11,977)**
Net income before taxes		**122,624**	**105,826**
Income taxes	**40**	**(27,343)**	**(29,410)**
Net income from continuing operations		95,281	76,416
Profit/(loss) for the year		**95,281**	**76,416**
NET INCOME ATTRIBUTABLE TO THE GROUP		95,281	76,416
Net Income to minority interests		**-**	**-**
Earnings per share	**41**	**0.56**	**0.45**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of comparative balances at December 31, 2018".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)
Profit/(loss) for the year		**95,281**	**76,416**
Remeasurement of net defined benefit liability		(2,889)	(841)
Income taxes relating to items that will not be riclassified subsequently to profit and loss		693	202
Items that will not be reclassified subsequently to profit and loss	**16**	**(2,196)**	**(639)**
Foreign exchange differences on translation of foreign operations		11	(236)
Cash flow hedges		(2,267)	(2,303)
fair value gain (loss) on hedging instruments during the period		*(3,210)*	*(2,303)*
less cumulative (gain)/loss arising on hedging instruments reclassified to profit and loss		*943*	*-*
Income tax relating to items that may be reclassified subsequently to profit and loss		544	553
Items that may be reclassified subsequently to profit and loss	**16**	**(1,712)**	**(1,986)**
Other comprehensive income for the year, net of tax		**(3,908)**	**(2,625)**
Total comprehensive income for the year		**91,373**	**73,791**
Total comprehensive income attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		91,373	73,791

(*) The figures for the year ended December 31, 2018 have been restated as a result of the effects on the Group's net result of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY DURING 2019 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/ (loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2019	22,275	5,317	187,921	(6,198)	76,416	285,731	5	285,736
Change in opening balances	-	-	827	(413)	-	414	-	414
Balance at 1 January 2019 as Restated	**22,275**	**5,317**	**188,748**	**(6,611)**	**76,416**	**286,145**	**5**	**286,150**
Allocation of profit			76,416		(76,416)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Changes in the scope of consolidation/ IFRS 3			(415)			(415)	(5)	(420)
Total net comprehensive income				(3,908)	95,281	91,373	-	91,373
Exchange rate differences				*11*		*11*	-	*11*
Cash flow hedging				*(1,723)*		*(1,723)*	-	*(1,723)*
Actuarial gain/(losses)				*(2,196)*		*(2,196)*	-	*(2,196)*
Result of the year					*95,281*	*95,281*	-	*95,281*
Balance at 31 December 2019	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**

On April 29, 2019, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2018 to a dividend of 59,970,129 euro (equal to 0.35 euro per share).

CHANGES IN SHAREHOLDERS' EQUITY DURING 2018 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/ (loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 1 January 2018	22,275	5,317	167,824	(3,573)	80,083	271,926	5	271,931
Change in opening balances	-	-	(16)	-	-	(16)	-	(16)
Balance at 1 January 2018 as Restated	**22,275**	**5,317**	**167,808**	**(3,573)**	**80,083**	**271,910**	**5**	**271,915**
Allocation of profit			80,083		(80,083)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Total net comprehensive income				(2,625)	76,416	73,791	-	73,791
Exchange rate differences				*(236)*		*(236)*		*(236)*
Cash flow hedging				*(1,750)*		*(1,750)*		*(1,750)*
Actuarial gain/(losses)				*(639)*		*(639)*		*(639)*
Result of the year					*76,416*	*76,416*	-	*76,416*
Balance at 31 December 2018 Restated (*)	**22,275**	**5,317**	**187,921**	**(6,198)**	**76,416**	**285,731**	**5**	**285,736**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of comparative balances at December 31, 2018".

On April 17, 2018, the Shareholders' Meeting of SIA S.p.A. approved the allocation of the profit from 2017 to a dividend of 59,970,129 euro (equal to 0.35 euro per share).

CONSOLIDATED CASH FLOW STATEMENT – INDIRECT METHOD

CASH FLOW STATEMENT – INDIRECT METHOD *(Thousands of euro)*

	31/12/2019	31/12/2018 restated (*)
Profit/(loss) for the year	**95,281**	**76,416**
Income taxes	27,343	29,410
Financial income	(2,617)	(347)
Financial expenses	18,113	11,977
Result on financial assets and liabilities management	-	396
Depreciations and write-off of tangible assets	36,367	22,927
Amortizations and write-off of intangible assets	78,064	58,565
Adjustments to trade receivables	3,670	1,220
Provision for risks	1,678	823
Operating cash flow before movements in working capital	*257,899*	*201,387*
Income taxes paid	(46,194)	(27,284)
Witholding tax paid to recognize goodwill for tax purpose	(40,000)	-
Change in trade receivables	(34,799)	(14,952)
Change in trade payables	10,599	1,425
Change in non current contract work-in-progress	(566)	-
Change in inventories and current contract work-in-progress	449	656
Change in provisions for employees	(168)	1,519
Change in provisions for risks	(994)	(3,222)
Changes in other assets	3,794	10,228
Changes in other liabilities	(5,355)	(12,526)
Change in operating financial receivables	(3,753)	(1,703)
Net cash from operating activities	**140,912**	**155,528**
Purchases of tangible assets	(18,618)	(20,496)
Purchases of intangible assets	(57,968)	(33,277)
Consideration paid for business combinations net of cash acquired	-	(371,864)
Net cash (used in) from investing activities	**(76,586)**	**(425,637)**
Dividends paid	(59,970)	(59,970)
Repayments of non current term loans	(70,000)	(420,000)
Proceed from non current term loans	-	775,000
Proceed from committed credit lines	105,132	10,084
Interest paid on non current financial liabilities	(10,420)	(10,274)
Differentials paid for hedging derivatives	(2,682)	(2,475)
Change in financial payables	(24,580)	10,804
Change in financial liabilities	944	(123)
Change in financial assets	33	366
Net cash (used in) from financing activities	**(61,543)**	**303,412**
Net increase/(decrease) in cash and cash equivalents	**2,783**	**33,303**
Cash and cash equivalents at beginning of year	94,652	61,349
Change in cash and cash equivalents	2,783	33,303
Cash and cash equivalents at end of year	**97,435**	**94,652**

(*) The figures for the year ended December 31, 2018 have been restated to take into account the effects of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, in accordance with the provisions of IFRS 3. For further details, please refer to the paragraph in the explanatory notes entitled "Information on the restatement of the comparative balances at December 31, 2018".

NOTES

Statement of compliance with international accounting standards

The consolidated financial statements of the SIA Group at December 31, 2019 consist of the compulsory accounting statements set forth in IAS 1, i.e. the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement, as well as the notes and are accompanied by the management report on the results of the SIA Group and the parent company SIA S.p.A..

The consolidated financial statements of the SIA Group at December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Commission and in force on the date of approval of this document. By IFRS we mean all *"International Financial Reporting Standards"*, all the *International Accounting Standards (IAS)* and all the interpretations of the *"International Financial Reporting Interpretations Committee" (IFRIC)*, formerly called the *"Standing Interpretations Committee" (SIC)*.

The international accounting standards were also applied by making reference to the "Systematic Framework for the Preparation and Presentation of Financial Statements" and no exemptions to IAS/IFRS were made.

The consolidated financial statements of the SIA Group are audited by the independent auditors Deloitte & Touche S.p.A., in execution of the shareholders' resolution of April 29, 2019, which conferred the mandate until the approval of the financial statements at December 31, 2021.

General accounting principles

The Group has presented the statement of profit or loss by nature of expense, while the assets and liabilities of the statement of financial position are broken down between current and non-current.

An asset is classified as current when:

- it is expected that the asset will be realized, or is held for sale or use, in the normal course of the operating cycle;
- it is held with the primary intent of trading;
- it is expected to be realized within twelve months of year-end close;
- it consists of cash and cash equivalents (unless the asset is prohibited from being exchanged or used to extinguish a liability for at least twelve months after year-end close).

All other assets are classified as non-current. In particular, IAS 1 includes tangible assets, intangible assets and financial assets that are long-term in nature under non-current assets. A liability is classified as current when:

- it is expected to be extinguished in the normal operating cycle;
- it is held with the primary intent of trading;
- it will be extinguished within twelve months of year-end close;
- there is no unconditional right to defer its settlement for at least twelve months after year-end close. The clauses of a liability which could, as decided by the counterparty, give rise to its extinction through the issue of equity instruments, do not impact its classification.

All other liabilities are classified by the company as non-current. The operating cycle is the time between the acquisition of goods for the production process and their realization in cash or cash equivalents. When the normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The cash flow statement is prepared according to the indirect method; it should be noted that, in addition to the effects of the restatement made on completion of the PPA of the Magnolia transaction (for which reference is made to the specific paragraph), the cash flow statement has been revised, using the indirect method and in compliance with IFRS, for the year-end close at December 31, 2019 and the comparative figures for 2018, to provide the reader of the financial statements with a better and more detailed view of the contribution made by the separate parts of the business to the cash flows generated by the Group and the parent company.

The reporting currency is the euro and the information reported in these financial statements, if not specified otherwise, is expressed in euro. The financial position, cash flows, profit and loss, notes and explanatory tables are in thousands of euro.

The financial statements have been prepared clearly and provide a true and fair view of the financial position, profit and loss for the year, change in shareholders' equity and cash flows. If the information required by international accounting standards is insufficient to provide a true and fair, relevant, reliable, comparable and comprehensible view, the notes provide the necessary additional information.

The consolidated financial statements have been prepared on a going-concern basis, according to the accrual basis of accounting, in compliance with the principle of relevance and significance of information, with the prevalence of substance over form, and with a view to favoring consistency with future presentations.

Please refer to the paragraph "Significant events subsequent to the end of the financial year" for the effects of the spread of "Coronavirus" pandemic.

The assets and liabilities, costs and revenues are not offset, unless this is permitted or required by international accounting standards. If an asset or liability is split between various headings of the balance sheet, the notes explain the situation if this is needed to understand the financial statements properly.

Items of a different nature or purpose have been presented separately, unless they were considered immaterial.

Use of estimates

The application of IFRS requires management to make important estimates and assumptions that could have a material impact on many of the figures in the financial statements and the disclosures on contingent assets and liabilities.

In reiterating that the use of reasonable estimates is an essential part of preparing financial statements, the items for which the use of estimates and assumptions is particularly significant are: the quantification of provisions for risks and charges; the definition of the depreciation and amortization charges on tangible and intangible assets with a finite useful life and the assessment of any impairment indicators (also with reference to certain assets resulting from past business combinations involving the Parent Company, for which some residual physical inventory counts are still in progress); the measurement of intangible assets with an indefinite useful life, goodwill and equity investments; the measurement of receivables and the related bad debt provision; the measurement of employee benefits; the quantification of deferred taxation.

An estimate can be corrected if there have been changes in the circumstances on which it was based or having gained new information or greater experience. If in the future these estimates and assumptions, which are based on the best assessment by management at the date of these financial statements, differ from the actual circumstances, they will be modified appropriately in the period in which the circumstances vary. The estimates and assumptions are reviewed periodically and the effects of every change are reflected in the statement of profit or loss in the period concerned or, if needs be, in future periods.

In this regard, it should be noted that 2019 did not feature any changes in the estimation criteria applied when preparing the financial statements at December 31, 2018.

Key sources of estimation uncertainty

The risk of uncertainty in the estimates is primarily connected to the measurement of goodwill, the quantification of which may vary over time, even significantly, depending on the trend of the national and international macroeconomic outlook and the consequent effects on the Group's profitability and the trend of the financial markets, which can influence the fluctuation of interest rates. For further information, please refer to the specific section on impairment tests, which also describes the valuation methods and sensitivity analysis to changes in the parameters and information used.

There are no other items in the Consolidated Financial Statements subject to key sources of estimation uncertainty.

Information on the restatement of comparative balances at December 31, 2018

This section describes in detail the impacts of restating the comparative balances at December 31, 2018 to take into account the net assets identified upon completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures were not therefore included in the financial statements at December 31, 2018, in accordance with IFRS 3.

CONSOLIDATED BALANCE SHEET – ASSETS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Plant and machinery	1	64,479	61,645	2,834	4.6%	61,645	2,834	4.6%	-
Industrial and commercial equipment	1	456	1,464	(1,008)	-68.9%	1,464	(1,008)	-68.9%	-
Land and buildings	1	71,383	16,844	54,539	323.8%	23,978	47,405	197.7%	(7,134)
Other assets	1	3,666	1,616	2,050	126.9%	1,616	2,050	126.9%	-
Construnction in progress and advances	1	5,712	4,003	1,709	42.7%	4,003	1,709	42.7%	-
Leasehold improvements (**)	1	5,065	4,102	963	23.5%	4,102	963	23.5%	-
Tangible assets		**150,761**	**89,674**	**61,087**	**68.1%**	**96,808**	**53,953**	**55.7%**	**(7,134)**
Goodwill	2	569,139	571,621	(2,482)	-0.4%	629,269	(60,130)	-9.6%	(57,648)
Other intangible assets	2	275,162	315,222	(40,060)	-12.7%	229,908	45,254	19.7%	85,314
Intangible assets in progress and advances	2	50,210	27,764	22,446	80.8%	27,764	22,446	80.8%	-
Intangible assets		**894,511**	**914,607**	**(20,096)**	**-2.2%**	**886,941**	**7,570**	**0.9%**	**27,666**
Investments	3	725	720	5	0.7%	720	5	0.7%	-
Non current financial assets	4	12	50	(38)	-76.0%	50	(38)	-76.0%	-
Non current contract work-in-progress	5	566	-	566		-	566		-
Non current trade receivables	6	-	6	(6)	-100.0%	6	(6)	-100.0%	-
Other non current assets	7	837	-	837		-	837		-
Deferred tax assets	8	13,162	12,755	407	3.2%	10,646	2,516	23.6%	2,109
Total non current assets		**1,060,574**	**1,017,812**	**42,762**	**4.2%**	**995,171**	**65,403**	**6.6%**	**22,641**
Inventories and contract work-in-progress	9	3,926	4,375	(449)	-10.3%	4,375	(449)	-10.3%	-
Current financial receivables	10	5,456	1,703	3,753	220.4%	1,703	3,753	220.4%	-
Current financial assets	11	127	122	5	4.1%	122	5	4.1%	-
Current tax assets	12	87,200	39,375	47,825	121.5%	39,375	47,825	121.5%	-
Current trade receivables	13	219,892	188,757	31,135	16.5%	188,757	31,135	16.5%	-
Other current assets	14	33,056	37,687	(4,631)	-12.3%	37,687	(4,631)	-12.3%	-
Cash and cash equivalents	15	97,435	94,652	2,783	2.9%	94,652	2,783	2.9%	-
Total current assets		**447,092**	**366,671**	**80,421**	**21.9%**	**366,671**	**80,421**	**21.9%**	**-**
TOTAL ASSETS		1,507,666	1,384,483	123,183	8.9%	1,361,842	145,824	10.7%	22,641

(*) *The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:*

- *decrease in the value of "Land and buildings" of 7.1 million euro following recognition at fair value of properties owned by SIA Greece;*
- *decrease in "Goodwill" of 57.6 million euro, representing the final result of the allocations made as part of the PPA process for SIA Greece and SIA Slovakia;*
- *increase in "Other intangible assets" of 85.3 million euro following the identification and recognition at fair value of the customer relationships identified in SIA Greece and SIA Slovakia, net of their amortization for the last quarter of 2018 of 4.5 million euro;*
- *increase in "Deferred tax assets" for recognition of deferred tax assets of 2.1 million euro following the recognition of a lower fair value for the properties of SIA Greece with respect to their carrying amount.*

(**) *Following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified to property, plant and equipment and their rights of use have been booked to "Land and buildings" in accordance with IFRS 16.*

CONSOLIDATED BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Share capital	16	22,275	22,275	-		22,275	-		-
Share premium reserve	16	5,317	5,317	-		5,317	-		-
Reserves	16	204,779	187,921	16,858	9.0%	187,921	16,858	9.0%	-
Valuation reserve	16	(10,519)	(6,198)	(4,321)	69.7%	(6,198)	(4,321)	69.7%	-
Profit/(loss) for the year attributable to the Group	16	95,281	76,416	18,865	24.7%	79,536	15,745	19.8%	(3,120)
Equity attributable to owners of the Company		**317,133**	**285,731**	**31,402**	**11.0%**	**288,851**	**28,282**	**9.8%**	**(3,120)**
Profit/(loss) - third parties	16	-	-	-		-	-		-
Consolidation reserve - third parties	16	-	5	(5)	-100.0%	5	(5)	-100.0%	-
Non-controlling interests		**-**	**5**	**(5)**		**5**	**(5)**		**-**
TOTAL EQUITY		**317,133**	**285,736**	**31,397**	**11.0%**	**288,856**	**28,277**	**9.8%**	**(3,120)**
Non current financial payables	17	679,150	709,178	(30,028)	-4.2%	709,178	(30,028)	-4.2%	-
Non current financial liabilities	18	5,855	5,231	624	11.9%	5,231	624	11.9%	-
Provisions for employee benefits	19	25,866	23,145	2,721	11.8%	23,145	2,721	11.8%	-
Deferred tax liabilities	20	62,395	73,643	(11,248)	-15.3%	48,416	13,979	28.9%	25,227
Provisions for risks	21	3,041	2,357	684	29.0%	1,823	1,218	66.8%	534
Other non current liabilities	22	1,723	9,928	(8,205)	-82.6%	9,928	(8,205)	-82.6%	-
Total non current liabilities		**778,030**	**823,482**	**(45,452)**	**-5.5%**	**797,721**	**(19,691)**	**-2.5%**	**25,761**
Current financial payables	23	227,807	105,997	121,810	114.9%	105,997	121,810	114.9%	-
Current financial liabilities	24	2,587	-	2,587		-	2,587		-
Current tax liabilities	25	4,314	4,922	(608)	-12.4%	4,922	(608)	-12.4%	-
Current trade payables	26	95,996	85,397	10,599	12.4%	85,397	10,599	12.4%	-
Other current liabilities	27	81,799	78,949	2,850	3.6%	78,949	2,850	3.6%	-
Total current liabilities		**412,503**	**275,265**	**137,238**	**49.9%**	**275,265**	**137,238**	**49.9%**	**-**
TOTAL LIABILITIES		**1,190,533**	**1,098,747**	**91,786**	**8.4%**	**1,072,986**	**117,547**	**11.0%**	**25,761**
TOTAL LIABILITIES AND EQUITY		1,507,666	1,384,483	123,183	8.9%	1,361,842	145,824	10.7%	22,641

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:

- *increase in "Deferred tax liabilities" due to the recording of deferred tax liabilities of 25.2 million euro following recognition of the fair value of contractual relationships identified in SIA Greece and SIA Slovakia, net of the reversal in the last quarter of 2018 for 1.3 million euro;*
- *decrease in the 2018 profit due to the amortization recognized on the assets identified in the PPA process, net of deferred taxes, for 3.1 million euro;*
- *increase for 0.5 million euro for contingent tax liabilities.*

Consolidated statement of profit or loss

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Thousands of euro)*

	Note	31/12/2019	31/12/2018 restated (*)	Change	%	31/12/2018	Change	%	Changes in comparative figures
Revenues from sales and services	28	733,237	614,802	118,435	19.3%	614,802	118,435	19.3%	-
Other revenues and income	29	4,077	1,305	2,772		1,305	2,772		-
Costs for raw materials, supplies, consumables and goods	30	(14,206)	(13,750)	(456)	3.3%	(13,750)	(456)	3.3%	-
Costs for services	31	(217,189)	(193,087)	(24,102)	12.5%	(193,087)	(24,102)	12.5%	-
Payroll costs	32	(215,020)	(182,501)	(32,519)	17.8%	(182,501)	(32,519)	17.8%	-
Other operating expenses	33	(33,000)	(25,382)	(7,618)	30.0%	(25,382)	(7,618)	30.0%	-
Adjusted operating margin		**257,899**	**201,387**	**56,512**	**28.1%**	**201,387**	**56,512**	**28.1%**	**-**
Depreciation and amortization	34	(110,824)	(77,530)	(33,294)	42.9%	(73,101)	(37,723)	51.6%	(4,429)
Adjustments to tangible and intangible assets	34	(3,607)	(3,962)	355	-9.0%	(3,962)	355	-9.0%	-
Adjustments to trade receivables	35	(3,670)	(1,220)	(2,450)		(1,220)	(2,450)		-
Provision for risks	36	(1,678)	(823)	(855)		(823)	(855)		-
Operating Income		**138,120**	**117,852**	**20,268**	**17.2%**	**122,281**	**15,839**	**13.0%**	**(4,429)**
Profit/(loss) on financial assets and liabilities management	37	-	(396)	396	-100.0%	(396)	396	-100.0%	-
Management/trading of financial assets and liabilities	**37**	**-**	**(396)**	**396**	**-100.0%**	**(396)**	**396**	**-100.0%**	**-**
Interest income	38	442	347	95	27.4%	347	95	27.4%	-
Other financial income	38	2,175	-	2,175		-	2,175		-
Financial income	**38**	**2,617**	**347**	**2,270**	**654.2%**	**347**	**2,270**	**654.2%**	**-**
Interest expenses	39	(17,484)	(11,385)	(6,099)	53.6%	(11,385)	(6,099)	53.6%	-
Bank charges	39	(629)	(592)	(37)	6.3%	(592)	(37)	6.3%	-
Financial expenses	**39**	**(18,113)**	**(11,977)**	**(6,136)**	**51.2%**	**(11,977)**	**(6,136)**	**51.2%**	**-**
Net income before taxes		**122,624**	**105,826**	**16,798**	**15.9%**	**110,255**	**12,369**	**11.2%**	**(4,429)**
Income taxes	**40**	**(27,343)**	**(29,410)**	**2,067**	**-7.0%**	**(30,719)**	**3,376**	**-11.0%**	**1,309**
Net income from continuing operations		95,281	76,416	18,865	24.7%	79,536	15,745	19.8%	(3,120)
Profit/(loss) for the year		**95,281**	**76,416**	**18,865**	**24.7%**	**79,536**	**15,745**	**19.8%**	**(3,120)**
NET INCOME ATTRIBUTABLE TO THE GROUP		95,281	76,416	18,865	24.7%	79,536	15,745	19.8%	(3,120)
Net Income to minority interests		**-**	**-**	**-**		**-**	**-**		**-**

(*) The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the column "Changes in comparative figures" shows the following adjustments:

- *recognition of depreciation and amortization for the period of 4.4 million euro generated by the assets identified in the PPA process ("Depreciation and amortization");*
- *reversal of deferred tax liabilities set aside on recognition of the fair value of the contractual relationships identified in SIA Greece and SIA Slovakia, for the portion pertaining to the period, with a positive effect on the operating result of 1.34 million euro ("Deferred tax assets/liabilities");*
- *reversal of deferred tax assets set aside on recognition of the lower fair value of SIA Greece's properties compared with their carrying amount, for the portion pertaining to the period, with a negative effect on the operating result of 29 thousand euro ("Deferred tax assets/liabilities").*

Changes in shareholders' equity during 2019

CHANGES IN SHAREHOLDERS' EQUITY DURING 2019 *(Thousands of euro)*

	Share capital	Share premiun reserve	Reserves	Valuation reserve	Profit/ (loss) for the period	Shareholders' Equity	Non-controlling interests	Total Net Equity
Balance at 31 December 2018	22,275	5,317	187,921	(6,198)	79,536	288,851	5	288,856
Adjustment for PPA completion (*)					*(3,120)*	*(3,120)*	-	*(3,120)*
Balance at 31 December 2018 restated (*)	**22,275**	**5,317**	**187,921**	**(6,198)**	**76,416**	**285,731**	**5**	**285,736**
Change in opening balances (**)	-	-	827	(413)	-	414	-	414
Balance at 1 January 2019 as Restated	**22,275**	**5,317**	**188,748**	**(6,611)**	**76,416**	**286,145**	**5**	**286,150**
Allocation of profit			76,416		(76,416)	-	-	-
Distribution of dividends			(59,970)			(59,970)	-	(59,970)
Total net comprehensive income			(415)	(3,908)	95,281	90,958	(5)	90,953
Exchange rate differences				*11*		*11*	-	*11*
Cash flow hedging				*(1,723)*		*(1,723)*	-	*(1,723)*
Actuarial gain/(losses)				*(2,196)*		*(2,196)*	-	*(2,196)*
Changes in the scope of consolidation/IFRS 3 (***)			*(415)*			*(415)*	*(5)*	*(420)*
Result of the year					*95,281*	*95,281*	-	*95,281*
Balance at 31 December 2019	**22,275**	**5,317**	**204,779**	**(10,519)**	**95,281**	**317,133**	**-**	**317,133**

(*) Shareholders' equity at December 31, 2018 have been restated to take into account amortization on the intangible assets identified on completion of the purchase price allocation process for the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018 in accordance with IFRS 3. This amortization had an impact on the net result for 2018 of 3.1 million euro.

(**) The changes to the opening balances at January 1, 2019 concerned non-material differences between the reporting packages at December 31, 2018 approved by the Boards of Directors of the subsidiaries and used in preparing the consolidated financial statements and the local financial statements at December 31, 2018, which were approved subsequently.

(***) The change in non-controlling interests is due to the exclusion of Consorzio QuenIT in liquidation from the scope of consolidation, but included among the investments carried at cost (see the paragraph "Consolidation criteria and methods" in the 2019 consolidated financial statements).

