E-MARKET SDIR CERTIFIED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS AT 30 JUNE

2021

This is the English translation of the original Italian document "“Relazione Finanziaria semestrale consolidata al 30 giugno 2021”
In any case of discrepancy between the English and the Italian versions, the original Italian document is to be given priority of interpretation for legal purposes.

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CORPORATE BODIES

as at July 30, 2021

BOARD OF DIRECTORS

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

(*) Strategic Committee members

BOARD OF STATUTORY AUDITORS

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

OFFICE OF THE GENERAL MANAGER

Paolo Bertoluzzo

FINANCIAL REPORTING MANAGER

Enrico Marchini

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

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CONSOLIDATED INTERIM MANAGEMENT REPORT

CONSOLIDATED INTERIM MANAGEMENT REPORT

Introduction

The Condensed Consolidated Interim Financial Statements for Nexi Group as at June 30, 2021 (hereinafter "interim report"), drafted pursuant to art. 154-ter of Legislative Decree 58/1998, reports a net income of approximately Euro 49.9 million.

The interim report as at June 30, 2021 was drafted pursuant to IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the pertinent interpretation documents of the International Financial Interpretations Committee (IFRIC), ratified by the European Commission, as provided for by EU Regulation no. 1606 of July 19, 2002. In particular, the interim report has been drafted pursuant to the provisions set forth under paragraph 10 of IAS 34 concerning statements in condensed form. Furthermore, the interim report was drafted taking into account the documents issued in 2020 and 2021 by ESMA and Consob with reference to the impact of the Covid-19 pandemic as well as Consob warning notice no. 5/21 of April 29, 2021 relating to the guidelines on disclosure obligations pursuant to Regulation EU 2017/1129 published by ESMA, updating the previous CESR Recommendations.

The interim report includes the interim management report, the condensed consolidated interim financial statements and, pursuant to art. 154 bis, paragraph 5 of Legislative Decree 58/1998 of the TUF (Consolidated Law on Finance), the joint statement of the CEO and the Financial Reporting Officer. As provided for by article 154 of the TUF, the interim report is subject to limited audit by the independent auditors PricewaterhouseCoopers SpA and is published on Nexi's website, at www.nexigroup.com.

Nexi Group

The Group's Parent Company is Nexi SpA, a company listed on Borsa Italiana SpA's MTA equities market as of April 16, 2019. Italian leader in digital payments, the Nexi Group as at June 30, 2021 is comprised of the Parent Company Nexi SpA and the following subsidiaries:

- Nexi Payments SpA – 99.27% owned;
- Mercury Payment Services SpA – fully owned, 100%;
- Help Line SpA - 70.32% owned by the Group.

The consolidation scope also extends to NewCo 55 Srl established in the half year and not yet operational, the non-core company Orbital Cultura Srl (formerly BassmArt Srl), recognised as non-current assets held for sale as well as associate companies RS Record Store SpA, Bassnet Srl, K.Red, all in liquidation.

Based on representations provided pursuant to art. 120 of Legislative Decree 58/1998 and on further information available, as at June 30, 2021, Nexi SpA's major shareholders are:

Shareholder	% Investment
Mercury UK Holdco	19.69
Intesa San Paolo SpA	10.48
GIC	3.82
Trembland Capital LP	1.29
Norges Bank	1.06

Note that the composition of the shareholders and the Nexi Group changed from July 1, 2021 following the closing of the Nets merger.

International economy

2020 ended with persisting uncertainty with regard to health, and consequently the economy. 2021 began with a strong recovery in international trade and industrial production, albeit with different times and growth rates across the various regions of the world. Indeed, the year saw a strong recovery in China and improved prospects for the US economy, the two countries benefiting from a better pandemic situation than in the Euro-area, which suffered due to an initial delay in its vaccination campaign and the lower amount of fiscal stimulus put in place.

Subsequently, with the acceleration of vaccinations, the prospects also improved in the Old Continent, with the reduction of the epidemiological curve and the consequent progressive reopening of "face to face" economic activities – from restaurants to tourism – with substantial continuity of other industrial activities, from manufacturing to construction to many service sectors, including financial. Elements of uncertainty remain due to the fragmented situation of vaccinations, especially in developing countries, which will continue to influence the "new" normal of a globalised and interdependent world.

The forecasts of research institutions, which are constantly improving compared to the outlook at the end of 2020, were confirmed by the first signs of a rebound, which will continue at a global level only thanks to a constant improvement in the health situation.

Italian Economy

The year began with a change of government, now supported by a very large majority, and with the launch of a vaccination campaign that, after the first uncertainties, has set the conditions for the progressive reopening of economic activities halted by the pandemic.

The beginning of the year was marked by a positive trend in industry and agriculture and the contraction of the service sector, struggling with spring closures. In fact, after difficulties in fall/winter 2020, GDP in the first quarter signalled a slight recovery (+0.1% compared to the previous quarter) and decreased by 0.8% compared to the first quarter of 2020. The last quarter of 2020 had decreased by -6.5%. Expenditures by Italian households in particular decreased by 1.2% compared to the previous quarter and by 4.2% compared to the first quarter of 2020. The most recent data from Confcommercio attest to a rebound in consumption of 14.2% in May compared to May 2020, the month of the gradual exit from the most severe lockdown. The acceleration of vaccinations and the reduction of the contagion curve have in fact allowed a reopening plan that, together with the expected arrival of the first funds of Next Generation Europe, has contributed to further improve the prospects of our economy. Prospects built on household consumption and investments by companies.

On the eve of the arrival of the subsidies mentioned above, on the one hand the country is facing the challenge represented by the implementation of the structural reforms required for the disbursement of European funds, on the other hand it must deal with the serious problems related to the loss of jobs deriving from the halting of businesses, in a labour market characterised by the suffering of fragile categories, especially women, young people and temporary workers.

Reference markets

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

Digital payments and digital banking solutions

The use of cards continues to increase worldwide: in the European Union the number of payment transactions with cards per capita increased from 55.2 (2006) to 177.4 (2019). Italy, which lags behind the European average, has also seen growth, with a change in the same time interval from 21.6 to 81 transactions per capita, a share equal to 60.9% of the total transactions executed with means other than cash.

This has led to a steady growth in the incidence of digital tools on total household expenditures in the main countries, which started from very different levels: considering 2019 and 2020, in Italy it went from 24% to 27%, in France from 47% to 52%; in Great Britain from 58% to 62%, in Spain from 29% to 34%, in the Nordics (Denmark, Sweden, Norway and Finland) from 54% to 58%. (Sources: Bank of Italy and Prometeia for Italy, Global Data, Eurostat for the other countries, Prometeia for UK consumption).

The increase in the penetration of digital payments with respect to the total expenditures of Italian households was confirmed in a year – 2020 – characterised by an unprecedented decrease in final consumption expenses, equal to -10.9%. Closures and health concerns drove an increase in the use of "no cash" instruments, both in stores that remained open (contactless cards) and for eCommerce payments. Once the restrictive measures were relaxed, the use of digital payment instruments seemed to remain the norm in a growing number of households, which constitutes an encouraging prospect for a further acceleration of their diffusion.

In 2020 the consolidated data of the Italian payment card market of the Bank of Italy Report highlighted how the context has had a different impact on various products. Credit cards suffered the effects of the crisis on sectors characterised by a high incidence of electronic payments such as tourism, travel and dining both in terms of volumes (-14.3%) and the number of transactions (-4.9%). Debit cards held firm, with POS use growing both in volume (+2.3%) and in number of transactions (+1.1%), also thanks to the growing market preference for international debit products. The performance of prepaid cards was decidedly positive, with an increase in volumes (+16.7%) and in the number of transactions (+19.5%). Nexi estimates for the first four months of 2021 discount rebounds compared with the same period last year. The VISA and Mastercard POS volumes increased by 14.5%: specifically, credit cards grew by 2.0%, prepaid cards by 16.8% and international debit cards by 29.7%.

According to Assofin, after the sharp slowdown experienced during 2020, cards with repayments in instalments saw a further drop of 4.9% in the value of transactions in the first quarter and growth of 5.5%. In March the market rebounded compared to the first month of the 2020 lockdown: +21.4% in volumes, +28% in transactions.

Regarding infrastructure, the figures of the Bank of Italy's latest Yearly Report show that in 2020 the use of POS devices of the Italian financial system increased by 0.8%, while the use of ATMs dropped by 2.2%. As for digital banking solutions, the use of home and corporate banking services increased in 2020; in particular, 2,288,699 enterprises were corporate banking clients in 2019 (up +1.9% compared with 2019), while almost 50 million families (+7.9%) and more than 4 million businesses (+0.8%) resorted to home banking services and devices.

The overall payment flows regulated by the TARGET2 system shrank by 3.4%, interbank flows dropped by 4.3%.

Significant Events during the Reporting Period

Update on the SIA Merger

Following the satisfactory outcomes of mutual due diligence carried out by Nexi and SIA and following approval by the Boards of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement on the merger by incorporation of SIA into Nexi was signed on February 11, 2021, the terms and conditions of which were consistent with those of the Memorandum of Understanding signed and disclosed on October 5, 2020.

If the Nets merger closes ahead of the SIA merger (as was the case), said agreement entitles CDP Equity to approve a SIA share capital increase, so as to offset the share dilution of its prospective stake in Nexi issuing from the Nets merger. On July 1, 2021 the merger of Nets into Nexi became fully effective, and CDP Equity has not yet exercised its right to approve a share capital increase in SIA.

As standard for such operations, merger closing is subject to fulfilment of conditions precedent, among which obtaining relevant authorisations and permits, including relevant antitrust authority authorisations.

On June 21, 2021, the Extraordinary Shareholders' Meetings of Nexi and SIA approved the transaction.

The merger is expected to be completed during the last quarter of 2021.

Update on the Nets Merger

On July 1, 2021, following the receipt of all necessary authorisations, the merger of Nets into Nexi became fully effective. The new Group will be the leading PayTech in Europe for distinctive functions, for the scope of the distribution network, for the breadth of the product range and with market space four times larger than Italy alone.

To service the Nets Merger a total of 406,628,176 Nexi shares without expressed par value were issued to the shareholders of Nets for a capital increase of €36,966,198.00. As a result of this capital increase, the share capital of Nexi is equal to Euro 94,036,905.00, divided into 1,034,405,953 ordinary shares.

Furthermore, on July 12 5,731,575 Nexi ordinary shares were issued as a total earn-out to the former shareholders of Nets Topco 2 S.à r.l. (the "Centurion Earn-out Shares"), in compliance with the provisions of the cross-border merger of Nets into Nexi.

The Centurion Earn-out Shares are "pari passu" with the outstanding Nexi shares, and like these are listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.; Nexi's share capital has remained unchanged.

Moreover, an additional number of Nexi Shares – varying between zero and a maximum number whose equivalent value cannot in any case exceed Euro 250 million – may be issued and assigned to Nets shareholders on the basis of a formula linked to Nets 2021 EBITDA (the "EBITDA Earn-out Consideration").

The merger between Nexi and Nets represents a further step in the path towards the creation of a European leader in the digital payments landscape. Thanks to the scale, technology, expertise and portfolio of Nexi products and services, Nexi will be the point of reference for a wide range of customers.

The transaction also represents a further creation of value for all Nexi shareholders. The consolidation of the Group strengthens its prospects through an increasingly diversified geographical presence, a broader portfolio of products and services, a greater presence in the e-commerce sector and a greater diversification of the customer base.

The CEO of Nexi, Paolo Bertoluzzo, assumed the role of Group CEO. On July 1, 2021, Nets CEO Bo Nilsson was appointed chairman of Nets and a non-executive member of the Nexi Board of Directors. The current CFO of Nets, Klaus Pedersen, assumed the role of CEO of Nets, reporting to Paolo Bertoluzzo. Stefan Goetz, Partner of Hellman & Friedman and current Chairman of Nets, joined the Group Board as a non-executive director from July 1, 2021.

Acquisition of former UBI Banca merchant acquiring activities from Intesa Sanpaolo

In implementation of the provisions of the agreement closed on June 30, 2020 with Intesa Sanpaolo S.p.A. ("ISP") concerning the management of the ISP merchant acquiring activities with respect to any M&A operations during the entire period of the agreement, on May 5, 2021 Nexi signed an agreement with ISP for the management of the merchant acquiring activities previously held by UBI and its subsidiaries and merged into ISP. This agreement further strengthens the existing industrial partnership between the two groups with a duration of over 20 years.

The transaction will annually generate an expected increase in Group EBITDA of approximately Euro 16 million, and this business has been valued at Euro 170 million (implied multiple: 10.5x EV/EBITDA 2021E). The transaction will be financed entirely through available cash. In the first half of the year, the transaction led to the recognition of charges equal to Euro 0.5 million.

The closing of the transaction, expected during the fourth quarter of 2021, among other things is subject to the necessary regulatory authorisations.

Acquisition of the property at Corso Sempione 57, Milan, from the Bank of Italy

On May 11 Nexi closed the acquisition of the property located in Corso Sempione 57, Milan, from the Bank of Italy for an amount of Euro 40 million, until then leased to Nexi Payments.

The transaction will allow the Group to become the sole owner of its headquarters (the property is in fact adjacent and communicating with that of Corso Sempione 55, already owned by the Group), consequently increasing its overall value.

Partial demerger of Mercury Payment Services into Nexi Payments

On April 1, 2021, the partial demerger of Meps into Nexi Payments took effect.

This transaction had no significant impact for the purposes of Nexi's consolidated interim report, having only resulted in an increase in the Nexi Group's stake in Nexi Payments.

From the date of the demerger, Mercury Payment Services has ceased to be a regulated Payment Institution.

Changes in Group Debt

The financial structure of the Group changed during 2021 as a result of the funding operations carried out by Nexi SpA to gather the financial resources necessary to refinance (i) the financial debt of the group headed by Nets Topco 2 S.à r.l. ("Nets") and its subsidiaries following the merger between Nets and Nexi announced on November 15, 2020 and carried out on July 1, 2021 (the "Nets Merger"), (ii) the financial debt of SIA S.p.A. ("SIA") following the merger between SIA and Nexi announced on October 5, 2020 (the "SIA Merger" and, together with the Nets Merger, the "Mergers"), as well as (iii) costs and charges relating to the Mergers and the issue of the financial instruments listed below. Specifically:

- On February 24, 2021, "senior unsecured equity-linked" bonds were issued with maturity on February 24, 2028 for a total of Euro 1,000 million in principal (the "2028 Convertible Loan"), which do not bear interest. The 2028 Convertible Loan will be convertible into ordinary shares of Nexi S.p.A. subject to approval of a resolution for an increase in capital, with exclusion of the option right, to be reserved exclusively for the conversion service of these bonds, to be approved by December 31, 2021 (the "Long-Stop Date"). If the capital increase is not approved by the Long-Stop Date, within the next 10 trading days Nexi may repay in full – and not in part – the 2028 Convertible Loan to an amount equal to the greater of 102% (a) of the nominal amount of the loan and (b) of the Fair Bond Value of the 2028 Convertible Loan (as defined in the conditions of the 2028 Convertible Loan).
  The conditions of the 2028 Convertible Loan also provide for other types of early repayment at the option of the issuer or at the request of the bondholders, standard for similar transactions.
  The 2028 Convertible Loan, whose initial conversion price was set at Euro 24.5525 per Nexi S.p.A. share, was admitted to trading on the Vienna MTF market managed by the Vienna Stock Exchange on February 22, 2021, with the start of trading on February 24, 2021, coinciding with the date of issue and settlement of the 2028 Convertible Loan.
  For details regarding the accounting treatment of the Bond, please refer to section 39 of the Notes.
- On April 29, 2021, two senior unsecured bond loans were issued for a total of Euro 2,100 million in principal, of which Euro 1,050 million due on April 30, 2026 (the "2026 Bonds") and Euro 1,050 million due on April 30, 2029 (the "2029 Bonds", and, together with the 2026 Bonds, the "Bonds"), both placed at their nominal value. The 2026 Bonds and the 2029 Bonds correspond to a half-yearly coupon at a fixed rate of 1.625% per annum and 2.125% per annum respectively. The proceeds deriving from the issue of the Bonds were initially deposited in a segregated account pending the closing of the first of the Mergers, and thus released with the Nets Merger on July 1, 2021.
  These bonds are governed by the law of the State of New York and have been admitted to trading on the "Euro MTF" multilateral trading system of the Luxembourg Stock Exchange from the date of issue.

The issue of the 2028 Convertible Loan and the Bonds also extended the maturity date of the Group's debt, also significantly reducing the average cost of debt on a cash basis, weighted by the notional principal, which at June 30, 2021 stood at approximately 1.64% p.a., down from 2.05% at December 31, 2020.

Consequently, the Group's gross financial debt at June 30, 2021 increased by about Euro 2,940 million compared with December 31, 2020, from Euro 2,781 million to Euro 5,721 million, and mainly consists – aside from the 2028 Convertible Loan and Bonds – of the following financing received by the Group, specifically Nexi SpA, in the previous years:

- a loan agreement signed by Nexi S.p.A. on June 26, 2020, pursuant to which certain lending institutions have granted a so-called variable rate term credit line, for a total amount of Euro 466.5 million (the "Term Loan"). The Term Loan is fully used and will have to be reimbursed in a single instalment at the end of June 30, 2025;
- a "senior unsecured equity-linked" bond loan of a nominal amount of Euro 500 million, convertible into ordinary shares of Nexi S.p.A., issued at par on April 24, 2020, with a semi-annual fixed rate coupon of 1.75% p.a. and maturity on April 24, 2027 (the "2027 Convertible Loan");

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- a bond loan with a nominal amount of Euro 825 million, with a semi-annual coupon at a fixed rate of 1.75% p.a., issued at par by Nexi S.p.A. on October 21, 2019 and expiring on October 31, 2024 (the "2024 Bond Loan");
- a variable rate loan agreement (the "IPO Loan") stipulated on March 20, 2019 by Nexi S.p.A. together with its subsidiaries Nexi Payments and Mercury Payment Services (as subsequently amended), under which certain financial institutions have granted (i) a so-called term credit line for an amount currently equal to Euro 1,000 million (the "IPO Term Line"), fully disbursed to Nexi SpA on June 30, 2021, having an original maturity in a single settlement on May 31, 2024; and (ii) a revolving credit line of Euro 350 million with the same maturity as the IPO Term Line, usable for multiple purposes and in multiple solutions, durations, currencies (the "IPO Revolving Line"). At time of publication, the IPO Revolving Line is entirely available. On April 1, 2021, following the completion of the partial proportional demerger with Nexi Payments, Mercury Payment Services ceased to be a contractual party to the IPO Loan contract and was therefore fully released from any obligation initially assumed as Original Borrower and Original Guarantor under the IPO Loan contract.

  The IPO Loan was also modified on June 18, 2021, among other things to (a) extend its maturity to May 31, 2026, (b) extend the right to other entities of the Nexi Group (incorporated in Italy or Denmark) to become parties to the IPO Loan contract under certain conditions, (c) eliminate the status of Original Guarantor for Nexi Payments, which has therefore been fully released from any obligation initially assumed as Original Guarantor under the IPO Loan Contract. See section 39 of the Notes on the accounting impacts of this renegotiation of the IPO Loan.

At the reporting date, Nexi's financial debt is not backed by collateral. Furthermore, during the first six months of 2021, no noteworthy debt paydown was recorded.

At the reporting date, all covenants provided for by financing (described under note 39 of the Notes) are complied with.

In summary, as at June 30, 2021, the breakdown of the gross debt is as follows:

(Amounts in Euro million)

	June 30, 2021	December 31, 2020
2024 Fixed Rate Bonds	821.2	820.4
2027 Convertible Bond	449.3	445.4
Term Loan	462.5	462,0
IPO loan	992.5	994.7
2028 Convertible Bond	859.2	-
2026 Bonds	1,041.8	-
2029 Bonds	1,042.5	-
Other financial liabilities	51.7	58.6
Total	5,720.7	2,781.1

Other financial liabilities are mainly comprised of lease contracts (Euro 24 million) accounted for as of 2019 following IFRS 16 first-time adoption, as well liabilities associated with the takeover of Intesa Sanpaolo SpA's merchant acquiring business (Euro 28 million).

Business Environment Following the Covid-19 Outbreak

Foreword

The half-year began in a socio-economic situation that in Italy was still heavily conditioned by the Covid-19 pandemic, which then began to gradually normalise starting in May.

