Nexi Capital S.p.A.

Quarterly Noteholder Report

as of and for the three months ended March 31, 2018

June 29, 2018

Overview

Background
On May 18, 2018, Nexi Capital S.p.A. (the “Issuer”), a direct subsidiary of Latino Italy S.p.A. (the “Company”), issued €825,000,000 4⅛% Senior Secured Notes due 2023 (the “Fixed Rate Notes”) and €1,375,000,000 Senior Secured Floating Rate Notes due 2023 (the “Floating Rate Notes” and, together with the Fixed Rate Notes, the “Notes”) to certain qualified investors. The Notes are listed on the official list of the Luxembourg Stock Exchange (the “Exchange”) and admitted for trading on the Euro MTF market thereof. The application for listing of the Notes was based on listing particulars (the “Listing Particulars”) dated May 17, 2018, which are available on the website of the Exchange at https://www.bourse.lu/security/XS1819648129/265822. The Notes were issued pursuant to an indenture dated May 18, 2018 (the “Indenture”).

Parent Entity Financial Statements
In accordance with Section 4.09(i) of the Indenture, the Company hereunder provides the noteholder report of Mercury Bondco Plc including the consolidated financial statements of Mercury UK Holdco Limited (“Holdco”), the direct Parent Entity of the Company, in lieu of the Company’s consolidated financial statements.

Forward-Looking Statements
This quarterly noteholder report (this “Report”) contains forward-looking statements, including statements about market consolidation and our strategy, investment program, future operations, industry forecasts, expected acquisitions, transactions and investments, and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as ‘‘anticipate,’’ ‘‘believe,’’ ‘‘continue,’’ ‘‘estimate,’’ ‘‘expect,’’ ‘‘intend,’’ ‘‘may,’’ ‘‘ongoing,’’ ‘‘plan,’’ ‘‘potential,’’ ‘‘predict,’’ ‘‘project,’’ ‘‘seek,’’ ‘‘target’’ or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in the section entitled “*Risk Factors*” of the Listing Particulars and elsewhere in this Report. In addition, even if our actual results are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any forward-looking statements are only made as at the date of this Report, and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this Report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Report. As a result, you should not place undue reliance on these forward-looking statements.

Non-GAAP Financial Measures
In this Report, we present certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that may not be permitted to appear on the face of the financial statements or notes thereto (our “non-GAAP measures”). The primary non-GAAP measures used in this Report include Normalized EBITDA and Adjusted EBITDA. Each of the EBITDA-based measures presented in this Report is defined and calculated differently from the definition of “Consolidated Net Income” and “Consolidated EBITDA” presented in the Indenture. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe Normalized EBITDA and Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe that our non-GAAP measures and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Our non-GAAP measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. Our non-GAAP measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Because of these limitations, our non-GAAP measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our financial statements and using these non-GAAP measures only supplementally to evaluate our performance.

Definitions and Glossary
Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Listing Particulars. For a glossary of industry terms used in this Report, please refer to the Listing Particulars.

Industry and Market Data
For a discussion of the limitations applicable to the industry and market data included in this Report, please refer to the section entitled “Industry and Market Data” in the Listing Particulars.

Disclaimer
This Report is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy the Notes or any other security. This Report contains information that prior to its disclosure may have constituted inside information under European Union Regulation 596/2014 on market abuse. None of the Issuer or the Company makes any representation or warranty or other assurance, express or implied, that this Report or the information contained herein or the assumptions on which they are based are accurate, complete, adequate, fair, reasonable or up to date and they should not be relied upon as such. None of the Issuer or the Company accepts any liability for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on all or any part of this document and any liability is expressly disclaimed.

Financial statements

Attached below is the noteholder report of Mercury Bondco Plc, including the consolidated financial statements of Holdco, the direct Parent Entity of the Company.