Consolidation criteria and methods

The scope of consolidation has changed compared with December 31, 2018 because of the merger of Ubiq in P4cards, which did not have any effect on the Group's consolidated financial statements. So at the reference date the scope of consolidation included the parent company SIA, as well as the foreign subsidiaries Perago FSE, PforCards, SIA Central Europe, SIA Greece and SIA Slovakia, and the Italian subsidiaries Emmecom, P4cards, SIAadvisor and SIApay. SIA Slovakia directly controls SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia. P4cards and SIA Greece control respectively Consorzio QuenIT in liquidation and DMAN in liquidation, which from 2019 were excluded from the scope of consolidation and are recognized as investments carried at cost (the amounts involved are not material, both individually and in aggregate).

(Thousands of euro)

	Share capital	Equity	Result for the period	Ownership Interest
SIA	**22,275**	**316,238**	**105,575**	
Subsidiaries				
Emmecom	40	3,308	1,579	100%
Perago FSE	2	(957)	(1,870)	100%
P4cards	49,240	90,425	34,112	100%
PforCards	35	1,646	(1,094)	100%
SIA Central Europe	536	6,428	2,136	100%
SIApay	600	8,574	827	100%
SIA Slovakia	4,906	33,256	8,982	100%
SIA Croatia	3	360	130	100%
SIA Czech Republic	142	184	16	100%
SIA Hungary	860	994	134	100%
SIA Romania	90	139	11	100%
SIA Serbia	-	444	140	100%
SIA Greece	43,852	48,898	3,893	100%
SIAadvisor (*)	10	3,249	923	51%
Associates				
ATS (**)	120	2,632	106	30%

(*) SIA holds 51% of SIAadvisor, but the company is 100% consolidated, in accordance with IFRS 10, as there are derivative instruments (put&call options) on the non-controlling interests which are thought to give SIA the de facto benefit of SIAadvisor's earnings.
(**) The figures refer to 2018, as these are the latest approved financial statements.

As regards the consolidation methods, the investments in subsidiaries are consolidated on a line-by-line basis, while the interests over which the Group exercises significant influence are measured using the equity method. The adequacy of the carrying amounts of goodwill and equity investments in accordance with IAS 36 is checked at least once a year and, in any case, any time there is a sign that an asset may have suffered impairment. If there are trigger events, IAS 36 also requires impairment tests to be carried out on all assets with a finite useful life.

Line-by-line consolidation

Equity investments in subsidiaries are consolidated line-by-line. In compliance with IFRS 10, the concept of control is based on all three of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement in it; (c) ability to use that power to influence the amount of the variable returns. To assess whether an investor has control over the investee, IFRS 10 requires them to focus on the parts of the business that most affect the investee's returns (the concept of "relevant activities"). IFRS 10 also requires that, in assessing the existence of control, only substantive rights are taken into consideration, i.e. those that can be exercised in practice when important decisions have to be taken about the investee.

This method of consolidation involves aggregating subsidiaries' balance sheet and statement of profit or loss items line by line. To this end, the following adjustments are made:

(a) the carrying amount of the investments held by the parent company and the corresponding part of shareholders' equity are eliminated;
(b) the portion of shareholders' equity and profit or loss for the year pertaining to non-controlling interests is recognized as a separate item.

The results of these adjustments, if positive, are recognized - after any allocation to the subsidiary's assets or liabilities - as goodwill in "Intangible assets" on the date of first-time consolidation, if the conditions exist. If negative, the differences are normally charged to the statement of profit or loss.

Intra-group balances and transactions, including revenues, costs and dividends, are eliminated in full.

The economic results of a subsidiary acquired during the year are included in the consolidated financial statements from the date of acquisition of control. Similarly, the economic results of a subsidiary sold are included in the consolidated financial statements up to the date on which control ceased.

The accounting situations used in preparing the consolidated financial statements are prepared as of the same date. The consolidated financial statements have been prepared using uniform accounting standards for similar transactions and events. If a subsidiary uses accounting standards other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, adjustments are made to its financial statements for the consolidation of the statement of profit or loss and balance sheet balances.

Equity method

Equity investments over which the Group exercises significant influence or has joint control, as defined by IAS 28, are measured at equity. According to this method, the equity investment is initially recognized at cost and the carrying amount is increased or decreased to reflect the investor's share of the profit or loss that the investee makes after the acquisition date. The investor's share of the investee's results for the period is recognized in the investor's statement of profit or loss. Dividends received from an investee reduce the carrying amount of the investment; adjustments in the carrying amount may also be necessary if the investor's share in the investee is modified following changes in the investee's shareholders' equity not recognized in the statement of profit or loss. These modifications include changes deriving from the revaluation of property, plant and equipment and differences from the translation of items in foreign currency. The share of these changes is recognized directly in its shareholders' equity.

The consolidating company discontinues the use of the equity method from the date on which it ceases to exercise significant influence or joint control over the investee and records this investment as "Current financial assets" or "Non-current financial assets", according to the logic mentioned previously, starting from that date, on condition that the associate or jointly controlled company does not become a subsidiary.

The balance sheets and statement of profit or loss of Group companies operating in areas other than the Eurozone are translated into euro by applying the exchange rates current at the balance sheet date to assets and liabilities and the average exchange rates for the year to statement of profit or loss items.

The exchange differences arising from translation of the financial statements of these companies, deriving from the application of different exchange rates to assets and liabilities and to the statement of profit or loss, are recognized in the "Foreign exchange translation reserve" under shareholders' equity. All exchange differences are reversed to the statement of profit or loss in the year in which the equity investment is disposed of.

Accounting standards and valuation criteria

The criteria adopted with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the revenue recognition criteria, are described below. The accounting standards applied are the same as those applied in the annual financial statements at December 31, 2018, with the exception of IFRS 16 which has been applied from January 1, 2019. The impacts of applying IFRS 16 are explained in the section entitled *"IFRS accounting standards, amendments and interpretations applied from January 1, 2019"* and in the sections of the notes relating to the items concerned.

Financial assets and receivables

Financial assets at fair value through profit or loss

Financial assets other than those classified under "Financial assets at fair value through other comprehensive income" and " Financial assets at amortized cost". In particular, this item includes:

- financial assets held for trading, essentially represented by debt and equity instruments and by the positive value of derivative contracts held for trading;
- financial assets that must be measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through comprehensive income.

This item also includes derivative contracts not classifiable as hedges, which are recognized as assets if the fair value is positive and as liabilities if the fair value is negative.

Initial recognition of financial assets takes place on the settlement date for debt and equity instruments, and on the subscription date for derivative contracts. On initial recognition, the financial assets at fair value through profit or loss are recognized at fair value, without considering the transaction costs or income directly attributable to the instrument. On subsequent reference dates, they are measured at fair value and the valuation effects are recognized in the statement of profit or loss. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Financial assets at fair value through other comprehensive income (FVOCI)

This category includes equity investments not qualified as investments in subsidiaries, associates and companies subject to joint control, which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised. On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, non-controlling equity investments are valued at fair value, and the amounts recognized as a contra-entry in equity (Statement of comprehensive income) must not subsequently be transferred to the statement of profit or loss, even in the case of disposal. The only component of these equity instruments subject to recognition in the statement of profit or loss is their dividends. For the equity instruments included in this category which are not listed in an active market, the cost approach is used as an estimate of fair value only on a residual basis and in limited circumstances, i.e. when all measurement methods previously referred to do not apply, or if there is a broad range of possible fair value measurements, within which cost represents the most meaningful estimate. Financial assets are derecognized only if their sale entails the substantial transfer of all risks and rewards connected to such assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Financial receivables and financial assets at amortized cost

Financial assets (in particular, loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held according to a hold-to-collect business model, and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest on the principal amount outstanding ("SPPI test" passed).

On initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, the financial assets in question are valued at amortized cost, using the effective interest rate method. The amortized cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revocable loans. Financial assets are derecognized only if the sale has led to the substantial transfer of all the risks and benefits associated with the assets. On the other hand, if a significant part of the risks and benefits relating to the financial assets sold have been maintained, these continue to be recorded in the financial statements, even if legally ownership of the assets has effectively been transferred.

Hedging transactions

The SIA Group takes advantage of the possibility, envisaged at the time IFRS 9 was introduced, to continue applying all of the provisions of IAS 39 "Hedge accounting" for all type of hedges. Hedging transactions aim to neutralize the economic effects on a specific element or group of elements (the hedged item), with reference to a given risk, through opposite economic effects on a different element or group of elements (the hedging instrument). IAS 39 provides for the possibility of designating the following three hedging relationships:

- fair value hedge (FVH)
- cash flow hedge (CFH)
- net investment hedge (NIH).

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify its prospective and retrospective effectiveness.

The type of relationship is designated at the start of the relationship and evaluated on the basis of a continuity approach; so prospectively it must remain highly effective for all the reference periods for which it was designated. Effectiveness is assessed at each annual or interim reporting date. A hedge is considered highly effective if at the start of the hedge and in subsequent periods it is expected to be highly effective and if its retrospective results (the relationship between changes in value of the hedged item and those of the hedging derivative) are included within a certain range (80%-125%).

If the verifications do not confirm the effectiveness of the hedge, from that moment the contract is no longer accounted for as a hedging transaction and the hedging derivative contract is reclassified to trading instruments. The hedging relationship is also terminated when:

- the derivative expires, is sold, rescinded or exercised
- the hedged item is sold, expires or is redeemed
- it is no longer highly likely that the future hedged transaction will be carried out.

Tangible assets

The categories of assets included in tangible assets are shown in the following table, which also includes the depreciation criteria used:

Category	Subclasses	Depreciation rate
Land and buildings	Land	-
	Civil/ industrial buildings	3%
Plant and machinery	Plant	10% - 25%
	Hardware	20% - 25%
	Machinery	15% - 25%
Equipment	Commercial and industrial equipment	12% - 20%
	Electric machines	12% - 20%
Other assets	Office machines	12% - 20%
	Furniture and furnishings	12% - 20%
	Motor vehicles and cars	20% - 25%

Costs for restructuring properties that are not owned (“leasehold improvements”) are capitalized considering the fact that for the term of the rental agreement the company using the assets has control over them and can obtain future economic benefits from them. Assets that can be clearly identified and separated are not included in this category.

Accounting for property, plant and machinery among tangible assets occurs only when the following conditions occur simultaneously:

- it is probable that the company enjoys future economic benefits attributable to the asset
- the cost can be determined reliably.

Tangible assets are initially measured at cost, defined as the monetary or equivalent amount paid or the fair value of other consideration provided to acquire an asset at the moment of acquisition or replacement. After initial recognition, tangible assets are measured with the cost method, net of depreciation previously accounted for and any accumulated impairment, on the basis of which the cost of the tangible asset generally remains unchanged until it is derecognized.

Tangible assets are depreciated on a straight-line basis throughout their useful lives and depreciation is recognized on an accrual basis. As operating practice, depreciation is calculated from the first day of the month in which the asset is available for use.

At the end of each year, the Group checks if there have been significant changes in the expected characteristics of the economic benefits arising from capitalized assets and, in that case, modifies the depreciation method, which is considered a change in estimate according to IAS 8.

Furthermore, at the end of each year, the company checks whether tangible assets measured according to the cost method have suffered from impairment and any loss identified is recognized in the statement of profit or loss. The carrying amount of a tangible asset is reversed in full when it is disposed of or when the company does not expect to obtain any economic benefit from its sale.

In accordance with IFRS 16, leased assets are recorded in tangible assets if the following conditions exist: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and the right to direct the use of the asset underlying the contract.

The rights of use of leased assets, including those under operating leases, are recorded in this item with a financial liability as the contra-entry. Lease assets with a contractual duration of less than one year and leases where the underlying asset is configured as a low-value asset are not recognized.

Please refer to *“IFRS Accounting standards, amendments and interpretations applied from 1 January 2019”* for details on the first-time application of IFRS 16.

Intangible assets

An intangible asset is an asset that simultaneously meets the following conditions:

- it is identifiable
- it is non-monetary
- it has no physical consistency
- it is under the control of the company that prepares the financial statements
- it is expected to produce future economic benefits for the enterprise.

If an asset does not meet the above requirements to be defined as an intangible asset, the expense incurred to purchase it or to generate it internally is accounted for as a cost when it is incurred. However, if the asset in question is acquired during a business combination, it forms part of the goodwill recognized at the time of the acquisition.

Intangible assets are initially recognized at cost.

The cost of the intangible assets acquired externally includes the purchase price and any directly attributable costs. The main types of intangible assets acquired separately include software purchased from third parties or used under license. On the other hand, costs for assets acquired under a lease with a short useful life that entail the depletion of economic benefits within no more than the term of the contract are recognized in the statement of profit or loss.

Intangible assets acquired through business combinations are initially recognized at cost, corresponding to their fair value on the acquisition date. An intangible asset is recognized separately from goodwill if the fair value can be determined reliably, irrespective of whether the asset was recognized by the acquired company prior to the business combination: in particular, there is a presumption of reliable measurability of the fair value unless the asset derives from legal or contractual rights and is not separable, or is separable but there is no evidence of similar transactions in the past.

Goodwill generated internally is not recognized as an asset, like intangible assets deriving from research (or from the research phase of an internal project).

An intangible asset deriving from development or the development phase of an internal project is recognized if it can be demonstrated that the following conditions are met

- it is technically feasible to complete the intangible asset to make it available for use or for sale;
- management's intention is to complete the intangible asset so that it can be used or sold;
- the company is able to use or sell the intangible asset;
- there must be a way for the intangible asset to generate future economic benefits and, in particular, there must be a market for the product of the intangible asset or for the intangible asset itself or, if it has to be used for internal purposes, it has to be useful to the business;
- there have to be adequate technical, financial and other resources available to complete the development and to use or sell the asset;
- the company must be able to reliably assess the cost attributable to the intangible asset during its development.

The main types of intangible assets generated internally are represented by software projects. The following costs are considered directly attributable, incurred to bring the business to normal operating conditions, and capitalizable:

- costs for materials and services used or consumed for the generation of the intangible asset
- taxes to register a legal right
- the amortization of patents and licenses that are used for the realization of the intangible asset
- financial expenses
- the cost of personnel assigned and planned for the development of the project
- fees paid to external consultants for services received directly on the project already started and identified.

Intangible assets are measured at cost according to one of the two criteria envisaged by IAS 38 (the cost model and the revaluation model). The cost model provides that after initial recognition an intangible asset must be shown in the financial statements at cost, net of accumulated amortization and impairment losses.

At each reporting date, an assessment is carried out to identify any indicators of impairment. If such an indicator exists, the asset's recoverable amount is determined and compared with the carrying amount in an impairment test in compliance with IAS 36.

For intangible assets with a finite useful life, amortization is calculated from the first day of the month in which the asset is available for use, using the straight-line method.

The following table shows the amortization rates adopted by the SIA Group for the main classes of intangible assets:

Category	Subclasses	Amortization rate
Intangible assets acquired separately and/or through business combinations	Patents and other industrial rights Trademarks Software licenses Other	10% - 33%
Intangible assets generated internally	Software projects developed internally	20% - 33%

Intangible assets that are infrastructural in nature and particularly important from a strategic point of view, or linked to contracts with a duration exceeding three years, are examined on a case-by-case basis to assess their correct technical/economic useful life, which in exceptional cases may be greater than three years.

Intangible assets with an indefinite useful life and those not yet available for use are not amortized, but, in accordance with IAS 36, they are subjected to an impairment test. The impairment test is carried out at least once a year, and in any event any time there is an indication that an intangible asset may have suffered impairment. Within the Group, the only intangible asset with an indefinite useful life is represented by goodwill arising as a result of business combinations.

Intangible assets with a finite useful life are monitored on an annual basis to identify any impairment or review the amortization rate.

Intangible assets are completely reversed upon disposal or when it is expected that no future economic benefit will derive from their disposal. The gain or loss generated from the derecognition of an intangible asset is recognized in the income statement when the asset is derecognized. In determining the disposal date, the provisions set forth in IFRS 15 for the recognition of revenues from the sale of assets and in IAS 17 for disposals carried out through sale and lease back transactions apply.

Investments

Equity instruments qualified as equity investments have as their common denominator the acquisition of a more or less significant part of the power of governance over the investee company and are broken down into:

- subsidiaries
- companies subject to joint control
- associates.

Investments in subsidiaries, associates and joint ventures are recognized at the date of acquisition of the shareholding, which is assumed to coincide with the date on which the control, significant influence or joint control, respectively, is acquired. In addition, this is the reference date in business combinations for the measurement of the fair value of the assets and liabilities acquired and hence any goodwill. Investments in subsidiaries, joint ventures and associates are initially recognized at cost and subsequently measured under the equity method. In accordance with the cost method, every time the accounts are closed an assessment is carried out to verify whether an asset has suffered from impairment, resulting in the need to adjust the carrying amount of the investment. Equity investments are derecognized when the contractual rights to the cash flows deriving from the assets expire or when the equity investment is sold, substantially transferring all of its risks and rewards.

Business combinations and impairment testing

A business combination is a transaction or other event whereby an acquirer obtains control over one or more business activities. Based on IFRS 3, all business combinations are accounted for by applying the acquisition method, which considers a business combination from the perspective of the acquirer and, as a result, presumes that an acquirer must be identified in every business combination. The acquisition date is the date on which the acquirer obtains control over the other businesses or business activities subject to the combination. On the acquisition date, a set of accounts of the acquired company must be available for the consolidation of the results and the measurement of the fair value of the assets and liabilities acquired, including goodwill, to be completed within a maximum of 12 months. If there are no reliable accounts available as of that date, the Group assumes as the acquisition date - for these purposes - the first day of the quarter immediately following the actual acquisition date or, if closer, the last day of the preceding quarter.

The assets acquired and the liabilities assumed are valued by the acquiring company at their fair value at the acquisition date, based on the definition provided by IFRS 13.

Goodwill is a business asset that represents the sum of future benefits deriving from all assets acquired as part of the business combination which are not individually identifiable and measurable separately one from the other. On the acquisition date it is measured as the surplus between the fair value of the net identifiable assets of the acquired company and the sum of the following components:

- the consideration transferred, generally measured at fair value
- the amount relating to non-controlling interests
- the fair value at the acquisition date of the interests already held by the acquirer prior to the business combination.

If the fair value of the identifiable net assets exceeds the aggregate consisting of the consideration transferred, the non-controlling interests and the fair value of all interests already held previously, the difference is recognized immediately as a gain in the income statement, as this is considered negative goodwill.

In accordance with the provisions of IAS 36 and the specific guidelines approved by the Board of Directors of SIA S.p.A., the verification of the fairness of the carrying amount of the goodwill recorded following the business combinations and any other intangible assets with an indefinite life or not yet in use is performed at least once a year and, in any case, whenever there is an indication that an asset may have suffered from impairment.

The impairment test for goodwill is always carried out within a cash-generating unit (CGU) or group of CGUs, as goodwill does not generate cash flows independently of the other assets. For the goodwill emerging in the consolidated financial statements of the SIA Group deriving from the acquisition of a business included in a legal entity, the impairment test is carried out by estimating the recoverable amount of the legal entity to which the goodwill refers. In other words, for the purpose of the impairment, the cash-generating unit with which goodwill is associated is the legal entity by which it was generated. For the remaining goodwill not attributable to a single legal entity and/or resulting from business combinations (such as mergers), the impairment test is carried out by identifying the CGUs that represent the business to which the goodwill is associated.

The impairment test on investments in subsidiaries included in SIA S.p.A. the stand alone financial statement is carried out on individual legal entities, in line with the provisions of IAS 36, as it is believed that they present autonomous capacity for the generation of cash flows. In the event that a high level of integration of the businesses does not make it possible to carry out the test for a single legal entity, the impairment test is carried out for the CGU represented by the consolidated financial statements, as only at this level is it possible to determine the recoverable value of the CGU.

An asset has suffered from impairment when its carrying amount exceeds its recoverable amount. For the determination of the recoverable value, reference is made to the greater of the value in use and the net realizable value, i.e. the sale price, net of selling costs.

To perform the impairment test on goodwill and equity investments, forecast data approved by the parent company's Board of Directors and by the competent corporate bodies of the subsidiaries are used. The discount rate used is the pre-tax rate which reflects current market assessments of the time value of money and the specific risks of the asset for which estimates of future cash flows have not been adjusted. This rate is estimated through the implicit rate used for similar assets in the negotiations currently present on the market or through the weighted average cost of capital of a listed company that has a single activity (or a portfolio of activities) similar to one being considered in terms of service and risks. When the rate of a specific activity is not available directly from the market, the company uses other techniques to estimate its discount rate (taking into account, for example, the following rates: the weighted average cost of capital for the entity determined using valuation techniques such as the Capital Asset Pricing Model (CAPM); the firm's marginal financing rate; other financing rates available on the market).

An impairment loss is recognized if the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs). The impairment loss is primarily attributed to reducing the book value of any goodwill allocated to the CGU or group of CGUs and therefore to the other assets of the CGU (or group of CGUs) in proportion to the carrying amount of each asset that forms part of the CGU (or group of CGUs).

Sensitivity analyses are also carried out to capture additional elements supporting the reasonableness of the results obtained from the estimates of values which, by their very nature, inevitably contain degrees of uncertainty, in order to verify the sensitivity of the results obtained in the impairment test to changes in certain estimation parameters and other underlying assumptions.

As laid down in IAS 36, an impairment loss recognized for goodwill cannot be eliminated in later years.

If the reasons for the impairment loss on an equity investment no longer apply following an event taking place subsequent to the recognition of impairment, a write-back is recognized in the income statement.

Please refer to the applicable sections in the Notes to the financial statements for more details on the measurement criteria, the rules applied and the results for the individual items, particular the paragraph entitled "Impairment test of consolidated goodwill and other non-financial assets".

Inventories

Inventories are goods:

- held for sale in the ordinary course of business
- used in production processes for sale
- in the form of materials or supplies of goods for use in the production process or in the provision of services.

In the specific case of the company, the inventories of finished products and goods refer essentially to chip cards and card readers purchased from third parties and due to be sold to fulfill obligations under contracts with customers.

Inventories are recognized and valued at the lower of cost and net realizable value.

In accordance with the provisions of IAS 2, the weighted average cost method on an annual basis is used to determine the cost of inventories, unless there are anomalous price fluctuations that cause a distorting effect.

The net realizable value of inventories is determined by referring to the estimated sale price in the ordinary course of business, net of estimated costs of completion as well as those considered necessary to carry out the sale, which can be deduced from contracts already concluded for the supply of services or from the most recent prices for similar transactions already carried out in the recent period, providing they can be documented.

When the net realizable value is lower than the cost, the excess is immediately written down in the statement of profit or loss. The write-down must be made on the basis of an assessment carried out item by item and therefore it is not considered appropriate to write down inventories based on their classification or if they are part of a particular operating sector.

Trade receivables

Trade receivables from the provision of services are recognized according to the terms laid down in the contract with the customer on the basis of IFRS 15 and classified based on the nature of the debtor and/ or the due date of the receivable (this definition also includes invoices to be issued for services already provided). In addition, as trade receivables are generally short-term and do not require the payment of interest, the amortized cost is not calculated and they are accounted for on the basis of the nominal value reported on the invoices issued or in the contracts entered into with customers: this also applies for trade receivables with a contractual duration of more than 12 months, unless the effect is particularly significant. This is due to the fact that the amount of short-term receivables is very similar applying the historical cost method or the amortized cost method, and the impact of discounting would therefore be negligible. Trade receivables are tested for impairment on the basis of IFRS 9. IFRS 9 paragraph 5.5.15 allows for a simplified approach, which also take in account other factors like forecasted economic outlook, to be used to determine lifetime expected credit losses on trade receivables using for example a “provision matrix” (IFRS 9, par. B5.5.35) which specifies write-down percentages on the basis of days overdue. The Group’s policy for measuring trade receivables requires dividing customers into overdue time bands to apply the appropriate percentage of write-downs on the basis of historical experience, to be applied to the various categories of customers taking into account expected losses. If there is information on the creditworthiness of counterparties significantly impacting the possibility of recovering the receivable, the Group performs specific assessments of open positions. During 2019, the internal criteria adopted for estimating both analytical and general write-downs were refined, taking into account the practices developed in the meantime since the entry into force of IFRS 9 on 1 January 2018 and the experience gained over time.

Receivables are derecognized when the contractual rights to their cash flows expire. Trade receivables are derecognized only to the extent of those uncollectable exposures for which following recovery activities an agreement has been reached with the customer.

Cash and cash equivalents

Cash and cash equivalents are recognized at nominal value. Other cash equivalents represent short-term, highly liquid financial investments that are readily convertible into known cash values subject to irrelevant risk of changes in value, which have an original maturity or maturity at the time of acquisition of not more than 3 months.

Employee benefits

Employee benefits include benefits paid to employees or their dependents and can be liquidated by means of payments (or with the supply of goods and services) made directly to employees, spouse, children or other dependents. or to third parties, such as insurance companies and are divided into short-term benefits, benefits due to employees for the termination of the employment relationship and post-employment benefits.

Short-term benefits, which also include incentive programs represented by annual bonuses, MBOs and one-off renewals of national collective agreements, are accounted for as liabilities (provision of costs) after deducting any amount already paid, and as a cost, unless some other IFRS standard requires or allows the inclusion of the benefits in the cost of an asset (for example the cost of personnel employed in the development of intangible assets generated internally).