As in 2020, the Group's operations were supported by continuity plans to ensure that the business would keep on operating regularly, while guaranteeing the safety of staff and clients, in accordance with the guidelines issued by the relevant Authorities and under the coordination of the corporate task force.

Partner banks and end customers enjoyed the usual levels of quality and prompt service.

Impact on business performance

The easing of the restrictions imposed at the national level during the post-Christmas period initially gave impetus to a clear recovery in transaction volumes, which however diminished again in mid-March when new containment measures were imposed in large areas of the country following a new surge in infections.

Thanks also to a more widespread vaccination campaign and the consequent reopening of retail stores, customer activity resumed in the beginning of May, with double-digit growth in basic consumption and a strong recovery in discretionary consumption, as well as appreciable signs of recovery in high impact consumption, even in the physical channel. June's volumes confirmed the positive trend in all main product categories.

Overall, the volumes in the first six months showed a marked acceleration in the reduction of the average ticket of the transactions, confirming a more widespread habit of paying digitally.

It should be noted that roughly half of the Group's revenues, owing to the fact that it stems from payments for the installed base serving customers (mainly card licence fees and POS terminal management), is not based on the volume of transaction flows managed over a given period.

Please refer to the Group Performance section for detailed information on the impact on financial performance.

Strategic measures for mitigating the Covid impact on financial performance

The direct and indirect repercussions of Covid-19 on the Group's economic and financial performance were significantly lower than in the same half of 2020.

In addition to the business continuity plans at the service of cardholders, merchants and partner banks, Nexi has maintained a strong commitment to initiatives designed to support or anticipate product demand trends in the new market context, simultaneously with the expected acceleration towards omni-channel models.

Starting at the end of 2020, Nexi also supported customers in their participation in the Government-backed cash-back plan, devised to encourage the use of in-store digital payments, facilitating access to it via App and increasing its benefits.

The drafting of the half-yearly report took into account the main risks the Group is exposed to, in order to assess the negative effects possibly deriving from the Covid-19 pandemic, which – in terms of intensity and unpredictability – represents an external factor that can be presumed to cause a loss in value. In fact, these elements of uncertainty were considered for the purposes of verifying the absence of impairment indicators on goodwill, as detailed in section 9.3 of the Notes.

The conducted analyses have revealed no critical issues that may significantly impact the Group's equity and financial position.

For more information please refer to the sections "Intangible Assets: Impairment" and "Nexi Group Risks" of the Notes.

Group Activities

Nexi is the largest group operating in Italy in the paytech sector and, either directly or through its partner banks, manages the transactions of some 30 million cardholders and provides its services to approximately 900,000 merchants. The technologies leveraged by the Group are capable of connecting banks, merchants, businesses and consumers, allowing them to perform and receive digital payments. The business is built on long-standing relationships with some 150 partner banks, which together account for more than 80% of branches nationwide (2020 data).

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

Merchant Services & Solutions

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

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

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

Main indicators of the Group for I half 2021

3.3 billion transactions managed (+32.1%)	€ 539 million in Operating Revenue (+12.9)	€ 106 million in Capex including 40 for real estate investment
Transaction managed worth Euro 215 billion (+15.4%)	€ 298 million in EBITDA (+13.9)	Net Financial Position € - 1,994 million

Please note: The changes indicated above have been calculated on a yearly basis. Operating Revenue and EBITDA are shown on a pro-forma basis (please refer to the Group Performance section, which includes reported data too).

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

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

A. with the Direct and Referral models, the Group provides its services directly to selected merchants (the scope of Referral activities has increased in 2020 following the acquisition of Intesa Sanpaolo's pertinent business);
B. with partnership-based models (i.e. Licensing, Associate and Servicing models), the Group cooperates with partner banks in providing its acquiring and POS management services, leveraging their branches and their services relations to acquire and manage customers.

In the half year, the Merchant Services & Solutions business line generated operating revenue worth approximately Euro 272 million (roughly 50% of total Group revenue), up 11.9% on the same period of the previous year, which reflects a solid recovery of the transactions performed by customers, up 33.7% in terms of number of transactions and 16.0% in terms of value.

Cards & Digital Payments

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

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

The majority of cards issued are charge cards, requiring customers to repay the balance in full each month, whereas revolving credit cards, which allow cardholders to repay the balance in instalments, are issued solely in partnership with banks. This limits credit risk since, pursuant to agreements to that effect, the issue of cards in partnership with banks entails the latter fully shoulder the risk of their customers' insolvency. Therefore, the Group's credit risk in this business line is almost entirely shouldered by partner banks.

In the half year, the Business Cards & Digital Payments business line generated operating revenue worth approximately Euro 206 million (or -38% of total Group revenue), up 14.5% compared to the same period of the previous year. The number of transactions performed by customers grew by 30.2% and their value by 14.7%, supported by an increase in the actual number of credit and debit cards managed.

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Digital Banking Solutions

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

ATM Management

The Group is responsible for installing and managing ATMs on behalf of partner banks.

Clearing Services

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

Corporate Digital Banking Services

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

- electronic banking/mobile services: the Group provides dedicated e-banking platforms on behalf of banks or corporate customers;

- CBI, pensions and collection services: on behalf of banks and corporate customers, the Group provides payment platforms for group accounts and for payment management. Additionally, the Group provides the CBI interbank corporate banking service. Initially developed to facilitate interbank communication and payments, the latter service subsequently extended to the public sector, for the purposes of centralising payments, collecting them and all relevant documentation;

- digital and multichannel payments support services: the Group provides internet, smartphone and ATM software applications to banks and businesses for invoice management and storage, prepaid card reloading, bill payments, postal payments and other Internet services, smartphones or ATMs.

During the first half of the year, the Digital Banking Solutions business line generated operating revenues worth Euro 61 million (more than 11% of total Group revenue), up 12.6% annually due to the recovery of volumes managed on behalf of customers and the contribution of specific activities to project content.

Performance of Parent and Group companies

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

Nexi SpA

Listed on Borsa Italiana's MTA equities market since 2019, the Parent Company Nexi SpA, while not directly involved in operating activities, carries out holding company and management and coordination functions with respect to the three companies presented below.

As at June 30, 2021, equity stood at Euro 1,659 million, including the half-year profits, that is approximately Euro 249 million. During the first half year, the company received dividends from subsidiaries worth approximately Euro 338 million, bearing the financial costs for the Group's debt service coverage (Euro 70 million) and other operating costs (Euro 41 million), as well as a positive tax effect for the period equal to Euro 22 million.

On May 16, 2020, Nexi SpA filed for arbitration against Cedacri SpA, pursuant to article 14 of the share purchase agreement of January 22, 2019 (hereinafter, the "SPA") whose subject matter was Nexi's sale to Cedacri of 100% of the share capital of Oasi Diagram - Outsourcing Applicativo e Servizi Innovativi SpA (hereinafter, "Oasi"). Nexi requested that Cedacri SpA be ordered to execute the contractual obligation of determining the earn-out as an extra component of Oasi's sale price. The respondent, Cedacri SpA, rejected Nexi's request and submitted a counterclaim to ascertain Nexi's violation of the covenants and declarations and warranties concerning the determination of Oasi's 2018 EBITDA, which, on the basis of the SPA, set both a threshold to be exceeded as a condition for the payment of earn-out and a benchmark for a possible variation of the price concurred for the sale. The arbitration shall take place at the Arbitration Court of Milan and the Arbitration Board, chaired by Mr Umberto Tombari, must issue an arbitration award by December 20, 2021, unless said deadline is extended.

Nexi Payments SpA

The company, of which Nexi holds 99.3% of the share capital, performs activities connected to electronic money issuing and payment management services. As a registered EMI company, it operates in all of the sectors described above.

As at June 30, 2021, equity stood at Euro 2,251 million, including the half-year profits, that is approximately Euro 121 million.

Following the guidelines of the Group's Business Plan, Nexi Payments' activity converged on the commercial scope of the business lines, particularly focusing on innovation and support to partner banks and, last but not least, to merchants, who suffered the lockdown starting in 2020. More specifically:

- the marketing of the entire range of updated SmartPOS payment terminal products continued unabated, with the sale of the basic, mini (portable, mobile devices) and cash register versions (a solution integrated with desk cash registers, intended for Small and Medium Enterprises);
- the commercial focus on mobile payment solutions continued, specifically through the new Nexi Mobile POS, with widespread dissemination to web channels, the main national retailers and through other commercial partners;
- e-commerce kept on growing, driven by the marketing of solutions combined with physical POS, the development of solutions for the Public Administration, partnership agreements with Developers and other parties, advanced solutions for integrating payment applications into the digital processes of Large Customers; the distribution of remote payment services (Pay by Link) also continued, provided through promotional activity to merchants starting from the lockdown in 2020;
- the extension of the acceptance of alternative payment circuits, the activation of minor international circuits, Meal Vouchers, and the acceptance of Digital and C-Less on the National Debit circuit continued; significant progress was made in adapting the acceptance network to raise the threshold for the management of C-Less transactions without a PIN from Euro 25 to 50;
- further development was carried out in terms of marketing payment solutions for Large Merchants in major business verticals (e.g. insurance companies, large retailers, travel and mobility, etc.), with a push towards integrated solutions for omni-channel merchants;
- the dissemination of the Nexi Business merchant app increased, the app providing access to payment data, digital self-care and the engagement of merchants in marketing initiatives, with about 330,000 registered merchants;
- the micro-payments promotional activity was confirmed to continue throughout 2021 to support small merchants, eliminating fees on transactions up to Euro 10;
- marketing of the licensed international debit card carried on relentlessly, a new credit-risk free product authorised for use on all channels and particularly well suited to the needs of bank customers in the e-commerce sector. At the end of June the stock for the banking licence model was growing strongly (1.4 million cards). In fact, the first half saw the entry of a new customer and the acceleration of migrations of other banks that are already customers;
- the offer of mobile payment services (Apple Pay, Samsung Pay, Google Pay, Garmin, Fitbit) expanded to include the Swatch Pay service – being the first in Italy to make it available for both Mastercard and VISA cards – for all partner banks covering the Android world, while the number of partner banks active with Apple Pay increased to 44;
- in parallel, the Nexi Pay app continued to evolve in terms of functionality and content, with almost 1.8 million active customers;
- further momentum was given to the penetration of YAP, an app for prepaid card payments specifically designed for millennial and household cardholders, which now has about 915,000 clients, a number that continued to grow even during the partial lockdowns;
- "Customer Value Management" expanded thanks to the development of new "customer journeys" and the ability to serve banks on all business models. Particular attention was paid to initiatives to develop the credit card stock;
- the "engagement" and Loyalty programme was further enriched, with the introduction of a new level of ioSPECIALE PLUS service and the resumption of ioVINCO, the "instant win" dedicated to Nexi customers, making it possible to reach iosiPLUS NPS index values close to 60;
- the marketing of the Easy Shopping service (which allows to pay in instalments via credit card) continued;
- further efforts were made to promote sales of the ACH Instant Payments service launched in 2018;
- the development and on-boarding of customers on the new Open Banking platform (CBI Globe), launched in June 2019, continued.

With regard to the Issuing/ATM business acquired by Mercury Payments Services:

- initiation of the migration of all debit cards to the new XME Card Plus and Bancocard Base products;

- completion of the migration of "chip & signature" credit cards to "chip & pin" credit cards;
- launch of the new Exclusive credit card product for high-spending ISP customers;
- continued development and enabling of new Mobile Payments services, tokenisation for co-badge cards for ApplePay and SamsungPay wallets;
- commercial launch of the new Instant Issuing service that enables the issuing of cards in a digital format, followed by the delivery of the physical card;
- support of integration between ISP and UBI Banca, including the migration of cards, customers and integration of branches;
- support for the sale of ISP branches to BPER and Banca di Puglia e Basilicata;
- completion of the BIN ATM migration to Intesa Sanpaolo;
- support for the commercial launch of the Mooney prepaid card on the Visa circuit with the strategic partner Banca5.

Mercury Payment Services SpA

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

As at June 30, 2021, equity stood at Euro 30.7 million, including the half-year profits, that is approximately Euro 22.3 million.

Following the partial demerger executed during the half-year with a view to rationalising the Group, the company produces cards and performs customer service for Nexi Payments.

Help Line SpA

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

At June 30, 2021, equity stood at Euro 3.4 million, including the net result of the period of 0.2 million.

Group Performance

Reclassified Consolidated Income Statement as at June 30, 2021

The Reclassified Consolidated Income Statement highlights profit determinants by reporting items commonly used to provide a condensed overview of company performance. Said items are ranked as Alternative Performance Measures (APMs) pursuant to a Consob communication of December 3, 2015 which, in turn, encompasses the European Securities and Markets Authority (ESMA) guidelines of October 5, 2015 and subsequent updates. Please refer to the appropriate section on disclosures pursuant to said communication.

The results shown in the following table are compared with the pro forma data (including ISP) for the first half of 2020 as they include the economic effects of the Merchant Acquiring activities purchased by Intesa Sanpaolo, from January 1, 2020 instead of from the date of acquisition (June 30, 2020).

(Amounts in Euro million)

	June 2021 Reported	June 2020 **(including ISP)**	Delta	Delta %
Merchant Services & Solutions	271.8	242.9	28.9	11.9%
Cards & Digital Payments	206.2	180.1	26.1	14.5%
Digital Banking Solutions	61.5	54.6	6.9	12.6%
Operating revenues	539.5	477.6	61.8	12.9%
Staff-related costs	(92.1)	(79.5)	(12.5)	15.7%
Operating costs	(149.9)	(136.3)	(13,0)	9.6%
Total costs	(241.3)	(215.8)	(25.5)	11.8%
EBITDA	298.2	261.8	36.3	13.9%
Amortisation and depreciation	(73.7)	(66.1)	(7.6)	11.5%
Customer Contracts D&A	(14,0)	(23.7)	9.8	(41.1%)
Interests	(77.7)	(43,0)	(34.7)	80.6%
Non-recurring items	(95.3)	(42.5)	(52.8)	n.m.
Pre-tax profit	37.5	86.6	(49.1)	(56.7%)
Income taxes	12.4	-36.8	49.2	n.m.
Minorities	(1,0)	(0.8)	(0.2)	30.1%
Group net profit	48.9	49,0	(0.1)	(0.3%)

Notes

The EBITDA shown above is Normalised EBITDA whose definition is provided in the "Alternative Performance Measures" section.

The figures for the first half of 2020 (including ISP) were not subject to review by the Independent Auditors.

During the half-year, the progressive easing of restrictions on social mobility and the gradual and sometimes disorganised restart of retail businesses led to a decisive recovery in payment volumes and therefore the Group's operating revenues. This recovery was particularly evident in the second quarter, which is compared to a similar period of 2020 that was heavily affected by the spread of the pandemic.

Compared to the pro forma figure (including ISP) for 2020, operating revenues for the half-year increased by 12.9% (+6% compared to 2019), with a double-digit recovery in all business units. More specifically:

- the Merchant Services & Solutions business line showed growth of approximately 11.9%, which reflects the positive evolution of the volumes traded, in addition to the contribution of new commercial initiatives;
- also thanks to the expansion of the cards in circulation, the Cards & Digital Payments business line saw growth of 14.5%, again due to the higher volumes managed, especially for international debit cards;
- the Digital Banking Solutions business line reported an increase of 12.6%, attributable to higher traffic on ATM terminals, value-added services on the Open Banking platform and the contribution of specific projects to support important banking customers.

The trend of costs – experiencing double-digit growth but in any case lower than the growth of revenues – reflects the greater incidence of the variable components, directly related to the volumes and the overall financial performance of the Group, as well as charges related to some project activities. Compared to the same half of 2020, the increase in total costs – also related to one-off components – remained below 2%.

With regard to the individual components, compared to the first half of 2020 which was heavily marked by Covid-19, personnel-related costs increased by 15.7% due to higher variable components of salaries, while other operating expenses grew by 9.6%, also due to higher volumes worked and project costs.

Owing to the effect of the revenues and cost trends described above (excluding amortisation), EBITDA as at June 30, 2021 was approximately Euro 298 million, up 13.9% on an annual basis (approximately +10% compared to 2019). During the period the EBITDA margin compared to total revenues remained stable at 55%.

Mainly due to recurring and non-recurring charges deriving from debt issues serving M&A operations, interest increased significantly compared to 2020 (approximately +80%).

The increase in non-recurring items, whose negative balance for the half-year amounted to approximately Euro 95 million, is also explained by the expenses directly related to strategic M&A operations (Euro 49 million). On the other hand, the costs that the Group continues to incur for specific initiatives with a view to digital transformation amounted to Euro 11 million. The non-recurring components also include the costs linked to the stock grant plan (guaranteed by Mercury UK) for the Nexi Group employees (Euro 15 million) recognised according to IFRS 2, as well as the costs connected with the Long-Term Incentive plan (Euro 7 million).

Despite the increase in non-recurring components, net profit for the half-year amounted to approximately Euro 49 million, in line with the same period of 2020 on a pro forma basis.

Financial Position Highlights

The main financial position indicators are listed below.

Investments

The following table details Capex investments as at June 30, 2021 and June 30, 2020.

(Amounts in Euro million)

	I Half 2021	I Half 2020
Ordinary tangible and intangible assets	44.8	40.0
IT and Strategy Transformation projects	21.1	22.1
Real estate investments	40.0	-
Investments (Capex)	105.9	62.1

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

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

The item "Property investments" refers to the purchase of the property located in Milan at Corso Sempione 57.

Net Financial Position

During the period, the Net Financial Position changed significantly as a result of the funding transactions conducted in the half-year, as further detailed under the Changes in Group Debt section.

The following table details the Group's Net Financial Position as at June 30, 2021 and as at December 31, 2020.

(Amounts in Euro million)

	At June 30 2021	At December 31 2020
A. Cash and Cash equivalents (*)	3,726.6	499.1
B. Cash-like items	-	-
C. Other current financial assets	-	-
D. Liquidity (A) + (B) + (C)	3,726.6	499.1
E. Current financial liabilities	(16.4)	(14.7)
F. Current portion of long-term debt	-	-
G. Current financial debt (E) + (F)	(16.4)	(14.7)
H. Net current financial position (G-D)	3,710.2	(44.0)
I. Non-current liabilities	(1,455.0)	(1,456.6)
L. Bonds issued	(4,214.0)	(1,265.8)
M. Trade liabilites and other non-current financial liabilities	(35.6)	(44.0)
L. Non-current financial debt (I + J + K)	(5,704.6)	(2,766.4)
M. Net financial position (H) + (L)	(1,994.4)	(2,810.4)

(*) the item includes liquidity of the parent company, Nexi S.p.A., classified in the caption "Cash and cash equivalents" and the available liquidity generated by the operating companies during the period, classified in the caption "Financial assets measured at amortised cost"

It should be noted that, at the time of publication, all the covenants provided for by the financings have been complied with. Such covenants and the negative pledges are further described under note 39 of the Notes to the Financial Statements.

(Amounts in Euro million)

	Cash Flow Statement (1)	Reconciliation (*)	Liquidity of Group (2)
Profit of the period	49.9	-	49.9
Amortisation. depreciation, unpaid taxes and other non-cash items	97.3	-	97.3
Change in working capital	21.9	-	21.9
Cash flows of operations	169.1	-	169.1
Cash Flows generated/(used) by financial assets and liabilities	148.7	(147.8)	0.9
Cash flow generated by operating activities	317.8	(147.8)	170,0
Cash flows used in investing activities	(13.3)	-	(13.3)
Cash flows used in financing activities	3,070.8	-	3,070.8
Cash flows generated/(used) in the period	**3,375.3**	(147.8)	**3,227.5**
Opening cash and cash equivalents	159.1	340.0	499.1
Cash flows generated/(used) in the period	3,375.3	(147.8)	3,227.5
Closing cash and cash equivalents	**3,534.4**	**192.2**	**3,726.6**

(1): Consolidated Statement of Cash Flows, reporting cash available at Parent Company level only (Nexi SpA) as "cash and cash equivalents".

(2): Liquidity of the Group included in the Net Financial Position: in addition to Parent Company's "cash and cash equivalents", includes the liquidity generated by the operating companies, which will be upstreamed to Nexi SpA via cash dividend distribution.

(*): Difference in "cash and cash equivalents" definition (Euro 148 million) equal to the cash flow generated during the first half of 2021 by operating companies (Euro 192.2 million) minus the cash flow generated in 2020 (Euro 340 million) and distributed in 2021.