TABLE OF CONTENTS

1 CERTAIN DEFINITIONS

"Advent"	Advent International Corporation and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them
"Annual Financial Report"	Mercury Bondco Plc Annual Financial Report for the year ended 31 December 2017
"Annual Report"	Mercury UK Holdco Limited Annual Report for the year ended 31 December 2017
"Bain Capital"	Bain Capital Investors, LP and its affiliates and, where applicable, the funds and limited partnerships managed or advised by them
"Bassilichi Payments"	Bassilichi S.p.A. and its consolidated subsidiaries in connection with the Bassilichi Payments Acquisition
"Bassilichi Payments Acquisition"	Nexi's acquisition of Bassilichi Payments
"Bondco"	Mercury Bondco Plc
"BMPS"	Banca Monte dei Paschi di Siena S.p.A.
''BPO Services Business''	The operating segment referred to as ''*Application outsourcing and innovative services*'' in Nexi's Financial Statements
''CartaSi"''	CartaSi S.p.A. (now Nexi Payments S.p.A.)
"Cleansing Statement"	The cleansing statement: Bond offering posted on the Bondco website (www.mercurybond.com) on 10 February 2017
"Clessidra SGR"	Clessidra SGR S.p.A. on behalf of the fund Clessidra Capital Partners 3
"DB Cards Acquiring"	The merchant acquiring business of Deutsche Bank S.p.A.
"DB Cards Acquisition"	Nexi Payments' acquisition of DB Cards Acquiring
"Equinova"	Equinova UK Holdco Limited
"Financial Statements"	As the context requires, the financial statements of the Mercury Group, the Nexi Group and the Latino Group
"FVTOCI Portfolio"	Nexi's portfolio of fair value through other comprehensive income ("FVTOCI") financial assets (formerly AFS portfolio). Nexi's FVTOCI Portfolio primary consists of Italian government bonds.
"Help Line"	Help Line S.p.A., a majority-owned subsidiary of Nexi
"Holdco"	Mercury UK Holdco Limited
"Indentures"	The base indentures and the supplementary indentures entered into among, *inter alios*, Bondco and U.S. Bank Trustees Limited, in respect of the €900,000,000 8 1⁄4% / 9% Senior Secured Fixed Rate PIK Toggle Notes due 2021 and the €200,000,000 Senior Secured Floating Rate PIK Toggle Notes due 2021 (both issued 13 November 2015), €600,000,000 privately-placed Senior Secured Floating Rate PIK Toggle Notes due 2021 (issued 15 December 2016) and €600,000,000 7 1⁄8% / 7 7⁄8% Senior Secured Fixed Rate PIK Toggle Notes due 2021 (issued 16 February 2017)

Certain Definitions

"ICBPI"	Istituto Centrale delle Banche Popolari Italiane S.p.A. (now Nexi S.p.A.)
"ICBPI Group"	Collectively ICBPI S.p.A., CartaSi S.p.A., Oasi Diagram S.p.A., Help Line S.p.A. and Bassilichi Payments (now Nexi Group)
"Latino"	Latino Italy S.p.A. (formerly Latino Italy S.r.l.)
"Latino Group"	Collectively, Latino, Nexi Capital S.p.A. and Mercury Payments S.p.A.
"Listing Particulars"	The listing particulars posted on the Bondco website (www.mercurybond.com) on 21 December 2015
"Mercury Group"	Mercury UK Holdco Limited, Nexi Group and the Latino Group
"Mercury Payments"	Mercury Payments Services S.p.A. (formerly Setefi Services S.p.A.)
"MPS Acquiring"	The merchant acquiring and POS businesses of Banca Monte dei Paschi di Siena S.p.A.
"MPS Acquisition"	The Nexi Group's acquisition of MPS Acquiring
"Nexi"	Nexi S.p.A. (formerly Istituto Centrale delle Banche Popolari Italiane S.p.A.)
"Nexi Group"	Collectively, Nexi, Nexi Payments, Oasi, Help Line and Bassilichi Payments
"Nexi Payments"	Nexi Payments S.p.A. (formerly CartaSi S.p.A.)
"Nexi Payments Business".........	The operating segment referred to as ''*Nexi payments*'' in Nexi's Financial Statements
"Notes"	Collectively, the Senior Secured Fixed Rate PIK Toggle Notes and the Senior Secured Floating Rate PIK Toggle Notes issued on 13 November 2015, the privately-placed Senior Secured Floating Rate PIK Toggle Notes issued on 15 December 2016 and Senior Secured Fixed Rate PIK Toggle Notes issued on 16 February 2017 by Bondco
"Oasi"	Oasi Diagram S.p.A.
"Payments Business"................	The operating segment referred to as ''*Payments*'' in Nexi's Financial Statements
"Revolving Credit Facility"	The revolving credit facility established under the Revolving Credit Facility Agreement, and which was increased on 15 December 2016 from €55 million to €95 million, and on 29 June 2017 to €100 million
"Revolving Credit Facility Agreement"	The revolving credit facility agreement which was entered into on 10 November 2015 between, amongst others: Bondco, the Sponsors' HoldCos, the Agent (as defined therein), the Security Agent and the Arrangers (as defined therein); and was amended on 15 December 2016 and 29 June 2017
"Security Agent"	U.S. Bank Trustees Limited, in its capacity as security agent for the secured creditors, the holders of the Notes, the trustee and the lenders under the Revolving Credit Facility
"Securities Services Business" ...	The operating segment referred to as ''*Securities services*'' in Nexi's Financial Statements
"Sponsors"	Collectively, Advent, Bain Capital and Clessidra