The category of benefits for the termination of the employment relationship includes early retirement incentive plans, arising in the case of voluntary resignations that entail the participation of the employee or a group of employees in union agreements for the activation of “solidarity funds”, and lay-off plans, which take place in the case of the termination of the employment relationship based on the unilateral decision of the company. The company recognizes the cost of those benefits as a liability in the financial statements at the most immediate date between the moment at which the company can no longer withdraw the offer of such benefits and the moment at which the company recognizes the costs of a restructuring that falls within the scope of IAS 37. Early retirement provisions are reviewed at least every six months.

Post-employment benefit plans fall into two categories: defined contribution plans and defined benefit plans.

Defined contribution plans mainly include:

- supplementary pension funds which involve the contribution of a set amount by the company
- the employee severance indemnity provision, limited to the portions accrued since January 1, 2007 for companies with more than 50 employees, irrespective of the allocation option chosen by the employee
- the portions of severance indemnity accrued since January 1, 2007 and destined for supplementary pensions, in the case of companies with less than 50 employees
- supplementary health care funds.

The defined benefit plans include:

- the severance indemnity, limited to the portion accrued up to December 31, 2006 for all companies, as well as the portions accrued from January 1, 2007 and not intended for supplementary pensions for companies with less than 50 employees
- supplementary retirement plans the conditions of which require the payment to participants of a defined benefit
- seniority bonuses, which require an extraordinary payment to the employee upon reaching a certain level of seniority.

In defined contribution plans, the obligation of the company drawing up the financial statements is determined on the basis of the contributions due for that year, and therefore the valuation of the obligation does not require actuarial assumptions and there is no possibility of actuarial gains or losses.

Actuarial assumptions are however required to account for the value of the obligation for defined benefit plans. That valuation is assigned to an external actuary and is carried out every year. For discounting purposes, the company uses the projected unit credit method, which makes a projection of future outlays on the basis of statistical historical analyses and the demographic curve and the financial discounting of such flows on the basis of a market interest rate. Actuarial gains and losses are recognized as a contra-entry to shareholders' equity (in the valuation reserve) as required by IAS 19.

Provisions for risks and contingent assets and liabilities

Provisions are different from other liabilities as there is no certainty with respect to their due date or the amount of the future expenditure required to fulfill the obligation. Given their different nature, provisions are shown separately from trade payables and allocations made for presumed payables.

A liability or provision is accounted for when:

- there is a current legal or implied obligation as a result of past events
- it is likely that the use of resources capable of producing economic benefits will be necessary to fulfill the obligation
- the amount of the obligation can be reliably estimated.

Provisions require the use of estimates. In extremely rare circumstances in which a reliable estimate cannot be made, the item in question is deemed a liability that cannot be reliably determined, which is therefore described in the notes to the financial statements as a contingent liability.

To account for the expense, provisions are recognized if there is uncertainty as to the due date or the amount of cash flows necessary to fulfill the obligation, or other liabilities are recognized, in particular trade payables or allocations for presumed payables.

An allocation is made to the provisions for risks in an amount representing the best possible estimate of the expense required to settle the relative obligation existing at the reporting date and takes into consideration the risks and uncertainties inevitably surrounding many events and circumstances. The amount of the provision reflects any future events that may impact the amount required to extinguish an obligation if there is sufficient objective evidence that they will take place.

Once the best possible estimate of the expenditure necessary to settle the relative obligation existing at the reporting date is determined, the present value of the provision is determined, if the effect of the present value of money is a relevant aspect.

The components deriving from the effects of the discounting are reported in the same item used for the recognition of the contingent liability.

Contingent assets are assets that lack

the requisite of certainty and which cannot be accounted for in the financial statements as a result; instead, they are described in a specific disclosure.

Payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost.

Payables to banks and other lenders are initially recognized at fair value, net of directly attributable accessory costs, and they are subsequently measured at amortized cost, applying the effective interest rate approach. If there is a change in the estimate of expected cash flows, the value of liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the effective internal rate determined initially. Payables to banks and other lenders are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least twelve months after the reporting date.

Payables to banks and other lenders are derecognized when they are extinguished and when the Group has transferred all risks and expenses relating to the instrument.

Revenues and costs

Sale of products and provision of services

Revenues from the sale of products and the provision of services are only recognized when all of the following conditions are met:

- the contract with the customer has been identified - to identify a contract, the parties need to have approved the contract (in writing or in compliance with other customary commercial practices) and must have committed to fulfilling their respective obligations
- the performance obligations contained in the contract have been identified - the goods and services to be transferred must be identified
- the price has been determined - the consideration and the payment methods must be defined
- the price has been allocated to the individual performance obligations contained in the contract - if a contract calls for the delivery/ supply of multiple goods or services, the agreed consideration must be allocated to the individual goods/ services
- the performance obligations set forth in the contract have been satisfied - goods and services must be effectively transferred to the customer.

Revenues are recognized when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer. The asset is transferred when (or as) the customer acquires control over it. The consideration set forth in the contract with the customer may include fixed amounts, variable amounts or both.

The consideration relating to one-off contributions to activate the related services, where considered as a separate performance obligation, is recognized as revenues when the goods or services are provided.

The variable components relating to the invoicing of transactions exceeding a threshold are included in the consideration only when the adjustment is applied.

In the case of contracts where the pricing depends on the annual volume of transactions occurred, revenues are recognized considering the expected annual volume of transactions.

In particular, revenues deriving from the rendering of services falling within the business segments of the Group and related to volumes of transactions of payments and cards or to traffic volumes in the capital markets are recognized on the basis of the date of execution of the transaction or use of network traffic. Further, certain contracts with customers relating to such services provide for annual fees, which are recognized in the income statement consistently with the billing frequency. Revenues related to recurring services (such as platform maintenance, assistance services, POS rental, service desk, etc.) are recognised linearly over the duration of the contracts.

Project activities

For long-term orders, such as software development for customers, the revenue on the order is recognized in the course of the development (over time) according to contractual and/or project milestones, if established and recognized by the customer, if one of the following conditions is met:

- the customer simultaneously receives and uses the benefits arising from the service as it is provided
- the service creates or improves the asset that the customer controls as the asset is created or improved
- the asset produced has no alternative uses and the entity is entitled to be paid for the work carried out until that time.

If the project is not developed specifically for the customer, or if there are no milestones established, the costs relating to the order are suspended if it is possible to demonstrate that they can be recovered. The revenues will be recognized only upon completion and acceptance by the customer of the order (point in time).

The costs incurred for the development and any additional consideration deemed likely and prudently measured must be suspended in the item "Inventories and construction contracts" in current assets with a contra-entry in the income statement item "Change in inventories and construction contracts".

Interest income and dividends

Interest income is recognized using the effective interest rate approach. Dividends are recognized in the consolidated financial statements as a reduction of the value of the investment when the right arises to receive the established dividend, or following the shareholders' resolution of the subsidiary (not consolidated), associate or joint venture. In the separate financial statements dividends are recognized in the income statement when the right to receive the established dividend arises.

Costs

Costs are recognized in the income statement on an accrual basis; the costs relating to obtaining and fulfilling contracts with customers are recognized in the income statement in the periods in which the relative revenues are accounted for.

Income tax

Current taxes for the year and previous years are recognized as liabilities to the extent to which they have not been paid. Current tax assets and liabilities for the current and previous years must be determined at the value expected to be recovered or paid to the tax authorities, respectively, by applying the tax rates and tax legislation in force or substantially issued at the reporting date.

Deferred taxes are broken down into:

- deferred tax liabilities: these are the amounts of income taxes due in future years referring to taxable temporary differences
- deferred tax assets: these are the amounts of income taxes recoverable in future years referring to deductible temporary differences, unused tax losses carried forward and unused tax credits carried forward.

To calculate the amount of deferred tax assets and liabilities, the tax rate is applied to the taxable or deductible temporary differences identified, or to the unused tax losses and unused tax credits.

At each reporting date, a new assessment is performed on deferred tax assets not recognized in the financial statements as well as deferred tax assets recognized in the financial statements in order to verify whether it is more likely than not that the deferred tax assets will be recovered. This verification is carried out through the probability test, with reference to the forecasts set forth in company plans.

For presentation in the financial statements, the items recognized on consolidation which at the time of recognition for the same phenomenon are offsettable, are offset in the consolidated financial statements.

The Group companies proceed with offsetting only with reference to temporary differences which, aside from meeting the above requirements, refer to a defined period of cancellation and the same year of cancellation. As a result, in years in which deductible temporary differences are higher than taxable temporary differences, the deferred tax assets are recognized as assets in the statement of financial position under deferred tax assets; on the other hand, in years in which taxable temporary differences are higher than deductible temporary differences, the relative deferred taxes are recognized as liabilities in the statement of financial position under deferred tax liabilities.

For all Italian companies (with the exception of Consorzio QuenIT in liquidation), the Group has adopted "domestic tax consolidation", with reference to corporate income tax (IRES), which enables groups of companies to offset their income, or determine a single tax base to an extent corresponding to the sum of the tax bases of each of the participating Group companies, which are included for their entire amount, irrespective of the consolidating company's stake in them. Based on this option, the Group companies that participate in domestic tax consolidation determine their own tax burden and the corresponding taxable income is transferred to the parent company (likewise in the case of tax losses of the consolidated companies, if there is consolidated income during the year or a high likelihood of future taxable income). Thus, the consolidating company recognizes, in its stand alone financial statements, the payable for its own individual income taxes and for the individual income taxes of the subsidiaries participating in the domestic tax consolidation scheme in the item "Current tax liabilities" net of advances paid, or if the latter are higher than the balance of current liabilities, the net balance is shown in the item "Current tax assets". As a consequence, in relation to the items transferred by the subsidiaries, it is recognized a receivable (payable) towards the subsidiaries, classified under "Other current assets" and "Other current liabilities". The item "Income taxes" includes the cost relating to the taxable income of the consolidating company. This scheme lasts for three years and is renewable automatically. It is currently in place until between 2019 and 2021.

Disclosure on fair value

With respect to the assets and liabilities recognized in the statement of financial position, IFRS 13 requires those values to be classified on the basis of a hierarchy which reflects the significance of the inputs used in determining the fair value. The classification of the fair value of financial instruments is reported below on the basis of the following hierarchical levels:

- **Level 1:** fair value determined with reference to (unadjusted) listed prices in active markets for identical financial instruments. Thus, in Level 1 emphasis is placed on the determination of the following elements: (a) the primary market of the asset or liability or, in the absence of a primary market, the most advantageous market of the asset or liability; (b) the possibility for the entity to carry out a transaction with the asset or the liability at the price of that market on the valuation date.
- **Level 2:** fair value determined with valuation techniques with reference to variables observable in active markets. The inputs for this level include: (a) listed prices for similar assets or liabilities in active markets; (b) listed prices for identical or similar assets or liabilities in inactive markets; (c) data other than listed prices observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implicit volatilities, credit spreads or inputs corroborated by the market.
- **Level 3:** fair value determined with valuation techniques with reference to variables not observable in the market..

Please refer to the "Disclosure on fair value" section for details on the breakdown of assets and liabilities measured by the Group at fair value based on the levels of the hierarchy.

IFRS accounting standards, amendments and interpretations applied as of January 1, 2019

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time as of January 1, 2019:

- On January 13, 2016 the IASB published the standard **IFRS 16 – *Leases*** which replaced IAS 17 – *Leases*, as well as IFRIC 4 interpretations *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new standard provides a new definition of lease and introduces a criterion based on control of an asset (right of use) to distinguish lease contracts from contracts for the provision of services, identifying as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from its use and the right to direct the use of the asset underlying the contract. The standard establishes a single model for the recognition and measurement of lease contracts for the lessee, which provides for recognition under assets of the leased asset, including those under operating leases, with a financial liability as the contra-entry. On the other hand, the standard does not include significant changes for lessors.
  The Group has chosen to apply the standard retrospectively, without changing the comparative information (IFRS 16 *§ C5 (b)*) and has considered in the determination of the rights of use of the assets under operational leases only the payments subsequent to January 1, 2019 (IFRS 16 *§ C8b (ii)*), i.e. not recognizing differences between the carrying amounts of financial assets and payables at January 1, 2019. In particular, for the lease contracts previously classified as operating leases, the Group has accounted for:

  a) a financial liability, equal to the present value of the residual future payments on the transition date, discounted using the incremental borrowing rate applicable on the transition date for each contract

  b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses referring to the lease and recognized in the balance sheet at the year-end close of these financial statements.

The Group has made use of the exemption granted by IFRS 16 *§ 5 (a)* in relation to short-term leases and the exemption granted by IFRS 16 *§ 5 (b)* as regards lease contracts for which the underlying asset is configured as a low-value asset (i.e. the assets underlying the lease contract do not exceed € 5,000 when new). The contracts for which the exemption was applied fall mainly into the following categories:

- Computers, telephones and tablets
- Printers
- Other electronic devices
- Furniture and furnishings.

For these contracts, the introduction of IFRS 16 does not entail recognition of the lease's financial liability and the related right of use; instead, the rental payments are recognized in the income statement on a linear basis over the duration of the contract. It should also be remembered that IFRS 16 does not apply to leases falling within the scope of application of other standards, including intellectual property licenses granted by the lessor.

With regard to the incremental borrowing rate, as most of the rental contracts signed by the Group do not include an implicit rate of interest, the discount rate to be applied to future rental payments has been determined as the risk free rate of each country in which the contracts have been signed, with maturities in line with the duration of the specific rental agreement, as increased by the specific credit spread of the subsidiary.

For the definition of lease term, unless explicitly provided for in the contract, the Group has established the following policy:

- for hardware and assets other than properties, renewals are not considered
- for properties used for business purposes, in the absence of other information that can be used to determine the lease term, the following are considered:

- an entire contract renewal period in the event of renewals of contracts with a residual duration of more than one year
- two periods of contract renewal in the case of contract renewals with a residual duration of not more than one year.

The impacts of first-time adoption (FTA) of IFRS 16 on the SIA Group are shown in the following tables.

ASSETS AND LIABILITIES RECORDED ON JANUARY 1, 2019 AND FUTURE OPERATING LEASE PAYMENTS *(Thousands of euro)*

Composition	Assets detected at 01/01/2019		Liability value at 01/01/2019	Value of future rentals from 01/01/2019 (nominals)	
	Buildings	Other assets		Buildings	Other assets
SIA	47,003	1,681	48,684	55,857	1,767
Perago FSE	172	-	172	208	-
SIApay	289	23	311	297	23
SIA Central Europe	559	91	650	600	97
Emmecom	236	34	270	278	35
Ubiq	138	-	138	173	-
SIAadvisor	77	-	77	80	-
P4cards	8,674	136	8,810	11,548	141
PforCards	880	31	911	937	31
SIA Slovakia	356	-	356	357	-
SIA Greece	493	66	559	508	72
Total	**58,878**	**2,061**	**60,939**	**70,844**	**2,167**

The difference between future lease commitments pursuant to IAS 17, on December 31, 2018 and the lease liabilities recorded in the financial statements at the date of FTA of IFRS 16 is due to the effect of the determination of a longer lease term than the timespan considered for the determination of future obligations and on the other hand to the effect of discounting the future cash flows from lease contracts at the incremental borrowing rate.

IMPACT OF FTA OF IFRS 16 ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JANUARY 1, 2019

TOTAL ASSETS *(Thousands of euro)*

	31/12/2018 restated (*)	Change IFRS 16	01/01/2019
Plant and machinery	61,645		61,645
Industrial and commercial equipment	1,464		1,464
Land and buildings	16,844	58,878	75,722
Other assets	1,616	2,061	3,677
Construction in progress and advances	4,003		4,003
Leasehold improvements (**)	-	4,102	4,102
Tangible assets	**85,572**	**65,041**	**150,613**
Goodwill	571,621		571,621
Other intangible assets	315,222		315,222
Intangible assets in progress and advances	27,764		27,764
Intangible assets	**914,607**		**914,607**
Investments	720		720
Non current financial assets	50		50
Non current trade receivables	6		6
Other non current assets	4,102	(4,102)	-
Deferred tax assets	12,755		12,755
Total non current assets	**1,017,812**	**60,939**	**1,078,751**
Inventories and contract work-in-progress	4,375		4,375
Current financial receivables	1,703		1,703
Current financial assets	122		122
Current tax assets	39,375		39,375
Current trade receivables	188,757		188,757
Other current assets	37,687		37,687
Cash and cash equivalents	94,652		94,652
Total current assets	**366,671**		**366,671**
TOTAL ASSETS	1,384,483	60,939	1,445,422

(*) The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

(**) Following the adoption of IFRS 16 from January 1, 2019, leasehold improvements have been reclassified from other non current assets to property, plant and equipment and their rights of use have been booked to "Land and buildings" in accordance with IFRS 16.

TOTAL LIABILITIES AND EQUITY *(Thousands of euro)*

	31/12/2018 restated (*)	Change IFRS 16	01/01/2019
Share capital	22,275		22,275
Share premium reserve	5,317		5,317
Reserves	187,921		187,921
Valuation reserve	(6,198)		(6,198)
Result for the period - Group	76,416		76,416
Equity attributable to owners of the Company	**285,731**		**285,731**
Profit/(loss) - third parties	-		-
Consolidation reserve - third parties	5		5
Non-controlling interests	**5**		**5**
TOTAL EQUITY	**285,736**		**285,736**
Non current financial payables	709,178	53,346	762,524
Non current financial liabilities	5,231		5,231
Provisions for employee benefits	23,145		23,145
Deferred tax liabilities	73,643		73,643
Provisions for risks	2,357		2,357
Other non current liabilities	9,928		9,928
Total non current liabilities	**823,482**	**53,346**	**876,828**
Current financial payables	105,997	7,593	113,590
Current tax liabilities	4,922		4,922
Current trade payables	85,397		85,397
Other current liabilities	78,949		78,949
Total current liabilities	**275,265**	**7,593**	**282,858**
TOTAL LIABILITIES	**1,098,747**	**60,939**	**1,159,686**
TOTAL LIABILITIES AND EQUITY	1,384,483	60,939	1,445,422

(*) *The figures at December 31, 2018 have been restated to take into account the economic effects of the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.*

- On June 7, 2017, the IASB published the interpretation ***"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"***. The interpretation deals with the issue of uncertainties on the tax treatment to be adopted for income taxes. In particular, the interpretation requires a company to analyse any uncertain tax treatments (individually or as a whole, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all the relevant information. In the event that the company considers it unlikely that the tax authority will accept the tax treatment followed, the entity must reflect the effect of uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure obligations, but underlines that the company will have to establish whether it will have to provide information on the considerations made by management with regard to the uncertainty inherent in accounting for taxes, in accordance with IAS 1. The new interpretation has been applied since January 1, 2019. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On December 12, 2017 the IASB published the document ***"Annual Improvements to IFRSs 2015-2017 Cycle"*** which explains the changes to certain standards as part of the annual process of improving them. The main changes concern:
  - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when a company gains control of a business which represents a joint operation, it must re-measure the interest previously held in that business. However, this process is not envisaged in the event of joint control being obtained.

– IAS 12 *Income Taxes*: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified as part of equity) should be accounted for in a manner consistent with the transaction that generated the profits (income statement, OCI or equity).
– IAS 23 *Borrowing costs*: the amendment clarifies that, in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or for sale, they become part of the set of loans used to calculate borrowing costs.

Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On February 7, 2018, the IASB published the document ***"Plant Amendment, Curtailment or Settlement (Amendments to IAS 19) "***. The document clarifies how a company should detect a change (i.e. a curtailment or settlement) of a defined benefit plan. The changes require the company to update its assumptions and to re-measure the net asset or liability deriving from the plan. The amendments clarify that after the occurrence of this event, an entity uses updated assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

- On October 12, 2017 the IASB published the document ***"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"***. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associated companies and joint ventures for which the equity method does not apply. Adoption of this amendment did not have any effect on the Group's consolidated financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations not yet approved by the European Union, not yet mandatory and not adopted in advance by the Group at December 31, 2019

- On October 31, 2018 the IASB published the document ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced a change in the definition of "material" contained in IAS 1 - *Presentation of Financial Statements* and IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment aims to make the definition of "material" more specific and has introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles subject to modification. The amendment clarifies that information is "obscured" if it has been described in such a way as to produce for the primary readers of a set of financial statements an effect similar to that which would have occurred if the information in question had been omitted or incorrect. The changes introduced by the document apply to all transactions subsequent to January 1, 2020. The directors do not expect a significant effect on the Group's consolidated financial statements from adopting this amendment.

- On March 29, 2018, the IASB published an amendment to ***"References to the Conceptual Framework in IFRS Standards".*** The amendment is effective for periods starting on January 1, 2020 or later, but early adoption is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps interested parties to understand and interpret the Standards.

- On September 26, 2019, the IASB published its ***"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"***. It also amends

IFRS 9 - *Financial Instruments* and IAS 39 - *Financial Instruments: Recognition and Measurement* as well as IFRS 7 - *Financial Instruments: Disclosures*. In particular, the amendment modifies some of the requirements needed for hedge accounting, providing for temporary exemptions from them, in order to mitigate the impact from uncertainty about the IBOR reform (still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships, which are directly affected by the uncertainties generated by the reform and to which the above exemptions apply. The changes take effect from January 1, 2020, but companies can choose early adoption. At present, the directors are evaluating the possible effects of introducing this amendment on the Group's consolidated financial statements. The changes could be relevant for the Group, as it applies hedge accounting to some of its exposures to changes in Euribor interest rates.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

- On October 22, 2018 the IASB published its ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides clarifications about the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify an integrated set of activities/processes and assets as a business. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, a substantial input and a process which together significantly contribute to the ability to create output. To this end, the IASB has replaced the term "ability to create output" with "ability to contribute to the creation of output" to clarify that a business can exist even without all of the inputs and processes necessary to create an output. The changes apply to all business combinations and acquisitions of activities after January 1, 2020, but early adoption is permitted. Considering that this amendment will be applied to the new acquisitions that will be concluded from January 1, 2020 onwards, any effects will be recognized in the consolidated financial statements closed after that date.

- On 11 September 2014 the IASB published an amendment to IFRS 10 and IAS 28 ***"Sales or Contribution of Assets between an Investor and its Associate or Joint Venture"***. The document was published to resolve the current conflict between IAS 28 and IFRS 10. The changes introduced provide that in a sale/ contribution of assets or a subsidiary to a joint venture or associate, the amount of profit or loss to be recognized in the seller's/contributor's financial statements depends on whether or not the assets or the subsidiary sold/contributed constitute a business, as understood in IFRS 3. In the event that the assets or subsidiary sold/contributed represent a business, the entity must recognize the profit or loss on the entire stake previously held; while, otherwise, the portion of profit or loss relating to the portion still held by the entity has to be eliminated. At the moment, the IASB has suspended application of this amendment. The directors do not expect a significant effect in the Group's consolidated financial statements from adopting these changes

Purchase price allocation of the Magnolia transaction

As explained in the consolidated financial statements at December 31, 2018, the Group has carried out the purchase price allocation (PPA) for the price paid to First Data (the seller) to buy SIA Greece and SIA Slovakia on September 28, 2018. With the support of a primary independent third-party expert, the SIA Group made the final allocation of the cost of the combination on June 30, 2019, recognizing the fair value of the identifiable assets, liabilities and contingent liabilities of the two companies. Pursuant to IFRS 3, due to the complexity of this process, accounting for business combinations could be completed within twelve months from the acquisition date.

Framework of reference

The analysis was carried out by analysing the best information, both financial and non-financial. The main information used, the procedures followed and the conclusions reached as a result of this analysis are shown below.

The analysis refers to the "IFRS Framework" and the following international accounting standards issued by the International Accounting Standards Board ("IASB"), hereinafter jointly referred to as "IFRS":

- International Financial Reporting Standard, No. 3 (R), "Business Combinations" (IFRS 3);
- International Financial Reporting Standard, No. 10, "Consolidated Financial Statements" (IFRS 10);
- International Financial Reporting Standard, No. 13, "Assessment of Fair Value" (IFRS 13);
- International Accounting Standard, No. 27, "Consolidated and Separate Financial Statements" (IAS 27);
- International Accounting Standard, No. 38, "Intangible assets" (IAS 38).

Identification of assets and liabilities in accordance with IFRS

The "Framework for the Preparation and the Presentation of Financial Statements", in paragraph 49 ("Financial Position"), states that *"an asset is a resource controlled by the entity as a consequence of past events and from which future economic benefits are expected for the entity"*.

In order to identify intangible assets in particular, the criteria for identifying intangible assets were also applied, in accordance with the provisions of IAS 38.

Intangible assets are identifiable non-monetary assets, devoid of physical consistency. An intangible asset can be entered in the financial statements separately from goodwill, but only if it is identifiable and reliably measurable.

IAS 38 specifies that an intangible asset only meets the identifiability criterion if:

- it is separable, i.e. it can be separated or spun off from the entity and sold, transferred, licensed out, leased or exchanged, individually or together with the related contract, assets or liabilities; or
- it derives from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the company or from other rights and obligations.

It should be remembered that on the basis of IFRS 3, the acquisition of the aforementioned companies must be accounted for using the acquisition accounting method, which provides for Purchase Price Allocation (PPA) process. Pursuant to IFRS 3, in fact, the buyer must allocate at the acquisition date (in this specific case the acquisition date was September 28, 2018), the cost of the combination to assets (including intangibles) and liabilities (including contingent liabilities, improbable ones as well) by recognizing their fair values as of that date. The residual difference between the cost of the combination and the fair value of the net assets (i.e. assets less liabilities), if positive, must be recorded as goodwill, whereas if negative, it expresses negative goodwill (or badwill) which has to be recognized immediately to the income statement in accordance with IFRS 3.