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

Alternative Performance Measures

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

In 2021, the alternative performance indicators adopted by the Group were substantially unchanged compared with the previous financial year, in terms of both definition and calculation method. Note that the format used for the presentation of the Net Financial Position has been updated in order to incorporate the indications set out in Consob warning note 5/21.

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

Operating Revenues

Nexi defines Operating Revenues as the Financial and Operative Income normalised in respect of non-recurring expenses and income, excluding, where applicable, financial charges on bond loans and financing. The following table details the reconciliation of the financial and operating income to operating revenues for the periods ended June 30, 2021 and 2020.

	I Half 2021	I Half 2020
Financial and operating income	459.8	399.3
Interests and financing costs (*)	77.6	27.7
Non-recurring costs/(income)(**)	1.1	0.7
Operating costs / (income)	0.9	0,0
Operating Revenues	539.5	427.7

(*) For the first half of 2021, the item includes interest and commissions on Nexi SpA funding (Euro 70 million), IFRS 16 interest (Euro 0.5 million) and interest on other financing (Euro 0.7 million). The item also includes the effect of the fair value measurement of the option implicit in the convertible bond loan issued in the half-year. Such costs are reported under "Financial and operative income" in the Income Statement.

(**) For the first half of 2021, the item mainly consists of non-recurring costs that in the Income Statement are reported under the item "Financial and operative income".

Normalised EBITDA

Nexi defines Normalised EBITDA as profits for the period adjusted for (i) income (loss) after tax from discontinued operations, (ii) income tax on continuing operations, (iii) profit (loss) on equity investments and disposals, (iv) interest and financing costs (included in the net interest income), (v) net adjustments/reversals of impairment losses of tangible and intangible assets, and (vi) non-recurring expenses and income. The following table details the reconciliation of Group profits and Normalised EBITDA for the periods ended June 30, 2021 and 2020.

	I Half 2021	I Half 2020
Profit for the period	49.9	33.1
Profits/losses, after tax, from discontinued operations	0.0	0.3
Period income tax on continuing operations	(12.4)	26.5
Profit/loss on equity investments and disposals	0.1	0.1
Interests and financing costs (*)	77.6	27.7
Amortisation and impairment losses for tangible and intangible assets	87,0	83.5
Non-recurring expenses and income	1.1	0.7
Other non-recurring expenses/ income impacting EBITDA (**)	94.7	42.3
EBITDA	298.2	214.1

(*) Please refer to the previous table.

(**) For the first half of 2021, the item mainly consists of non-recurring administrative expenses associated with the stock grant assigned by Mercury UK and to LTI (Euro 21.9 million), transformation costs (Euro 11.1 million) and other non-recurring expenses equal to Euro 61.7 million. Among other things, the latter include extraordinary expenses related to transactions with SIA and Nets (equal to Euro 30.2 million) and integration costs related to transactions with SIA and Nets (equal to Euro 13.3 million).

Investments (Capex)

Nexi defines Investments as tangible and intangible assets acquired in the period, as listed in the relevant table in the Notes to the Financial Statement, concerning changes to tangible and intangible assets. Such an Alternative Measure does not include tangible and intangible assets acquired following business combination transactions.

Net Financial Position

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

- bonds issued, included under financial liabilities measured at amortised cost;

- IPO Loan and Term Loan, included under financial liabilities measured at amortised cost;

- liabilities associated with business combinations, consisting of the earn-out debt recognised under "Financial liabilities at fair value through profit or loss" and by the deferred financing cost recognised under "Financial liabilities measured at amortised cost";

- other financial liabilities, mostly consisting of liabilities under IFRS 16 and included under financial liabilities measured at amortised cost.

Financial assets are recognised as "Cash and cash equivalents" and, where they refer to liquidity generated by the subsidiaries during the period, as "Financial assets measured at amortised cost".

Governance and Control Structures

Board of Directors

Below is the composition of the Board of Directors as at June 30, 2021, which did not change during the half year. Note that since July 1, 2021 the composition of the Board of Directors changed as reported in the section "Corporate bodies as at July 30, 2021".

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

Internal Board Committees

Below is the composition of the Internal Board Committees, which did not change during the first half of 2021 compared to the situation of the period prior to December 31, 2020.

Remuneration and Appointment Committee (*)

Chairperson	Marinella Soldi
Members	Luca Bassi
	Elisa Corghi

Risk, Control and Sustainability Committee (*)

Chairperson	Elisa Corghi
Members	Francesco Casiraghi
	Marinella Soldi

Related Party Transactions Committee (*)

Chairperson	Elisa Corghi
Members	Antonio Patuelli
	Marinella Soldi

(*) Committees established as per the Corporate Governance code.

Strategic Committee

Below is the composition of the Strategic Committee, which did not change during the first half of 2021 compared to the situation in the period prior to December 31, 2020. Note that since July 1, 2021 the composition of the Strategic Committee changed as reported in the section "Corporate bodies as at July 30, 2021".

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

Board of Statutory Auditors

Below is the composition of the Board of Statutory Auditors, which did not change during the first half of 2021 compared to the situation in the period prior to December 31, 2020.

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

Financial Reporting Manager

The role of the Financial Reporting Manager, provided for by article 154 bis of the TUF, is held by Enrico Marchini.

Independent Auditors

The independent audit of the Group's statutory financial statements and of the consolidated financial statements for the financial years 2019-2027 and the limited audit of the Group's consolidated statements for the half-years ending on June 30 of said financial years have been entrusted to PricewaterhouseCoopers SpA.

Group Internal Control Systems

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

In view of the combinations with Nets, the control functions compared their own methodologies with the aim of defining Group approaches where possible.

The Audit Function has the duty of periodically assessing the completeness, functionality and suitability of the Internal Control System (ICS), including issues related to the information system. Its activity is based on the pre-emptive evaluation of the Internal Control System during the planning of all audit activities, on the constant evaluation of the risks concerning corporate activities and on the thoroughness and coverage of the Company's ICS.

During the period, the Audit Function undertook the process of adapting the evaluation process of the SCI with the evolution and extension of the Group's scope, in line with what was done previously. The standardisation and automation of information processing and analysis processes are essential elements for a consistent, uniform assessment at a Group level.

The awareness of each ExCo member regarding their own set of corrective interventions continued through quarterly managerial reporting.

In terms of risk management, the fruitful discussion and cooperation with the Risk Management Function continued with the launch of joint analyses of business processes worthy of a comprehensive review, seeking to identify the appropriate verification and intervention activities.

As regards on-site audits, the plan continued without particular delays, and the planning for the second half of the year was also examined in line with the incoming Nets audit scope with a view to seeking beneficial synergies/improvements. The integration sites also led to a definition of common audit methods and processes that are applicable throughout the new Group.

Finally, with regard to the work programme defined with the Group SBs, the Audit Function conducted the audits envisaged in the period and supported the Body in the impact analysis assessments deriving from the integration. Consequently, it is planned to update the Organisational and Control Models pursuant to Legislative Decree 231/2001 for all Nexi Group companies (i.e. Nexi SpA, Nexi Payments, Help Line SpA and Mercury Payment Services Spa) whose processes have been affected by significant changes in regulations.

Second level controls for the Group's supervised companies, which aim to help define the business risk measurement methods, check compliance with limits assigned by the various operating units and check that operations of individual production areas are consistent with assigned risk-return objectives and business operating rules, are entrusted to structures other than operations, and specifically to:

- the Risk Management Function, which also features an Information Security Manager;

- the Compliance & AML Function, which includes the Anti-Money Laundering function and the Group DPO, which operate in specific reference to regulatory areas under their respective responsibilities;

- the Subject Matter Experts, namely business units with responsibility for continuously ensuring compliance of activities and processes with regulations under their respective responsibilities.

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

The Group's Enterprise Risk Management Policy, updated during the first half of 2021 so that it could also be applied to Nets through the definition of a Risk Management unit at the central and Legal Entity levels, outlines:

- the benchmark principles the Enterprise Risk Management takes cue from;

- the roles and responsibilities of the bodies and corporate management top offices in the ERM model scope;

- the adopted risk management framework: activities, stakeholders and methodologies.

The mission of the ERM model is therefore to promote decision-making based on awareness, on the expected yields and on the underlying risk profile, guaranteeing an adequate management that is consistent with the propensity to corporate risk. To this end, Nexi Group's ERM aims to achieve the following goals:

- identify, prioritise and periodically monitor corporate risks in order to direct investments and resources towards the most critical and relevant risks for the Group's business;

- assign roles and responsibilities for a clear and shared management of corporate risks;

- give due value to the existing Risk Management units, coordinating them and enhancing them if possible;

- spread a culture of risk awareness and a risk-based approach in the Group's decision-making processes, raising management's awareness of the major risks the company is exposed to.

During the first half of 2021, the Group monitored, on a monthly and/or quarterly basis, the implementation of the mitigation plans for priority risks that emerged from the ERM analysis, with Nexi consequently deeming it appropriate to further strengthen risk monitoring.

With reference to the provision of payment services, operational risks are particularly relevant, including security-related risks and legal and reputational risks, which may derive from relations with customers. In this context, 2021 witnessed the continuation of the activities involving the alignment to the standards set forth by PSD2, which entailed the development of several works focusing on specific project streams, guided by the alignment roadmap setting the relevant deadlines indicated by the EBA.

In accordance with the relevant regulatory provisions and with the market best practices, Nexi further strengthened its management framework for operational and security risks, with particular reference to the ICT risk assessment and its interaction with a broader range of operating risks, so as to ensure an increasingly efficient constant monitoring of risks. The ORM Framework integrates and adds to the Enterprise Risk Management Framework; the results of the two methods, in terms of exposure to operational risks, converge consistently.

Therefore, the Operational Risk Management Policy has been implemented at Nexi Payments to manage and mitigate operational risks.

During the half-year the Risk Management function continued to monitor the resilience of the Group's main processes, especially with respect to the risks posed by the Covid-19 pandemic.

The Compliance & AML Function checks compliance with the Regulatory Areas assigned to it using a risk-based approach, and during the first half of 2021 it refined the methods used to report information to the Directors of Nexi Payments in order to provide a clear and immediate picture of non-compliance risks, of the progress of the corrective measures undertaken, of new rules and of measures aimed at ensuring compliance by the enforcement date. It is one of the tools that also allows the Function to promptly address issues requiring updates.

Fine tuning aimed at improving the performance of information tools supporting the Function carried on in all scopes managed by the Function itself.

During the first half of the year the technical modifications and updates were completed for the application of Strong Customer Authentication (SCA) to online card payments, and activities continued to strengthen anti-money laundering safeguards, especially with respect to customer due diligence processes. In this context, particular attention was paid to the identification of new behaviours and characteristics of transactions that are symptomatic of the risks of illegal conduct associated with the COVID-19 epidemiological emergency.

During the half year, with regard to Directive 2015/2366/(EU) on payment services in the internal market (so-called PSD2), the Compliance & AML Function provided significant support in the implementation of technical solutions and updates for the application of Strong Customer Authentication (SCA) to online card payments, and in the definition of the multi-year plan submitted to the Bank of Italy on the updating of the authentication system of payment cards issued by Nexi Payments to the new Chip & Pin standard called for by the European Banking Authority (EBA). The Function also carried out continuous monitoring in view of the clarifications published by the EBA on payment services, in light of which impact analyses were carried out and, where necessary, the necessary adjustments were made from time to time.

As part of the consolidation of data protection pursuant to Regulation (EU) 2016/679 ("GDPR"), during the first half of the year particular attention was paid to the management of third parties and data retention.

Finally, following the achievement of agreements for the integration of the Nets Group and the Nexi Group through the merger of each of these into Nexi (announced respectively on October 5, 2020 and November 15, 2020), the Compliance & AML Function provided its support in the analysis of the various possible scenarios, identifying the main impacts and the consequent adjustments needed.

Nexi Group Organisational Structure

Nexi SpA

In order to further strengthen Nexi's organisational model and to ensure the best execution of the Nexi-SIA-Nets integration plan, as mandated by the Board of Directors a new structure has been created dedicated to the management of the Group's transformation, the Chief Transformation & Strategy Office (CTSO).

Help Line SpA

There were no organisational changes worthy of note with respect to the reference context.

Nexi Payments SpA

As of April 1, 2021, the resources of the Mercury Payment Services branch (hereinafter MePS) merged into Nexi Payments have joined the new organisational structure, also in order to reinforce current functions through knowledge sharing and ensuring continuity in areas previously managed by MePS, in full compliance with the contract with Intesa Sanpaolo.

Furthermore, in order to optimise the process of integrating the activities of MePS, the following changes have been made to the organisational structure of Nexi Payments:

- the ISP Accounting Operations structure was created in the CFO area, reporting to Administration, focused on overseeing the administration of the services provided to Intesa Sanpaolo customers;
- the Commercial ISP structure was created in the Commercial area, overseeing commercial relations with Intesa Sanpaolo customers;
- the Core Platform & Authorisation structure was created in the CIO area, aimed at monitoring the authorisation and processing, acquiring and issuing systems acquired through the merger.

To further strengthen Nexi Payments's organisational model and streamline the allocation of facilities, the following additional organisational changes were made:

- as part of the control functions, changes were implemented to increase the focus on the Parent Company and business risk controls (in the Audit area creating the Holding Processes Audit staff, in the Compliance area creating the two teams: Advisory and Assessment & Reporting, in Risk Management through the new Insurance & ERM structure focused in particular on ESG risks);
- the new CTSO (Chief Transformation & Strategy Office) area was created to accompany the Nexi-SIA-Nets integration process. This area maintained some structures of the Business Development area, while the other Business Development structures were reallocated by competence within the various BUs;
- within the Cards & Digital Payments BU, to better support Banks in the "go to market", contribute to the acquisition of new customers and develop the new Group positioning, the Brand & Communication function was reorganised into 3 new structures plus one staff: C&DP & DBS Communication, MS&S Communication, Communication Services, Content & Social Media Communications;
- in the Merchant Services & Solutions BU, organisational changes were made to reinforce LAKA product coverage;
- with regard to Commercial Management, the organisational changes concerned the timely attribution of Banks customers to Executive Partnership Managers and the definition of structures focused on development and supervision in the area of channels/territories;
- finally, in the Operations area, changes were introduced in the Business Operations & Risk Prevention structure aimed at strengthening the control of fraud management and credit management.

Mercury Payment Services SpA

From April 1, 2021, after the partial integration of activities and people into Nexi Payments, the "Card Factory" and "Contact Unit" organisational units remain in the MePS company (subject to the management and coordination of Nexi SpA), which continue to carry out the following activities:

- production and shipment of payment cards;
- management of the telephone support service for merchants and cardholders.

Regulatory Compliance

During the first six months, efforts continued with reference to compliance with new regulations introduced by Directive (EU) 2015/2366 concerning payment services in the Common Market (the Payment Services Directive, or PSD2), as well as with ensuing secondary regulations issued by the EBA with particular reference to "Fraud Reporting" and the upgrading of technological solutions that guarantee compliance of payment services in the e-commerce sector. In detail, during the first quarter the technical modifications and updates were completed for the application of Strong Customer Authentication (SCA) to online card payments, and activities were started to proceed with the application of the exemptions to strong customer authentication in compliance with the requirements governed by Delegated Regulation EU 389/2018.

In view of the clarifications published by EBA and recalled by the Bank of Italy with respect to the method of authentication by signing the receipt for card payments, specific activities were initiated and an update plan was drafted.

Moreover, following the issuance of a new version of the "EBA Guidelines on simplified and reinforced customer verification measures and on the factors to be taken into account in assessing the risks of money laundering and terrorist financing associated with individual ongoing relationships and occasional transactions" (not yet in force at the date), specific studies were carried out to understand the impacts on the Company's processes.

Constant efforts are being made in respect of consolidation activities aimed at protecting data, as provided for under Regulation (EU) 2016/679 ("GDPR"), as well as in the monitoring activities implemented by the Function supporting the Data Protection Officer (DPO) aimed at ascertaining that the adopted solutions ensure compliance. Furthermore, in light of the Ruling of the European Court of Justice of July 16, 2020 (so-called "Scherms II Judgement") that invalidated the decision on the adequacy of the Privacy Shield adopted in 2016 by the European Commission and the Recommendations of the European Committee of Guarantors on the transfer of data to non-EU countries, the DPO Function dedicated itself to the management of third-party suppliers appointed as data processors, with particular focus on suppliers that process data in non-EU countries.

The projects aimed at complying with the provisions of Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 on fees for cross-border payments in the European Union and currency conversion fees continue, especially with respect to notices to customers. The necessary measures have also been identified and implemented to ensure the updates introduced by the Bank of Italy's regulations on reporting to the Interbank Alarm Centre (CAI).

A specific working group was set up to define the actions to be taken to comply with the provisions of the ECB Regulation on Payment Services Statistics (in force since January 1, 2022) aimed at updating the reporting laws for the transposition of fraud data within supervisory reporting.

Following the issue of the "Consultation document on the provisions on surveillance of payment systems and technological or network infrastructures", the new aspects introduced by the Authority were examined in detail and the consultation was answered by sending the necessary clarifications to the Bank of Italy.

With the extension of the Stanca Law also to private entities such as Nexi, a specific project is under way aimed at defining the actions necessary to ensure the accessibility of the Nexi website and mobile devices by people with disabilities. Specifically, it is necessary to perform a technical verification of the accessibility of the IT systems in order to then proceed to the issuance of declarations of accessibility of applications and the website, which must be done in accordance with AGID guidelines.

Finally, analyses are under way to understand what updates are needed following EBA's publication of its Final Report containing a revision of the guidelines on the reporting of serious incidents pursuant to the Payment Services Directive (PSD2) and Decree-Law no. 82 of June 14, 2021 - Urgent provisions on cybersecurity, definition of the national cybersecurity architecture and establishment of the National Cybersecurity Agency.

Group IT Systems

During the first half of 2021, the CIO (Chief Information Officer) Area's activities focused on pursuing the technological transformation process, implementing project initiatives aimed at supporting Group Business goals and ensuring adequate service levels to customers. Specifically, the actions focused on the following topics:

- continued implementation of the IT Strategy programme as planned with respect to the Acquiring, POS, Customer Interaction (CRM, Dispute and Marketing Automation) and Digital areas;
- implementation of IT projects supporting business activities;
- implementation of regulatory compliance programmes;
- activation of measures concerning the consolidation, evolution and maintenance of technological infrastructure and security platforms;
- implementation of engineering activities envisaged as part of corporate restructuring projects (e.g. MePS integration);
- monitoring of service levels, to be consistent with the market's best practices, provided to internal Business Units and to Group clients;
- consolidation of the organisation structure and enhancement of the inhouse staff skills;
- management and optimisation of technological expenditure, with a specific view to the achievement of the Group's cost-efficiency goals.

Moreover, activities aimed at defining the IT strategy to be pursued as well as the applications to be implemented on "Day 1" were launched as part of the corporate integration operations.

With ordinary operations assured in respect of everyday services, other relevant actions, either completed or ongoing, are further detailed below.

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

- development of the International Debit product (Carta Conto and its corporate version) and expansion of the customer base through the integration of new banks;
- activation of new products/developments on BANCOMAT®, PagoBANCOMAT®, Bancomat PAY® circuits;
- completion of upgrades required by payment circuits;
- necessary updates under the "State Cash-Back" initiative;
- adoption of the "Custom Partnership" model in respect of new client banks;
- management and evolution of Issuing platforms for Intesa Sanpaolo customers, also in light of the implications deriving from mergers in the Italian banking system.

In the area of *Acquiring systems*, activities focused on:

- evolutionary measures on the Merchant OnBoarding platform and continuation of activation of said platform at client banks as scheduled;
- implementation of the new acquiring platform and said platform's integration within Nexi's clearing system and other relevant IT systems;
- activation of alternative payment instruments and evolution of commercial products for customers;
- completion of upgrades required by payment circuits;
- management and evolution of Acquiring platforms for Intesa Sanpaolo customers, also in light of the implications deriving from mergers in the Italian banking system.

Regarding *Payments systems*, the following activities were carried out:

- function upgrades for the Remote Corporate Banking platform and extension of the Instant Payments service to new customer banks;
- functional updates of the Nexi Open platform and expansion of commercial products for the Corporate/SME segment;
- evolution of the ATM commercial offering and consolidation of the payment terminals' management platform;
- implementation of ATM innovation actions.