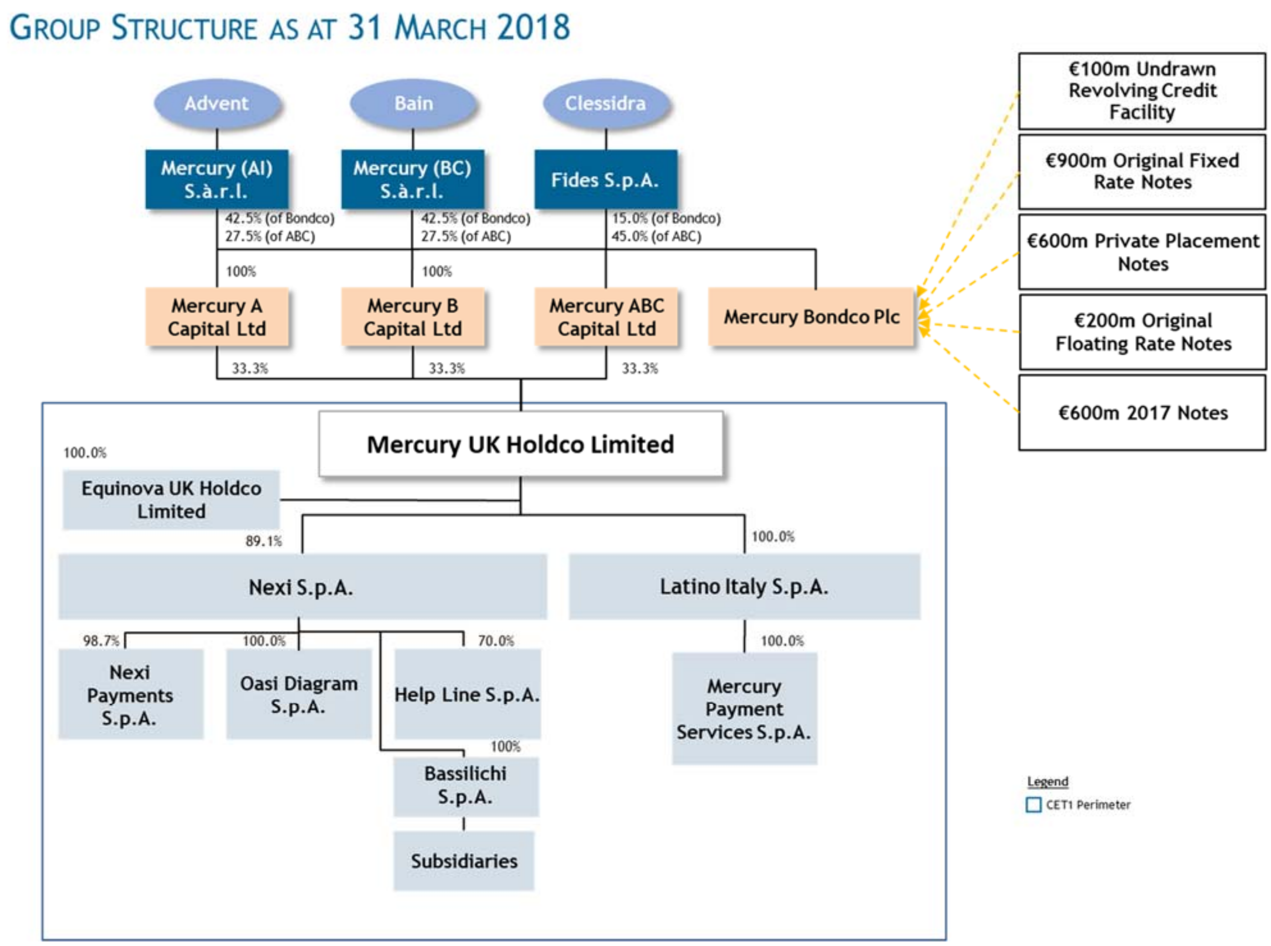
Certain Definitions

"Sponsors' HoldCos"	Mercury A Capital Limited, Mercury B Capital Limited and Mercury ABC Capital Limited
"Sponsors' NewCos"	Mercury (AI) S.à.r.l, Mercury (BC) S.à.r.l and Fides S.p.A.

2 GLOSSARY OF PAYMENT AND BANKING TERMS

For a glossary of payment and banking terms used in this Interim Financial Report, please refer to the Cleansing Statement.

3 GROUP STRUCTURE



4 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

4.1 Basis of preparation of the pro forma financial information

This Interim Financial Report includes the following financial statements:

- the unaudited consolidated interim financial statements of the Mercury Group (as defined in the section entitled "Certain Definitions") as of and for the three months ended 31 March 2018 compared to the three months ended 31 March 2017 (the "Interim Financial Statements");
- the unaudited interim income statement, statement of financial position and statement of cash flows of Bondco as of and for the three months ended 31 March 2018; and
- the unaudited interim income statement, statement of financial position and statement of cash flows of each of the Sponsors' HoldCos as of and for the three months ended 31 March 2018.

The pro forma financial information presents the results of the Mercury Group as if all of the entities within the Mercury Group as at 31 March 2018 had been included within the Mercury Group from the beginning of the earliest reporting period presented (i.e. 1 January 2017). The pro forma financial information is presented to illustrate the estimated effects of the acquisition of Nexi, Mercury Payments, MPS Acquiring, DB Cards Acquiring and Bassilichi Payments on the Mercury Group's historical financial position and results of operations as if all such transactions had occurred on the first day of the periods presented. The unaudited pro forma financial information is presented for information purposes only and is not intended to represent or be indicative of the financial condition or results of operations that would have been reported had the transactions described above actually occurred during the periods and as at the dates presented, and the unaudited pro forma financial information does not purport to project our results of operations or financial condition for any future period. The unaudited pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma financial information have been audited or reviewed.