The acquirer has to separately identify the acquired intangible assets on the acquisition date, but only if they meet the definition of intangible asset according to IAS 38 and their fair value can be reliably estimated. There have to be economic benefits deriving from the intangible asset, i.e. income originating from the sale of products or services, cost savings, or other benefits deriving from use of the asset; the entity must also have control over the asset: the entity has control if it has the power to take advantage of future economic benefits deriving from the resource in question and if it can also limit access to these benefits by third parties.

Furthermore, according to the provisions of the IAS Framework, a liability is a current obligation of the company that derives from past events and whose fulfillment is supposed to materialize in the use of resources capable of producing economic benefits. In the case of business combinations, note that "contingent liabilities" also have to be recognized, regardless of the probability or otherwise that there will be a financial outlay, but only if these are measurable with a good level of reliability; in this context, attention must therefore be paid to the fact that the obligation has to arise before and not after the acquisition date.

Fair value measurement

IFRS 13 defines fair value as *"the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular operation in the main (or most advantageous) market on the valuation date, at current market conditions (i.e. a closing price, regardless of whether that price is directly observable or estimated using another market technique)"*.

The purpose of measuring fair value is to estimate the price at which a regular transaction would take place for the sale of the asset or the transfer of the liability between market operators on the measurement date at current market conditions.

An evaluation of the fair value requires an entity to determine:

- The particular asset or liability being valued (in line with its valuation basis)
- In the case of a financial asset, the appropriate valuation assumption for the measurement (in line with its maximum and best use)
- The main (or most advantageous) market for the asset or liability
- Appropriate valuation techniques for the measurement, considering the availability of data with which to process inputs that represent the assumptions that market participants would use to determine the price of the asset or liability and the level of the hierarchy of fair value at which the inputs are classified.

The objective in using a particular valuation method is therefore to estimate the price that would be received for the sale of the asset or that would be paid for the transfer of the liability in a regular operation in the main (or most advantageous) market on the measurement date at current market conditions. The three most frequently used valuation methods are:

- *Market valuation method.* It uses the prices and other relevant information generated by market operations concerning identical or comparable (i.e. similar) assets and liabilities, or a group of assets and liabilities, as a corporate asset.
- *Cost method.* It reflects the amount that would be required at that moment to replace the service capacity of an asset (often referred to as "current replacement cost").
- *Income method.* This method converts future amounts (for example, cash flows or revenues and costs) into a single current (i.e. discounted) amount; when using the income method, the measurement of the fair value reflects current market expectations for these future amounts.

Identified assets and liabilities

It should be remembered that, as already explained in the SIA Group's consolidated financial statements at December 31, 2018 (to which reference should be made for further details), the Magnolia transaction, completed on September 28, 2018, involved the acquisition of 100% of the share capital of two target companies, SIA Slovakia (which in turn directly controls 5 other companies, as detailed in the section entitled "Structure of the SIA Group at December 31, 2019 in the Management Report) and SIA Greece (also referred to jointly as the "subsidiaries"), belonging to the First Data Group and operating in a number of Central and South-Eastern European countries.

Each of these acquired companies constitutes a separate "Cash Generating Unit" (CGU).

The business acquired involved card processing and production services, call centers and back-offices, as well as POS and ATM management; it was financed by signing a new loan agreement with a syndicate of leading banks. The agreement resulted in the transfer of approximately 1,400 employees from First Data to SIA.

As part of the process of identifying the assets and liabilities to which to allocate the price paid, the management of SIA analyzed the items recorded in the financial statements and reporting packages of subsidiaries available at the date of the PPA process, also thanks to the support of a primary auditing company which carried out specific due diligence and agreed audit procedures.

With reference to the acquisition of SIA Greece, it should be remembered that when preparing the consolidated financial statements at December 31, 2018, provisional adjustments had been made to the book value of the assets and liabilities acquired at the acquisition date for a total of 3.5 million euro for SIA Greece (i.e. the total value of the net assets acquired went from approximately 52.0 million euro at the date of acquisition to 48.5 million euro) on the basis of the results of agreed audit procedures entrusted to a third-party expert; the provisional goodwill at December 31, 2018, compared with the purchase price of around 150.3 million euro, was therefore put at 101.8 million euro.

With reference to the acquisition of SIA Slovakia, it should be remembered that when preparing the consolidated financial statements at December 31, 2018, provisional adjustments had been made to the book value of the assets and liabilities acquired at the acquisition date for a total of 2.5 million euro for SIA Slovakia (i.e. the total value of the net assets acquired went from approximately 21.3 million euro at the date of acquisition to 18.8 million euro) on the basis of the results of agreed audit procedures entrusted to a third-party expert; the provisional goodwill at December 31, 2018, compared with the purchase price of around 236.9 million euro, was therefore put at 216.4 million euro.

So, following the completion of the PPA process on June 30, 2019, the main differences between the values provisionally recorded in the financial statements at December 31, 2018 and the definitive figures of the PPA recorded in these financial statements are explained below:

a) With reference to SIA Greece, on the basis of the results of specific real estate appraisals, the market value of the properties owned was lower overall for around 7.2 million euro compared with the carrying amount acquired of approximately 18.9 million euro; the properties in question were therefore recorded in the PPA for a total value of 11.6 million euro and resulting deferred tax assets were calculated at a total of approximately 2.1 million euro out of the difference mentioned above. The net difference of 5.1 million euro therefore had an impact on the identification of the residual goodwill.

b) With reference to SIA Greece, on the basis of the results of specific tax audit activities communicated by the local Greek management, liabilities for tax charges related to 2014 (already paid) were recorded for approximately 1.4 million euro, as well as charges related to 2015-2017 (estimated) for about 0.5 million euro. Liabilities for 2014 were repaid by the seller to SIA on the basis of the sale & purchase agreement and therefore did not have any impact on the determination of the residual goodwill. On the other hand, for the liabilities estimated for the years from 2015 to 2017, the negotiation for obtaining the related reimbursement from the vendor are still in progress and, therefore, the related amount (0.5 million euro) has had an impact on the identification of the residual value of goodwill.

c) With reference to SIA Greece, since the customer portfolio is characterized by a significant concentration of turnover, a customer relationship (or “customer list”) has been identified whose fair value is subject to a reliable estimate in accordance with the provisions of IFRS 13 and IAS 38 mentioned above, with the principles and best practices applicable in valuations. The fair value of this customer list (43.6 million euro) was included in the PPA, net of deferred taxes for a total of 12.9 million euro; the net difference of 30.7 million euro therefore had an impact on the identification of the residual goodwill. Amortization of this customer list was set by SIA’s management considering a period of 5 years (i.e. an annual charge of 8.7 million euro, gross of a deferred tax reversal effect of 2.6 million euro), a period that is also deemed by IFRS to be the longest that can be reliably considered in the estimation process applicable to long-term company projections.

d) With reference to SIA Slovakia, on the basis of the evidence available at the date of the consolidated financial statements at December 31, 2018 of the SIA Group, a financial receivable had been recorded for compensation requested by SIA from the seller for approximately 1.7 million euro as price adjustments in accordance with the sale & purchase agreement. This financial receivable is therefore an asset already provisionally identified by the Company's management at December 31, 2018, which reduced the residual value of goodwill. This receivable was collected at the end of 2019.

e) With reference to SIA Slovakia, SIA's management decided to identify a customer list to which we can attribute a reliable value, based on the best information available and after further investigations carried out in the period between April and June 2019. The fair value of this customer list (46.3 million euro) was included in the PPA, net of deferred taxes for a total of 13.7 million euro; the net difference of 32.6 million euro therefore had an impact on the identification of the residual goodwill. Amortization of this customer list was set by SIA's management considering a period of 5 years (i.e. an annual charge of 9.3 million euro, gross of a deferred tax reversal effect of 2.7 million euro), a period that is also deemed by IFRS to be the longest that can be reliably considered in the estimation process applicable to long-term company projections.

In accordance with IFRS 3, the fair value of the net assets acquired in the business combination are reported below, as well as the summary tables for determining the differences between the final goodwill recorded in the consolidated financial statements at December 31, 2019 (figures in millions of euro) and the goodwill entered provisionally in the financial statements at December 31, 2018 in connection with these acquisitions:

SIA GREECE *(Thousands of euro)*

		DMAN	Adjustments	Adjustments Measurement Period	*Fair Value Buildings*	Contractual Relationships	Total
	Book Value						*Fair Value*
Cash and cash equivalents	*9,045*						9,045
Trade receivables	*8,051*		-251				7,800
Tangible assets	31,139				- 7,231		23,908
Intangible assets	15,341		-3,095			43,566	55,812
Deferred tax assets	-				2,138		2,138
Other assets	5,119	416	-108				5,427
Total Assets	**68,695**	**416**	**- 3,454**		**- 5,093**	**43,566**	**104,130**
Net Equity	51,598	416	-3,454	-535	- 5,093	30,684	73,616
Trade payables	2,131						2,131
Deferred tax liabilities	-					12,882	12,882
Provisions for risks	34			535			569
Other liabilities	14,932						14,932
Total Liabilities and Equity	**68,695**	**416**	**- 3,454**	**-**	**- 5,093**	**43,566**	**104,130**
Fee paid							**150,317**
Percentage interest on purchase date	100%	100%	100%	100%	100%	100%	
Net Equity held	51,598	416	-3,454	-535	- 5,093	30,684	73,616
Goodwill							**76,701**

SIA SLOVAKIA *(Thousands of euro)*

	Book Value	Subsidiaries (net eliminations*)	Closing balance adjustments	Customer List	Total *Fair Value*
Cash and cash equivalents	6,305				6,305
Trade receivables	8,992		-62		8,930
Tangible assets	8,035		-193		7,842
Intangible assets	451			46,274	46,725
Other assets	2,583	627			3,210
Total Assets	**26,366**	**627**	**- 255**	**46,274**	**73,012**
Net Equity	20,619	627	-780	32,591	53,057
Trade payables	-				-
Deferred tax liabilities	340			13,683	14,023
Provisions for risks	-				-
Other liabilities	5,407		525		5,932
Total Liabilities and Equity	**26,366**	**627**	**- 255**	**46,274**	**73,012**
Fee paid					**236,897**
Percentage interest on purchase date	100%	100%	100%	100%	
Net Equity held	20,619	627	-780	32,591	53,057
Goodwill					**183,840**

(*) The net assets of the companies controlled directly by SIA Slovakia have been grouped under the item Other activities in the absence of better data available at the date; the amounts are however not relevant.

SIA GREECE *(millions of euro)*

PURCHASE PRICE AT CLOSING	**150.32**	**A**
Net Equity (book value) at closing date	52.01	
Adjustments by audit procedures carried out by an expert third party	(3.45)	
Net Equity adjusted at closing date	**48.56**	**B**
TEMPORARY GOODWILL AT 31.12.18	**101.76**	**C=A-B**
Refund from seller for price adjustment	**(1.89)**	**D**
Adjustments measurement period		
Adjustment opening Net Equity at 01.01.19 for tax liabilities	1.89	
Adjustment probable tax liabilities 2015-2017	0.53	
Total adjustments measurement period	**2.42**	**E**
Purchase price allocation		
Lower fair value of buildings	7.23	
Tax effect of lower fair value of buildings	(2.14)	
Fair value of contractual relationships identified	(43.57)	
Tax effect of fair value of contractual relationships identified	12.88	
Total purchase price allocation	**(25.59)**	**F**
FINAL GOODWILL	**76.70**	**C+D+E+F**

SIA SLOVAKIA *(millions of euro)*		
PURCHASE PRICE AT CLOSING	**236.90**	**A**
Net Equity (book value) at closing date	20.62	
SIA Slovakia's direct subsidiaries value	(1.37)	
SIA Slovakia's subsidiaries Net equity value	1.99	
Net Equity (book value) of SIA Slovakia sub-group	**21.25**	
Adjustments by audit procedures carried out by an expert third party	(2.48)	
Net Equity adjusted at closing date	**18.76**	**B**
Indemnity credit - price adjustment	**1.70**	**C**
TEMPORARY GOODWILL AT 31.12.18	**216.43**	**D=A-B-C**
Purchase price allocation		
Fair value of contractual relationships identified	(46.27)	
Tax effect of fair value of contractual relationships identified	13.68	
Total purchase price allocation	**(32.59)**	**E**
FINAL GOODWILL	**183.84**	**D+E**

Impairment test on consolidated goodwill and other non-financial assets

The SIA Group has adopted specific guidelines, which have been approved by the Board of Directors of SIA S.p.A., for carrying out impairment tests on consolidated goodwill and other non-financial assets and investments recorded in the separate financial statements, in accordance with the provisions of IAS 36, in line with market best practices and as described in the valuation criteria used in the consolidated and separate financial statements.

These guidelines require the SIA Group to subject the goodwill that emerges in the consolidated financial statements after line-by-line consolidation of direct and indirect shareholdings to an impairment test at least once a year. It also has to subject to impairment testing, in the presence of impairment indicators and, in any case, at year-end close of the financial statements at December 31, the value of the equity investments recorded in the separate financial statements and of the other intangible and tangible assets with a finite life, also with the assistance of a qualified external third party.

As regards 2019, on completion of the purchase price allocation of the Magnolia transaction (see the section above entitled “Purchase price allocation of the Magnolia transaction”), SIA's management decided to carry out an impairment test on goodwill and intangible assets with a finite life (customer list) recorded in the consolidated financial statements also at June 30, 2019, because of the size of the amount in proportion to the total assets and the evolution of the Group structure following the acquisition of SIA Greece and SIA Slovakia at the end of September 2018.

The estimates and assumptions underlying the impairment tests are periodically reviewed, ensuring their consistency with the industrial/budget plans approved and progressively revised by the competent corporate bodies, as well as with the changes in the organizational and strategic structure of the SIA Group. According to IFRS, these revisions are considered in the results of the subsequent impairment tests on the values of goodwill (intangible assets with an indefinite life, so not subject to amortization) and intangible and tangible assets with a finite life and equity investments recorded in the financial statements and, therefore, the corresponding effects of each change are reflected in future statements of profit or loss of the years concerned.

The results of the impairment tests are illustrated below. They were carried out on the reference date of December 31, 2019 and are based on the three-year plans for the period 2020-2022 of the subsidiaries and their extension, for the sole purpose of the impairment test, also for the two-year period 2023-2024, as approved by the corporate bodies of the subsidiaries in January 2020.

Please refer to the paragraph "Significant events subsequent to the end of the financial year" for the effects of the spread of "Coronavirus" pandemic.

Purpose and object of the impairment tests

According to IAS 36 the "recoverable value" of an asset is equal to the higher of its value in use and its market value, net of disposal costs; an asset has suffered a loss in value when its carrying amount exceeds its recoverable value.

For the amounts of goodwill recorded in the Group's consolidated financial statements (also referred to here as "assets"), the impairment tests were carried out by estimating the recoverable value of the CGU to which they refer.

The CGUs subjected to the valuation process have undergone a change compared with the previous year due to a number of business combinations and Group integrations that were completed during 2019 or which will take effect from January 1, 2020. The CGUs that have been identified are the following:

- SIA CE, which includes SIA Central Europe and SIA Slovakia (considered as a sub-holding company, the latter holds 100% direct control of SIA Croatia, SIA Czech Republic, SIA Hungary, SIA Romania and SIA Serbia), controlled 100% by SIA; please note that on January 1, 2020 SIA Slovakia absorbed SIA Central Europe which in turn absorbed SIA Hungary (see "Structure of the SIA Group at December 31, 2019" in the Management Report)
- SIA Greece, controlled 100% by SIA
- P4cards, consisting of the investments in P4cards and PforCards, controlled 100% by SIA; in addition, this CGU includes the subsidiary Ubiq, which was absorbed by P4cards with effect from January 1, 2019, previously belonging to the "Loyalty and Big Data" CGU, SIA's service line to which was allocated the goodwill generated following the business combination of Ubiq
- SIApay, consisting of the equity investments in SIApay and Emmecom, following the absorption of Emmecom by SIApay, effective January 1, 2020
- SIAadvisor, controlled 51% by SIA and consolidated 100%.

In addition, as regards the subsidiary Perago FSE, the continued negative economic results of past years and 2019 were taken into account, as well as the presence of a negative book equity at December 31, 2019 (note that based on South African law there are no legal restrictions as regards minimum capital requirements). The parent company SIA S.p.A., as sole shareholder, has issued a letter of financial and capital support to allow Perago FSE to be considered a going concern for at least the whole of 2020; in this regard, in January 2020, taking into account the provisions of the three-year plan 2020-2022 approved by the Board of Directors of Perago FSE, the Board of Directors of SIA S.p.A. approved granting a loan to this subsidiary for 3.5 million euro (of which 1 million euro already disbursed in February 2020), at the maximum interest rate allowed by South African law and lasting 2 years, to cover forecast cash requirements up to June 30, 2020. Group management carefully monitors the economic, equity and financial performance of the subsidiary, also evaluating the most appropriate measures to be adopted for the next redefinition of its organizational and strategic structure.

The impairment test carried out on the reference date of December 31, 2019 led to a total write-down of the carrying amount of the equity investment in the separate financial statements of SIA S.p.A. of approximately 263 thousand euro; it should be noted that no goodwill and/or other tangible and/or intangible assets related to the past purchase price allocation of this subsidiary are recorded in the consolidated financial statements of the SIA Group, so no impairment test was necessary at December 31, 2019 at a consolidated level.

The following table shows the carrying amount of the CGUs at December 31, 2019:

(Thousands of euro)

CGU identified	Composition	SEPARATE FINANCIAL RELATION Carrying amount Investment	CONSOLIDATED FINANCIAL RELATION Allocated goodwill (A)	Assets at FV (*) (B)	Net assets (Equity) (C)	Book value CGU (A+B+C) (**)
SIA	SIA S.p.A.		8,008	-	316,238	324,246
SIA Greece	SIA Greece	148,432	76,702	18,251	48,898	143,851
SIA CE	SIA Slovakia	236,897	183,840	24,434	32,214	258,982
	SIA Slovakia subsidiaries		-	-	2,121	
	SIA Central Europe	15,200	9,945	-	6,428	
P4cards	P4cards S.r.l.	487,588	284,029	108,512	90,425	486,220
	PforCards GmbH	5,100	1,608	-	1,646	
SIApay	SIApay S.r.l.	5,716	-	-	8,574	15,157
	Emmecom S.r.l.	7,490	3,275	-	3,308	
SIAadvisor	SIAadvisor S.r.l.	969	1,732	-	3,250	4,982
Total consolidated goodwill			**569,139**			

(*) Net of accumulated depreciation & amortization and deferred taxation. In particular:

- *for P4cards, the gross value of the intangible assets identified is 215 million euro, on which 60.0 million euro of deferred taxes have been provided. Accumulated amortization at December 31, 2019 amounted to 64.5 million euro (2019 charge equal to 21.5 million euro, net carrying amount at December 31, 2019 equal to 150.5 million euro) and deferred taxes were used for 18.0 million euro (6 million euro used in 2019, balance at December 31, 2019 equal to 42 million euro);*
- *for SIA Greece, a lower fair value of the properties owned was recorded for 7.1 million euro on which deferred tax assets were allocated for 2.1 million euro. Accumulated depreciation at December 31, 2019 amounted to 481 thousand euro (2019 charge equal to 384 thousand euro, net carrying amount at December 31, 2019 equal to less than 6.6 million euro) and deferred taxes were used for 142 thousand euro (113 thousand euro used in 2019, balance at December 31, 2019 equal to 2 million euro);*
- *for SIA Greece the gross value of the intangible assets identified is equal to 43.6 million euro on which deferred taxes have been allocated for 12.9 million euro. Accumulated amortization at December 31, 2019 amounted to 10.9 million euro (2019 charge of 8.7 million euro, net carrying amount at December 31, 2019 equal to 32.7 million euro) and deferred taxes were used for 3.2 million euro (2.6 million euro used in 2019, balance at December 31, 2019 equal to 9.7 million euro);*
- *for SIA Slovakia the gross value of the identified intangible assets is equal to 46.3 million euro on which deferred taxes have been allocated for 13.7 million euro. Accumulated amortization at December 31, 2019 amounted to 11.6 million euro (2019 charge of 9.3 million euro, balance at December 31, 2019 equal to 34.7 million euro) and deferred taxes were used for 3.4 million euro (2.7 million euro used in 2019), balance at December 31, 2019 equal to 10.3 million euro.*

(**) The book value of the related CGUs in the consolidated financial statements of SIA at December 31, 2019 amounts to the sum of: (i) the book equity of the company or companies that make up the CGU, (ii) the intangible assets identified in the PPA (net of accumulated amortization and deferred taxation) and (iii) the goodwill allocated to the CGU.

Estimates: assumptions underlying the impairment test

The reference date for impairment tests is December 31, 2019; the related estimates are based on the figures of the reporting packages at December 31, 2019 approved by the Boards of Directors of the subsidiaries and on the plans approved for the 2020-2022 period by the subsidiaries, unless otherwise indicated below.

Market information is current information available on the reference date of the estimates; in addition, appropriate sensitivity analyses were carried out on the test results.

We would remind you that the results of the impairment tests are expressed gross of tax.

Valuation criteria and rules applied

For the purpose of estimating the "recoverable values" of the assets recognized in the financial statements at 31 December 2019, reference was made to the concept of "value in use". The value configuration requires (IAS 36.31) an estimate of the "incoming and outgoing future cash flows that will derive from continuous use of the asset and its final disposal" and the application to these flows of an "appropriate discount rate".

The projections underlying the value in use estimates:

- are based on reasonable and coherent assumptions, which represent the best estimate that can be made by company management of the possible economic conditions that may arise during the useful life of the asset in question

- start from the financial statements at December 31, 2019 and from the projections resulting from the plans approved for the three-year period 2020-2022 (unless otherwise indicated), which incorporate the most recent macroeconomic trends and make use of the best forecasts available to management
- use a time horizon of 3-5 years as an explicit forecast period in line with the provisions of IAS 36
- are adopted for evaluation purposes only after having carried out the appropriate analyses for deviation between the final balance of the reference year and the related budget, where applicable, to understand the causes of the deviations and after verifying that these deviations are included in the projections.

The estimate of the value in use envisages an estimate of the terminal value, which consists of quantifying the present value of the cash flows freely distributable to the shareholders after the explicit forecast period, starting from the net profit expected for the last year of the forecast.

In line with the provisions of IAS 36, the “unlevered” financial criterion was used as the basic reference for the estimate of value in use.

As regards any investee companies operating in currencies other than the euro, the “value in use” is calculated, as required by IAS 36.54, starting from the prospective financial flows expressed in local currency and discounting these flows on the basis of a discount rate expressing the risks associated with this currency. Lastly, the present value expressed in foreign currency is converted into the reporting currency (euro) on the basis of the spot exchange rate on the reference date of the estimate.

The value in use is based on an opportunity cost of capital estimated in line with the provisions of IAS 36 and the Guidelines relating to the impairment test of goodwill in contexts of financial and real crisis of the Italian Valuation Body (OIV). The opportunity cost of capital (discount rate) used for the valuations is equal to the weighted average cost of capital, which weighs the cost of equity and financial debt, calculated as a nominal rate, net of tax. A parameter, known as an “execution premium”, was also used to reflect the execution risks incorporated in the plans, differentiated by individual CGU.

RESULTS

SIA GREECE CGU

In order to determine the value in use of the SIA Greece CGU and the SIA CE CGU (for which see the next point), it was necessary to “extrapolate” the current industrial plans for the three-year period 2020-2022 approved in January 2020 by estimating an extension to the period 2023-2024, in consideration of the following main aspects:

- in-depth knowledge of the businesses and organizational structures of the subsidiaries operating in foreign markets, gained during the months following the closing date which took place on September 28, 2018
- steady progress of the Group integration project, as discussed during the periodic meetings of the Steering Committee held during 2019 and the first few months of 2020
- acquisition of relevant new information by the SIA Group management, which made it possible to understand in greater detail, also thanks to the support of a primary external consultant and integration of the accounting systems starting from October 2019, on the savings costs and synergies that can be found in the Magnolia transaction to be allocated to the individual CGUs, as well as on the main commercial initiatives that the Group intends to undertake
- the starting date on April 19, 2019 of the Group Reporting Matrix, which is a new tool for corporate governance that is fundamental for the development of the organizational model of the SIA Group, including the subsidiaries SIA Greece and SIA Slovakia in the scope of consolidation.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Greek government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 2 years prior to December 31, 2019 (so excluding the extraordinary returns recorded during the Greek public debt crisis), in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 2.6% for the years of the plan and 3.4% for the terminal value.

The equity risk premium is equal to the average value between historical and forward-looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

The specific risk premium was set at 1%, in order to reflect elements of intrinsic uncertainty in the operating context of the business and specifically to incorporate the significant concentration of turnover towards an important customer.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta, equal to 1.03, is adjusted to consider a risk factor linked to the limited size and the lack of negotiability, estimated at 20%. The adjusted levered beta is therefore equal to 1.24.

The growth rate "g" is estimated as the inflation rate expected for Greece in 2024 and is equal to 1.8% (source: IMF, October 2019 report).