In the area of *M&A, Operations and Corporate Systems*, activities focused on:

- update of the Dispute management platform for the functions of the Issuing (Servicing) and Acquiring products;
- development of a single CRM software based on market technologies;
- functional updates of the authorisation platform and integration with the new Core Acquiring and Payment Gateway platforms of Nexi; performance of the activities envisaged in the context of the merger of UBI into Intesa Sanpaolo and the transfer of 600 branches to BPER;
- performance of the activities necessary for the connection of Corporate systems at a Group level in light of corporate operations;
- updating of the CFO Area systems (accounting and management) with development of the Parent Company's infrastructure (Nexi SpA) in preparation for the integration of Nets.

In the *IT Digital* systems area, activities mainly focused on:

- continuous evolution of digital channels properties and architecture (apps, portals);
- activation of Mobile Payments services with additional customer banks;
- updating of the new Marketing Automation platform;
- functional update of the new POS terminal life-cycle management platform;
- updating of the target platform for the Nexi Payment Gateway and continuation of the merchant migration;
- updating of technological solutions in support of "Alternative Rails" (Merchant Online Store);
- activation of new banks on advanced service layers (APIs);
- updating of Instant Lending @smartPOS services for the Large Customers segment;
- updating of Omni-Payments Mobile Wallet services for the Large Customers segment.

In the *Data & Analytics* area, activities focused on the following:

- continuous optimisation of Big Data infrastructure to reduce refresh and access times of company data;

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- development of AI acquiring and issuing algorithms;
- development of data analytics tools for partner banks and business units supporting commercial actions;
- continuation of the development of technological and organisational solutions for the transition to a data-driven company model.

In the *Infrastructure* area, activities in the first half of 2021 focused on the following:

- updating and activation of virtual collaboration and networking tools for the remote working needs of all Nexi employees;
- consolidation of the Mercury Payments and Bassilichi Data Centres into Nexi Blue;
- unification and rationalisation of infrastructure, managing the infrastructure of the Data Centres acquired in the corporate restructuring operations;
- evolving monitoring systems to suit the specific requirements of the new IT Strategy platforms;
- monitoring on an ongoing basis of the evolution of the Group's systems architecture, so as to ensure its alignment with strategic guidelines and with the market's best practices.

In the area of *IT Security* and *Business Continuity*, as part of the continuous improvement of both IT security systems and measures to combat cybercrime, activities focused on the following:

- technical certification of the main Group applications in respect of compliance with IT Security and Business Continuity regulations (including PCI DSS Certification, PCI Card Production, PCI 3-D Secure, PCI PIN Security, ISO 27001, ISO 22301, etc.);
- ongoing activities aimed at improving IT Security and reducing potential vulnerabilities within Nexi Group IT systems (e.g. database firewall, identity management for networks, network segregation);
- adoption and boosting of technologies designed to increase security of services offered to end customers (e.g. multifactor authentication, identity & access);
- boosting of the 24/7 security events monitoring service and further development of the centralised security warnings platform.

In the area of *IT Strategy & Governance*, activities focused on the following:

- monitoring of and reporting on IT Strategy;
- supporting IT Competence in the definition of the investment budget and monitoring of spending review initiatives;
- overseeing the projects portfolio and relevant operational and management reporting, with a specific focus on the governance of priority programmes/initiatives;
- defining (in collaboration with the Group's relevant functions) and implementing organisational evolution at CIO Area level;
- continuous evolution of processes, methods and tools relevant to CIO Area governance.

Human Resources

With reference to human resources, Group workforce as at June 30, 2021 stood at 2,022 resources, compared to 1,996 as at December 31, 2020, broken down as follows among the legal entities.

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

2021	Nexi	Nexi Payments	Help Line	Mercury Payment Services	Orbital Cultura Srl	June 30, 2021
Senior Managers	7	85	0	-	-	92
Middle Managers	1	703	12	5	-	721
Employees	-	780	325	89	6	1,200
Other	-	2	-	-	7	9
Total	**8**	**1,570**	**337**	**94**	**13**	**2,022**
Open-ended	8	1,569	337	94	6	2,014
Fixed-Term	-	3	-	-	7	10

2020	Nexi	Nexi Payments	Help Line	Mercury Payment Services	Orbital Cultura Srl	Dec. 31, 2020
Senior Managers	6	84	0	4	1	95
Middle Managers	1	651	12	34	-	698
Employees	-	663	295	233	6	1,197
Other	-	2	-	-	4	6
Total	7	1,400	307	271	11	1,996
Open-ended	7	1,398	307	270	7	1,989
Fixed-Term	-	2	-	1	4	7

Information on staff and the environment

The first months of 2021 saw the conclusion of the Change Management plan launched in 2020 to support the entire company population, building and sharing new ways of working together, and with a focus on discussion and listening avenues and on harnessing a team spirit and a sense of belonging.

At the same time, the Training Plan for the years 2021-2022 was prepared based on the five pillars, and currently includes:

- compulsory training: the goal being to provide for the knowledge necessary to ensure continuing legal and regulatory compliance (e.g. in the areas of privacy, health & safety, antitrust etc.);

- specialist training: the goal being to provide for learning, updating and enhancement of technical and specialist knowledge relevant to specific professional categories and duties;

- technical training: these courses are provided by third-party training service providers and the issue of certifications. It includes tools, methods and knowledge to enhance skills and promote cross-over of ideas;

- One Nexi training: this training reflects Nexi values and its goal is that of pursuing a common and shared path that aims to give value to experience diversity, to strengthen organisational leadership and individual soft skills. It includes activities that allow the individual to gain and enhance personal, operational and management skills. Specifically, the following were organised: the Leadership Academy for all Change Leaders, launched at the beginning of June; the Managerial Academy dedicated to Change Agents and Professional Leaders, which is scheduled to start at the beginning of the second half of the year; the One Nexi catalogue courses planned for the rest of the company's employees, which will start at the beginning of the second half of the year;

- business training: the goal being to ensure an industry awareness and to breed knowledge of relevant market sectors and their trends, as well as Nexi's positioning, strategy, products and services.

The first half of 2021 was mainly dedicated to carrying out all the activities aimed at returning "safely" to work on site, starting with the Sempione headquarters and followed by all the other offices in Italy. Specifically, more effective solutions were identified to combat the spread of Covid, such as the adoption and distribution of FFP2 certified masks in reception, laboratory tests carried out in Italy, the measurement of temperatures at the entrance, the positioning of gel dispensers at the entrance and in different points of the company, pathways indicated by special signage and markings on the ground to maintain social distancing, the positioning of self-cleaning stations to sanitise workstations, the reinforcement of cleaning and disinfecting activities, and last but not least the Casa Nexi app to regulate the access of employees to the company, allowing them to register and complete the self-certification form to declare their health and to exclude that an employee has contracted Covid, has had close contact with a Covid patient or has symptoms attributable to Covid. The criteria adopted are the same as in 2020, but digital solutions allow for an immediate control, reducing the risk of error to zero.

In the first half of 2021 there were no accidents in the workplace and there was only one accident while commuting in the company Nexi Payments.

Main risks and uncertainties

This section describes the main risks the Group is exposed to; such risks emerged within the scope of the Enterprise Risk Management and have been broken down into several aspects and put in the current macroeconomic, political and regulatory framework.

For further details concerning financial, operating and reputational risks linked to the type of business handled by the Group, please refer the relevant Note, which also describes the relevant risk management policies.

STRATEGIC RISKS

Risks related to COVID-19 (Coronavirus)

With an eye to 2021, global economic growth forecasts are underpinned by significant vulnerabilities and downside risks – both of which issuing from uncertainty as to the recovery in global trade and manufacturing and to the enduring geopolitical tensions spawned by the Covid-19 pandemic which, given it impacts on public health, business and retail – can adversely impact Nexi Group performance following its merger with the Nets Group.

Another economic downturn triggered by the pandemic, potentially compounded by further lockdown measures during the second part of the year, could adversely impact Nexi Group revenues due to a drop in transaction volumes. In this regard, note that about half of the revenues of the Nexi Group depend on the volume of transaction flows actually managed in a given period.

The macroeconomic uncertainties due to the COVID-19 pandemic may also impact the ability of the Nexi Group to pursue the synergies expected from the Nets Merger in the amounts and times envisaged.

Risks related to the Nets Merger

With regard to the Nets Merger, the Nexi Group is exposed to the typical risks associated with extraordinary merger and acquisition operations and the integration of the target company within the pre-existing corporate structures and entities. Among other things, these risks relate to the coordination of management and personnel, the integration and rationalisation of the existing IT systems, policies, structures and services of the Nexi Group and those of the acquired and/or incorporated companies.

The synergies deriving from the Nets Merger should mainly relate to the services provided to merchants, synergies relating to revenues, as well as synergies generated outside the Italian territory, and cost synergies. Specifically, approximately Euro 170 million of recurring annual synergies are expected at full capacity.

Over 80% of the synergies at the EBITDA level are expected to be fully operational in 2024 and the total integration costs, which will be incurred during the integration period, are estimated to be around Euro 170 million (equal to about 1x the synergies at the operating cash flow level). It is still believed that the Nets Merger will generate such synergies notwithstanding the COVID-19 epidemiological emergency.

Due to the above, it is possible that the Nexi Group will not be able to fully or partially manage the functional processes and an effective integration of the Nets Group in an efficient manner, with consequent negative effects on the margins of the Nexi Group and its capacity to generate cash flows in support of the overall debt of the Nexi Group.

Risks related to macroeconomic conditions and political uncertainty in Italy and Europe, in the countries where the Group operates

The Nexi Group currently operates mainly in the Italian market. The merger with the Nets Group will also expose Nexi to the European market and the related economic and political conditions of the countries where the Group operates. Indeed, the post-merger Nexi Group will have operations in the Nordic countries, Germany, Austria, Switzerland, Poland, Central-Eastern Europe and South-Eastern Europe.

The revenues that the Nexi Group generates depend in part on the number and volume of payment transactions (so-called volume-driven revenues). The latter, in turn, among other things track overall spending of consumers, businesses and public administration in Europe.

General economic conditions in Italy and Europe affect confidence, consumer spending, the amount of income available for consumption, as well as changes in consumers' purchasing habits. These general economic conditions may change suddenly due to a large number of factors over which the Nexi Group has no control, such as government policy, monetary policy and international economic conditions. A prolonged deterioration of general economic conditions in Italy and/or in Europe could (i) lead to a decrease in the number of digital payment transactions or expenditures per transaction, as well as (ii) negatively impact the number of cards issued or the number of new generation POSs distributed to merchants, thus negatively affecting the profitability of the Nexi Group.

Finally, the performance of the world's economies is subject to the uncertainty associated with the evolution of the COVID-19 (Coronavirus) pandemic.

Therefore, the continuation or further worsening of these financial and macroeconomic conditions or prolonged political instability in Italy and/or in Europe could lead to a decrease in demand for the services of the Nexi and Nets Group.

Risks related to customer concentration

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

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

Moreover, due to the recent global health crisis caused by Covid-19 and the consequences on the economy, non-performing financial assets of banks could potentially increase with negative effects on the balance sheets of financial institutions.

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

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

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

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

With regard to the Nets Group, a significant part of the Group's activities is carried out through commercial relationships with more than 250 banks, thanks also to their network and branch networks.

The loss of commercial relations with one or more of the major customers - including due to external factors, such as, with specific regard to the partner banks of the Nexi Group and the Nets Group, the health of the banking and financial institutions sector, as well as any mergers within that sector - would entail a reduction in the revenues of the Nexi Group and negative effects on its economic, equity and financial position.

Risks linked to competition within Nexi Group's operations after the Nets merger

The Nexi Group and the Nets Group operate in highly competitive sectors, and in these markets are compared with their competitors mainly on the basis of the following elements: technological innovation, quality, breadth (so-called one stop shop) and reliability of services, speed and punctuality of delivery, performance, reputation, customer support and price of the services offered. Operators of a very different nature compete for segments of the value chain through the progressive consolidation and combination of models on a European and global scale.

The European market is becoming increasingly competitive and is undergoing a period of rapid transformation due to customer habits, technological innovation and the recent harmonisation of legislation at an international level. Furthermore, in view of the increase in needs and expectations of customers (also taking into account the new generations that are entering the market), the attention to the end customer – consumer and business – and the management of the user experience are becoming increasingly important.

On the other hand, the Nexi Group may face increased competition with the entry into the market of new national and international players and the expansion of services by existing competitors. A growing trend in Europe – recently seen also in Italy – involves specific initiatives for individual domestic sectors where successful cloud-based digital Fintech operators (e.g. Klarna) and Neobanks (such as Revolut, N26) try to establish themselves working with "best-in-class" technological partners and adopting advanced digital solutions that respond quickly and flexibly to customer needs, including payment services. Another trend involves companies progressively entering the payments market, and e-commerce operators are also growing rapidly thanks to the spread of digital/online purchases.

The Group is also dealing with new competition from international payment companies (such as Adyen and Stripe) that are able to offer vertically integrated services in an omni-channel and cross-country logic. With specific regard to the e-Commerce/m-Commerce sector, the Group finds itself competing with specialised players such as PayPal.

Further new competitors are emerging among providers of non-traditional payment services such as big tech (for example, Apple, Google and Amazon), which are developing real "ecosystems" of payments that in the future could allow them to further monetise relations with customers, also taking advantage of the huge data available to them.

Such potential competitors could have significantly greater financial, technological and marketing resources than the Nexi Group and greater experience gained in other markets, not to mention solid networks and a strong reputation, all highly valued by end consumers.

Risks linked to the Group's ability to attract, retain and motivate skilled professionals

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

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

The high-skills labour market is highly competitive and the Group may not be able to hire additional staff or may not be able to replace outgoing staff with equally skilled staff and/or may not be able to retain personnel that is key to the success of the Nets merger. In that respect the Group places a special emphasis on selecting, recruiting and training its human resources, with a view to maintaining the utmost standards.

OPERATING RISKS

Risks linked to personal data storage and processing

In carrying out their activities, the Nexi Group and the Nets Group process the personal data of cardholders, including their names and addresses, credit and debit card numbers and bank account numbers, of merchants, including their enterprise names and addresses, sales figures and bank account numbers. As such, the Groups are held to comply with domestic Italian and European laws pertaining to data protection and privacy rights. Additional rules apply in respect of credit card schemes, such as Visa and Mastercard.

Given the Group's access to the data of current or potential clients and customers, said rules and regulations as well as binding the Group to designated data protection and security standards, also, among other things, place liability with the Group for loss of privacy resulting from unauthorised third-party access to such data.

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

Although the Nexi Group's incident monitoring and management service operates 24/7 all year long, unauthorised personal data disclosures may occur, for instance, as a result of IT security violations, either due to human error or cyberattacks, malicious conduct or physical security breaches by unauthorised staff.

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

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

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

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

The widespread use of smart working and remote links may bring about an increase in IT security risks for enterprises. In such a context, it is becoming increasingly important to be prepared to deal with cyberattacks in order to minimise impact. To face smart working-related cyber threats, Nexi has implemented specific IT security measures and enhanced training and information concerning Covid-related risks and the relevant conduct to be followed. Besides, the Group has continued to put in place the IT security measures provided for by the strategic plan for mitigating IT risks, and it has regularly monitored their implementation.

Operational risks related to IT, communication and technological infrastructure (so-called ICT infrastructure), and to the malfunction thereof

The reliability, operational performance, integrity and continuity of the ICT infrastructure of the Nexi Group and the technological networks are crucial to the Group's business, prospects and reputation.

An especially crucial part of the ICT infrastructure in question are the merchant acquiring and card issuing platforms, whether debit or credit, domestic or international. Said platforms comprise systems tasked with digital payments' authorisation and settlement processing, card issuing and management, terminal and payment services management – all of which subject to interbank standards, involving, among other requirements, features such as two-way messaging, transactions and notifications, as well as Digital Corporate Banking systems.

Crucially, in respect of platforms handling merchant acquiring, card issuing, terminals management, bank payment systems and other products, operability may be compromised by Group or third-party service provider ICT systems damage or malfunctions.

Malfunctions can be caused by migrations to new technological or application environments, significant changes in the production environment, human error, insufficient and incomplete testing, cyber attacks, unavailability of infrastructure services (e.g. electrical or network connectivity) or natural phenomena (e.g. floods, fires or earthquakes). With particular regard to malfunctions attributable to migrations to new technological or application environments, note that the Nexi Group – due to the integration with the Nets Group – will have to undertake an extensive process of IT rationalization. Therefore, it will be necessary, among other things, to migrate certain technological systems from the platforms owned by the respective corporate groups to the target platforms identified by the Nexi Group, as an entity resulting from the Merger.

Nexi rates system disruptions and cyberattacks based on severity, ranking them between "critical" and "low/null" impact. During the reporting period, no critical Group systems or third-party provider systems suffered critical malfunctions, no service infrastructure failures occurred, nor did any less severe instances occur that impacted on the economic, equity and/or financial position of the Company and of the Group. Regarding the Covid-19 pandemic and the nationwide lockdown, Nexi promptly implemented effective business continuity plans in order to ensure the regular functioning of its business, while ensuring the safety and security of all its staff as well as top level services to partner banks and to end customers. Ever since the very first day of the emergency, Nexi has fielded a number of initiatives, consistent with both the directives issued by the relevant Authorities and with internal continuity plans, which immediately secured all activities, ensuring smart working for over 95% of staff, including call centre staff, and implemented the necessary precautions for the limited number of employees that necessarily had to come to work at the head office.

In order to limit the impact of potential critical IT failures or malfunctions, the Group has set up a specialist IT unit tasked with, among other things, scheduling and carrying out annual disaster recovery testing on critical ICT systems, both in-house and at third-party providers. Said unit also provides for back-up plans and systems, such that, should the need arise, data can be recovered and restored to prior-to-outage conditions.

Should the latter provisions prove inadequate in the face of service and system disruption, that may result in failure to deliver on agreed service levels with reference to either availability of service or transaction processing reliability. That, in turn, may lead to loss of earnings as well as clients opting for another payment services provider, compensation fees, damage to reputation, operating expenses in light of repairs, as well as other losses and liabilities.

Should any of the above circumstances arise, they could have a significant negative impact on the Nexi Group's economic and/or financial position.

Note that the risks described above also apply to the operations of the Nets Group.

Risks linked to reliance on third parties

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

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

Partnering with third parties allows Nexi to attain greater efficiency, to optimise operating costs and to focus on its core business. However, increased reliance on third parties may breed levels of dependence that may expose Nexi to risks in respect of service level oversight, data management and protection, systems continuity, concentration, compliance and reputation.

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

While to date no appreciable issues have arisen in respect of outsourced activities, the Nexi Group cannot rule out that outsources will not breach contractual obligations in the future, or fall short of consistently delivering to Nexi

Group's required quality standards, to an extent such as to compromise Nexi Group's operations, all of which with clear negative impacts.

With reference to the Covid-19 emergency, no impact was detected with respect to the continuity and/or quality of the services provided by Nexi outsourcers and/or suppliers.

Such risk profile may be subject to change following the merger between Nexi and SIA announced in 2020.

Risks linked to credit exposure / counterparties

Nexi is exposed to credit risk in the issuing and acquiring business vis-à-vis several counterparties.

As an Issuer, Nexi manages retail credit cards in the name of individuals and corporate credit cards in the name of legal entities for the payment of goods and services.

Nexi debits the expenditures of credit card customers on a date that is later than the date on which the payments were charged, thus establishing a receivable due from the cardholders.

The model of issuing credit cards in partnership with banks (bank issuance) provides for the latter to assume the risk of insolvency of their account holders. Nexi retains the credit risk limited to transactions carried out by the cardholders from the sixth day after the bank's notification of revocation of the card.

In contrast, Nexi bears the risk of insolvency of credit card holders issued with direct placement (direct issuance). The risk depends on the ceiling granted and the exposure period that vary according to the type of product and the terms for reimbursement of the expenditures. These are charge cards, which envisage the payment of the entire monthly exposure by the date associated with the product, without prejudice to the possibility for retail cardholders alone to activate the option that allows some expenses to be paid in instalments. With regard to retail customers, there are relatively few revolving cards and cards with an additional revolving credit line (allowing payment in instalments) in the direct issue portfolio, and no renewals or new issues are planned.

As an Acquirer, Nexi is exposed to counterparty risk vis-à-vis merchants with regard to:

- fees (in cases of gross settlement) and POS fees with credit position for Nexi
- the amounts of goods/services that are then contested by cardholders (charge back) or for any reason charged back to the merchant (e.g. transactions reversed by the merchant).