Unless otherwise indicated, the financial information for the three months ended 31 March 2018 and 31 March 2017 presented in this Interim Financial Report has been prepared in accordance with IFRS as endorsed by the EU ('IFRS').

The Interim Financial Statements do not include all the information required in accordance with IFRS and should be read in conjunction with the Annual Report.

The financial information and various other numbers and percentages set forth in this Interim Financial Report are presented in euros, rounded to the nearest thousand, unless otherwise noted. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Mercury Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in the Annual Report. Since the date of the Annual Report, there have been no material changes to these critical accounting judgments.

4.2 Non-IFRS financial information

This Interim Financial Report presents (i) certain financial measures that are not recognised by IFRS and that may not be permitted to appear on the face of IFRS compliant financial statements or footnotes thereto; (ii) certain key performance indicators and other non-financial operating data that is derived from management estimates and does not form part of the financial statements or the accounting records and (iii) certain data derived from the management accounts that has not been prepared in compliance with IFRS and differs in important respects from the financial statements.

For a discussion of further limitations that apply to the financial statements, please refer to the section entitled “Presentation of Financial Information” in the Listing Particulars.

5 INDUSTRY RANKING AND OTHER DATA

For certain macroeconomic data please refer to Mercury Bondco Plc's Annual Financial Report and the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends-Economic and Market Trends*", based on data provided by the Bank of Italy, the International Monetary Fund, the Operation for Economic Co-operation and Development and other third-party sources. We have not independently verified such third-party data and make no representation as to the accuracy of such data.

For a discussion of the limitations applicable to the industry, ranking and other data included in this Interim Financial Report, please refer to the section entitled "*Industry, Ranking and Other Data*" in the Listing Particulars.

.