The resulting WACC is 8.7% for the years of the plan and 9.4% for the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is substantially in line with the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationship with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation (for details, see the previous section); furthermore, the market value of the CGU in question, estimated according to the stock market multiples method (as the control method) is higher than the carrying amount.

Accurate sensitivity analyses were carried out on the results of the impairment tests. In particular, it should be noted that as the terminal EBITDA varies by an amount between -2.5 percentage points and -5.0 percentage points and, in the absence of changes in the wacc-g, the value in use would be slightly lower than the carrying amount of the CGU; if the wacc-g varies between 0.25 percentage points and 0.50 percentage points and in the absence of changes in the terminal EBITDA, the value in use would be substantially in line with the carrying amount of the CGU.

Lastly, it should be noted that at the date of approval of the financial statements at December 31, 2019, there was still in progress the tender procedure for the renewal of card processing services launched by an important listed Greek bank, towards which SIA Greece has a significant concentration of its revenues; this tender procedure will be completed by end of October 2020. The SIA Group's management, which has already taken this aspect into account in carrying out the impairment test, is carefully monitoring its evolution.

SIA CE CGU

Please refer to what is reported in the point above on the figures of the plan used to carry out impairment tests.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Slovak government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 10 years prior to December 31, 2019, in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 1.2% for the years of the plan and 3.1% for the terminal value.

The equity risk premium is equal to the average value between historical and forward-looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

A country risk premium (CRP) has been factored in as the bulk of the company's activities take place outside the country where the registered office is located. It is calculated differently from the Slovak CRP, taking into account the weighted average CRP of the countries where the company generates its turnover (source: Damodaran). The CRP has been set at 0.9%.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta, equal to 1.04, is adjusted to consider a risk factor linked to the limited size and lack of negotiability, estimated at 20%. The adjusted levered beta is therefore equal to 1.25.

The growth rate "g" is estimated as the

long-term inflation rate expected for the European Union (in 2024) and is equal to 2.0% (source: IMF, October 2019 report).

The resulting WACC is 6.7% for the years of the plan and 8.5% on the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is substantially in line with the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationships with certain customers recognized in the consolidated financial statements at the time of the purchase price allocation (for details, see the previous section); furthermore, the market value of the CGU in question, estimated according to the stock market multiples method (as the control method) is higher than the carrying amount.

Accurate sensitivity analyses were carried out on the results of the impairment tests. In particular, it should be noted that if the terminal EBITDA changes by -2.5 percentage points and in the absence of changes in the "wacc-g", the value in use would be substantially in line with the carrying amount of the CGU; as the "wacc-g" varies by 0.25 percentage points and in the absence of changes in terminal EBITDA, the value in use is substantially in line with the carrying amount of the CGU.

P4CARDS CGU

For the companies P4cards and its direct subsidiary PforCards, a significant increase in turnover and margins is foreseen during the years of the plan approved for the period 2020-2022, used to carry out the impairment tests at December 31, 2019.

Basic parameters

The risk-free rate for the years of the plan is equal to the average yield of 10-year Italian government bonds in the last 12 months prior to December 31, 2019; the risk-free rate for the terminal value is estimated as the average yield of 10-year government bonds in the last 10 years prior to December 31, 2019, in order to normalize to historical average levels the basic monetary rate, which today appears to be unsustainable in the long term (source: Factset). The risk-free rate used is therefore 1.9% for the years of the plan and 3.2% for the terminal value.

The equity risk premium is equal to the average value between historical and forward looking ERP (source: Damodaran) in the last 12 months prior to December 31, 2019 and was set at 5.2%.

The specific risk premium was set at 1% and 2% for the terminal value, in order to reflect elements of intrinsic uncertainty in the operating context of the business and specifically to incorporate the significant concentration of turnover towards an important customer.

The unlevered beta is estimated at 0.89 and is based on a sample made up of 9 comparable companies (calculated on the basis of monthly surveys extended over a five-year time horizon starting from December 31, 2019), corrected with the Blume formula (source: Factset). The levered beta is equal to 1.04.

The growth rate "g" is estimated as the inflation rate expected for Italy in 2024 and is equal to 1.5% (source: IMF, October 2019 report).

The resulting WACC is 7.2% for the years of the plan and 9.3% for the terminal value.

Summary of results

The impairment test carried out in application of the above methodology shows that the value in use of the CGU is higher than the carrying amount in the consolidated financial statements, so there is no need to make adjustments to the value of goodwill for 2019, nor to the residual net carrying amount at December 31, 2019 of the intangible asset represented by the value of the contractual relationship with an important customer recognized in the consolidated financial statements at the time of the purchase price allocation completed in 2017.

Accurate sensitivity analyses were carried out on the results of the impairment tests; in particular, if the wacc-g varies between +1.0 percentage points and in the presence of a change in the terminal EBITDA of between -2.5 and -5.0 percentage points, the value in use would be substantially in line with the carrying amount of the CGU.

In addition, during 2019 the activities of the former subsidiary Ubiq, which was absorbed by P4cards on January 1, 2019, underwent an organizational and strategic re-dimensioning and re-adaptation; it was therefore considered prudent to write down the goodwill allocated to the previous "Loyalty and Big Data" CGU as a service line within the parent company SIA S.p.A., in its entirety, namely 2.5 million euros.

Lastly, it should be noted that P4cards outsources the processing of transactions carried out with debit, credit and prepaid cards and management of the POS and ATMs of the UniCredit Group to UniCredit Services, on the basis of a specific 10-year contract that began on 1 January, 2017; certain aspects of this contract were being renegotiated at the date of approval of the financial statements of the SIA Group and SIA S.p.A. for the year ended 31 December 2019. The SIA Group's management, which has already taken this aspect into account in carrying out the impairment test, is carefully monitoring its evolution.

GOODWILL ALLOCATED TO THE SIA CGU (RELATING TO COMPANIES ABSORBED BY SIA IN PREVIOUS YEARS)

The goodwill recorded in the consolidated financial statements relating to companies that were absorbed by SIA in the previous years (SiNSYS as of January 1, 2013 and RA Computer as of January 1, 2015), with a carrying amount of 8 million euro, were subject to impairment considering the whole of SIA as a CGU. In continuity with the financial statements of previous years, as well as taking into account the recent strategic plan approved by SIA's Board of Directors in February 2020, the value of this CGU is much higher than the carrying amount of the goodwill in question.

CGU SIAPAY/ SIAADVISOR

The amounts of goodwill allocated to the other CGUs (SIApay and SIAadvisor) are not material, both individually and in aggregate.

The final results of SIApay, which also include the results of merged company Emmecom, are higher than those expected in the pro-forma budget. Moreover, in the 2020-2024 consolidated plan of the two entities merged from 1 January 2020 prepared by management, strong growth is expected, driven by the acquisition of additional customers which is expected to be concluded in the first few months of 2020; this plan also provides for strong growth in production value and an increase in profit margins (in absolute terms).

The 2019 economic results of SIAadvisor have overall far exceeded the budget prepared at the beginning of the year and confirm this company's positive trend. In particular, the value of SIAadvisor's production was higher than the forecast (+53.7%) and EBITDA recorded a significant increase compared with expectations (+91.3%).

Based on impairment tests on the goodwill allocated to the CGUs in question, there is no need to make any adjustments for 2019.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

1. Tangible assets

(Thousands of euro)

	31/12/2019			31/12/2018 (*)			Change 2019 Vs 2018 (*)
	Gross amount	Depr. Fund	Net amount	Gross amount	Depr. Fund	Net amount	
Plant and machinery	319,859	(255,380)	64,479	298,089	(236,444)	61,645	2,834
Industrial and commercial equipment	3,653	(3,197)	456	3,539	(2,075)	1,464	(1,008)
Land and buildings	103,151	(31,768)	71,383	40,891	(24,047)	16,844	54,539
Other assets	20,356	(16,690)	3,666	18,154	(16,538)	1,616	2,050
Construction in progress and advances	5,712	-	5,712	4,003	-	4,003	1,709
Leasehold improvements	15,869	(10,804)	5,065	14,437	(10,335)	4,102	963
Total	**468,600**	**(317,839)**	**150,761**	**379,113**	**(289,439)**	**89,674**	**61,087**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

The adoption of IFRS 16 from January 1, 2019 led to the recognition in tangible assets of the rights of use of assets under operating leases. In particular, at January 1, 2019, the Group recognized rights of use attributable to properties and buildings where operating activities take place for 58.9 million euro, and rights of use attributable to other tangible assets (mainly vehicles) for 2.0 million euro. In addition, after recording the rights of use relating to leased properties in tangible assets, the improvements made to these assets were also reclassified to this item.

This explains almost entirely the changes in this balance sheet item. For further details, please refer to the section above entitled “IFRS accounting standards, amendments and interpretations applied from January 1, 2019”.

Furthermore, it should be remembered that in the process of allocating the purchase price of SIA Greece and SIA Slovakia, a difference was found between the carrying amount of the properties owned by SIA Greece and their fair value, due to the profound crisis that the Greek real estate market has been in for a number of years. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

CHANGES IN TANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018 (*)	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Gross	251,683	3	14,602	(7,121)	-	(307)	258,860
Leased plant and machinery - Gross	46,406	-	14,593	-	-	-	60,999
Equipment - Gross	3,539	(369)	85	(209)	-	607	3,653
Land	2,472	-	-	-	-	-	2,472
Buildings - Gross	38,419	-	78	-	-	-	38,497
Other assets - Gross	18,154	(7)	426	(63)	-	(406)	18,104
Construction in progress and advances	4,003	(104)	2,545	(725)	(7)	-	5,712
Leased buildings - Gross	-	1	-	-	-	62,181	62,182
Leased other assets - Gross	-	-	34	-	-	2,218	2,252
Leasehold improvements - Gross	14,437	-	1,432	-	-	-	15,869
Total	**379,113**	**(476)**	**33,795**	**(8,118)**	**(7)**	**64,293**	**468,600**

Depreciation fund	31/12/2018 (*)	Exchange differences	Additions	Disposals	Impairment	Other changes	31/12/2019
Plant and machinery - Fund	(200,661)	(24)	(19,648)	7,701	-	(253)	(212,885)
Leased plant and machinery - Fund	(35,783)	-	(6,711)	-	-	(1)	(42,495)
Equipment - Fund	(2,075)	333	(317)	208	(2)	(1,344)	(3,197)
Buildings - Fund	(24,047)	-	(627)	2	-	8	(24,664)
Other assets - Fund	(16,538)	(8)	(904)	63	-	1,463	(15,924)
Leased buildings - Fund	-	-	(6,888)	13	-	(229)	(7,104)
Leased other assets - Fund	-	-	(794)	37	-	(9)	(766)
Leasehold improvements - Fund	(10,335)	-	(469)	-	-	-	(10,804)
Total	**(289,439)**	**301**	**(36,358)**	**8,024**	**(2)**	**(365)**	**(317,839)**
Total net amount	89,674						150,761

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Column "Other Changes" mostly represents the amount recorded on January 1, 2019 of rights of use related to buildings and other tangible assets as a consequence of the first time application of IFRS 16.

2. Intangible assets

(Thousands of euro)

	31/12/2019			31/12/2018 (*)			Change 2019 Vs 2018 (*)
	Gross amount	Amort. Fund	Net amount	Gross amount	Amort. Fund	Net amount	
Goodwill	**569,139**	**-**	**569,139**	**571,621**	**-**	**571,621**	**(2,482)**
Internally generated asset	358,848	(331,250)	27,598	356,528	(319,348)	37,180	(9,582)
Software Licences	169,438	(140,234)	29,204	140,513	(121,324)	19,189	10,015
Intangible assets others	399,079	(180,719)	218,360	400,238	(141,385)	258,853	(40,493)
Other intangible assets	**927,365**	**(652,203)**	**275,162**	**897,279**	**(582,057)**	**315,222**	**(40,060)**
Intangible assets in progress and advances	**50,210**	**-**	**50,210**	**27,764**	**-**	**27,764**	**22,446**
Total	**1,546,714**	**(652,203)**	**894,511**	**1,496,664**	**(582,057)**	**914,607**	**(20,096)**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In the process of allocating the purchase price of SIA Greece and SIA Slovakia, the values of certain contractual relations with customers of the two companies acquired have been identified and recognized at fair value, namely 43.6 million euro and 46.3 million euro respectively. These contractual relationships have been attributed a useful life of 5 years. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

CHANGES IN INTANGIBLE ASSETS *(Thousands of euro)*

Gross amount	31/12/2018 (*)	Merger	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Goodwill	571,621	-	-	-	-	(2,482)	-	569,139
Internally generated asset	356,528	-	-	17,849	(4,315)	-	(11,214)	358,848
Software Licences	140,513	-	(55)	18,440	(777)	-	11,317	169,438
Intangible assets others	400,238	-	-	131	(1,288)	-	(2)	399,079
Intangible assets in progress and advances	27,764	-	-	38,525	(15,861)	(217)	(1)	50,210
Total	**1,496,664**	**-**	**(55)**	**74,945**	**(22,241)**	**(2,699)**	**100**	**1,546,714**

Amortization fund	31/12/2018 (*)	Merger	Exchange differences	Increase	Decrease	Impairment	Other changes	31/12/2019
Internally generated asset	(319,348)	-	-	(24,094)	3,952	(160)	8,400	(331,250)
Software Licences	(121,324)	-	49	(11,260)	774	(46)	(8,427)	(140,234)
Intangible assets others	(141,385)	-	-	(39,112)	470	(692)	-	(180,719)
Total	**(582,057)**	**-**	**49**	**(74,466)**	**5,196**	**(898)**	**(27)**	**(652,203)**
Total net amount	914,607							894,511

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In 2019 significant investments were made in intangible assets, also for the technological integration projects of the new companies that have joined the SIA Group. These higher investments related in particular to the purchase of software licenses and the development of internal projects, a large part of which are still under development and therefore included in "Intangible assets in progress and advances". Note that at the end of 2019, a substantial part of the assets in progress were made up of important projects being developed in particular by the parent company SIA for important bank customers. These projects are expected to be up and running in 2020. The column "Other changes" includes mainly some reclassifications made above all by the subsidiary SIA Greece to be aligned with the Group accounting policies.

The following table summarizes the amounts of goodwill recorded in the consolidated financial statements at December 31, 2019 and allocated to the CGUs identified after the adjustments made following the impairment tests (see "Impairment tests of consolidated goodwill and other non-financial assets" for details).

(Thousands of euro)

	Business combination	Consolidated goodwill at 31/12/2019
CGU		
SIA	SiNSYS	7,485
	RA Computer	523
SIApay	SIApay	-
	Emmecom	3,275
SIA Central Europe	SIA Central Europe	9,945
	SIA Slovakia	183,840
SIAadvisor	SIAadvisor	1,732
P4cards	P4cards	284,029
	PforCards	1,608
SIA Greece	SIA Greece	76,702
Total goodwill		**569,139**

3. Investments

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Subsidiaries	5	-	5
Affiliated	720	720	-
Total	**725**	**720**	**5**

The net carrying amount of investments amounted to 725 thousand euro and has increased compared with December 31, 2018 due to the exclusion of Consorzio QuenIT in liquidation and DMAN in liquidation from the line-by-line consolidation. These subsidiaries are therefore recorded at cost and measured using the equity method; any contribution of their balance sheet and income statement balances to the Group's financial statements would be totally immaterial, both individually and in aggregate.

4. Non-current financial assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial asset at fair value through other comprehensive income - non current	12	50	(38)
Total	**12**	**50**	**(38)**

Non-current financial assets amount to 12 thousand euro and correspond to the carrying amount of the shares held by SIA in MIP Politecnico di Milano. At December 31, 2018, the item included the carrying amount of the shares held by Trustlink, which was sold during the year.

5. Non-current contract work-in-progress

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Work on commission non current	566	-	566
Total	**566**	**-**	**566**

The contract work-in-progress includes costs incurred by the subsidiary Perago FSE for a job order in progress which will generate revenues as soon as certain project milestones have been reached, in accordance with IFRS 15.

6. Non-current trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade receivables from customers	-	6	(6)
Total	**-**	**6**	**(6)**

7. Other non-current assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current assets	837	-	837
Total	**837**	**-**	**837**

Following the adoption of IFRS 16 from 1 January 2019, leasehold improvements, which made up the entire item, have been reclassified to tangible assets.

8. Deferred tax assets

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax assets	13,162	12,755	407
Total	**13,162**	**12,755**	**407**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

In the process of allocating the purchase price of SIA Greece and SIA Slovakia, following the recognition of a fair value lower than the carrying amount of the properties belonging to SIA Greece, 2.1 million euro of deferred tax assets were set aside on the basis of IAS 12. For further information, see the section above entitled “Purchase price allocation of the Magnolia transaction”.

The item has the purpose of recognizing deferred tax assets, i.e. incurred prior to the period to which they refer, and consists of:

- deferred tax assets recognized on the difference between statutory and fiscal depreciation of tangible assets
- deferred tax assets on actuarial components on employee defined-benefit plans, recognized in the valuation reserve
- other temporary differences found in the calculation of current taxes between carrying amounts and amounts recognized for tax purposes.

The increase is explained mainly by the negative change during the year in the fair value of the hedging derivative, recorded on the basis of IFRS 9 in the valuation reserve, net of the tax effect recognized here.

Below is shown the composition of deferred tax assets divided in those recognized in profit and loss and those recognized in equity:

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax assets	13,162	12,755	407
of which:			
- in return for the Net Equity	*3,322*	*1,957*	*1,365*
- in return for the P&L	*9,840*	*10,798*	*(958)*
Total	**13,162**	**12,755**	**407**

(Thousands of euro)

	31/12/2019	31/12/2018 (*)
Opening balance	**12,755**	**7,890**
Deferred tax assets recognized during the period with return for the P&L	2,730	3,190
Deferred tax assets recognized during the period with return for the Net Equity	1,831	777
Other increases	666	3,443
Deferred tax assets reversed during the period with return for the P&L	(2,795)	(1,508)
Deferred tax assets reversed during the period with return for the Net Equity	(466)	(951)
Other decreases	(1,559)	(86)
Closing balance	**13,162**	**12,755**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Current assets

9. Inventories and contract work-in-progress

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Finished products and raw materials	2,860	2,548	312
Work in progress - current	1,066	1,827	(761)
Total	**3,926**	**4,375**	**(449)**

The inventories of finished products and materials mainly refer to the plastic warehouse of credit/debit cards and PINs for telephone top-ups of P4cards; they are substantially in line with the figures at December 31, 2018. The contract work-in-progress refers to project activities for customers carried out in particular by the parent company SIA and Perago FSE; they have decreased because certain parts of projects were completed or reached the project milestones that allowed them to be billed and booked as revenues. (Changes during the period relate to the recognition of revenues for 0.8 million euro during 2019 related to projects completed or that have reached specific milestones that determine the recognition of related revenues).

10. Current financial receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other financial receivables	5,456	1,703	3,753
Total	**5,456**	**1,703**	**3,753**

At December 31, 2018, a financial receivable of approximately 1.7 million euros was recognized in the consolidated financial statements for compensation accrued by the parent company towards the seller First Data as part of the Magnolia deal, in accordance with the sale & purchase agreement which provides for certain purchase price adjustment clauses; this receivable was collected during the second half of 2019.

On the other hand, the subsidiary SIA Slovakia wrote off an old trade receivable from First Data of 1.3 million euro, having ascertained that it had not been collected.

The increase of current financial receivables is due to the higher business of the subsidiary SIApay (a payment institution), that at December 31, 2019, had financial receivables towards international and national circuits related to the settlement collection and payment operations. Such receivables have been settled at the beginning of 2020.

11. Current financial assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Financial asset measured at amortised cost - current	127	122	5
Total	**127**	**122**	**5**

Financial assets measured at amortized cost are composed of a cash deposit held by Perago FSE as collateral at a bank so that it can use a line of credit. The instrument is recognized at nominal value since the adjustments deriving from the measurement at amortized cost and the assessment of counterparty risk were not considered significant.

12. Current tax assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other tax assets	71,673	38,922	32,751
Current tax assets - IRES	7,316	13	7,303
Current tax assets - IRAP	2,113	-	2,113
Foreign tax assets	6,098	440	5,658
Total	**87,200**	**39,375**	**47,825**

In July 2019, the parent company SIA carried out a 250 million euro step-up of the goodwill that arose from the business combinations of SIA Greece and SIA Slovakia as a result of the purchase price allocation by paying a flat-rate substitute tax of 40 million euro. The payment of this substitute tax was recognized as an advance on current taxes (as required by a specific document prepared by the Italian Accounting Body for the financial statements of companies that apply IAS/IFRS and in accordance with the same accounting method used in the 2017 consolidated financial statements following the step-up of the consolidated goodwill recognized for the P4cards business combination). These amounts of goodwill will become tax deductible on a straight-line basis over five years, starting from 2021. In 2019, the parent company SIA began to deduct the goodwill recognized following the acquisition of P4cards for a portion 6.1 million euro, for which a withholding tax was paid for in 2017 for 35.8 million euro and recorded as an advance in other tax assets.

13. Current trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade receivables - current	225,639	194,375	31,264
Bad debt provision - current	(5,747)	(5,618)	(129)
Total	**219,892**	**188,757**	**31,135**

Trade receivables have increased compared with the previous year due to the significant increase in volumes invoiced by the Group.

Given the short-term nature of trade receivables, the Group believes that the carrying amounts, net of any bad debt provision, represent a good approximation of fair value.

CHANGES IN THE BAD DEBT PROVISION *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Opening balance	**(5,618)**	**(2,164)**	**(3,454)**
Increase	(1,966)	(4,057)	2,091
Decrease	1,837	603	1,234
Closing balance	**(5,747)**	**(5,618)**	**(129)**

In 2019, the bad debt provision was used, above all by the parent company SIA, to write off some receivables for which a specific provision was made in 2018.

In addition, during 2019, the internal criteria used to estimate both analytical and general write-downs were refined, taking into account the practices developed in the meantime since the entry into force of IFRS 9 on 1 January 2018 and the experience gained over time. This led to an additional provision of 2.0 million euro at December 31, 2019, taking into account the wider scope of consolidation with the entry of SIA Greece and SIA Slovakia for the whole of 2019 (in 2018 they had only contributed for the last quarter).

The exposure to credit risk and the expected losses relating to trade and other receivables have been processed by the Group on the basis of an internal classification between performing customers and those in default, as follows:

(Thousands of euro)

	Bonis	Past due	Unlikely to pay	Dispute	Legal	Default	Total
Key customers	59,862	46,699	21,417	-	-	-	127,977
Intercompany	-	-	-	-	-	-	-
Others	72,594	14,023	5,920	2,355	2,770	-	97,662
Gross amount	**132,456**	**60,722**	**27,337**	**2,355**	**2,770**	**-**	**225,639**
Bad debt provision	393	921	1,097	1,316	2,021	-	5,747
Net Value	**132,063**	**59,801**	**26,240**	**1,039**	**749**	**-**	**219,892**

14. Other current assets

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Security deposits	560	1,008	(448)
Prepayments to suppliers	2,499	1,792	707
Receivables from employees	476	360	116
Other assets	1,862	6,138	(4,276)
Tax receivables	924	2,659	(1,735)
Prepayments and accrued expenses	26,735	25,730	1,005
Total	**33,056**	**37,687**	**(4,631)**

This item recorded a decrease compared with the prior period mainly due to the decrease in “Other assets”. This item included amounts paid by the parent company SIA to the Tax Authority for appeals filed against a number of assessment notices for which reimbursements were received during the current year. Tax receivables decrease due to a reduction in the VAT credit, linked to billing trends of sales and purchases.

15. Cash and cash equivalents

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Cash in hand	14	15	(1)
Bank accounts and deposits	97,388	94,624	2,764
Other cash and cash equivalents	33	13	20
Total	**97,435**	**94,652**	**2,783**

Analysis of the cash flow statement shows that the Group generated operating cash flow of around 140.9 million euro during the period, which almost entirely covered net investments which absorbed cash flows for around 76.6 million euro, and financing activities, which absorbed cash flows for around 61.5 million euro. It should be noted, among other things, that during 2019 the parent company distributed dividends to its shareholders for approximately 60 million euro, paid a flat-rate substitute tax of 40 million euro to step up a portion of the goodwill deriving from the Magnolia transaction, and repaid amounts of principal on the medium/long-term loan for a total of 70 million euro (plus interest and differentials on cash flow hedging derivatives connected to the variability of the interest rate on the said loan).

LIABILITIES AND SHAREHOLDERS' EQUITY

16. Shareholders' equity

Share capital

The share capital of SIA S.p.A. amounts to 22,275 thousand euro, divided into 171,343,227 ordinary shares with a nominal value of 0.13 euro each.

The total number of shares without voting rights is 1,410,253 (0.82305734% of total shares).

Share premium reserve

It amounts to 5,317 thousand euro and has not changed during the year.

Reserves

These amount to 204,779 thousand euro (187,921 thousand euro at December 31, 2018). As can be seen in the statement of changes in consolidated shareholders' equity, the change is attributable to the allocation of profits for the previous year, net of dividends paid.

Valuation reserve

It is negative for 10,519 thousand euro (it was negative for 6,198 thousand euro at December 31, 2018).

Non-controlling interests

This is equal to zero euro (5 thousand euro at December 31, 2018).