The counterparty risk gives rise to a credit risk in cases where the charge is unpaid.

The Nets Group, also as an acquirer, is exposed to counterparty risk (especially charge backs) due to its strong presence in sectors (e.g. travel and transportation) subject to insolvencies, which have worsened as a result of the COVID-19 pandemic. Note however that the Nets Group has implemented policies aimed at managing the risk of non-recovery of merchants' credit, including, where necessary, the request for collateral (collateral and rolling reserves) in order to mitigate its exposure to credit risk. As regards the risk of non-payment of POS fees and commissions, the exposure to this risk is residual since in almost all cases the Nets Group applies a net settlement, thus eliminating the credit risk.

Finally, the Nets Group is exposed to credit risk for the "Ratepay" product for retail customers, which allows the customer to purchase the good and pay on delivery. The Company pays the merchant up front, thus being exposed to the risk that the consumer will not be able to repay the loan within the agreed terms.

Note that these risks related to the Nets Group affect the Nexi Group only after July 1, 2021.

Risks linked to merchant, cardholder, supplier or other third-party fraud

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

Examples of commercial fraud may include the sale of counterfeit goods, the malicious use of either stolen or counterfeit credit or debit cards, use by merchants or other parties of payment card numbers or of other card details to register a false sale or transaction, the processing of an invalid card, and the malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.

The parties engaging in criminal counterfeiting and fraud resort to increasingly sophisticated methods. Failure to identify thefts, as well as ineffective risk management and fraud prevention, may increase the Group's chargeback liability or cause the Group to incur other liabilities, including penalty fees and fines. Although the Group is equipped with sophisticated monitoring, detection and alert systems that allow for verification of suspicious transactions and potential fraud, these may not prevent all and any fraud instances and are liable to technical malfunction. Furthermore, fraud may increase in the future. Increased charge-backs or any other liability arising from fraud may negatively impact profitability and the economic, equity and/or financial position of the Nexi Group.

COMPLIANCE RISKS

Risks linked to continuous developments in the regulatory environment

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

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

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

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

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

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

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

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

In general, the Nexi Group is exposed to the risk that additional restrictions and/or constraints will be applied to operators in the digital payments sector, or that oversight will increase (also as a result of the events surrounding Wirecard, which, as a result of the financial scandals related to its operations, has recently filed for insolvency), thus increasing the costs that the Nexi Group must incur to comply with these new regulations and/or in relation to the results of such oversight.

Note that the risks described above also apply to the operations of the Nets Group.

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

More specifically, within the context of Internal Control Systems, Nexi features the Compliance & AML function, tasked with overseeing compliance risk management.

The function identifies regulations applicable to Nexi SpA on an ongoing basis, by tracking developments within its operating, strategic and/or regulatory environment. The Compliance & AML function also encompasses the Anti-Money Laundering function, a function tasked with preventing and fighting money laundering and the financing of terrorism.

The function's Compliance & AML Officer also serves as both Nexi's AML Manager and Money Laundering Reporting Officer. In the latter role, the Officer is responsible for reporting suspicious transactions pursuant to standing laws. The current Compliance & AML Officer has also been appointed Data Protection Officer (DPO).

Nexi also leverages Subject Matter Experts (SME), namely corporate units tasked with ensuring continuing regulatory compliance in respect of its activities and processes.

FINANCIAL RISKS

Risks linked to debt refinancing and factoring

The Group has significant financial debt, mainly consisting of three senior unsecured fixed-rate bonds, the IPO Loan, the Term Loan and two convertible bonds (the "Financial Liabilities") as at June 30, 2021. Specifically, the 2028 Convertible Loan and the Bonds were issued to provide the necessary funding for the refinancing of the Merger with Nets and SIA.

With respect to such debt, Nexi incurs high financial charges that could generate negative effects on the Group results and on its capacity to generate cash flows and distribute dividends, with potential effects on its capacity to repay debts at their due dates, as well as the capacity to support the investments necessary for business development.

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

At the date of this Report no significant critical issues regarding the Group's funding liquidity risk had been identified, although due consideration was given both to the direct consequences of the economic crisis caused by the Covid-19 pandemic and to the debt refinancing operations of the group headed by Nets, following the closing of the merger between Nets and Nexi.

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

Risks connected to interest rate fluctuations

At June 30, 2021 the Nexi Group had a gross financial debt of Euro 5,721 million. At the same date, approximately 25% of the Nexi Group's Financial Liabilities were exposed to sources of funding at a floating interest rate, and specifically to the Euribor index. Moreover, while not representing financial debt, both the factoring agreements and most of the bilateral facilities in place as at June 30, 2021 were also index-linked to the Euribor.

Nexi periodically monitors the forward curves of the floating rates of reference, paying particular attention to trends relating to the 1/3/6-month Euribor rate, which the Group is exposed to. At the date of this Report, having foreseen negative future Euribor rates in the short/medium term – also taking into account the maturity of the related payables and the presence of a floor of zero for the Euribor rate applied to the IPO and Term Loans – the Nexi Group decided against hedging the interest rate risk.

In light of the foregoing, it cannot be excluded that if there were significant fluctuations in variable interest rates in the future (which would lead them to be positive) and the risk hedging policies adopted by the Nexi Group were inadequate, there may be a significant increase in the financial charges borne by the Nexi Group, with consequent significant impacts on the Nexi Group's results and prospects.

Risks related to the rating assigned to Nexi and its Bond Loans

As at June 30, 2021, the rating agencies Fitch, Moody's and S&P's assigned a rating of BB- or equivalent to Nexi (i.e. issuer rating) and to the Bond Loans it issued (i.e. issue rating).

In this regard, note that since Nexi's rating is below investment grade (i.e. the rating attributed to debt instruments issued by companies with high creditworthiness), Nexi Group debt is classified as "sub-investment grade", thus requiring a higher return (so-called "high yield") to attract investors. Issuers of high yield debt instruments may face greater difficulties in accessing credit, especially in times of financial market volatility, therefore there is a risk that the Issuer will not be able to easily access new financing if necessary and/or refinance its existing debt. The rating assigned to Nexi and the Bond Loans by the agencies could be influenced by several factors, including external factors such as any worsening of the yield differential of Italian government bonds (spreads) compared to other European government bonds and/or the rating attributed to the Italian State as well as the performance of the national and international macroeconomic context. In this sense, even the worsening of Italy's sovereign rating could lead to the decrease of one or more ratings attributed to the Issuer or to the Bond Loans, with possible negative effects on the Issuer's access to various liquidity instruments, not to mention its ability to compete in the capital markets, with an increase in financing costs and consequent negative effects – even significant – on the assets, equity, economic and/or financial position of the Issuer and/or the Nexi Group.

Business outlook

Overall, the outlook for Italy's digital payments market remains positive owing to a growing understanding as to the ease of use and safety of such methods of payment and to recent measures designed to discourage use of cash and the positive experience of the State cash-back plan.

In the wake of the Covid-19 outbreak, Italy – which to date has lagged Europe in terms of penetration rates – has continued its accelerated use of digital payments.

During the year, the Group will be involved in the integration of Nets and in preparations for the business combination with SIA, also with a view to drawing up a new financial and business plan.

Based on the scope of reference resulting from the completion of the merger with Nets, and always assuming a continuous recovery from Covid-19 and in the absence of new important restrictions in the regions it operates in, Nexi foresees:

- revenue growth from +11 to +13% y/y in the second half of 2021 and about +10% in 2021;
- EBITDA growth from +13 to +16% y/y in the second half of 2021 and +11 to +13% in 2021;
- EBITDA margin was up 1 p.p. y/y and 3 p.p. v 2019

As evidenced by the measures promptly implemented during 2020, the Group has operational and financial flexibility and a wide selection of levers to employ in the event of further unexpected stress scenarios.

Related-party transactions

Pursuant to relevant rules and regulations, the Company has set up a procedure for related-party transactions, the contents of which are published on its website. This procedure was updated in 2021 in order to incorporate the changes introduced by Consob Resolution 21624 of December 10, 2020 effective from July 1, 2021.

With regard to the "Nets Merger", qualified in 2020 as a major transaction, please refer to the section "Significant Events during the Reporting Period" for an update on the latest developments.

Note that in the first half of 2021 no related-party transactions were carried out that significantly influenced either Nexi Group's consolidated balance of assets and liabilities or its business performance throughout the reference period.

Information pertaining to financial and economic transactions between Nexi Group companies and related parties are detailed under section 36 of the Notes to the Financial Statements.

Unusual or non-recurring transactions

No unusual or non-recurring transactions, other than those described under Significant Events during the Reporting Period, were carried out in the first half of 2021.

Research & Development

Note that the Group did not undertake any research and development activities in the first half of 2021.

Treasury Shares

In the period between May 14, 2021 and May 18, 2021 the Parent Company Nexi S.p.A. purchased 325,000 treasury shares (equal to 0.05% of the total shares in circulation) at an average unit price of Euro 15.905545, for a total value of Euro 5,169,302.05, as part of the authorisation approved by the Shareholders' Meeting on May 5, 2021.

At June 30, 2021, no treasury shares are held by other companies of the Nexi Group.

Financial instruments

As well as receivables from operating companies, the Group holds Visa Class C shares convertible into ordinary shares. Furthermore, the Group issued two Convertible Bond Loans during 2020 and 2021. With regard to the Bond Loan issued in 2021, not yet authorised by the Shareholders' Meeting, the implicit option was accounted for as a "Derivative" as better detailed in section 39 of the Notes.

Going concern

The Directors confirm the reasonable expectation that the Group will continue to operate in the foreseeable future. Note also that, based on the Company's financial and equity structure and on its business performance, nothing would suggest any cause for uncertainty as to going concern.

Regarding the Covid-19 pandemic and the nationwide lockdown, Nexi promptly implemented effective business continuity plans in order to ensure the regular functioning of its business, while ensuring the safety and security of all its staff as well as top level services to partner banks and to end customers. Ever since the very first day of the emergency, Nexi has fielded a number of initiatives, consistent with both the directives issued by the relevant Authorities and with internal continuity plans, which immediately secured all activities, ensuring smart working for over 95% of staff, including call centre staff, and implemented the necessary precautions for the limited number of employees that necessarily had to come to work at the head office.

Rating

Nexi S.p.A ratings at the reporting date are listed in the table below.

	Moody's Investors Service	S&P Global Ratings	FitchRatings
LT Corporate Family Rating LT Issuer Credit Rating LT Issuer Default Rating	Ba3	BB- /Watch Pos*	BB- /RWP**
Outlook	Positive	Watch Pos*	RWP**
Last Review Date	July 13, 2021	July, 16 2021	April 12, 2021

* CreditWatch with positive implications
** Rating Watch Positive

Registered Office

The registered office of the Parent Company is Corso Sempione 55, Milan. The Parent Company has no secondary offices.

Significant Events after the Reporting Period

As already noted in the chapter "Significant Events during the Reporting Period", on July 1, 2021 the merger of Nets into Nexi became fully effective, and on July 12 the Centurion Earn-out Shares were issued to Nets.

Reconciliation Summary

The table below details reconciliation between equity and profits of the Parent Company Nexi and their corresponding value in the Consolidated Financial Statements for the Nexi Group.

(Amounts in Euro thousand)

	Net equity	Net profits
Balance of accounts for Parent Company at June 30, 2021	1,659,416	247,640
Effect of consolidation of controlled subsidiaries	(89,953)	139,332
Effect of measurement at net equity for controlled subsidiaries	-	-
Other adjustments including comprehensive income	54,198	-
Dividends collected for the period	-	(338,105)
Balance of consolidated accounts at June 30, 2021	1,623,661	48,867

Milan, July 30, 2021

The Board of Directors

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1

FINANCIAL STATEMENTS

(amounts in Euro thousand)

ASSETS	Notes		June 30, 2021		Dec 31.2020
Cash and cash equivalents	3		3,534,398		159,084
Financial assets at fair value through OCI	4		66,889		151,700
Financial asset measured at amortised cost:	5		1,254,588		1,540,583
a) loans and receivables with banks		305,565		578,696	
b) loans and receivables with financial entities or customers		949,023		961,887	
Equity investments	6		-		-
Property, equipment	7		213,675		186,906
Investment property	8		2,042		2,101
Intangible assets	9		3,698,302		3,707,369
Goodwill		2,856,460		2,856,460	
Tax assets	10		91,553		54,991
a) current		5,316		4,447	
b) deferred		86,237		50,544	
Non-current assets held for sale and discontinued operations	11		1,391		1,697
Other assets	12		547,092		481,670
Total assets			9,409,930		6,286,101

(amounts in Euro thousand)

LIABILITIES			June 30, 2021		Dec 31.2020
Financial liabilities measured at amortised cost	13		6,766,140		3,862,904
a) due to banks		2,300,637		2,226,418	
b) due to financial entities and customers		251,465		370,753	
c) securities issued		4,214,038		1,265,733	
Financial liabilities measured at fair value through profit and loss	14		165,643		22,912
Tax liabilities	10		227,539		243,274
a) current		6,769		19,125	
b) deferred		220,770		224,149	
Liabilities associated with non-current assets held for sale and discontinued operations	11		245		509
Other liabilities	15		565,259		557,511
Post-employment benefits	16		14,205		14,808
Provisions for risks and charges	17		38,306		26,433
Share capital	18.1		57,071		57,071
Treasury shares (-)	18.2		(5,169)		-
Share premium	18.3		1,082,204		1,082,204
Reserves	18.4		386,491		236,846
Valuation reserves	18.5		54,198		44,018
Profit (loss) for the period (+/-)	19		48,871		127,926
Equity attributable to non-controlling interests (+/-)	18.6		8,927		9,685
Total liabilities and equity			9,409,930		6,286,101

CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousand)

INCOME STATEMENT	Notes		I Half 2021		I Half 2020
Fees for services rendered and commission income	20		918,212		656,063
Fees for services received and commission expense	21		(372,719)		(223,643)
Net fee and commission income			545,493		432,420
Interest and similar income	22		7,536		8,040
Interest and similar expense	23		(83,365)		(38,15)
Net interest income			(75,829)		(30,110)
Profit / loss on trading activity / hedging/ financial assets and liabilities designated at fair value trought profit or loss	24		(7,158)		99
Dividends and profit / loss from investments and sale of assets at fair value through OCI	25		(2,656)		(3,089)
Financial and operative income			459,850		399,320
Personnel - related costs	26.1	(113,893)		(85,942)	
Other administrative costs	26.2	(217,446)		(163,426)	
Total administrative costs	26		(331,339)		(249,368)
Other operating income, net	27		13,391		(1,486)
Net value adjustments on assets measured at amortized cost	28		(2,360)		(5,278)
Net accruals to provisions for risks and charges	29		(14,890)		275
Net value adjustments / write-backs on tangible and intangible assets	30		(87,039)		(83,463)
Operating margin			37,613		60,000
Profits (Loss) from equity investments and disposal of investments	31		(85)		(138)
Pre-tax profit (loss) from continuing operations			37,528		59,862
Income taxes	32		12,379		(26,506)
Income (Loss) after tax from discontinued operations	33		(37)		(263)
Profit for the period			49,870		33,093
Profit (loss) for the period attributable to the parent company			48,871		32,644
Profit (loss) for the period attributable to non-controlling interests	34		999		449
Basic earnings per share	42		0.08		0.05
Diluted earnings per share	42		0.07		0.05

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro thousand)

	I Half 2021	I Half 2020
Profit for the period	49,870	33,093
Items that will not be reclassified subsequently to profit or loss		
Financial assets at fair value through OCI	9,831	1,871
Hedging of equity instruments designated at fair value through OCI	-	-
Defined benefit plans	347	36
Items that will be reclassified subsequently to profit or loss	-	-
Cash flow hedges	-	-
Other comprehensive income (net of tax)	10,178	1,907
Total comprehensive income	60,048	35,000
Comprehensive income attributable to non-controlling interests	1,001	445
Comprehensive income attributable to the owners of the parent	59,047	34,555

STATEMENT OF CHANGES IN EQUITY

(amounts in Euro thousand)

	Balance as at January 1, 2021	Change in opening balance (*)	Allocation of prior period profit		Change for the period		2021 Comprehensive income		Balance at June 30, 2021
			Reserves	Dividends	Change in Reserves	Transaction on net equity	Profit for the period	Other comprehensive income items	
1. Equity attributable to the owners of the parent:	1,548,065	-	-	-	16,550	-	48,871	10,180	1,623,666
Share capital	57,071	-	-	-	-	-	-	-	57,071
Tresuray shares	-	-	-	-	(5,169)	-	-	-	(5,169)
Share premium	1,082,204	-	-	-	-	-	-	-	1,082,204
Reserves	236,846	-	127,926	-	21.719	-	-	-	386,491
Valuation reserves	44,019	-	-	-	-	-	-	10,180	54,198
Profit for the period	127,926	-	(127,926)	-	-	-	48,871	-	48,871
2. Equity attributable to non-controlling Interests	9,684	-	-	(1,891)	133	-	999	2	8,927
Total	1,557,750	-	-	(1,891)	16,684	-	49,870	10,182	1,632,593

CONSOLIDATED CASH FLOW STATEMENT

(amounts in Euro thousand)

	I Half 2021	I Half 2020
A. OPERATING ACTIVITIES		
1. Operations	169,082	118,533
Profit for the period	49,870	33,093
Net losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income and hedged assets	-	-
Net accruals for risks and charges and other costs/income	11,873	(275)
Net impairment losses on assets held for sale and disposal group	-	-
Amortization, depreciation and net impairment losses on property, equipment and investment property and intangible assets	87,039	83,463
Unpaid taxes, duties and tax assets	(52,978)	20,555
Other adjustments	73,278	(18,303)
2. Cash flows generated by financial assets	229,248	320,583
Financial assets at fair value through other comprehensive income	-	-
Financial assets held for trading	-	-
Loans and receivables with banks	273,131	102,763
Loans and receivables with customers	(12,750)	224,017
Assets held for sale	-	-
Other assets	(31,133)	(6,197)
3. Cash flows used by financial liabilities	(80,526)	(326,785)
Due to banks	76,618	(113,923)
Due to customers	(114,950)	(120,838)
Financial liabilities	-	-
Liabilities associated with disposal groups	-	-
Other liabilities	(42,194)	(92,024)
Net cash flows generated by operating activities	317,804	112,331
B. INVESTING ACTIVITIES	-	-
Acquisition of property and equipment	(54,324)	(14,078)
Acquisitions of intangible assets	(51,558)	(47,924)
Acquisitions of subsidiaries, business units and other non current assets, net of cash acquired	92,586	(936,680)
Net cash flows used in investing activities	(13,296)	(998,682)
C. FINANCING ACTIVITIES	-	-
Repayment of loans and securities	(4,948)	(8,997)
Dividends paid	-	-
Issues/purchases of equity instruments	(5,169)	-
Issues of debt securities	3,082,815	956,709
Dividends distributed to third parties	(1,891)	(573)
Sales/acquisitions of non-controlling interests	-	3
Net cash flows used in financing activities	3,070,807	947,142
Net Cash Flows Generated (Used) in the period	3,375,315	60,791
Net cash flows for the period	3,375,314	60,791
Opening cash and cash equivalents	159,084	115,388
Closing cash and cash equivalents	3,534,398	176,179

2.2

NOTES TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

In accordance with the provisions of art. 154 of Legislative Decree no. 58 of February 24, 1998, the Group has prepared these Condensed Consolidated Interim Financial Statements as at June 30, 2021 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and subject to interpretations by the International Financial Interpretations Committee (IFRIC) and, as such, ratified by the European Commission and transposed into Italian Law via Legislative Decree 38/2005 pursuant to Regulation (EC) 1606/2002.

The contents of these Condensed Consolidated Interim Financial Statements as at June 30, 2021 were drafted in keeping with international accounting standards pertaining to interim financial statements, issued under IAS 34. Based on paragraph 10 of IAS 34, the Group opted to publish these interim statements in condensed form.
No derogations were made from the IAS/IFRS standards.

The Condensed Consolidated Interim Financial Statements as at June 30, 2021 comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes detailing the criteria employed in preparing said financial statements. The Condensed Consolidated Interim Financial Statements also include the Board of Directors' Management Report addressing the Group's operating performance, its economic results and its equity and financial position.
In addition to the amounts for the reporting period, the Financial Statements and Notes present comparative figures as at June 30, 2020 for the income statement and December 31, 2020 for the financial position.
The Condensed Consolidated Interim Financial Statements as at June 30, 2020 are prepared in euros which is the Company's functional currency. Unless otherwise specified, figures in the Financial Statements and in the Notes thereto are presented in euro thousands.
As also specified in the Management Report, 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 offset between costs and revenues or assets and liabilities is carried unless otherwise expressly provided for or envisaged under the accounting standards in force.

As well as providing all information mandatory pursuant to international accounting standards and under law, the Management Report and the Notes also provide additional non-mandatory information deemed useful for the purposes of presenting a true and fair view. In continuity with what was done during the drafting of the 2020 annual financial statements, also for the purposes of the 2021 interim report, reference was made to the ESMA documents of May 20, 2020 and October 28, 2020 and to the Consob documents of July 16, 2020 and February 16, 2021 relating to the information on the impacts deriving from the Covid-19 pandemic, in addition to Consob warning notice no. 5/21 of April 29, 2021 where it is clarified that the Guidelines on reporting obligations pursuant to Regulation EU 2017/1129 published by ESMA update the previous CESR Recommendations, and consequently from May 5, 2021 the references contained in previous CONSOB communications to the CESR Recommendations

are intended to be replaced with the ESMA Guidelines.
These standards have changed from those used to prepare the 2020 financial statements, following the mandatory application, starting January 1, 2021 (for companies whose reference period is the calendar year), of the following new standards or amendments:

- amendment to International Accounting Standard IAS 39 and International Financial Reporting Standards IFRS 4, 7, 9 and 16. The amendments provide for a specific accounting treatment to spread over time the changes in the value of financial instruments or lease contracts due to the replacement of the index of reference for determining interest rates.
- amendments to IFRS 4 and deferral of application of IFRS 9. The amendments extend the expiry of the temporary exemption from IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17, and thus address the temporary accounting consequences that may arise if the two standards become effective on different dates.
The standards, amendments and interpretation described above had no significant impact on the Condensed Consolidated Interim Financial Statements.

As at January 1, 2022, the application of the amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 will be mandatory, following the approval of the European Union. These changes are not expected to have significant impacts on the Group's financial statements.

The table below shows the standards for which changes have been issued but not yet approved by the European Union.

IASB Documents	**IASB Publication Date**
IFRS 17: Insurance contract 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 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
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	31/03/2021
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single transaction	06/05/2021

Given that none of the above have been ratified by the European Commission, they have not impacted the preparation of these Consolidated Interim Financial Statements.

These Condensed Consolidated Interim Financial Statements include the CEO and the Financial Reporting Manager's joint statement as mandated by article 154a of the Consolidated Law on Finance, and are subject to a limited audit by PricewaterhouseCoopers SpA.

Contents of the accounting statements

Statement of Financial Position and Income Statement

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

Statement of Comprehensive Income

The Statement of Comprehensive Income starts out from the Profit (Loss) for the period r 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 shareholders' equity. The "Equity" component included in the bond loan issued in 2020, 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 for the period 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.

Contents of the Notes

The Notes provide information deemed necessary to give a true and fair view of the Condensed Consolidated Interim Financial Statements.
The measurement criteria described below were adopted to determine all information presented in these Consolidated Interim 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 in the Management Report and section 35 of the Notes to the Consolidated Interim 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 principle of control underpins consolidation of all types of entities and applies when an investor concurrently:

- has power over the entity;
- is exposed or has rights to variable returns arising from its involvement with the entity;
- has the ability to use its power over the entity to affect the amount of its returns.

As such, the Group shall consolidate all types of entities when all three elements of control occur. 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).

A regards Nexi Group, all the consolidated entities are largely managed by way of voting rights. Accordingly, the Group did not have to exercise judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over its associates. The preparation of Nexi's Consolidated Interim Financial Statements as at June 30, 2021 required the use of i) the separate interim financial statements of the parent company Nexi SpA and ii) the accounting as at June 30, 2021 of the in-scope companies, approved by the competent corporate bodies and functions 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 Statement of Financial Position and Income Statement aggregates of the accounting situations of subsidiaries. To this end, the following adjustments were made:

- the carrying amount of equity 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 period 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 a subsidiary that is sold are included in the Income Statement up to the sales date, at which time the parent ceases to control the subsidiary.

Pursuant to IAS 28, the Group's Condensed Consolidated Interim Financial Statements also include the results of equity investments in associates, i.e. entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. Such equity investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent adjustment based on the Group’s share of the investee’s equity. The Group's share of the investee'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 the Income

Statement.
At the reporting date the Nexi Group is not party to any joint arrangements that would fall under IFRS 11 definitions of joint ventures (co-venturers having rights to the arrangement's net assets).

Equity investments in subsidiaries
The following table shows Nexi Group's scope at June 30, 2021:

Business name	Registered Office	Head Office	Type of relation (1)	Investor	Share %	Voting rights %	Share capital (in Euro thousand)	Equity (in Euro thousand)
Nexi SpA	Milan	Milan	1	Mercury UK Holdco Ltd	19.69	19.69	57,071	1,659,416
Nexi Payments SpA	Milan	Milan	1	Nexi SpA	99.27	99.27	97,824	2,250,750
Mercury Payment Services SpA	Milan	Milan	1	Nexi SpA	100	100	7,109	30,692
Help Line SpA	Cividale del Friuli / Milano	Cividale del Friuli	1	Nexi SpA	69.24	69.24	2,139	3,416
			1	Nexi Payments SpA	1.08	1.08		
NewCo 55 Srl	Milan	Milan	1	Nexi SpA	100	100	10	10
Orbital Cultura srl (ex BassmArt Srl) (2)	Florence	Florence	1	Nexi Payments SpA	95	95	855	1,146

Notes
(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings.
(2) Entirely consolidated company but classified as held for sale pursuant to IFRS 5.

The scope of consolidation of the Consolidated Interim Financial Statements of the Nexi Group as at June 30, 2021 as well as the above companies (consolidated on a line-by-line basis), includes the following associates measured, given the stakes and/or relevance, according to the equity method:

Business name	Registered Office	Head Office	Investor	Share %	Voting rights %
Rs Record store	Piacenza	Piacenza	Nexi Paymnets SpA	30	30
Bassnet Srl	Monteriggioni	Monteriggioni	Nexi Paymnets SpA	49.68	49.68
k.Red	Milano	Milano	Nexi Paymnets SpA	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 the Nexi Group, Nexi Payments SpA is 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
There are no financial statements of subsidiaries used in preparing the Consolidated Interim Financial Statements for a date other than that of the Consolidated Interim Financial Statements.
At the date of the Consolidated Interim Financial Statements, no other undertakings connected to equity investments in associated companies are in place with reference to the regulation in force.

Main accounting policies

Financial assets at fair value through OCI (Other Comprehensive Income)

Classification criteria

At the reporting date, 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 amount 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 amortised cost to one of two categories designated by IFRS 9 (i.e. "Financial assets at fair value through OCI" 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 or 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 fair value through OCI".

Recognition criteria

Financial assets measured at amortised cost 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. For the financial receivables, application of the related method requires classification of the financial assets according to three stages, depending on whether any significant increase in credit risk has occurred as of initial recognition. For each stage a different method of measuring impairment is used based on the expected loss in the 12 subsequent months for receivables in Stage 1 (performing financial instruments that have not seen a significant increase in credit risk) and on lifetime expected losses of receivables classified in Stage 2 and Stage 3 (including performing financial instruments that have seen an 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 implementing 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 at FVOCI;
- 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 Group 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 the Income Statement 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.
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.

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 through OCI.

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

Property, equipment end investment property 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 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: 33 years maximum;
- electronic office machines: 5 years;
- physical ATMs and POSs, which are 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 carrying amount 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 either their use or their decommissioning.

Intangible assets

Classification criteria

The assets recognised among intangible 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 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 period in which it is incurred. More specifically, the cost of software development only includes the expenses incurred directly attributable 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.

Furthermore, intangible assets include those issuing from relationships with customers, as with business combinations and the valuation of contracts or the valuation of stable business relationships.

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 obsolescence 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.
Intangible 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 in the Income Statement (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 carrying amount of the CGU exceeds its recoverable value. Impairment of goodwill is recognised on the consolidated Income Statement and not restored in the years subsequent.

Non-current assets or groups of assets / liabilities held for sale

"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 sale or recognised as such during the period, 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 Statement of Financial Position, 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 POSs and ATMs (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, any impairment losses are recognised if the fair value minus the selling costs is lower than the carrying amount.

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 expenses, determined on the basis of the "tax consolidation", not yet paid as at the reporting date, in full or in part, are included amongst the tax liabilities on the Statement of Financial Position. If the payment for period current tax expenses or previous years' current tax expenses has exceeded the related tax payable, the surplus is entered amongst the assets of the Statement of Financial Position, under "Tax assets - a) current".
Current and deferred tax is recognised in the Income Statement 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 determined 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, deferred tax assets are recognised insofar as, on the basis of the strategic plans, it is considered likely that over that timeframe taxable income will be recognised against which the deferred tax 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 subjective positions of the Group's Companies.

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 bond loans 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 instruments 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 liabilities 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 or loss

As at December 31, 2019, the item "Financial liabilities held for trading" included the negative value of derivative trading contracts.
As at June 30, 2021, the "Financial liabilities measured at FVTPL" comprise the contingent consideration deriving from the Purchase Price Allocation process of the acquiring books and the option separated from the Convertible Bond Loan issued in 2021 which was classified under this item since at the time the Shareholders' Meeting had not yet met to approve the related share capital increase.

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.
Fair value is determined based on the criteria set out 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 period 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 period 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 December 5, 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 recognised in the Income Statement.

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 the Income Statement. 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 in the Income Statement when they arise; those relating to non-monetary items are entered in the shareholders' equity or Income Statement consistent 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 Interest 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 are to be allocated to the individual goods/services;
- the performance obligations set out in the contract have been satisfied - goods and services have actually been 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 recognised in the Income Statement 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 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 acquirer; (ii) the determination of the combination costs; (iii) the 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 acquirer in exchange for obtaining control of the acquiree. The consideration that the acquirer 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 acquirer 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 Condensed Consolidated Interim 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 Statement of Financial Position 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 Management Report and the Notes to these Consolidated Interim 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 period 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 financial assets and liabilities 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 inventories and intangible 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 June 30, 2021

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

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 FVOCI" and "Financial assets at FVPL".
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 carrying amount 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 carrying amount 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

At the date of the interim report, the following instruments are in place, measured at fair value:

- 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. For further details on the measurement processes adopted for determining the amounts to be recognised in the Financial Statement, please see the Notes thereto.

- 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.
- Option on Nexi shares (implicit in the Convertible Bond issued in 2021): the fair value was estimated using the indirect method, that is, as the difference between the fair value of the hybrid instrument and the fair value of the "standalone" debt component.

Assets and Liabilities measured at fair value on a non-recurring basis

Financial instruments 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, the carrying amount of cash and cash equivalents is practically equal to the fair value.
Financial assets measured at amortised cost: for variable rate, on demand assets or those with short-term maturities, the carrying amount 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. Investment property: the fair value of investment property is determined on the basis of a 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: the carrying amount is considered to approximately be equivalent to fair value for floating and fixed rate, short term liabilities. As for debt instruments 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.

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Information on "day-one profit or loss"

Not reported to the extent that for the Nexi Group no transactions are recorded that are ascribable to this item.

2. Statement of Financial Position

(Amounts in Euro thousand)

ASSETS

3. Cash and cash equivalents

	30 June 2021	31 December 2020
a) Cash	25	27
b) Deposits and current accounts	3,534,372	159,057
Total	3,534,398	159,084

The "Deposits and current accounts" item refers to the liquid funds in the current accounts of Nexi SpA. The change in the item is mainly attributable to the cash deriving from the new funding (see section 40) contracted by Nexi SpA in the period related to the Net and SIA transactions, not yet used. The item also includes the effects deriving from the collection of dividends from subsidiaries, from the payment of interest expenses for the financing stipulated and from the expenses incurred during the period.
The item total for "Deposits and current accounts" is included in the Net Financial Position.

4. Financial assets at fair value through OCI (Other Comprehensive Income)

4.1 BREAKDOWN BY PRODUCT

	30 June 2021			31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt instruments	-	-	-	-	-	-
Equity instruments	-	66,889	-	-	151,700	-
Financing	-	-	-	-	-	-
Total	-	66,889	-	-	151,700	-

4.2 BREAKDOWN BY ISSUER

	30 June 2021	31 December 2020
a) Banks	41	41
b) Financial institutions	66,847	151,658
- *Visa Europe Limited*	-	-
- *Visa Inc.*	*66,803*	*151,614*
- *Other companies*	*44*	*44*
c) Non-financial institutions	-	-
d) Public administration	-	-
Total	66,889	151,700

The "Other financial companies" item refers to financial assets over which the Group does not exercise control, joint control or significant influence. Specifically, the item 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 reduction compared to December 31, 2020 is linked to the sale of the Visa Preferred Class A Shares, which resulted in the realisation of a gain on the original value of approximately Euro 88 million, recognised in equity, net of the effects deriving from the increase in value of the Visa Series C Shares.

5. Financial assets measured at amortised cost

5.1 LOANS AND RECEIVABLES WITH BANKS: BREAKDOWN BY PRODUCT

	30 June 2021					31 December 2020				
	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	243,425	-	-	243,425	-	438,642	-	-	438,642	-
Prepaid cards liquidity	50,865	-	-	50,865	-	49,624	-	-	49,624	-
Restricted cash	11,176	-	-	11,176	-	57,878	-	-	57,878	-
Other assets	101	-	-	101	-	32,553	-	-	32,553	-
Total	305,565	-	-	305,565	-	578,696	-	-	578,696	-

The current account balance includes the daily settlement balance of transactions processed by the Group 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 192.2 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 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, transactions on which are limited to covering uses of prepaid cards by cardholders.
The item “Time deposits” includes the escrow accounts connected with the factoring transactions on the balances of credit cards (Euro 3.1 million compared to Euro 53 million as at December 31, 2020). A Euro 0.5 million pledge in favour of the factoring company is attached to said restricted accounts.

5.2 LOANS AND RECEIVABLES WITH FINANCIAL ENTITIES OR CUSTOMERS: BREAKDOWN BY PRODUCT

	30 June 2021						31 December 2020					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stages 1 and 2	Stage 3 Purchased	Stage 3 Other	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3 Purchased	Stage 3 Other	Level 1	Level 2	Level 3
Ordinary Credit Cards	289,217	-	2,158	-	289,217	2,158	335,728	-	2,157	-	335,728	2,157
Receivables with international schemes	316,708	-		-	316,708		244,888	-	-	-	244,888	-
Receivables with merchants	81,989	-	-	-	81,989	-	71,003	-	-	-	71,003	-
Revolving Credit Cards	190,676	-	-	-	190,676	-	233,327	-	-	-	233,327	-
Other assets	66,972	-	1,301	-	66,972	1,301	73,685	-	1,098	-	73,685	1,098
Total	945,564	-	3,459	-	945,564	3,459	958,632	-	3,255	-	958,632	3,255

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 receivables arising from ordinary credit cards are the subject of factoring transactions, whereby the receivables are sold on a daily basis. The balance at June 30, 2021, included Euro 177.7 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 SpA is a direct member and include the deposit paid by Nexi Payments SpA 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 period-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 "Receivables from merchants" refers to trade receivables from merchants for commissions to be collected.
The item "Revolving credit cards" mainly includes receivables guaranteed by partner banks.
"Other assets" mainly include the amount due from the factoring company of Euro 66.3 million (Euro 70.2 million in 2020), connected with the balance to be settled daily with the counterparty.

6. Equity investments

The amount of the account is equal zero due to the write-downs recorded in previous years for approximately Euro 4,7 million and referring to the following entities à RS Record Store in liquidation, Bassnet Srl in liquidation e K.Red in liquidation

7. Property and equipment

7.A) PROPERTY AND EQUIPMENT: BREAKDOWN OF ASSETS MEASURED AT COST

	30 June 2021	31 December 2020
Property		
a) Land	40,228	18,228
b) Buildings	61,755	44,521
c) Furniture	1,771	1,961
d) Electronic equipment/systems	87,652	93,786
e) Other	37	50
Rights of use from leasing contracts	-	-
a) Land	-	-
b) Buildings	8,237	18,357
c) Furniture	-	-
d) Electronic equipment/systems	12,896	8,929
e) Other	1,099	1,073
Total	213,675	186,906

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 increase of this item in 2021 includes – for Euro 22 million in the item "land" and Euro 18 million in the item "buildings" – the effects deriving from the purchase during the first half of the year of the property located in Milan, Corso Sempione 57, which was previously under a lease contract. The allocation of the price paid between land and buildings and the useful life of this new property was determined based on a specific external appraisal.
The amount entered is net of depreciation up until the reporting date.
Note that the item "Electronic systems" 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. The reduction of the item is connected to the closing of the lease contract for the property located in Milan, Corso Sempione 57, which was acquired during the first half of the year. The cancellation of the relative right of use had an impact on the Income Statement of approximately Euro 0.154 million. Furthermore, there are no contracts for which the 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: ANNUAL CHANGES

30 June 2021	Land	Buildings	Furniture	Electronic Systems	Other	Total
A. Opening balance	18,228	62,878	1,961	102,715	1,123	186,906
B. Increases	22,000	19,405	3	20,251	235	61,893
B.1 Purchases	22,000	18,032	-	14,293	-	54,325
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	-	1,373	3	5,958	235	7,569
C. Decreases	-	12,291	193	22,418	222	35,124
C.1 Sales	-	-	-	166	-	166
C.2 Depreciation	-	4,069	193	22,252	222	26,735
of which of rights of use	-	2,426	-	1,988	209	4,623
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
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	-	8,222	-	1,000	-	8,223
D. Net closing balance	40,228	69,992	1,771	100,548	1,136	213,675

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8. Investment property

8.A) INVESTMENT PROPERTY: BREAKDOWN OF ASSETS MEASURED AT COST

	30 June 2021				31 December 2020			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Owned	-	-	-	-	-	-	-	-
a) land	413	-	-	-	413	-	-	-
b) buildings	1,629	-	-	-	1,688	-	-	-
2. Rights of use acquired through leasing	-	-	-	-	-	-	-	-
a) land								
b) buildings								
Total	2,042	-	2,204	-	2,101	-	2,204	-

This item has changed as a result of depreciation recognised during the period. The item includes the following properties:

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

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. Such property is measured at cost, net of depreciation.

As at the date of reference, there are no:

- restrictions or limits to the sale of property or collection of rental charges;
- obligations or contractual commitments for the construction, development, repair or extraordinary maintenance of these properties.

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

	30 June 2021		31 December 2020	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	-	2,856,460	-	2,856,460
A.2 Intangible assets - Customer contracts	617,785	-	631,762	-
A.3 Other intangible assets	224,057	-	219,147	-
Total	841,842	2,856,460	850,909	2,856,460

Goodwill as at June 30, 2021 did not change compared to 2020 and breaks down as follows:

- goodwill arising from the 2016 acquisition of Mercury Payment Services SpA for Euro 590.8 million already net of the allocated amount, upon completion of PPA, as detailed below; in 2021, following the partial demerger of Mercury Payment Services SpA into Nexi Payments and the consequent integration, this goodwill was reallocated to this latter legal entity.
- goodwill arising from the consolidation of equity investments held in Nexi Payments SpA and Help Line SpA purchased in 2018 and equal to Euro 931 million;
- goodwill recognised in Nexi Payments SpA' s Financial Statements for the Group interest, in the amount of Euro 1,335 million, as follows:
  - Euro 1,215 million relative to the acquisition of the merchant acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank, Banca Carige and ISP, 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 the Nexi Group;

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 date of reference, consist of:
- ISP customer contracts (formerly Mercury Payment Services) for Euro 249 million;
- customer relationship from the acquisition of merchant acquiring businesses for Euro 369 million (i.e. MPS book acquiring, Euro 91 million; DB book acquiring, Euro 9 million; Carige book acquiring, Euro 4 million, ISP Euro 265 million).