Reconciliation between the shareholders' equity and the profit of SIA and the shareholders' equity and profit attributable to the Group

(Thousands of euro)

	Shareholders' Equity at 31/12/2019	Profit/(loss) for 2019	Shareholders' Equity 2018 (*)	Profit/(loss) for 2018 (*)	Shareholders' Equity 2018	Profit/(loss) for 2018
SIA S.p.A.	316,238	105,575	273,939	84,641	273,939	84,641
Shareholders' equity and results for the period attributable to the Group	196,948	49,919	177,552	33,205	177,552	33,205
Shareholders' equity and results for the period attributable to non-controlling interests	-	-	(5)	-	(5)	-
Subsidiaries carrying amount elimination	(908,548)	-	(913,394)	-	(913,394)	-
Intra-group dividends elimination	-	(32,196)	-	(28,456)	-	(28,456)
Allocated goodwill	569,139	-	571,621	-	311,080	-
Non-allocated goodwill	-	-	-	-	318,189	-
Intangible assets recognised as a result of PPA processes and depreciations of the period (net of deferred taxes)	155,951	(28,149)	184,100	(18,621)	124,013	(15,501)
Allocated Fair value buildings - PPA	(4,754)	271	(5,025)	-	-	-
Debts for non-controlling interests	(2,117)	-	(2,117)	-	(2,117)	-
Other consolidation adjustments	(5,724)	(139)	(940)	5,647	(406)	5,647
SIA Group	**317,133**	**95,281**	**285,731**	**76,416**	**288,851**	**79,536**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

Non-current liabilities

17. Non-current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - non current	617,750	695,860	(78,110)
Other financial payables - non current	61,400	13,318	48,082
Total	**679,150**	**709,178**	**(30,028)**

This item decreased following the repayment of portions of principal for 70 million euro of the medium-long term loan (plus interest and differentials relating to derivative contracts that swap the loan's variable rate with a fixed rate), which reduced the amount of non-current bank debt.

Furthermore, the adoption of IFRS 16 from January 1, 2019 led to an increase of 48.1 million euro in non-current financial payables at the end of the period, as the contra-entry to the right-to-use assets recorded in tangible assets.

18. Non-current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current financial liabilities	2,117	2,117	-
Hedging derivatives - non current	3,738	3,114	624
Total	**5,855**	**5,231**	**624**

This item changed following the increase in the negative fair value of cash flow hedging transactions carried out by the parent company SIA in connection with the risk of interest rate fluctuations with the banks making up the syndicate that made the medium-long term bank loan in July 2018 to close the Magnolia deal and simultaneous renegotiation of the debt contracted in 2017 for the acquisition of P4cards. The mark-to-market of the instruments suffers from the continuous and prolonged flattening of the forward curve of the Euribor rate.

During 2019, following the repayment of 70 million euro as a portion of the principal of the aforementioned loan, the residual notional value of the derivatives in question decreased from the original amount of 575 million euro to 505 million euro at December 31, 2019; approximately 2.7 million euro of differentials were settled during 2019.

19. Provisions for employee benefits

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Employee benefits	25,866	23,145	2,721
Total	**25,866**	**23,145**	**2,721**

The changes in provisions for employee benefits during the year are shown below:

(Thousands of euro)

	TFR Fund
Opening balance	**23,145**
Increase	
Provision	5,848
Decrease	
Liquidation	(3,127)
Closing balance	**25,866**

The provisions for employee benefits refer to the employee severance indemnity for employees of the Group's Italian companies and the pension funds required by trade union agreements for foreign companies and branches. Changes over the period include actuarial losses recorded in the statement of comprehensive income for 2.196 million euro.

The main actuarial assumptions used to measure the liabilities at the end of the year for the more significant employee benefit provisions are as follows:

FINANCIAL AND ECONOMIC ASSUMPTIONS:

Discount rate	Curve Eur composite AA at 29.11.2019	
	Maturities (years)	Rates
	1	*0.248%*
	2	*0.154%*
	3	*0.088%*
	4	*0.028%*
	5	*0.038%*
	7	*0.170%*
	8	*0.255%*
	9	*0.343%*
	10	*0.428%*
	15	*0.734%*
Inflation rate		1.50%
Expected rate of pay increase (including inflation)		N.A.
Percentage of employees severance indemnity requested in advance		100.00%

DEMOGRAPHIC ASSUMPTIONS:

Maximum retirement age	According to latest legal provisions
Mortality tables	SI 2018
Average annual percentage of personnel exit *	3.02%
Annual probability of request for an advance	1.00%

** calculated for any cause of termination, in the first ten years after the assessment year.*

20. Deferred tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Deferred tax liabilities	62,395	73,643	(11,248)
Total	**62,395**	**73,643**	**(11,248)**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the item recognizes the allocation of deferred tax liabilities on the basis of IAS 12, following the identification of intangible assets as part of the PPA process for SIA Greece and SIA Slovakia.

The decrease in this item is explained by the use of deferred tax liabilities set aside on intangible assets with a finite useful life identified on completion of the PPA following the acquisitions of P4cards, SIA Greece and SIA Slovakia, whose amortization is in progress.

Below is shown the changes relating to deferred tax liabilities:

(Thousands of euro)

	31/12/2019	31/12/2018 (*)
Opening balance	**73,643**	**54,274**
Deferred tax liabilities recognized during the period with return for the P&L	27	102
Other increases	88	26,593
Deferred tax liabilities reversed during the period with return for the P&L	(11,363)	(7,326)
Other decreases	-	-
Closing balance	**62,395**	**73,643**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3. In particular, the item recognizes the allocation of deferred tax liabilities on the basis of IAS 12, following the identification of intangible assets as part of the PPA process for SIA Greece and SIA Slovakia.

21. Provisions for risks

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Provisions for risks	3,041	2,357	684
Total	**3,041**	**2,357**	**684**

CHANGES DURING THE YEAR *(Thousands of euro)*

	Charges for employees	Tax disputes	Other provisions	Total
Balances at 31/12/2018 (*)				
Opening balance	330	240	1,787	**2,357**
Reclassifications				
Reclassifications	-	-	-	**-**
Increase				
Provisions of the period	-	-	1,678	**1,678**
Decrease				
Utilisation of the period	(135)	(36)	(823)	**(994)**
Balances at 31/12/2019				
Closing balance	195	204	2,642	**3,041**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

During the year, the provision for risks set aside at the end of 2018 was used following the settlement of a claim made by a customer of the parent company (already provided for at the end of 2018).

In 2019, the parent company SIA made a total accrual of 1.3 million euro, mainly to cover probable liabilities relating to legal proceedings that were pending. The other provisions were made by SIA Greece, Perago FSE and SIAadvisor for amounts that may have to be paid to customers and/or for internal litigation.

22. Other non-current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other non current liabilities	1,723	9,928	(8,205)
Total	**1,723**	**9,928**	**(8,205)**

The decrease in this item is substantially attributable to the reclassification of 5.7 million euro to current liabilities for amounts owing to the management of the parent company under bonus schemes.

Current liabilities

23. Current financial payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Bank loans - current	199,424	85,585	113,839
Other current financial payables	28,383	20,412	7,971
Total	**227,807**	**105,997**	**121,810**

This item increased following the adoption of IFRS 16 from January 1, 2019 which led to the recognition of financial payables as the contra-entry to the right-to-use assets recorded in tangible assets, as well as for the use by the parent company SIA of short-term lines of credit for a total of 100 million euro, aimed, in particular, at financing the step-up of goodwill recognized following the acquisition of SIA Greece and SIA Slovakia (see "Current tax assets") and to meet other temporary cash requirements.

24. Current financial liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Hedging derivatives - current	2,587	-	2,587
Total	**2,587**	**-**	**2,587**

25. Current tax liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Current tax liabilities - IRES	44	3,537	(3,493)
Current tax liabilities - IRAP	224	1,399	(1,175)
Foreign tax liabilities	4,046	(14)	4,060
Total	**4,314**	**4,922**	**(608)**

26. Current trade payables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Trade payables - current	95,996	85,397	10,599
Total	**95,996**	**85,397**	**10,599**

Trade payables have increased as a consequence of the Group's growth, particularly with reference to higher variable costs due to the increase in business volumes.

Given the short-term characteristics of trade payables, the Group believes that the nominal amounts constitute a good approximation of the fair value.

27. Other current liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Customer advance payments	6,881	7,658	(777)
Social security debts	22,815	24,090	(1,275)
Amounts due to Directors and Auditors	497	367	130
Payables to employees	30,533	23,790	6,743
Deferred income and accrued liabilities	4,788	7,228	(2,440)
Tax liabilities	9,020	10,828	(1,808)
Other liabilities	7,265	4,988	2,277
Total	**81,799**	**78,949**	**2,850**

The increase in this item is explained almost entirely by the rise in payables to employees; in fact, the amounts due to management of around 5.7 million euro under the bonus schemes for 2019 have been reclassified to this item. They are expected to be paid in the first half of 2020.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

28. Revenues from sales and services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Revenues from sales and services	733,237	614,802	118,435
Total	**733,237**	**614,802**	**118,435**

The Group's revenues are attributable to sales of products and services for around 731.6 million euro and to project activities for around 1.6 million euro. For the Group's most important services, revenue recognition generally coincides with delivery of the product or service to the customer.

In addition to the excellent results of SIA and P4cards, the increase in this item is mainly attributable to the positive contribution of SIA Greece and SIA Slovakia, which contributed to the Group's results for the entire year, having entered the scope of consolidation on September 28, 2018.

BREAKDOWN OF REVENUES BY BUSINESS SEGMENTS IN ITALY AND ABROAD
(Thousands of euro)

	Italy	Abroad	Total 2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**

For further details on the distribution of revenues by operating segments, please refer to the section of the notes entitled "Segment information". There are no individual countries that accounts more than 10% of consolidated revenues.

29. Other revenues and income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Other revenues	1,126	718	408
Contingent income	1,992	2,400	(408)
Gains	199	73	126
Variation of inventories and commissions	760	(1,886)	2,646
Total	**4,077**	**1,305**	**2,772**

Other revenues include non-operating income, such as insurance reimbursements and contributions towards innovation projects; contingent income substantially includes amounts set aside at the end of the previous year, which have not had any financial movement. The balance of the item change in inventories and contract work-in-progress at December 31, 2019 includes the change in contract work on projects for customers by SIA and Perago FSE as reported in the related financial statement section.

30. Costs for raw materials, supplies, consumables and goods

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Goods and products	(14,206)	(13,750)	(456)
Total	**(14,206)**	**(13,750)**	**(456)**

Costs for raw materials are substantially in line with the previous period and mainly refer to the higher volumes of card production, offset by lower hardware resales, especially on the part of Emmecom.

31. Costs for Services

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Rental	(24,228)	(24,459)	231
Maintenance	(36,922)	(29,805)	(7,117)
Network	(16,249)	(16,765)	516
Outsourcing	(31,388)	(27,343)	(4,045)
Building	(7,876)	(13,518)	5,642
Professional Services	(66,531)	(56,516)	(10,015)
Royalties	(19,527)	(11,350)	(8,177)
General expenses	(13,076)	(11,994)	(1,082)
Insurance	(1,392)	(1,337)	(55)
Total	**(217,189)**	**(193,087)**	**(24,102)**

The increase in costs for services is explained almost entirely by the contribution from SIA Greece and SIA Slovakia, which in 2018 only contributed to costs in the last quarter.

Starting from January 1, 2019 the adoption of IFRS 16 led to a reduction in the costs relating to property lease payments (under property management) for an estimated 8.6 million euro; rental costs did not show significant changes as they mainly refer to software excluded from the scope of application of the this standard.

Maintenance costs rose as a result of the increased level of investment for the modernization of the existing technological infrastructure and the development of integration projects among Group companies.

In 2019, expenses regarding certain M&A transactions and Corporate projects totaling Euro 7,314 thousand were recorded in respect of legal, tax and corporate consulting services solely in relation to the process of drafting the Business Plan for Euro 502 thousand, for M&A projects for Euro 4,605 thousand and for the integration project of the companies purchased in the 2018 (SIA Greece and SIA Slovakia) for Euro 2,207 thousand. These costs were reported under “Services” as follows: a) Euro 179 thousand under “Rental”; b) Euro 1,298 thousand under “Maintenance”; c) Euro 69 thousand under “Network”; and d) Euro 5,705 thousand under “Professional services”. Lastly, a minor part of these costs was reported in the “Payroll Costs” item “Other costs” for Euro 63 thousand.

The increase in royalties is directly related to the increase in revenues, also to the new e-money services provided by the SIApay.

32. Payroll costs

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Wages and salaries	(154,736)	(125,953)	(28,783)
Social charges	(39,944)	(31,211)	(8,733)
Severance indemnities	(5,848)	(5,664)	(184)
Payments to pension funds	(4,326)	(3,854)	(472)
Charges for restructuring	(4,796)	(9,148)	4,352
Other costs	(9,039)	(8,236)	(803)
Travel	(4,020)	(3,085)	(935)
Other staff	(422)	(974)	552
Directors and Auditors	(1,491)	(1,236)	(255)
Recoveries seconded staff	(43)	342	(385)
Refunds seconded staff	(150)	(401)	251
Capex internal staff costs	9,795	6,919	2,876
Total	**(215,020)**	**(182,501)**	**(32,519)**

The main differences are related to the increase in the Group's workforce following the inclusion of SIA Greece and SIA Slovakia in the scope of consolidation for the whole of 2019.
There was an increase in capitalized payroll costs driven by the intense use of internal resources for integration projects, following business combinations, and the development of projects for customers.

"Wages and salaries" include cash bonuses to management linked to the achievement of long-term results for 5.74 million euro.

In 2019, expenses regarding M&A transactions totaling Euro 4.61 million were recorded in respect of legal, tax and corporate consulting services under the "Costs for Services", and in the "Payroll Costs" item "Other costs" for Euro 63 thousand.

The following table shows the average and year-end number of Group employees at December 31, 2019, broken down by category, as well as the comparison with the situation at December 31, 2018.

WORKFORCE

Workforce (year-end)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,491	34	1,476	35	1,525	1,511
SIApay	28	-	20	-	28	20
SIAadvisor	29	-	24	-	29	24
Ubiq	-	-	14	-	-	14
Emmecom	10	-	11	-	10	11
P4cards	464	4	403	3	468	406
PforCards	25	-	18	-	25	18
SIA Central Europe	35	-	46	-	35	46
Perago FSE	79	-	74	-	79	74
SIA Greece	965	1	951	22	966	973
SIA Slovakia	289	1	260	10	290	270
SIA Romania	1	-	1	-	1	1
SIA Hungary	15	-	15	-	15	15
SIA Czech Republic	-	-	1	-	-	1
SIA Croatia	5	-	5	-	5	5
SIA Serbia	75	-	75	1	75	76
Total	**3,511**	**40**	**3,394**	**71**	**3,551**	**3,465**

Workforce (average)	31/12/2019		31/12/2018		31/12/2019	31/12/2018
	Employees	Executives	Employees	Executives	Total	Total
SIA	1,476	35	1,473	36	1,511	1,509
SIApay	27	-	18	-	27	18
SIAadvisor	27	-	19	-	27	19
Ubiq	6	-	17	-	6	17
Emmecom	11	-	12	-	11	12
P4cards	429	4	367	3	433	370
PforCards	23	-	16	-	23	16
SIA Central Europe	40	-	49	-	40	49
Perago FSE	76	-	78	-	76	78
SIA Greece	970	1	241	6	971	247
SIA Slovakia	281	1	64	3	282	67
SIA Romania	1	-	-	-	1	-
SIA Hungary	16	-	4	-	16	4
SIA Czech Republic	-	-	1	-	-	1
SIA Croatia	5	-	1	-	5	1
SIA Serbia	75	-	19	-	75	19
Total	**3,463**	**41**	**2,379**	**48**	**3,504**	**2,427**

33. Other operating expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Non-deductible VAT	(28,537)	(21,779)	(6,758)
Tax expenses	(761)	(585)	(176)
Losses on disposal of assets	(241)	(132)	(109)
Other charges	(3,461)	(2,886)	(575)
Total	**(33,000)**	**(25,382)**	**(7,618)**

The non-deductible VAT, which include also the non-deductible VAT matured on consultancy costs for M&A and Corporate projects for 600 thousand euro, grew for the increased consolidation area (2 million euro recorded by SIA Slovakia) for the greater purchases of goods and services subject to VAT, also driven by the increase in the business volumes of SIA and P4cards. In addition, both SIA and P4cards have seen a deterioration of the pro-rata ratio for the recoverability of VAT, following the significant increase in revenues not subject to VAT (in particular, revenues from the processing of transactions).

34. Depreciation and amortization and write-off

(Thousands of euro)

	Depreciation	Write-off	Total
Tangible assets	(21,487)	(9)	(21,496)
Leased tangible assets	(14,871)	-	(14,871)
Total tangible assets	**(36,358)**	**(9)**	**(36,367)**

(Thousands of euro)

	Amortization	Write-off	Total
Goodwill	-	(2,482)	(2,482)
Software Licences	(11,262)	(46)	(11,308)
Internally developed software	(23,937)	(160)	(24,097)
Intangible assets others	(39,267)	(693)	(39,960)
Intangible assets in progress	-	(217)	(217)
Total intangible assets	**(74,466)**	**(3,598)**	**(78,064)**
Total depreciation, amortization and write-off	**(110,824)**	**(3,607)**	**(114,431)**

The write-off to intangible assets include the write-down on consolidated goodwill referring to Ubiq for 2.5 million euro and other write-downs of intangible assets, in particular the P4cards and SIA Greece software projects, which exhausted their economic benefits before the costs could be fully amortized.

35. Impairment of trade receivables

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision for bad debts	(1,966)	(1,220)	(746)
Write-off on receivables	(1,704)	-	(1,704)
Total	**(3,670)**	**(1,220)**	**(2,450)**

The higher provision in 2019 is due to the adjustment of SIA bad debt provision as a result of higher receivables because of larger volumes invoiced and the identification of certain receivables that are deemed uncollectable. Losses on receivables were caused by the write-off by SIA Slovakia of a balance due from the previous shareholder First Data.

36. Provision for risks

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Provision fund risks	(1,678)	(823)	(855)
Total	**(1,678)**	**(823)**	**(855)**

See comment to the balance sheet item "Provisions for risks".

37. Management/trading of financial assets and liabilities

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Profit/(loss) on financial assets and liabilities management	-	(396)	396
Value adjustment of financial receivables and assets	-	-	-
Total	**-**	**(396)**	**396**

The negative amounts relating to 2018 refer almost entirely to the write-off of the call option granted and sold to SIA by managers of SIA and its Belgian branch, as part of the reserved increase in capital approved by the Shareholders' Meeting of July 23, 2015, for 353 thousand euro. There are no profits or losses from financial assets and liabilities in 2019.

38. Financial income

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest income	442	347	95
Other financial income	2,175	-	2,175
Total	**2,617**	**347**	**2,270**

Other financial income includes the amounts collected by SIA for 2.6 million euro on December 2019 (after the measurement period) from First Data, as a price adjustment for the Magnolia deal in accordance with the sale & purchase agreement signed in 2018. This amount was reduced by 398 thousand euro following the partial write-down made in June 2019 of the financial receivable granted at December 31, 2018 for the price adjustment of this transaction.

39. Financial expenses

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018
Interest expenses	(17,484)	(11,385)	(6,099)
Bank charges	(629)	(592)	(37)
Total	**(18,113)**	**(11,977)**	**(6,136)**

This item increased by approximately 6.1 million euro compared with the previous year following the increased bank debt of the Group, particularly of the parent company SIA, to support non-organic growth and related derivatives to hedge cash flows against the variability of interest rates, as well as for the adoption, from January 1, 2019 of IFRS 16 with the consequent recording of higher interest expenses for 2.1 million euro.

Interest expenses include the differentials on hedging derivatives settled during 2019, which amount to 2.7 million euro, and the negative change in the fair value of derivatives for the portion considered ineffective, equal to 943 thousand euro, recognized in the statement of profit or loss as required by IAS 39 - Hedge Accounting.

40. Income taxes

(Thousands of euro)

	31/12/2019	31/12/2018 (*)	Change 2019 Vs 2018 (*)
Current taxes	(38,392)	(37,854)	(538)
Prepaid/deferred taxes	11,271	9,110	2,161
Taxes from previous years	(222)	(666)	444
Total	**(27,343)**	**(29,410)**	**2,067**

(*) The figures at December 31, 2018 have been restated to take into account the net assets identified on completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, acquired on September 28, 2018, whose final figures had not been included in the financial statements at December 31, 2018, in accordance with the provisions of IFRS 3.

The income taxes are lower than in the previous period as the Group benefits from tax amortization (and, therefore, from the corresponding reduction in the annual tax base by 44.8 million euro for a net tax benefit for the period of 6.1 million euro) of consolidated goodwill recognized following the business combination of P4cards, stepped up in 2017 by the parent company SIA through the payment of a flat-rate substitute tax.

SIA also benefited in 2019 from the application of the regulatory provisions relating to the Patent Box for 3.8 million euro compared with 3.3 million euro in 2018.

The reconciliation of the theoretical tax charge with the one effective tax rate is provided below. The theoretical rate is the one in force during the reporting period for the Parent Company:

(Thousands of euro)

	Taxes
Earnings before taxes	**122,624**
Theoretical tax rate	**24.00%**
Theoretical taxes	**29,430**
Increasing/decreasing variations	
Non-taxable revenues	(6,773)
Costs not deductible for tax purposes	7,993
Amortization of goodwill	(6,079)
Other differences	2,772
Income taxes recorded in the P&L	**27,343**
Effective tax rate	**22.30%**

Non-taxable revenues essentially reflect the effects of the Patent Box, as described above; costs non deductible refer mainly to the impacts of the leasing, provisions for risks and charges, write-downs of receivables and the incentive pertaining to 2019 which will be paid to employees in the future; the other differences are essentially related to IRAP tax for the Italian companies and to the different tax impact of the Group's foreign companies.

41. Earnings per share

Basic earnings per share is calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding any treasury shares held. Basic earnings per share at December 31, 2019 amounted to 0.56 euro and was determined by dividing the Group's profit, equal to 95.281 million euro, by the weighted average number of shares outstanding during the year (171,343,227). On December 31, 2018 earnings per share was 0.45 euro.

The Group does not have any shares that could potentially be dilutive, so diluted earnings per share is equal to basic earnings per share.

SEGMENT INFORMATION

SIA Group management has identified the following three business segments:

- **Card & Merchant Solutions**[1]: it groups together the payment acceptance and issuing services, based on schemes some of which are national (e.g. PagoBANCOMAT), others international (e.g. Visa, Mastercard, Alipay, Wechatpay, etc.). Traditional (e.g. card based) and digital (e.g. ApplePay, SamsungPay, etc.) and a wide range of services dedicated to physical commerce and e-commerce are included, including all processing services and value-added services. In addition to the parent company SIA, the Group companies in this segment are P4cards, PforCards, SIA Slovakia, SIA Greece and SIApay.
- **Digital Payment Solutions**[2]: it groups together activities related to account to account payments, from acceptance and processing solutions for retail and corporate payments (e.g. SEPA, Instant and domestic) to clearing and settlement systems (e.g. Rtgs, Automated Clearing House, etc.) for central institutions. It also includes digital banking services, corporate remote banking, PSD2 and Open Banking platforms and specific collection tools for the public administration. The Group companies in this segment include the parent company SIA, SIAadvisor and Perago FSE.
- **Capital Market & Network Solutions**[3]: it groups together network services and access to Eurosystem (ESMIG), innovative blockchain-based solutions and the services and solutions dedicated to capital markets. The segment includes the capital market activities and network solutions offered by the parent company SIA.

In consideration of the very recent and profound developments inherent, first and foremost, to the change in the corporate governance of SIA, to the approval of the new SIA Group business plan for the three-year period 2020-2022 and the foreseeable significant new strategic business initiatives, to continuous technological innovation, as well as the resolution to start the process aimed at listing SIA's ordinary shares on the MTA organized and managed by Borsa Italiana, Group management has launched some in-depth analyses to review and update its view on segment reporting, also taking into account market best practices. Following the start of these in-depth analyses, starting from the segment information included in the consolidated financial statements for the year ended 31 December 2019, Group management has updated the names of the segments (as shown above) and reclassified certain initiatives and projects among the various segments with respect to the information provided in 2018, which has therefore been restated as follows:

(Thousands of euro)

	Reclassification to segment:	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions
Reclassification from segment:				
Cards	**389,223**	379,530	9,693	0
Payments	**115,145**	0	74,962	40,184
Institutional Services	**110,434**	0	60,715	49,719
Total 2018	**614,802**	**379,530**	**145,370**	**89,902**

The reclassifications of 2018 revenues concerned:

- the transfer from the Card & Merchant Solutions segment to the Digital Payment Solutions segment of revenues for a total of 9.7 million euro, relating to payment services such as gateway services (front-end), consulting and business intelligence;

[1] Segment previously called "Cards".

[2] Segment previously called "Payments".

[3] Segment previously called "Institutional Services".

- the transfer from the Capital Market & Network Solutions segment to the Digital Payment Solutions segment of revenues for a total of 60.7 million euro, relating to payment services to individuals, corporate, public administrations and central banks (EBA, PagoPA, corporate banking, etc.);
- the transfer from the Digital Payment Solutions segment to the Capital Market & Network Solutions segment of revenues for a total of 40.2 million euro, for logical network services (i.e. the transfer of data from one subject to another, guaranteeing security, integrity and no refusal).