9.2 INTANGIBLE ASSETS: CHANGES

	Goodwill	Other acquired intangible assets: Finite useful life	Other acquired intangible assets: Indefinite useful life	Other intangible assets: other Finite useful life	Other intangible assets: other Indefinite useful life	Total
A. Opening balance	2,856,460	631,762	-	219,147	-	3,707,369
B. Increases	-	-	-	51,558	-	51,558
Purchases	-	-	-	51,558	-	51,558
Other increases	-	-	-	-	-	-
C. Decreases	-	13,977	-	46,648	-	60,625
Sales	-	-	-	153	-	153
Amortisation	-	13,977	-	46,268		60,245
Other decreases	-	-	-	226	-	226
D. Closing balance	2,856,460	617,785	-	224,057	-	3,698,302

9.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

As noted by ESMA and required by international accounting standards, the Nexi Group performed an impairment test of the recorded goodwill and of intangible asset arising from business combination, trough an analysis of actual result in respect of the business plan and the trend of payment volumes, in the context of acquiring and issuing

Specifically, the test referred to:

- recorded goodwill, equal to Euro 2,856 million, unchanged compared to December 2020;
- customer contracts/customer relationships of Euro 618 million.

Such assessments have shown that during the first six months of the year there were no indications of impairment with reference to the aforesaid intangible assets.

Specifically, note that in the 2020 financial statements the Group had already carried out goodwill impairment test using an "ESMA" scenario in addition to a Base scenario developed starting from the 2019-2023 Business Plan and the 2021 Budget. It is recalled that this scenario was developed starting from the 2021 budget forecasts, which included estimates of the effects of the COVID-19 pandemic, and adjusting the projections for the period 2022-2023 based on the EBITDA shortfall in 2020 - (Business Plan v actual) and in 2021 (Business Plan v Budget) in terms of the individual CGUs. The impairment tests were performed with respect to the "ESMA" scenario comparing the plan with actual 2021 data, and highlighted the absence of impairment indicators.

With regard to the customer relationships relating to the MPS, DB, Carige and ISP book acquiring and the ISP costumer contracts, the testing was performed by comparing the updated data based on the current results with respect to the plans used for the purposes of the Purchase Price Allocation processes. These tests underscored the absence of impairment indicators for both transaction volumes and net revenues generated.

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

As at June 30, 2021, the financial statements show Euro 5.3 million (Euro 4.4 million as at December 31, 2020) relative to current IRES tax assets, Euro 3.8 million, and IRAP, Euro 1.5 million; current tax liabilities of Euro 6.8 million (Euro 19.1 million as at December 31, 2020) refer to payables for IRAP tax of Nexi SpA and Nexi Payments SpA for Euro 2.3 million, and for Euro 4.6 million to Visa.

Note that the current tax consolidation scheme refers not just to the Parent Company Nexi SpA, but extends to subsidiaries Mercury Payment Services SpA, Nexi Payments SpA and Help Line SpA.

10.2 DEFERRED TAX ASSETS: BREAKDOWN

	30 June 2021	31 December 2020
Deferred taxes assets		
- of which: recognised in equity	538	548
- of which: recognised in profit and loss	85,698	49,996
- of which: recognised in profit and loss due to elimination from equity investments		
Total	86,237	50,544

Deferred tax assets comprise the following:

- tax recognised in equity arising from deferred TFR tax;
- tax recognised in the Income Statement 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 SpA equity investments. This item increased in 2021 by Euro 40.7 as a result of deferred tax assets recognised following the realignment of the tax value of goodwill recognised in Nexi Payments's financial statements.

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	30 June 2021	31 December 2020
Deferred tax liabilities		
- of which: recognised in equity	3,297	7,026
- of which: recognised in profit and loss	135,274	133,211
- of which: recognised in profit and loss due to elimination from equity	82,199	83,911
Total	220,770	224,148

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 in portfolio; the reduction is linked to the sale of the Preferred Class A Shares in portfolio.
- tax recognised in the Income 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 Income Statement arising from the elimination of equity investments in Mercury Payment Services SpA and the allocation of part of the purchase price to intangible assets with a finite useful life.

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

	30 June 2021	31 December 2020
A. Assets held for sale		
A.1 Financial assets	1,173	1,474
A.2 Property, equipment	21	27
A.3 Intangible assets	110	102
A.4 Other assets	85	94
Total (A)	1,391	1,697
B. Liabilities held for sale		
Payables to banks		
B.1 Other liabilities	245	509
Total (B)	245	509

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 sale in respect of the expected value of the sale.

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12. Other Assets

	30 June 2021	31 December 2020
Tax assets	56,166	57,489
Assets for commissions to be collected	245,077	221,867
Deferred costs	104,457	84,085
Inventories	5,714	8,751
Other assets	135,678	109,478
Total	547,092	481,670

Accounts relative to e-money settlements are excluded from the calculation of the working capital as per Note 5, and are presented, instead, under "Other assets", above.
The item "Other assets for commissions to be collected" refers to receivables net of the relevant Provision, equal to approximately Euro 6 million.
Inventories mainly refer to ATMs, POSs and spare parts net of the relevant amortisation provision, equal to Euro 2 million. The "Deferred costs" item includes 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 9 million and deferred expenses for costs paid but not yet accrued.
The item "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)

	30 June 2021				31 December 2020			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Financing	2,190,794	-	2,190,794	-	2,039,253	-	2,039,253	-
2. Other liabilities	103,847	-	103,847	-	177,306	-	177,306	-
3. Lease liabilities	5,996	-	5,996	-	9,860	-	9,860	-
Total	2,300,637	-	2,300,637	-	2,226,418	-	2,226,418	-

The "Financing" item refers to:
- the IPO facility for Euro 992.5 million, namely a syndicated loan granted by a group of leading banks, with an original maturity of five years, lengthened to seven years in 2021. The carrying amount as at the reporting date includes direct residual transactions costs, not yet amortised, for Euro 8.2 million, of which approximately Euro 2 million related to the extension of the maturity negotiated in the first half of 2021, as detailed in Note 39;
- the Term Loan for Euro 462.5 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 includes direct residual transaction costs, not yet amortised, of Euro 4 million.

The item also includes bilateral facilities in support of revolving cards, facilities with Intesa Sanpaolo used by Group companies for the daily settlement of transactions with ISP customers, the lines used to finance the settling of acquiring services and payments and the residual part of direct issuing not covered by the factoring lines.
The item "Other Liabilities" refers to payables for commercial services used by Group companies.
The item total includes Euro 1,455 million in debt facilities (i.e. the IPO Term Line and the Term Loan) and Euro 6 million in other liabilities, 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)

	30 June 2021				31 December 2020			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	182,553	-	182,553	-	300,838	-	300,838	-
2. Other liabilities	50,942	-	50,942	-	49,684	-	49,684	-
3. Lease liabilities	17,970	-	17,970	-	20,231	-	20,231	-
Total	251,465	-	251,465	-	370,753	-	370,753	-

The item "Financing" refers for Euro 182.4 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 and is entirely included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

The item refers to securities issued by Nexi.

	30 June 2021				31 December 2020			
		Fair Value				Fair Value		
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
1. Fixed-rate securities	4,214,038	-	4,577,507	-	1,265,733	-	1,457,227	-
2. Floating-rate securities	-	-	-	-	-	-	-	-
Total	4,214,038	-	4,577,507	-	1,265,733	-	1,457,227	-

Note: with reference to the convertible bond, the Fair Value above refers to financial liability for the issue as a whole.

As further detailed in the Board of Directors' Report, the year 2021 saw the issue of a convertible bond of aggregate principal amount of Euro 1,000 million with zero coupon and maturing in April 2028. As required under IAS 32, the company has recognised the Debt and Derivative components separately (see Note 39). The debt component as at June 30, 2021 amounted to Euro 859 million, including direct transaction costs, not yet amortised, for Euro 11.6 million and recognised as debt.
As noted in section 39, during 2021 two fixed-rate bonds were issued for a total value as at June 30, 2021 of Euro 2,085 million, including direct transaction costs of Euro 22.4 million.
Moreover, the item included Euro 821 million relating to the bond loan issued in 2019 and Euro 449 million to the convertible bond loan issued in 2020, including direct transaction costs not yet amortised for Euro 6 million and Euro 5 million, respectively, at the reporting date.

The total for said item is included in Net Financial Position.

14. Financial liabilities held for trading measured at fair value through profit or loss

14.1 FINANCIAL LIABILITIES MEASURED AT FVTPL

	30 June 2021				31 December 2020			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial liabilities held for trading	141,983	-	141,983	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-
Other financial liabilities mandatorly measured at fair value	23,660	-	23,660	-	22,912	-	22,912	-
Total	165,643	-	165,643	-	22,912	-	22,912	-

The item "Financial liabilities held for trading" refers to the Nexi share option separated from the Bond Loan issued in 2021 that was classified under this item, as at June 30 the Shareholders' Meeting had not yet been held for the approval of the share capital increase in service of the potential conversion. For further details see item 39.

The item "Other financial liabilities mandatorily measured at fair value" 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 Income Statement. This item is included in the Net Financial Position.

15. Other liabilities

	30 June 2021	31 December 2020
Tax Liabilities	9,557	8,906
Due to employees	37,774	29,547
Other liabilities for fees and commissions	271,976	243,972
Unsettled transactions	113,882	141,882
Other liabilities	74,656	46,950
Deferred loyalty fees and other revenues	56,261	55,268
Prepaid cards unsettled transactions	1,151	1,108
Cash advance to be settled	-	29,878
Total	565,259	557,511

Accounts relative to e-money settlements are excluded from the calculation of the working capital as per Note 5, and are presented under the items "Unsettled transactions", "Prepaid-card unsettled transactions", "Other liabilities" and "Cash advance to be settled".
The item "other liabilities for fees and commissions" includes payables to suppliers and other counterparties for commercial services received.
The item "Deferred loyalty fees and other revenues" mainly includes liabilities associated with Loyalties programmes in place, worth Euro 36.4 million, aside from the liabilities deriving from customer contracts, worth Euro 9.7 million, mainly associated with one-off revenues for projects concerning the goodwill of new clients or new products and other deferred income amounting to Euro 10.1 million.
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 "Cash advance to be settled" refers to "cash advance" transactions yet to be settled on international circuits.

16. Post-employment benefits

Italian legislation establishes that upon termination of a contract of employment the employee has a right to receive post-employment benefits defined according to the annual salary and the inflation rate. As at June 30, 2021, amounts payable pursuant to IAS 19 requirements for post-employment benefits totalled Euro 14.2 million (Euro 14.8 million as at December 31, 2020).

17 Provisions for risks and charges

17.1 PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	30 June 2021	31 December 2020
1. Internal pension funds	-	-
2. Other provisions for risks and charges	38,306	26,433
2.1 Legal and tax disputes	1,808	2,250
2.2 Employees	1,490	2,008
2.3 Other provisions	35,008	22,175
Total	38,306	26,433

The "Legal and tax disputes" item of Euro 1.8 million (Euro 2.25 million as at December 31, 2020) refers mainly to the provisions made for litigations for which the risk is considered "probable".
The "Other provisions" of Euro 35.0 million (Euro 22.2 million as at December 31, 2020) mainly refer to:

- Provisions for contractual commitments made during the acquisition of the equity investment held in Bassilichi, for Euro 8.7 million, down compared with December 31, 2020 (Euro 10.5 million) due to use in the period;
- Provisions for disposal costs of non-core equity investments held by the Bassilichi Group, for Euro 1.9 million (Euro 2.1 million as at December 31, 2020) mainly due to use in the period;
- Provision for risks mainly connected with transactions placed on hold and other disputes relating to routine operations, for approximately Euro 23 million (Euro 8.5 million as at December 31, 2020), up compared to the previous year in relation to probable contingent liabilities arising in the first half of 2021;
- Provision for fraudulent transactions of Euro 1.4 million (Euro 1.2 million as at December 31, 2020).
- With reference to the ongoing arbitration against Cedacri – details as to which are provided in the Management Report 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.

18. Equity

	30 June 2021	31 December 2020
Share capital	57,071	57,071
Treasury shares	(5,169)	-
Share premium	1.082,204	1.082,204
Reserves	386,491	236,846
Valuation reserves	54,198	44,018
Profit (Loss) for the period	48,871	127,926
Equity attributable to non-controlling interests (+/-)	8,927	9,685
Total equity	1,632,593	1,557,750

The "Equity attributable to non-controlling entities" item of Euro 8.9 million, mainly refers to minority stakes in Nexi Payments SpA (Euro 7.9 million) and Help Line SpA (Euro 1 million). Reserve increases for the period largely reflect retained earnings from 2020 (Euro 128 million) and stock grants and the LTI plans (Euro 22 million).
As at June 30, 2021, the share capital comprised 627,777,777 fully paid-up ordinary shares, unchanged from December 31, 2020.

19. Income Statement

(Amounts in Euro thousand)

The figures of the Income Statement for the first half of 2021 are not comparable to 2020 owing to the effects of the takeover of Intesa Sanpaolo's merchant book, completed on June 30, 2020.

20. Fees for services rendered and commission income

	I Half 2021	I Half 2020
Issuing & Acquiring fees:	673,119	483,100
- Trading fees	571,381	379,693
- Fees from cardholders	101,737	103,407
- other fees	-	-
Revenues from services	245,093	172,963
Total	918,212	656,063

The "Issuing & acquiring fees" item mainly consists of:

- Fees and 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;
- Fees and 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.

Note that as required by IFRS 15.116 fees for services rendered and commission income include revenues recognised during the period, included in the opening balance of liabilities from customer contracts for Euro 2.3 million.

21. Fees for services received and commission expense

	I Half 2021	I Half 2020
Bank charges:	371,853	220,822
- Fees due to correspondents	258,885	140,315
- Fees due to banks	112,968	80,507
Other fees	865,955	2,821
Total	372,719	223,643

This item mainly comprises:
- Fees due to correspondents, mostly consisting of interchange fees and other charges debited by the schemes;
- Fees due to banks, mainly consisting of fees paid to partner banks.

22. Interest and similar income

	I Half 2021	I Half 2020
Receivables from banks		
Receivables from customers	7,510	8,031
Other assets	26	10
Total	7,536	8,040

Interest income with customers mainly refers to revolving credit card transactions.

23. Interest and similar expense

	I Half 2021	I Half 2020
Financial liability measured at amortised cost:		
- payables to banks and customers: leases	398	509
- payables to banks and customers	51,667	(97,678)
- securities issued	30,452	135,147
Other Liabilities and provisions	848	172
Total	83,365	38,150

Interest expense mainly refers to:
- recourse credit facilities attached to the factoring agreement entered into in 2018 by Nexi Payments SpA;
- securities issued, as detailed in the Board of Directors' Report and Note 39, increased during 2021 as a result of new funding operations;
- the IPO Loan entered into in 2019 (and renegotiated in 2020) and the Term Loan entered into in 2020.

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24. Profit (Loss) on held-for-trading/hedging assets and liabilities measured at fair value through profit or loss

	I Half 2021	I Half 2020
Net trading income on financial assets	(7,158)	99
Net income on financial liabilities at FVTPL	-	-
Net hedging income on financial assets	-	-
Total	(7,158)	99

The item mainly includes the effect of the fair value measurement of the option separated from the Convertible Bond Loan, which, as detailed in Note 39, was measured at fair value pending the Shareholders' Meeting that will approve the capital increase related to the potential conversion of the Bond Loan.
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 or loss".

25. Dividends and Profit (Loss) from investments and sale of assets at FVTOCI

	I Half 2021	I Half 2020
Dividends	1,179	197
Profit/loss from disposal of financial assets at FVTOCI	(3,836)	(3,285)
Net Result	(2,656)	(3,089)

The item's balance mainly refers to, under the scope of the factoring contract, expense due to transfer without recourse by Nexi Payments SpA of a significant portion of the loans portfolio attached to credit cards issued.

It also includes dividends distributed by the Group's investee companies, other than subsidiaries and associates, classified as “Financial assets at fair value through other comprehensive income”.

26. Administrative expenses

26.1 PERSONNEL-RELATED COSTS: BREAKDOWN

	I Half 2021	I Half 2020
1) Employees		
a) wages and salaries	65,140	54,629
b) social security charges	18,062	14,693
c) post-employment benefits	670	704
d) pension and similar costs	24	23
e) accrual for post-employment benefits	673	421
f) accrual for pensions and similar provisions:	-	-
—*defined contribution plans*	-	-
—*defined benefit plans*	-	-
g) payments to external supplementary pension funds:	-	-
—*defined contribution plans*	3,949	3,845
—*defined benefit plans*	-	-
h) costs of share-based payment plans	22,492	8,365
i) other employee benefits	2,683	2,588
2) Other personnel	199	674
Total	113,893	85,942

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 37.

26.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

	I Half 2021	I Half 2020
1. Third-party services	78,628	72,816
2. Lease and building management fees	1,297	1,433
3. Insurance companies	1,507	1,118
4. Rentals	4,999	4,271
5. Maintenance	20,185	19,848
6. Shipping costs	10,629	7,737
7. Telephone and telegraph	6,214	6,839
8. Cards and accessories	3,324	2,288
9. Printed material and stationery	2,602	2,228
10. Other taxes	7,646	4,83
11. Legal, notary and consultancy services	52,025	19,847
12. Agents' commissions and expense reimbursement	28	103
13. Advertising	2,040	2,207
14. Promotional material and competition prizes	8,025	6,988
15. Other commercial costs	150,835	281,207
16. Other general expenses	18,146	10,590
Total	217,446	163,426

As required by IFRS 15.128, note that the costs for the execution of customer contracts recognised during the period and included in the opening balance of assets deriving from customer contracts, amounted to Euro 3.6 million.

27.Other operating income, net

	I Half 2021	I Half 2020
Other operating income	19,550	854
Other operating expenses	(6,160)	(2,341)
Total	13,390	(1,487)

The item includes the effects of the waiver of the credit by BFF Bank S.p.A. (formerly Depobank) related to deferred tax assets arising from the partial spin-off of Depobank into Nexi in 2018.

28. Net value adjustments on assets measured at amortised cost

The item, worth Euro 2.4 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 SpA.

	Impairment losses		Reversals of Impairment losses		I Half 2021	I Half 2020
	Stage 1-2	Stage 3	Stage 1 - 2	Stage 3	Total	Total
A. Loans and receivables with banks	-	-	-	-	-	-
B. Loans and receivables with customers	436	2,093	(154)	(16)	2,360	5,279
Total	436	2,093	(154)	(16)	2,360	5,279

29. Net accruals to provisions for risks and charges

The item totalling Euro 14.9 million reflects changes to the provision for risks and charges

	I Half 2021	I Half 2020
Net accruals to provisions	15,015	(151)
Net accruals to provisions for frauds of Nexi Payments	(124)	(124)
Total	14,890	(275)

30. Net value adjustments/write-backs on tangible and intangible assets

	I Half 2021	I Half 2020
Depreciation and net impairment loss on property, equipment and investment property	26,794	28,599
Amortisation and net impairment loss on intangible assets	60,245	54,864
Total	87,039	83,463

31. Profit (Loss) from equity investments and disposals of investments

	I Half 2021	I Half 2020
Profit		
Profits from investments	-	0
Profits from sales of fixed assets	44	3
Loss		
Loss on investments	-	-
Loss on sales of fixed assets	(129)	(140)
Net result	(85)	(138)

32. Income taxes

	I Half 2021	I Half 2020
Current tax expenses	(27,447)	(25,426)
Changes in current taxes in previous years	-	-
Changes in deferred tax assets	40,178	(2,576)
Changes in deferred tax liabilities	(352)	1,496
Total	12,379	(26,506)

33. Profit (loss) after tax from discontinued operations

The item refers to the positive and negative items of income from assets held for sale (see Note 11).

34. Profit (loss) for the period attributable to non-controlling interests

These are minorities mainly referring to Nexi Payments SpA for Euro 0.94 million and Help Line SpA for Euro 0.07 million, and Orbital Cultura for negative Euro 0.002 million.

35. Information on risks and related hedging policies

Information on risks and related hedging policies

The 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	NEXI PAYMENTS	MERCURY PAYMENT SERVICES	HELP LINE
	Holding	*Electronic Money Institution Supervised by Bank of Italy*	*Ancillary Company*	*Ancillary Company*
Strategic risk	X			
Reputational risk	X	X	X	X
Operational risk		X	X	X
Credit risk		X		
Liquidity risk	X	X		
Interest Rate risk	X	X		
Currency risk		X		

These risks are analysed in these Notes, with the exception of strategic risk, further detailed under the section "Main Risks and Uncertainties" of the Management Report.