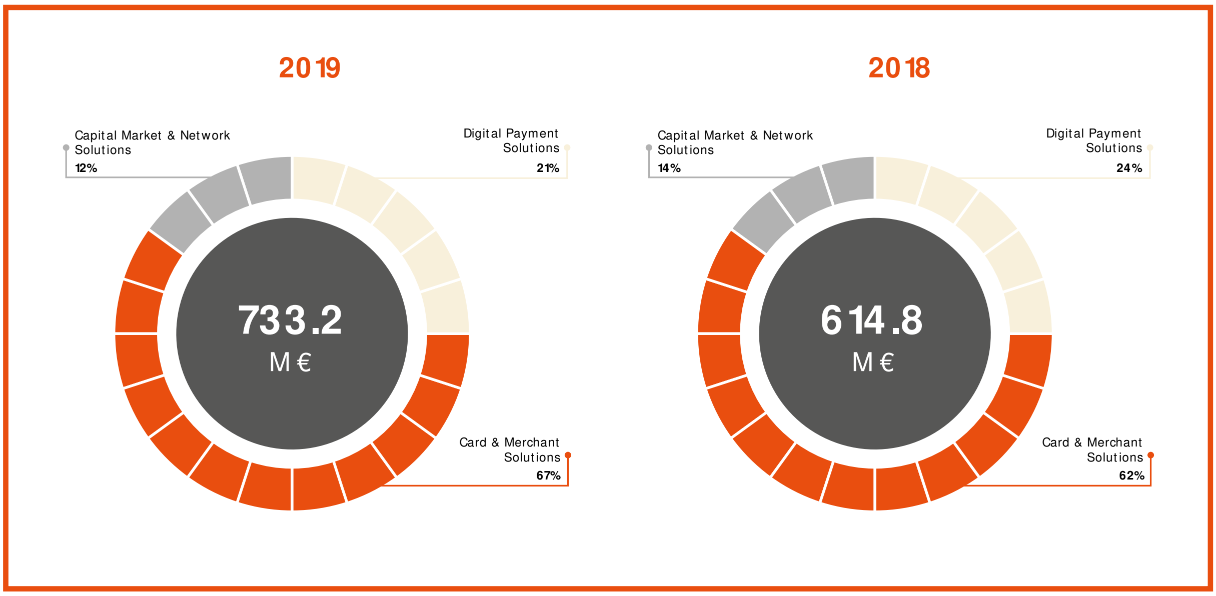
The change in the contribution of the individual segments (reclassified) to total revenues in 2018 can therefore be summarized as follows:

	Card & Merchant Solutions	Digital Payment Solutions	Capital Market & Network Solutions	Total
Contribution to revenues 2018 for segments - new view	62%	24%	14%	100%
Contribution to revenues 2018 for segments - previous view	63%	19%	18%	100%

In consideration of the above, the revenues attributed to each of the above three segments for 2019, compared with the figures for 2018 reclassified according to the new management view explained above, are as follows:

(Thousands of euro)

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Card & Merchant Solutions	490,474	379,530	110,944	29.2%
Digital Payment Solutions	150,761	145,370	5,391	3.7%
Capital Market & Network Solutions	92,002	89,902	2,100	2.3%
Total revenues	**733,237**	**614,802**	**118,435**	**19.3%**



Finally, it should be noted that there are no revenues between the various operating segments.

The following tables show the “Adjusted Operating Margin”, in aggregate and as a percentage of revenues, for each of the three business segments described above; in fact, consistently with the new SIA Group Business Plan for the three-year period 2020-2022 and with management reporting, Adjusted Operating Margin represents, together with revenues, the main measure on the basis of which the SIA Group management monitors and evaluates the economic performance of the sectors identified and the related allocation of resources:

CARD & MERCHANT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues (*)	490,474	379,530	110,944	29.2%
Adjusted Operating Margin	172,370	126,836	45,534	35.9%
Adjusted Operating Margin/ Revenues	35%	33%	2%	

(*) Net revenues amounted to approximately 485 million euro at December 31, 2019, net of approximately 5.4 million euro relating to SIApay's fee and commission expense (see paragraph "Consolidated results of the Group - Reclassified consolidated income statement" of the Management Report).

DIGITAL PAYMENT SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	150,761	145,370	5,391	3.7%
Adjusted Operating Margin	52,336	45,178	7,158	15.8%
Adjusted Operating Margin/ Revenues	35%	31%	4%	

CAPITAL MARKET & NETWORK SOLUTIONS *(Thousands of euro)*

	31/12/2019	31/12/2018	Change 2019 Vs 2018	Change %
Revenues	92,002	89,902	2,100	2.3%
Adjusted Operating Margin	33,193	29,374	3,819	13.0%
Adjusted Operating Margin/ Revenues	36%	33%	3%	

These three segments represent total consolidated revenues and consolidated Adjusted Operating Margin for the years 2019 and 2018.

At the same time as reviewing the process of identifying and aggregating the business segments and the related determination of revenues as shown above, in order to calculate the Adjusted Operating Margin of each segment, the related costs have been defined consistently with the new aggregations used and in continuity with the existing allocation criteria, which also provide for the distribution of costs proportionally to the revenues of each operating segment.

In 2019, compared with the previous year, all segments posted higher profitability in terms of Adjusted Operating Margin; in particular:

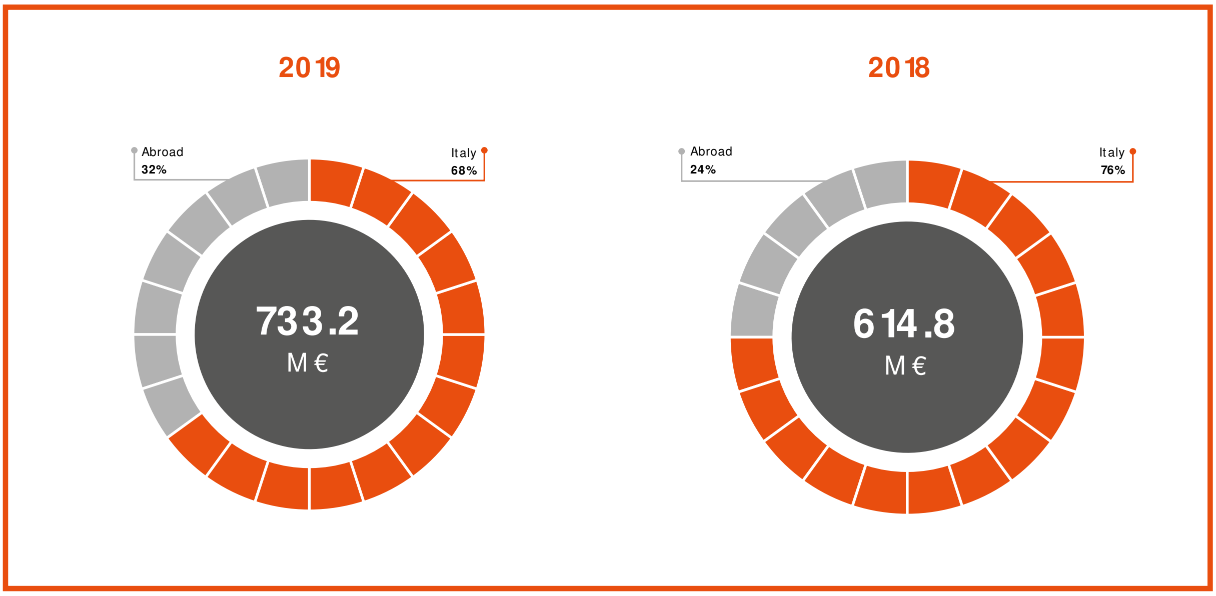
- the Adjusted Operating Margin of the Card & Merchant Solutions segment benefited mainly from the contributions of SIA Greece and SIA Slovakia for the whole of 2019 (these companies were acquired at the end of 2018), as well as the positive performance of the SIA business and P4cards in 2019
- the Adjusted Operating Margin of the Digital Payment Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs

incurred for 2019 from the payment services connected to electronic invoicing, payment hub and transportation

- the Adjusted Operating Margin of the Capital Market & Network Solutions segment benefited mainly from particular efficiency in terms of operating leverage, which meant savings in costs incurred for 2019 from services related to connectivity and secure messaging. Moreover, profitability in 2019 benefited fully from the extension to the first half of 2020 of the existing contract with four Central European Institutions for the provision of connectivity services.

The SIA Group continues to closely monitor the performance of the business segments, also with regard to the significant new initiatives covered by the Business Plan for the period 2020-2022 approved in February, as well as developments in the Coronavirus emergency (see "Significant events subsequent to the end of the financial year").

Lastly, the breakdown of total consolidated revenues by geographical area between Italy and abroad is illustrated below, which shows how the Group is successfully pursuing its path of growth and strengthening on foreign markets:



At a geographical level, the turnover achieved in Italy is equal to 501 million euro, an increase of 35 million euro (+7.5%) compared with 2018, while the foreign contribution came to 232 million euro, an improvement of 84 million euro (+56%) thanks to the internationalization policy pursued by the Group in recent years; in particular, as a result of the Magnolia deal, SIA has positioned itself as the no. 1 operator in Greece and in other countries of central-south-eastern Europe including Croatia, the Czech Republic, Hungary, Romania, Serbia and Slovakia, which represent one of the most important and fastest growing areas in Europe for the electronic payments sector.

REVENUE BREAKDOWN BY BUSINESS SEGMENT AND GEOGRAPHICAL AREA *(Thousands of euro)*

	Italy	Abroad	Total 2019
Card & Merchant Solutions	316,970	173,504	490,474
Digital Payment Solutions	100,696	50,065	150,761
Capital Market & Network Solutions	83,696	8,306	92,002
Total	**501,362**	**231,875**	**733,237**

A detailed analysis of the three segments' performance is provided below.

Card & Merchant Solutions segment

The increase in revenues about Card & Merchant Solutions segment is partly due to the acquisition of the First Data business in south-eastern Europe concluded on September 28, 2018, but also to the positive performance of SIA and P4cards.

In 2019 in Europe, the strong growth trend of payments via smartphone was confirmed and to date they represent one third of the total digital payments by card.

This method allows a substantial decrease in the average amount of transactions, which combined with the change in the user experience, favors the push to no cash transactions even for small amounts.

In particular, there has been an increase in transactions by Apple Pay, Samsung Pay and most recently Google Pay, which was launched by one of the major Italian players towards the end of 2018.

During the first half of the year, thanks to SIA Slovakia and its direct subsidiaries, SIA permitted the launch and activation of the Samsung Pay service by Volksbank and Findomestic, and the Apple Pay service by Granit in Hungary and by Postova banka and J&T Bank in Slovakia. Furthermore, the Alipay service was launched at UniCredit Hungary and the Garmin Pay service at Alpha Bank in Greece.

Benefiting from the complete offer in the field of POS acquiring services and from the creation of synergies with local partners, the SIA Group has managed to expand its geographical coverage by providing POS terminals to the Slovenian market.

The company controlled by the group, SIA Greece, thanks to its specific know-how, has managed to expand its BPO business (e.g. card personalization, print & mail and contact center services) by significantly expanding the customer base served.

Still remaining in Europe, SIA issued the first co-branded VISA cards in April for a leading German issuer.

Considering the domestic market, the diffusion in Italy of digital payment methods is increasing constantly, especially in the e-commerce sector. This is evidenced by the data collected during the week of Black Friday: SIA recorded an increase of over a third of collections with electronic money, going from 13.7 million transactions last year to 18.4 million recorded in 2019. Furthermore, in the domestic market, the Digit PagoBANCOMAT service was launched for the BANCOMAT S.p.A. circuit with the banks participating in the pilot phase, through which PagoBANCOMAT card holders can virtualize the card on their smartphone (initially via Samsung Pay). The BANCOMAT Pay service has been active since January and was born from the agreement between SIA and BANCOMAT S.p.A. for the use of the Jiffy technological platform to support the digital transformation of BANCOMAT and allow 37 million PagoBANCOMAT card holders to pay in stores and on e-commerce, send and receive money in real time from their smartphone in total security by simply using their own mobile phone number with P2P, P2B, P2C and P2G services.

The SIA Group has prepared circuit apps, both for the user and for the merchant, through which the member banks will be able to offer their customers the provision of services with reduced deadlines and impacts. Together with BANCOMAT, SIA has defined and implemented value-added services by equipping BANCOMAT Pay with innovative use cases.

In the second half of 2019, SIA, in collaboration with an Italian University, activated a solution based on personalized contactless cards that allow students to access the various services offered by the University easily and safely.

The second version of the payment services directive (3DS v2 - PSD2) and the related implementing legislation on September 14, 2019 set the deadline for the mandatory adoption by banks and other payment service providers of payment systems with strong customer authentication, based on the use of at least two factors to allow customers to access online accounts and make electronic payments securely. In view of the complexity of the adjustments, particularly relevant in the field of online card payments, and the need for active involvement of users, the European Banking Authority (EBA) has recognized the possibility for national authorities to allow additional time beyond September 14, to allow completion of the interventions and the adoption of new authentication tools by all customers, with exclusive reference to the category of payments. This authentication method has generated structural changes in the operating methods of all counterparties (merchants, acceptance networks, technical service providers), also with impacts on payment routes and a new user experience on the part of our customers. A Risk Based Authentication system has been introduced to analyze purchasing behavior and make the authentication process simpler or even unnecessary if certain conditions are met.

SIA continues to offer Card Management services in the Digital Banking area starting with digital on-boarding and contracting services. For the offer of terminals, thanks to the subsidiary P4cards, SIA has enriched the smartPOS line, based on the Android system. This solution guarantees the offer of multiple apps that allow operators of the different market segments to enjoy services aimed at expanding the services aimed at their customers, such as booking taxis and accepting meal vouchers and making payment management more efficient, for example with cash register and electronic invoicing solutions.

During 2019 an important insurance group chose SIA to create the Payment Hub which, integrated with the company's new sales processes, will allow the collection of policies on the physical (via POS terminals) and virtual channels. SIA will work closely with the insurance company, offering its service to over 2,200 agencies in Italy. The solution developed by SIA, integrated with the company's back-end and front-end systems, will allow timely reporting of each policy and each payment. The new infrastructure will replace the current system, again provided by SIA from 2012, thus confirming the validity of the partnership between the two companies.

Favored by SIApay and strong growth volumes, the issue of payment cards is confirmed as an essential element in guaranteeing complete support for the initiatives of customer payment institutions.

Lastly, in December 2019 the subsidiaries SIApay and P4cards completed the final phase of the migration of POS terminals for an important banking group, an initiative that resulted in the massive roll out of over 22,000 merchants and the migration of 23,000 POS terminals from Nexi Acquirer/ GT POS to P4cards Acquirer SIApay/ GT POS. The project introduced a new commercial proposition model, in which the Customer/ Partner holds the contractual relationship with the merchant, while SIApay, as Principal Member towards the International Circuits, is responsible for the operational and financial management of all the processes.

The Transaction Collection infrastructure completed the on-boarding process of the traffic deriving from the Triveneto Consortium in view of the migration to the new NEXI-Blue platform.

Digital Payment Solutions segment

The Digital Payment Solutions segment consolidated its system dynamics during 2019, taking into account, in particular, the rationalization of exchanges between German commercial banks.

During the first half of 2019, the mandatory introduction of electronic invoicing produced a strong increase in volumes and a significant increase in service revenues, including the conservation component, which also generated interesting opportunities for discussion on the topic of ancillary payment services.

Also in the first half of 2019, two important tenders launched by the Bank of Italy were successfully completed:

- renewal of the concession for the provision of the Interbank Alarm Center - CAI;
- assignment of the middleware implementation project for the treatment of domestic payments.

The development of the Payment HUB solutions that integrate the instant payments service connected to the requirements of the PSD2 regulation continued. Near real time execution, 24/24 availability and irrevocability make instant payment a hybrid method between card transfer and transaction.

In the field of smart mobility, the group's commitment continues, which not only confirms itself as the ideal partner for the development of technology and supporting infrastructure, but also proposes itself as a developer of ad hoc solutions capable of integrating all the players involved in the value chain.

In the transport sector, the payment service for travel tickets with contactless cards stood out and was acquired and made operational by several metropolitan and regional transport companies.

This service allows citizens and tourists to access the means of transport easily, quickly and with secure payment via contactless cards or smartphones. SIA plays the role of a technological "hub" by connecting the company's information system, the financial institution that interacts with the payment card circuits and the operator of the POS terminals.

The strong impact of the smart mobility service is evidenced by the numbers made public by a leading Italian transport company, which in 2019 recorded an increase of over 300% in the use of contactless cards as an access tool to the metro lines compared with 2018.

As already introduced in the Card & Merchant Solutions segment, SIA plans to consolidate the alliance with BANCOMAT through the further development of the ATM Pay platform and the offer of new value-added features. In particular, the commercial launch of two mobile applications developed entirely by SIA is planned to facilitate and speed up the spread of the BANCOMAT service.

These applications are addressed both to the retail world, allowing the exchange of money between individuals, and to the merchant world, allowing to collect payments in App-to-App mode.

SIA has guaranteed excellent service levels, reaching 100% availability of the service to EBA Clearing and its customers for the sixth consecutive year.

The strong interest on the part of many operators for solutions that guarantee real-time settlement of retail payments ("Instant Payments") was further confirmed in 2019, during which there was a strong and constant growth in volumes. This type of payment represents an important support to the even greater diffusion of the use of payment instruments on mobile platforms and the development of e-commerce.

During the second half of 2019, ongoing project activities continued for the following customers:

- RTGS system for the Central Bank of a North American country
- RTGS system and Instant Payments for the Central Bank of a European country
- RTGS and CSD Equities system for a Central Bank in Oceania
- CSD Equities system for a CSD from an African country
- Realization of the new RAC system for BANCOMAT Spa.

Finally, SIA has participated in various international tenders still in progress, among which we have to mention:

- Retail payments from an important European country, for which SIA is accredited for the subsequent procurement phases
- creation of a national Mobile Payments system for a European country
- implementation of an RTGS system for two important countries in the Middle East area
- implementation of an Instant Payments system for two important countries in the North America area.

Given the growing emphasis by the Regulators on the issues of cybercrime and operational continuity of critical system infrastructures, the following have been prepared:

- an offer of extended maintenance services with stringent application security controls, which most European customers have joined
- a service providing the RTGS service from our data centers (Remote Extreme Contingency

Service - RECS) to be used in case of unavailability of the primary systems on site, signed by a Central Bank in Oceania and under evaluation by a European Central Bank.

In the corporate sphere, the need to offer consumers digital and omnichannel payment solutions is increasingly central, requiring an integrated vision and centralized control of the channels. In recent months, there has been growing interest in solutions for accessing customer accounts through the digital interfaces of companies made possible by the introduction of the PSD2 and in this sense SIA and the subsidiary SIAadvisor have already acquired an important customer in the utility sector for studying and creating new use cases.

As part of the multichannel collection services, we wish to underline the development of a solution for the management of the flows coming from the foreign subsidiaries of multinationals, which is already being released on a primary Italian group starting from the Spanish and English subsidiaries, as first steps of a tight schedule of releases to numerous countries, including the USA and Latin America. Still in the context of collections, the positive performance of the MultiNetwork service is confirmed once again, especially in the utility sector, where in the first half of the year there was a new important customer and the start of the extension of the service by a primary customer to all Group companies.

The multichannel gateway service held up reasonably well, despite a significant drop in volumes of telephone top-ups, due to the change in operators' tariff policies and the entry of a new operator.

At the end of 2018, a prestigious utility company chose SIA for the creation of the Electronic Money Institute which received authorization to operate from the Bank of Italy at the beginning of 2019. SIA through its subsidiary SIAadvisor has supported the company in preparing the application to the Bank of Italy and, at the same time, has made available to the new financial subject the technological infrastructures necessary for the provision of new services in the digital payments area. The initiative, which has an international scope, will allow the company to complete the current offer to its customers with payments services, also to support electric mobility.

During 2019, there was a significant increase in the number of Local Public Administrations participating in the EasyPA solution and in the payment transactions made electronically by citizens and businesses to public administrations.

The technological collaboration between SIA and AGID continued and, from September 2019, close collaboration began with PagoPA S.p.A., a company that has taken over control of the national pagoPA platform.

In 2019, the volume of payment transactions more than tripled compared with the previous year. There has also been an increase in transactions carried out through the F24 automated collection management service which, thanks to a unique digital recognition code, allows entities to manage all the emission and reporting phases of the F24 model in an integrated manner and to citizens to pay quickly and easily.

Since the beginning of 2019, a significant number of new entities have been activated for the SIOPE+ service. This service allows individual bodies to talk to the central system managed by the Bank of Italy on behalf of the Ministry of Economy and Finance in a safe and standardized way.

Capital Market & Network Solutions segment

The performance of the segment in question confirms the excellence of the services provided by SIA also during 2019; among other things, the London Stock Exchange Group continued to choose SIA as the technological partner of reference for MTS and Monte Titoli, thanks to the proven quality of the services provided, both in terms of availability and guaranteed performance and in terms of new features developed in fixed income trading and T2S post-trading.

As regards trading, during the first half of the year SIA collaborated with MTS in evolving the markets with a view to continuously improving the usability of the functions and services by traders. In parallel, SIA is developing a new release of MMF (Repo Market), with expected benefits in terms of both trader-system interaction and trading mechanisms.

As regards post-trading, the evolution of Monte Titoli services continued, in terms of compliance with the central Target2-Securities platform (release T2S 3.0), and new features for pre-settlement services in line with the road map defined by the customer.

With reference to the segment of financial intermediaries, the TODEAL service continued to consolidate into the European government bonds in the primary market, acquiring important new customers in the Italian market.

Lastly, investment continued in the evolution of the capital market offer in line with market needs, particularly in the following areas:

- the SIA EAGLE product has been enriched with new features and modules, which allow it to be marketed in other geographical areas, such as central-eastern Europe, French-speaking countries and the Middle East
- evolution of the "SIA Collateral Management System" platform for the advanced management of guarantees by central securities depositories and central banks
- analysis of new offer lines based on DLT technology, through a new platform dedicated to the management of guarantees on SME credit portfolios.

The group has signed SIAnet contracts with 6 primary Payment Service Providers (PSP) for access to EBA or ECB Instant Payments services, further strengthening its proposition and European presence.

In view of the entry into operation of the CIT interbank procedure in the first half of 2019, the Secure Messaging service, created to address traffic and manage all the flows required by the reference application standard, supported the significant increase in volumes traffic on the SIAnet network.

SIA, in partnership with Colt, has been awarded one of the two ten-year concessions for the provision of access network services to the Eurosystem's market infrastructures. Thanks to these services, financial institutions will be able to access through a single interface (Eurosystem Single Market Infrastructure Gateway, ESMIG) the platform for the TARGET2 settlement of payments of significant amounts, the TIPS instant payments settlement service, the platform for the settlement of TARGET2-Securities (T2S) securities, the ECMS Eurosystem collateral management system and possibly other new services and applications. ESMIG represents a fundamental component of the T2-T2S consolidation project, one of the key proposals of the Eurosystem's "Vision 2020" strategic plan. The assignment of the license to SIA-Colt will allow to provide secure and managed services for the transport of data relating to payment transactions with particular attention to the Instant Payments systems for which SIA is also credited to the EBA Clearing platform called RT1. ESMIG will be in production from November 2021.

In the second half of 2019, an important "Inventory Monetization" initiative was launched, managed by the Supply@Me company of the Advanguarde group, which saw the birth on SIAchain, in Hyperledger Fabric technology, of an innovative financial management system for corporate warehouses. Activities on the FINSEC project, an initiative financed by the European Union, of testing on the security of European critical payment infrastructures, continue as planned.

In December 2019, the SIAchain infrastructure was released into production to support ABI Lab's new Spunta Banche ("Tick Banks") application which will see the first banks operate on the system in the first months of 2020. This application, by virtue of a new ABI self-regulation, thus becomes the standard for proceeding with the reconciliation of open items of payments on reciprocal accounts. During the year, the testing of an innovative tourism promotion system sponsored by the Autonomous Province of Trento was completed, which sees SIA as primary player in the supply as well as the SIAchain infrastructure, including the framework for the issue and management of tourist coupons, managed in the form of digital tokens.

Regarding the development of innovative services for the PA, SIA has started experimenting with a primary Italian municipality a more efficient management process of current guarantee foreseen in the process of issuing tender notices, through blockchain technology, ensuring transparency to all the subjects involved (PA, banks, insurance companies). The experiment continued with the establishment of a community that includes universities, local and central PAs and financial institutions in order to create a national system of management of guarantees in blockchain logic. Furthermore, always in the blockchain sector, SIA has activated an experiment with a Ministry and some financial institutions for the management of the financial flows related to the transfer of a fifth of salary (for salary-backed loans).

DISCLOSURE ON FAIR VALUE

The table below shows the assets and liabilities measured at fair value, broken down by the levels envisaged by the fair value hierarchy. For financial assets and liabilities at amortized cost, which are normally represented by transactions with a maturity of less than three months, the book value is considered an adequate approximation of the fair value and it involves a classification in level 3 of the hierarchy.

For the definition of fair value levels, the company refers to the hierarchy established by IFRS 13 which classifies the inputs of the valuation techniques adopted into three levels:

- **level 1:** it includes the prices quoted (unadjusted) in active markets for identical assets or liabilities to which the company can access on the measurement date
- **level 2:** it includes inputs other than the quoted prices included in level 1, observable directly or indirectly for the asset or liability
- **level 3:** it includes unobservable input data for the asset or liability.

FINANCIAL ASSETS *(Thousands of euro)*

	Carrying amount	L1	L2	L3
Financial assets - non current				
Financial asset at fair value through other comprehensive income - non current	12			12
Total	**12**			**12**

CHANGES IN FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**50**	**500**
Purchases/increases	-	-
Sales/settlements	(38)	(353)
Fair value adjustment	-	-
Reclassifications	-	(135)
Other changes	-	38
Closing balance	**12**	**50**

The decrease in the carrying amount of the shares held in the Trustlink companies, which was sold in the first half of 2019. The figure of 12 thousand euro relates to the shares held in MIP Politecnico di Milano, whose estimate of fair value is in line with the previous year.

FINANCIAL LIABILITIES *(Thousands of euro)*

	Carrying amount	L1	L2	L3
Financial liabilities - non current				
Other financial liabilities - non current	2,117			2,117
Hedging derivatives - non current	3,738		3,738	
Financial liabilities - current				
Hedging derivatives - current	2,587		2,587	
Total	**8,442**		**6,325**	**2,117**

CHANGES IN FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019	31/12/2018
Opening balance	**5,231**	**3,051**
Purchases/increases	-	-
Sales/settlements	-	(856)
Fair value adjustment	3,211	3,036
Reclassifications	-	-
Other changes	-	-
Closing balance	**8,442**	**5,231**

The change in the period is due to the increase in the negative fair value of hedging derivatives, following the decrease in the Euribor curve (the hedge is of the cash flow hedge type, the derivative instruments exchange the 3-month Euribor variable rate with a fixed market determined on the date of signing the contracts - December 2018). The financial liabilities with a fair value belonging to level 3 did not change during the year.

TRANSACTIONS WITH RELATED PARTIES

Information on the compensation of managers with strategic responsibilities

At December 31, 2019, the compensation due to managers with strategic responsibilities amounted to 2,542 thousand euro (6,481 thousand euro at December 31, 2018). These amounts have been paid for 1,572 thousand euro (1,294 thousand euro at December 31, 2018). Please also refer to the comment on “other current liabilities” with regard to the amounts due to management under the bonus schemes for 2019, which are expected to be paid in the first half of 2020.

The fees due to the Directors and Statutory Auditors for 2019 amount to a total of 838 thousand euro, including expenses (719 thousand euro at December 31, 2018). These fees are recognized in the income statement under “Payroll costs”.

Other transactions with related parties

Transactions with related parties fall within the ordinary course of business of Group companies and are carried out in compliance with the criteria of substantial and procedural correctness, on conditions similar to those applied for transactions concluded with independent third parties.

For the purposes of this report and in accordance with IAS 24, a related party means a person or entity that is related to the entity that prepares the financial statements.

A person or close family member of that person is related to the company that prepares the financial statements if that person:

- has control or joint control of the company that prepares the financial statements
- has a significant influence on the company that prepares the financial statements
- is one of the managers with strategic responsibilities of the company that prepares the financial statements or one of its parent companies.

An entity is related to the entity that prepares the financial statements if any of the following conditions apply:

- the entities are part of the same Group (which means that each parent, subsidiary and Group company is related to the others)
- an entity is an affiliate or a joint venture of the other entity (or an affiliate or a joint venture being part of a Group to which the other company belongs)
- both entities are a joint venture of the same third party
- an entity is a joint venture of a third-party entity and the other entity is an affiliate of the third-party entity
- the entity is represented by a plan for benefits subsequent to the end of the employment relationship in favor of the employees of the entity that prepares the financial statements or a company related to it. If the entity that prepares the financial statements is itself a plan of this type, the employers who sponsor it are also related to the entity that prepares the financial statements
- the entity is controlled or jointly controlled by a person identified as a related party
- a person identified as a related party has significant influence over the entity or is one of the managers with strategic responsibilities of the entity (or its parent).

Relations with related parties include relationships with ATS, of which SIA holds 30%. These figures are not considered significant as regards both the income statement and balance sheet. The impact of these relationships on the items of the statement of financial position and of the income statement at December 31, 2019 is considered marginal.

Transactions with the shareholders are mainly attributable to commercial contracts related to payments services stipulated at market conditions.

Below is a summary of relations with companies related to the SIA Group.

(Thousands of euro)

	Receivables 31/12/2019	Debts 31/12/2019	Revenues 2019	Costs 2019
ATS S.p.A.				
Trade	-	257	-	3,190
POSTE ITALIANE S.p.A.				
Trade	5,331	-	6,414	-
ENI S.p.A.				
Trade	2,279	3	6,164	4
TERNA S.p.A. RETE ELETTRICA NAZIONALE				
Trade	1	-	9	-
CASSA DEPOSITI E PRESTITI S.p.A.				
Trade	96	-	374	-
SACE BT S.p.A.				
Trade	-	-	15	-
SACE S.p.A.				
Trade	16	-	15	-
FINCANTIERI S.p.A.				
Trade	2	-	1	-
CDP EQUITY S.p.A.				
Trade	-	-	-	-
EIS Energy Investment Solutions S.r.l.				
Trade	-	19	-	19
ELITE S.p.A.				
Trade	-	-	-	-
FONDO STRATEGICO ITALIANO S.p.A.				
Trade	-	-	-	-

CAPITAL MANAGEMENT POLICY

The Group's objective is to maximize the return on invested capital while maintaining the ability to operate over time, ensuring adequate returns for shareholders and benefits for other stakeholders, with a sustainable financial structure. In order to achieve these objectives, in addition to pursuing satisfactory economic results and generating cash flows, the Company can intervene on its dividend policy and the configuration of its capital.

The main indicators that the Company uses for capital management are:

- R.O.E. (Return on equity): it is calculated as the ratio between the profit attributable to the Group and the Group's equity. It is an indicator of the Group's ability to remunerate its shareholders. The aim is for the indicator to achieve a higher value than the rate of return on a risk-free investment, reflecting the nature of the businesses managed. Such indicator amounts 30% at December 31, 2019 and was 26.7% at December 31, 2018.
- R.O.I. (Return on Investment): it is calculated as the ratio between operating profit and invested capital; it represents the ability of the Company's results to remunerate invested capital (understood as the sum of non-current assets and current assets). Such indicator amounts 12.2% at December 31, 2019 and was 11.7% at December 31, 2018.

FINANCIAL RISK MANAGEMENT POLICY

The qualitative and quantitative information on the Group's financial risks are reported below.

Credit risk

Group companies operate mainly with well-known customers that have a high standing, many of them belonging to the world of finance. Whenever new customers are acquired, if there is any doubt about their reliability as a counterparty, precise checks are carried out on the financial solidity of the potential customer. As regards debt collection activities, procedures have been put in place to monitor expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties to speed up their collection. External lawyers are also used to recover non-performing exposures. Looking at past years as well, the phenomenon of credit losses has never been particularly significant.

The Group is marginally exposed to credit risk in its day-to-day operations and in the management of financial and cash resources. Quantitative information is provided in the comment on trade receivables in the form of an aging analysis of trade receivables, accruals to the bad debt provision and an indication of any significant exposures to individual counterparties.

Liquidity risk

The business model and the approach to operational management implemented at Group level have, over the years, shown that they are able to generate positive cash flows, also during economic crises, both cyclical and structural. Also in 2019, the Group generated significant positive operating cash flows, as shown in the cash flow statement, taking into account the extraordinary increase in acquisitions of external companies over the past few years and the substantial distribution of dividends to shareholders. The Group has a consistent amount of liquidity (calculated as sum of current financial receivables, cash and cash equivalent and committed credit lines not used) due to the loan obtained from a syndicate of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years. In light of the periodic analyses of the variances between forecast and actual figures and the strategic objectives that the Group set itself, there are no liquidity risks at the year-end date, even taking into account the short-term credit lines negotiated with certain banks to deal with any temporary cash imbalances.

Most of the liquidity belongs to SIA and P4cards, and prudent criteria are used in terms of the type of investments and their duration.

The non current loan agreement entered into in July 2018 by SIA S.p.A. with a syndicate of banks to acquire the investments in SIA Greece and SIA Slovakia, with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the investment in P4cards, is subject to two financial covenants concerning early repayment of the loan and the distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between the EBITDA variables and the Group's net financial position. At December 31, 2019, the covenant limits were respected. There are also short-term unused credit lines that can cover any increases in liquidity needs and the parent company is in the process of finalizing new committed medium-term credit lines useful for covering any further needs (see the paragraph "Significant events subsequent to the end of the financial year" for the profiles relating to financial reporting connected to the effects of the spread of the "Coronavirus" pandemic).

Quantitative information is provided in the following tables in the form of an indication of the liquidity reserves existing at the reference date and a maturity analysis of financial payables and other financial liabilities:

LIQUIDITY RESERVES *(Thousands of euro)*

	31/12/2019	31/12/2018
Cash	97,435	94,652
Financial assets - current	127	122
Financial receivables - current	5,456	1,703
Committed lines not used	20,114	50,232
Total	**123,132**	**146,709**

LIABILITIES BY MATURITIES *(Thousands of euro)*

	Within 1 year	From 1 to 2 years	From 3 to 5 years	More than 5 years	Total
Bank loans	199,424	88,402	175,161	354,187	817,174
Leases	28,383	16,340	20,965	24,095	89,783
Other financial debts	47,835	2,031	3,423	401	53,690
Trade payables	95,996	-	-	-	95,996
Total	**371,638**	**106,773**	**199,549**	**378,683**	**1,056,643**

Exchange rate risk

Except for the foreign subsidiaries, SIA Central Europe and Perago FSE, the Group operates mainly in the euro area and is therefore not really exposed to exchange rate risk. The parent company SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA Central Europe), also with reference to the exchange rate trend, to prevent unexpected fluctuations from affecting the results and book values of the investments, which, if they occurred, would give rise to indicators that would have to be considered in an impairment test.

The exchange differences realized by Group companies are recognized in the statement of profit or loss under the items “Other revenues and income” and “Other operating expenses”. Please refer to the information shown in the notes which report exchange rate differences indicating marginal values.

As the Group is only marginally exposed to exchange rate risk, sensitivity analyses are omitted.

Interest rate and market risk

The SIA Group invests its liquid resources mainly in current accounts and bank deposits, with fixed returns or at variable rates. Changes in interest rates can influence the yields on investments, marginally affecting financial income, also depending on the amounts involved. The only significant financial payables recognized by the Group, in addition to the medium-long term loan contracted with a syndicate of banks for the acquisition of P4cards, SIA Greece and SIA Slovakia, are connected to finance lease contracts, normally at variable rates.

The interest rate risk to which the Group is exposed essentially depends on the financial payables associated with finance leases and on the loan taken out by the parent company SIA with a syndicate of banks for a total notional amount disbursed on September 28, 2018 of 775 million euro; the residual debt at December 31, 2019 amounted to 705 million euro. In order to avoid possible negative effects deriving from future interest rate fluctuations, in December 2018, a hedge was taken out with the banks in the syndicate using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 505 million euro on December 31, 2019 after repayment of the installments on the loan being hedged). This can be classified as a cash flow hedge for hedge accounting purposes under IAS 39, which changes the variable interest rate of the loan into a fixed market rate determined at the time of signing the contract.

Given the above, since the financial liabilities are covered by IRS, the change in the hedging instrument offsets the change in the underlying debt, with practically zero effect on the statement of profit or loss.

FINANCIAL ASSETS *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash in hand	-	14	-	15
Bank accounts and deposits	-	97,388	-	94,624
Current financial receivables	-	5,456	-	1,703
Current financial assets (*)	-	127	-	122
Total	**-**	**102,985**	**-**	**96,464**

(*) Amounts relating to non-controlling interests and derivatives on shares are excluded due to their nature

FINANCIAL LIABILITIES *(Thousands of euro)*

	31/12/2019		31/12/2018	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Non current financial liabilities (**)	-	3,738	-	3,114
Current financial liabilities (**)	-	2,587	-	-
Non current financial payables (***)	61,400	617,750	13,318	695,860
Current financial payables (***)	28,383	199,424	20,412	85,585
Total	**89,783**	**823,499**	**33,730**	**784,559**

(**) The value relates to the hedging derivatives of the parent company SIA.
(***) The value relates to the bank loan of the parent company SIA as well as the values of financial leases.

The amounts relating to bank borrowings refer mainly to the bank loan of the parent company SIA and to the finance leases, while the amounts relating to non-current financial liabilities refer to derivative contracts entered into by the parent company to hedge the bank loan.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There are no significant non-recurring events or transactions in 2019 that have not already been described in the Management Report and/or in the Notes.

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

There were no positions or transactions deriving from atypical and/or unusual operations in 2019.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Among the main significant events that took place after the end of the year, in addition to the approval of the Group Strategic Plan for the three year period 2020-2022 by the Board of Directors of SIA S.p.A. (see refer to the previous specific paragraph), the following matters are worth mentioning:

- On February 6, 2020, SIA's Board of Directors decided to commence the procedure for listing the Company's ordinary shares on the Mercato Telematico Azionario (MTA), organized and managed by Borsa Italiana, which is expected to take place by the end of the summer of 2020.
- On February 13, 2020, Swedbank, the leading bank in the national markets of Sweden, Estonia, Latvia and Lithuania, announced that it had chosen SIA's high-speed fiber optic network infrastructure to enable instant payments by connecting to RT1, the pan-European EBA Clearing system.

  Thanks to SIAnet and TietoEVRY's real-time payment platform, a leading digital services and software company, which allows efficient and secure integration between the bank's systems and SIA's innovative network services, Swedbank's customers have already carried out more than 30 million instant payments.
- On February 26, 2020, the Reserve Bank of New Zealand (RBNZ), the central bank of New Zealand, and SIA launched the new systems for the real-time settlement of payments of significant amounts and securities transactions, replacing the two previous platforms: Exchange Settlement Account System (ESAS) and Central Securities Depository System (NZClear).

The spread of the Coronavirus pandemic

Since last January, the SIA Group has monitored the spread of the so-called pandemic "Coronavirus" or "Covid-19" with the aim of being ready to react to different scenario changes. The procedures and business plans for business continuity have been put in place and the recommendations and measures published by the World Health Organization (WHO), the Ministry of Health, the Istituto Superiore di Sanità (ISS), have been constantly followed. National and local (regional and municipal) authorities.

Business continuity profiles

Since the beginning of February 2020, the first indications have been taken for staff to limit business trips to risk areas (China, Korea and Southeast Asia) and to promote behaviours to prevent contagion risk. Also for preventive purposes, from Friday 21 February - the day on which the first cases of Coronavirus in Lombardy were confirmed - to all colleagues residing in the Province of Lodi and in the surrounding areas and to those who have had significant and continuous contacts with the geographical areas at risk, the SIA Group asked to scrupulously follow the instructions of the competent local authorities and to work telework / smart working from their home. With a subsequent update, on Sunday 23 February, the smart working mode was extended to all employees working in the SIA Group's Lombardy and Veneto offices. The Human Resources Department informed the employees with frequent messages on the evolution of the situation, provided suggestions and behavioural instructions. Communications have been sent to suppliers and consultants to block their access to the Group's Lombardy and Veneto offices. From Monday 24 February, the information was also sent to customers and foreign subsidiaries.

The communications sent fall within the business continuity measures provided by SIA in the context of the management of emergencies, organizational crises and, in particular, of pandemic risk scenarios. As required by the business continuity plans, on February 21, a "Crisis team" was set up composed of the CEO and his direct reports, including the Human Resources Director. The Crisis team met daily to oversee the evolution of the scenario. In parallel - as of February 23 - SIA has taken part in the activities of Codise, the working group chaired by the Bank of Italy for the coordination of emergency and crisis situations in the Italian financial centre and national payment systems.

Following the initiatives undertaken, in the week from February 24 to March 1, almost all the employees of the SIA Group of the Milan and Verona offices worked from home with extended smart working solutions. The services provided continued to be in line with the quality standards usually offered. On Friday 28 February, while maintaining the utmost caution and in compliance with the ordinances and prescriptions already issued, SIA has planned to continue for the week open from Monday 2 March with smart working solutions accompanied by a minimum and gradual return of staff to their Lombardy and Veneto offices.

The Crisis Team is continuing to operate on a daily basis, promptly transposing all the directives imposed by law and regional ordinances and updating its employees through communications from the HR Department, in order to continue to guarantee maximum safety for Group staff, as well as the excellent levels of service required given its systemically critical mission. In particular, the effective use of the “smart working” mode is highlighted. In fact, the monitoring of this health emergency has led to an extensive use of remote work and to applying best practices for business continuity. At the beginning of February, staff business trips to the geographical areas with the highest risk were limited. The measures provided for by the parent company operational continuity plan for pandemic risks have taken precautionary measures since Friday 21 February, were confirmed in an emergency meeting held on Sunday 23 February and allowed to have more than 1,500 people ready to work from Monday 24 February remotely. The following weeks have led to the extension of the number of people on tele-work (now there are about 3,500 people who, in all the companies of the Group, connect remotely every day) and to limit the presence of staff (there are less than 50 employees who access the 4 national offices every day) without impacting the operation of the services. There was also a widespread information plan towards customers - with dedicated channels - and towards suppliers.

The foreign components of the Group have also been informed of the operational steps taken in Italy to manage the emergency. Since mid-March, foreign companies have also activated their specific emergency and continuity plans and have their emergency teams. On a daily basis, foreign structures are now reporting developments in the scenario to the parent company.

Particular attention was paid to dialogue with the national Supervisory Authorities; since the beginning of the emergency, SIA has taken part in all the tele-conferences organized by CODISE - the structure for the coordination of the operational crises of the Italian financial centre chaired by the Bank of Italy - and in other comparison initiatives that the Authority has deemed appropriate to start.

The preventive and prompt reaction was made possible by a system of business continuity in operation for some time and by already tested technologies capable of ensuring operational controls and remote interventions, thus limiting as much as possible the risks of contagion in the workplaces and following the directives of the Istituto Superiore della Sanità (Institute of Health) without affecting the services provided to customers.

However, almost two months after the beginning of the emergency, it is still not possible to have clear indications of when a return to normal will be possible. For this reason, analyses are underway to assess resilience and overall sealing capacity in the event that this status continues for the next few months.

Financial reporting profiles

The Group’s management constantly monitors the possible impacts of the phenomenon in question on the most significant assumptions underlying the main estimates reflected in the financial statements, with particular reference to revenue recognition, the occurrence of impairment indicators on goodwill and equity investments, as well as the evolution of the liquidity situation, taking into account the high level of uncertainty regarding the incidence and duration of the effects attributable to the pandemic in question on the performance of the Group’s operating segments.

In this regard, it should be noted that, as confirmed with specific recommendations issued by ESMA and CONSOB respectively, the significant events under examination relating to the aforementioned pandemic do not impact the determination of the results and the net equity of the consolidated and separate financial statements as at 31 December 2019, as it represents a "Non adjusting events", according to the definition given by the International Accounting Standard IAS 10; in this regard, it should be noted that on 30 January 2020 the WHO declared the existence of an international emergency phenomenon (although the first information on the infection in China dates back to the end of 2019) and on 11 March 2020 declared the Coronavirus pandemic.

It should be remembered that IAS 10 requires that an indication of the nature of the event occurred after the end of the year and the estimate of the related effects on the financial statements be given; if in particular circumstances, due to the unpredictability of the outcome of the phenomenon, the estimate of any effects is not reliably quantifiable, or even impossible, the notes to the financial statements should provide adequate information.

In line with what is stated in the aforementioned IAS 10, the following is reported in the ESMA recommendation mentioned above with specific reference to financial reporting:

"Financial Reporting - issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 year-end financial report if these have not yet been finalized or otherwise in their interim financial reporting disclosures."

In this context, the profound uncertainty connected to the spread and duration of the pandemic in question must be reiterated and, in view of the continuous evolution of the phenomenon, it is particularly complex to foresee its effects also on economic activities both at macro and micro level. This entails a high complexity and uncertainty of the estimates made by the management, whose assumptions could necessarily be revisited and updated over the next few months, also in very significant terms, following the evolution of facts not under their control.

In the context of the evaluation of the potential effects attributable to the spread of the Coronavirus pandemic, the level of complexity and uncertainty of the estimates is without precedent in its kind, potentially affecting numerous aspects such as:

- the different propagation times and the possible differences in the persistence and extent of the contagion in the different Italian regions, in Europe and in the world (primarily, in the USA);
- the lack of visibility about the overall duration of the infection and, above all, the effects of the related containment measures, that is, the methods and timing with which they will be removed;
- the particular difficulty of predicting the timing and extent of recovery of national and global economic activities, both at macro and micro level, once the emergency is over.

Given the above, the management of the SIA Group, in accordance with the requirements of IAS 10 and taking into account the recommendations of ESMA and CONSOB, conducted an analysis in order to identify the areas of potential greatest impact in terms of financial reporting 2019 for the Group and, consequently, has developed scenarios based on the information currently available and the forecasts reasonably formulated at present in a context of extreme uncertainty and without considering the effects connected with any extraordinary corporate operations.

The analyses conducted concerned in particular:

- the development of forecast scenarios for the economic trend for the year 2020. From the first results of the analyses conducted, there would be an appreciable reduction in the operations and profitability of the business for the year 2020 while for subsequent years it is not considered possible to formulate reasonable impact estimates, due to the significant uncertainties of the final results in terms of duration and intensity of the phenomenon, all the more so with reference to time horizons beyond twelve months.

- The update of the sensitivity analyses carried out on the impairment tests of goodwill and equity investments at 31 December 2019 to highlight the potential impact on the estimates of a reasonably possible change relating to the results of the forecast economic performance scenarios. In light of the forecast scenarios updated with reference to 2020 described above and taking into account the results of the impairment tests as at 31 December 2019, it is reasonably foreseeable that: i) the value in use of the "SIA Greece" and "SIA CE" CGUs, already substantially aligned with the accounting values, could be affected by the effects of the crisis context induced by the tragic spread of the pandemic; ii) the value in use of the "P4cards" CGU could be affected by the effects of the crisis context induced by the tragic spread of the pandemic in Italy, albeit mitigated by the excess of value in use compared to the book value that the impairment test at 31 December 2019 showed.

In this regard, therefore, the Group's management continues to monitor the continuous evolution of the situation and the related effects on the business operations of the aforementioned CGUs and will update its assessments and the results in the periodic financial reports subsequent to that closed on 31 December 2019.

- Updating the Group's liquidity situation. As described in the 2019 financial statements, the business model and the operational management implemented at the Group level have shown, over the years, including 2019, that they are able to generate positive cash flows, even during economic crises, both cyclical and structural.

  In light of the best information available to date, the following is highlighted in particular to cover liquidity risk:
  - there are unused short-term credit lines for 30 million euro;
  - in March 2020, the renewal of two short-term credit lines for 100 million euros was completed with leading banks, at favourable conditions;
  - new committed credit lines are in the process of being finalized for a total amount of 150 million euro, with the possibility of being used on a medium / long-term time horizon (approximately 3 years, expiry 2023);

  Therefore, taking into account the above, having regard to the best information currently available in the context described above of unprecedented uncertainty caused by the emergency COVID-19, it is reasonably believed that, in the 12 months following the reference date of these financial statements, there are no risks significant liquidity, or risks inherent in the ability to repay the debt and to comply with the financial covenants, borne by the SIA Group.

Finally, it is known that, pursuant to IAS 10, the date on which the Financial Statements were authorized for publication by the Board of Directors is April 9, 2020; in accordance with its Company Statute, SIA S.p.A. took advantage of the possibility of calling the General Meeting of Shareholders for the approval of the separate Financial Statements at 31 December 2019 within 180 days from the closure of reference.

REPORT OF THE INDEPENDENT AUDITORS

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**INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14
OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
SIA S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Matter

The consolidated financial statements of SIA Group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 25, 2019.

Comparative data related to the year ended December 31, 2018 have been restated following the completion of the purchase price allocation process of the companies SIA Greece and SIA Slovakia, in accordance with IFRS 3.

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Deloitte.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10

The Directors of SIA S.p.A. are responsible for the preparation of the report on operations of SIA Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of SIA Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of SIA Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Milan, Italy
April 20, 2020

This report has been translated into the English language solely for the convenience of international readers.

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Nexi S.p.A.

€2,100,000,000 Senior Notes, consisting of:

€1,050,000,000 1⅝% Senior Notes due 2026

€1,050,000,000 2⅛% Senior Notes due 2029

Joint Global Coordinators and Physical Bookrunners for the 2026 Notes

BofA Securities	**Credit Suisse**	**Goldman Sachs International**	**IMI—Intesa Sanpaolo Goldman Sachs**

Joint Bookrunners for the 2026 Notes

Banca Akros S.p.A. Gruppo Banco BPM	**Barclays**	**Citigroup**	**Deutsche Bank**

Joint Global Coordinators and Physical Bookrunners for the 2029 Notes

BofA Securities	**HSBC**	**J.P. Morgan**	**UniCredit Bank**

Joint Bookrunners for the 2029 Notes

BNP PARIBAS	**Mediobanca**	**Morgan Stanley**

For purposes of listing of the Notes on the Official List of the Luxembourg Stock Exchange, the date of this offering memorandum is April 29, 2021