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, Control and Sustainability 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 Parent 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 Function with 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 Company's 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 controls (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 Notes, three senior unsecured fixed-rate bond loans, the IPO Loan, the Term Loan and two convertible bond loans – 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 (more specially, senior unsecured bond loans, IPO Loan, Term Loan, convertible bond loans and bank and factoring credit lines 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. Please refer to the "Group funding transactions" section for more information.

Sustainability of Nexi Group's debt level is correlated, first and foremost, to its operating results and thus to its 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 any 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 and political conditions 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 June 30, 2021 the Group was exposed for a significant percentage to sources of funding at a variable interest rate; more specifically, about 25% 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 in place 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) factoring agreements entered into by Nexi Payments with Unicredit Factoring SpA and Factorit SpA (Banca Popolare di Sondrio Group) valid for the majority of the working capital generated on an ongoing basis via the issue of credit cards under the licensing model. Such agreement refers to receivables for which partner banks have assumed the risk of default of their clients;

(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, the 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 the 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 SpA'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 about 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.

Covid-19 pandemic impacts on liquidity and interest rate risks

At the date of these Notes there are no indications as to significant critical issues related to the Group's funding liquidity risk, insofar as available liquidity is deemed consistent with the Group's medium-term financing and investment needs. For this assessment due consideration was given both to the direct consequences of the economic crisis caused by the Covid-19 pandemic and to the debt refinancing operations of the group headed by Nets, following the closing of the merger between Nets and Nexi.
The Parent Company Nexi SpA also 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 critical points, including in view of the current context, which shows generally negative short/medium-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 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, and 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 ongoing measures taken to counter and manage the pandemic on a national level, although gradually loosening due to the progressive decrease in the level of health risk, called for the continuation of the measures envisaged by the Business Continuity plan for addressing the risk of business interruption. Said measures allowed 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 and 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 SpA). 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 receiving the funds before the Group, as the acquirer, receives them:

(i) (i) from the factor, for the receivables generated by cards issued by the Group under the factoring contract;

(ii) (ii) from the banks of the cardholders, for all other receivables generated by cards issued by the Group and not covered by the factoring contract;

(iii) 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 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 the acquirer, to the cardholder.

The Group is also subject to counterparty risk for the amount of the international payment card scheme commissions and its commission due from merchants. When the acquirer pays the merchants the amount of the transaction, 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. The Group is also exposed to counterparty risk for debits of goods or services that are then contested by the cardholders (chargeback) or for any reason charged back to the merchant (e.g. transactions reversed by the merchant itself).

The counterparty risk gives rise to a credit risk in cases where the charge is unpaid.

Credit risk in the issuing business

As an issuer, Nexi Payments grants credit to cardholders in order to finance purchases made using the payment cards of 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; on the contrary, with credit 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 following 5 days. 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 Payments.

Credit risk in the servicing business

If agreements are in place with banks in the "servicing" 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 anomalies 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.

Covid-19 pandemic impacts on credit risk

The current socio-economic and health scenario in Italy is characterised by a confluence of conflicting phenomena, making it difficult to develop reliable forecasts on the medium-term evolution of a situation that is still very uncertain.

On the one hand, the incisive stimulation of government measures (substantial measures to support people's incomes and the liquidity of businesses, the adoption of expansionary fiscal policies and accommodating fiscal policies) and the progress of the vaccination campaign, which has led to a decrease in infections and allowed the easing of restrictions on activities and mobility, support a gradual recovery of consumption and investment. The national economy will be able to benefit from the substantial public resources allocated to financing the investments and the reform programme envisaged in the National Recovery and Resilience Plan (PNRR). Moreover, production will benefit from an overall growth in commerce.

On the other hand, the overall strengthening of industrial production is accompanied by persistent weaknesses in some segments and in the service sector. Bankruptcies could increase at the end of the debt moratoria, since the ability of the debtors to bear their burdens will depend on the general conditions of the economy and the recovery of individual and corporate income. Any increase in bad debts could impose restructuring, further delay the time of procedures and increase losses by default, negatively affecting bank financial statements and access to credit. Employment growth is expected to remain modest, especially for the lower skilled. Last but not least, it is unknown how the pandemic will evolve in the future, depending on the spread and infectivity of virus variants.

While the quantification of the expected credit losses is therefore greatly affected by uncertainty, the Nexi Group works very hard to estimate the current and future risk levels in the most vulnerable economic sectors, intensifying the monitoring of exposures. The set of internal risk indicators was also expanded in order to identify potential probable defaults (if possible, including in terms of individual debtors), trying to differentiate between temporary financial difficulties, eligible for relief, and structural impairment of credit.

At the date of publication of these Notes, despite facing situations that are still potentially critical, the impact of the pandemic is limited, owing to the proper and prompt handling of credit risk, to the monitoring activities and to the

mitigation measures taken.
More specifically, with regard to the first half of 2021:
- The number of chargebacks was down both in number and value compared to the two previous half years. This phenomenon, stemming from the card issuer's possibility to charge the acquirer the amount of non-rendered services or goods not delivered to the cardholder, or the amount of transactions in any case disputed by the cardholder, was very high in 2020 for the Travel industry because of the restrictions called for by the health emergency, although it did not result in a significant increase in the losses incurred by the Nexi Group.
- The value of the outstanding amounts from merchants' gross of recoveries is in line with the value of the second half of 2020. Therefore, no relevant risks are foreseen in the short term, save for potential delayed timeframes with respect to merchants' payment of commissions and POS fees.
- The value of outstanding payments by cardholders before recoveries is down compared to the two previous half years.

Market risk (price and exchange rate risk)

The Nexi Group is exposed to the risk of unfavourable movements in the price of its Visa Inc. Class C shares, as well as negative effects on the value of said shares due to movements in the EUR/USD exchange rate. Such 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.
The Class A Preferred Visa shares, which were held in Nexi Payments's portfolio, were sold in full during the first half of 2021.
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.

The exposure to exchange rate risk of the companies of the group headed by Nets, which operates in various European countries with currencies other than the euro, is currently difficult to assess and will therefore be subject to an in-depth analysis in the second half of the year.

Market risks have not been significantly impacted by the Covid-19 pandemic.

36. Related parties

The purpose of IAS 24 (Related Party Disclosures) is to make sure that the financial statements of an entity provide the additional information necessary to highlight the possibility that its equity-financial position and economic results stand to have been altered by the existence of related parties and transactions and balances applicable to 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) all entities that, directly or indirectly, in law or de facto, including through subsidiaries, trusts or intermediaries, control, individually or jointly, Nexi, or that are able to 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 SpA;
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 favour of employees of Nexi SpA or its related entities.

36.1 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	905	356	-
Short-term benefits	-	-	1,837
Benefits subsequent to the termination of employments	-	-	113
Other long-term benefits	-	-	-
Indemnities for termination of employment	-	-	-
Total	905	356	1,950

36.2 INFORMATION ON RELATED-PARTY TRANSACTIONS

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

	Controlling company	Other related parties	Directors, Executives and other monitoring bodies
Intangible assets	-	122	-
Other Assets	-	225	-
Other liabilities	-	1,751	-
Fee for services rendered and commission income	-	107	-
Other administrative expenses	-	2,925	-
Other income/expenses	-	6	-

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

The main contracts, all of which falling within ordinary operations, mostly refer to services received from related parties (especially consulting and card production services) that are regulated by conditions in line with market conditions.

37. Share-based payments

37.1 STOCK GRANTS

Mercury UK HoldCo Ltd ("Mercury UK") in 2019 adopted two incentive plans (the "Plans"), with Nexi SpA ("Nexi") shares as the underlying.
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").
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.

With the second anniversary of Nexi's listing, which occurred on April 16, 2021, the rights have been definitively assigned.

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 attributable to 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 UK adopted a new incentive plan, based on the shares of Nexi SpA ("Nexi") and vesting period until April 16, 2022. This plan is made available only to certain selected employees (the "Beneficiaries") of the Group companies, the main characteristics of which (e.g. 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 according to the performance of the market price of Nexi shares.

The shares allocated to the Plans are reported below:

Description	Number of shares
Total shares allocated to the Plans	9,160,219
Shares assigned definitively in accordance with the Plans	(6,862,052)
Shares forfeited from the Plans in 2019 and 2020	(161,833)
Premiums in place as at June 30, 2021	2,136,334

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 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 shares at April 16, 2022 discounted at the valuation date. 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 shares. 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.

Based on the above, the overall cost of the Plans for the first half of 2021 is about Euro 15.3 million.

37.2 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 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	(21,878)	(23,148)	(45,026)
Outstanding rights as at June 30, 2021	1,542,956	720,224	2,263,180

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, produced 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. In this case it is:

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

and that is the change in the price of the share S over a period of time depends on the expected average change (μ) and its varability (σ) as well as on a random parameter (ε) with standardised 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 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 assigned 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 assigned in July and September).

The overall cost of the plan for the first half of 2021 was about Euro 6,6 million.

38. Business combinations

38.1. TRANSACTIONS CARRIED OUT DURING THE PERIOD

During the half year no business combination transactions were carried out.

38.2 RETROSPECTIVE ADJUSTMENTS

During the half year no retrospective adjustments were carried out.

38.3 TRANSACTIONS AFTER THE REPORTING PERIOD

As indicated in the Management Report, on July 1, 2021, following the receipt of all necessary authorisations, the merger of Nets into Nexi became fully effective.

With regard to the merger by incorporation of SIA into Nexi, closing is expected during the second half of 2021 as detailed in the Management Report.

The transactions above had no impact on the consolidated interim report at June 30, 2021 except with regard to the direct transaction costs incurred, equal to approximately Euro 24 million.

39 Group funding transactions

As shown in the Management Report, the Group's financial structure changed significantly during the half-year. The following is a summary of the accounting impacts deriving from the refunding transactions executed during the half-year.

ISSUE OF CONVERTIBLE BONDS

Nexi S.p.A. (the "Issuer") issued the 2028 Convertible Loan with the following main characteristics during 2021:

- settlement date: February 24, 2021
- aggregate principal amount: Euro 1,000 million
- issue price: 100% of par value
- maturity date: February 24, 2028
- coupon: no interest
- conversion rights for settlement in the Issuer's ordinary shares at conversion price of Euro 24.5525 per share.

The related increase in share capital, with exclusion of the option right, to be reserved exclusively for the conversion service of the aforementioned 2028 Convertible Loan through the issuance of new ordinary shares of the Issuer with regular dividend rights having the same characteristics as the ordinary shares in circulation, will be submitted for approval to the shareholders' meeting of the Issuer by December 31, 2021 (the "Long-Stop Date"). If the capital increase is not approved by the Long-Stop Date, within the next 10 trading days the Issuer may repay in full – and not in part – the 2028 Convertible Loan to an amount equal to the greater of 102% (a) of the nominal amount of the loan and (b) of the Fair Bond Value of the 2028 Convertible Loan (as defined in the conditions of the 2028 Convertible Loan).

The Convertible Bond Loan is classified as compound financial instrument under IAS 32, pursuant to which the debt host contract and the equity component for the Fair Value of the conversion rights (into Nexi SpA 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 interest rate that Nexi would have secured had it issued bond loans of equal maturity but barring conversion rights. This component is subsequently valued at the amortised cost, which as at June 30, 2021 amounted to Euro 821 million.

- The option component is equal to the difference between the face value of the bond and the value of the host contract. This component, considering that the Shareholders' Meeting for the resolution of the share capital increase in support of the potential conversion was not held by the date of the interim report, was classified as "Derivative" and consequently was measured at fair value in the Income Statement. The value of this component at June 30, 2021 amounted to Euro 142 million. Note that the value of this "Derivative" will be reclassified to Equity as soon as the Shareholders' Meeting approves the related capital increase.

Costs directly associated with the issue of the Convertible Bond Loan were allocated to debt (Euro 12 million) and equity (Euro 2 million) in amounts proportional to the abovementioned initial value. They were accounted for respectively in the amortised cost and in the Income Statement.

ISSUE OF BONDS

Nexi S.p.A. (the "Issuer") issued two bond loans with the following main characteristics during 2021:

- settlement date: April 29, 2021
- nominal amount: Euro 2,100 million in principal, of which Euro 1,050 million due in 2026 (the "2026 Bonds") and Euro 1,050 million due in 2029 (the "2029 Bonds")
- issue price: 100% of par value
- maturity: April 30, 2026 for the 2026 Bonds and April 30, 2029 for the 2029 Bonds
- coupon: half-yearly at a fixed rate of 1.625% per annum and 2.125% per annum respectively for the 2026 Bonds and the 2029 Bonds

These bonds are measured at amortised cost, including the direct transaction costs of approximately Euro 11 million for each bond issued. The related carrying amount as at June 30 amounts to approximately Euro 1,042 million for the 2026 Bonds and Euro 1,043 million for the 2029 Bonds.

IPO FACILITY EXPIRY EXTENSION

Note that the IPO Facility was modified on June 18, 2021, among other things to (a) extend its maturity to May 31, 2026, (b) extend the right to other entities of the Nexi Group (incorporated in Italy or Denmark) to become parties to the IPO Facility contract under certain conditions, (c) eliminate the status of Original Guarantor for Nexi Payments, which has therefore been fully released from any obligation initially assumed as Original Guarantor under the IPO Facility contract.

This renegotiation transaction was booked without derecognition of the previous liability as the changes were found to be non-substantial. Consequently, in accordance with the provisions of IFRS 9, the effect of the change of approximately Euro 1.3 million was recorded in the Income Statement, calculated as the difference between the book value and the current value of the new flows determined using the original internal rate of return. Furthermore, costs of Euro 2 million directly related to the renegotiation were included in the amortised cost.

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 2024 Bond Loan, the Bonds, the 2027 Convertible Loan and the 2028 Convertible Loan, provide for compliance with certain obligations, primarily:

i. financial maintenance covenant: at each "test date" (i.e. June 30 and December 31 of each year), respect for a financial leverage ratio at a consolidated level (essentially the "leverage ratio", the ratio of net debt and consolidated LTM – last twelve months – EBITDA), that will be tested with respect to the consolidated financial statements and consolidated half-yearly reports and must not exceed the specific periodic thresholds indicated in the contracts of the IPO Loan and the Term Loan;

ii. negative pledge: the Issuer must abstain from establishing or allowing for the maintenance (and the Issuer must ensure that no other member of the Nexi Group establishes or maintains) liens or collateral against its assets, with the exception of certain expressly permitted guarantees and restrictions;

iii. prohibition against dispositive actions related to assets (sales, leases, transfers or other dispositive actions), except as expressly permitted under the relevant contracts.

Note that at the date of these financial statements as at June 30, 2021 all the obligations envisaged in the loan agreements described above have been met.

40. Earnings per share

The share capital of Nexi SpA 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:

	I Half 2021	I Half 2020
Profit from continuing operations attributable to the Group's ordinary shares	0.08	0.05
Income (Loss) after tax from discontinued operations	(0.00)	(0.00)
Basic earnings per share	0.08	0.05

	I Half 2021	I Half 2020
Profit from continuing operations attributable to the Group's ordinary shares	0.07	0.05
Income (Loss) after tax from discontinued operations	(0.00)	(0.00)
Diluted earnings per share	0.07	0.05

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.

Income (Loss) after tax from discontinued operations	I Half 2021	I Half 2020
Profit from continuing operations	49,906	33,356
Income (Loss) after tax from discontinued operations	(36)	(263)
Profit for the period	49,870	33,093

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 tranches already allocated to employees) and of Convertible Bond Loans issued.

Description/Nr'000	I Half 2021	I Half 2020
Average number of ordinary shares used to compute basic earning per share	627,698	627,778
Deferred Shares (*)	58,206	1,367
Average number of ordinary and potential shares used to compute diluted earnings per share	685,904	629,145

(*) Shares attributed to employees according to the LTI Plan and potential shares in issue upon conversion of the convertible bonds issued.

41. Segment reporting (segment disclosure)

The segment reporting 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 period. The comparative data shown below refers to pro-forma data that is consistent with that stated in the Management Report.
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 lines, since the current structure does not require specific allocations by service line at the equity level.
Section 41.2 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.

41.1 SEGMENT REPORTING: INCOME STATEMENT FOR THE PERIOD

(Amounts in Euro thousand)

	Payments	Consolidation adjustments	Total segment reporting
Merchant Services & Solutions	300,177	(28,396)	271,781
Cards & Digital Payments	208,736	(2,511)	206,224
Digital Banking Solutions	61,469	0	61,469
Operating revenue	**570,382**	**(30,907**	**539,474**
Personnel expenses	(92,013)	0	(92,013)
Administrative expenses	(177,200)	33,570	(143,631)
Adjustments and net operating provisions	(3,707)	(1,969)	(5,676)
Operating costs	**(272,92**	**31,600**	**(241,320)**
EBITDA (*)	**297,462**	**693**	**298,155**
Amortization and depreciation			(73,771)
Operating margin			**224,384**
Amortization and depreciation (Customer contracts)			(13,976)
Interests financing costs			(77,645)
Non-recurring items			(95,272)
Pre-tax profit			**37,490**
Income taxes			12,380
Profit for the period			**49,870**
Profit for the period attributable to non-controlling interests			(999)
Profit attributable to the Group			**48,871**

The EBITDA presented above is the "normalised EBITDA" as described in the "Alternative Performance Indicators" section of the Management Report. Pursuant to IFRS 8 requirements, it is hereby disclosed that more than 10% of Group revenues was accounted for by a single customer.

41.2 SEGMENT REPORTING: RECONCILIATION OF SEGMENT REPORTING ON THE INCOME STATEMENT WITH THE INCOME STATEMENT FOR THE PERIOD

(Amounts in Euro thousand)	Total segment reporting	Reconciliation	Financial statements
Operating revenues/Financial and operating income	539,474	(79,624)	459,850
Personnel expenses	(92,013)	(21,880)	(113,893)
Other administrative expenses	(143,631)	(73,815)	(217,446)
Adjustments and net operating provisions	(5,676)	1,817	(3,859)
Operating costs net of amortization	**(241,320)**		
EBITDA	**298,155**		
Amortization and depreciation	(73,771)	(13,268)	(87,039)
Operating margin	**224,384**		
Amortization and depreciation (Customer contracts)	(13,976)	13,976	
Interest and financial costs	(77,645)	77,645	
Non-recurring items	(95,272)	95,150	(122)
Pre-tax profit	**37,490**		
Income taxes	12,379		12,379
Profit for the period	**49,870**		**49,870**
Profit for the period attributable to non-controlling interests	(999)		(999)
Profit attributable to the Group	**48,871**		**48,871**

3

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

Certification of the condensed consolidated interim financial statements

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

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer, and Enrico Marchini, as Financial Reports Manager at Nexi SpA, pursuant also to provisions under art. 154-bis, pars. 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, hereby certify as to:

- the adequacy with respect to the nature of company;
- The effective implementation of the administrative and accounting procedures adopted in the drafting of the condensed consolidated interim financial statements as at 30 June 2021.

2. With reference to the latter, no significant issues were encountered.

3. We also certify that:

3.1 the condensed consolidated interim financial statements:

a) were drafted pursuant to the international accounting standards applicable within the European Union pursuant to Regulation (EC) 1606/2002 of the European Council and of the Council dated 19 July 2002, and more specifically pursuant IAS 34;

b) are true to accounting records and entries;

c) are suitable to providing a truthful and accurate representation of the assets and liabilities, financial position and profit or loss of both the issuer and the consolidated companies;

3.2 the interim management report features reliable analysis of relevant and major events that occurred during the first half of the year and of their effects upon the condensed consolidated interim financial statements, as well as a review of the main risks and uncertainties impinging on the remaining half of the year. The interim management report also includes reliable analysis of information pertaining to material related party transactions.

Milan, 30 July 2021

The Chief Executive Officer	The Financial Reports Manager
Paolo Bertoluzzo	**Enrico Marchini**

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INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2021

NEXI SPA

E-MARKET SDIR CERTIFIED

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Nexi SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Nexi SpA and its subsidiaries (the Nexi Group) as of 30 June 2021, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes. The directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Nexi Group as of 30 June 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 6 August 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

Nexi S.p.A.

Headquarter and General Management: Corso Sempione 55, 20149, Milan
Tel. +39 02 3488.1
Fax +39 02 3488.4180
Company register: Milan, Monza Brianza and Lodi - Tax code: 0948670969
Nexi VAT Group Representative VAT: 10542790968
REA Milan: 2093618
Subscribed Share Capital: € 94,036,905.00