6 FORWARD LOOKING STATEMENTS

This Interim Financial Report of Bondco is provided pursuant to Section 4.08(i) of the Indentures. This Interim Financial Report contains forward-looking statements, including statements about market consolidation and our strategy, investment program, future operations, industry forecasts, expected acquisitions, transactions and investments, and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact are, or may be deemed to be, forward-looking statements.

Words or phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “project”, “seek”, “target” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those expected in our forward-looking statements for many reasons, including the factors described in “Risk Factors” below. In addition, even if our actual results are consistent with the forward-looking statements contained in this Interim Financial Report, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to, the risks described under the section entitled “Risk Factors” in this Interim Financial Report.

The risks described in this Interim Financial Report should not be construed as exhaustive. Other sections of the Listing Particulars and the Cleansing Statement, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry” and “Our Business” as well as Bondco’s interim and annual financial reports released from time to time may describe additional risk factors that could adversely affect our financial position, results of operations and liquidity. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should review the discussions in the Listing Particulars, the Cleansing Statement as well as Bondco’s interim and annual financial reports for a more complete view of the factors that could affect our future performance and the industry in which we operate.

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

Any forward-looking statements are only as at the date of the particular statement and we do not intend, and do not assume any obligation, to update forward-looking statements set out in this Interim Financial Report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this section and contained elsewhere in this Interim Financial Report, the Cleansing Statement or the Listing Particulars, including those described under the section entitled “Risk Factors” in this Interim Financial Report. In light of these risks, our results could differ materially from the forward-looking statements contained in this Interim Financial Report.

7 OVERVIEW OF RESULTS

7.1 Summary Overview of Results

The Mercury Group

First-quarter results reflect a solid financial performance across the Mercury Group's key businesses.

The pro forma operating revenue of the Mercury Group increased by €14.2 million, or 5.6%, to €266.1 million for the three months ended 31 March 2018, from €251.9 million for three months ended 31 March 2017. Benefitting from operating leverage, pro forma EBITDA[1] increased by €13.8 million, or 14.9%, to €106.2 million for the three months ended 31 March 2018 from €92.4 million for the three months ended 31 March 2017.

Notwithstanding the EBITDA growth, pro forma net profit attributable to the owners of the parent decreased by €6.2 million to €41.0 million for the three months ended 31 March 2018 from €47.2 million for the three months ended 31 March 2017, due to an increased combined level of depreciation, amortisation and impairment losses on customer contracts (€7.6 million), income taxes (€6.7 million) and non-recurring/extraordinary items (€3.8 million).

The Nexi Group

The Nexi Group pro forma operating revenue and EBITDA for the three months ended 31 March 2018 increased compared to the three months ended 31 March 2017. The pro forma operating revenue increased by €8.3 million, or 3.8%, to €226.2 million for the three months ended 31 March 2018, from €217.9 million for three months ended 31 March 2017, mostly due to an increase in net fee, commission and other business income (€10.5 million, or 5.1%). The pro forma EBITDA increased by €6.6 million, or 9.3%, to €78.2 million for the three months ended 31 March 2018 from €71.6 million for the three months ended 31 March 2017, as a result of higher contributions by all customer-facing reporting segments.

The pro forma profit for the period attributable to the owners of the Nexi Group decreased by 11.8%, or €4.7 million, to €34.8 million for the three months ended 31 March 2018, mostly due to higher income taxes which increased by €10.7 million from the same period in 2017 on lower "A.C.E." regulation-related benefits[2].

The total extraordinary and non-recurring items in the three months of 2018 (€9.1 million) were consistent with the same period of last year and were comprised of project costs for the transformation program (€4.9 million) and other one-off items (€4.2 million), primarily Bassilichi asset write-offs and Nexi rebranding costs.

Nexi Group's key performance indicators improved in the three months ended 31 March 2018, compared to the same period in 2017.

The Nexi Payments business grew both in terms of value of card transactions (+10.4% in total; +4.3% for the Issuing and +14.0% for the Acquiring businesses) and in number of managed transactions (+8.3% in total; +0.8% on debit cards; +12.4% and +15.9% on credit cards for Issuing and Acquiring respectively).

The number of managed cards at 31 March 2018 was consistent with the level of the same period of last year, as 11.3% increase in prepaid cards balanced out a 6.5% decrease in debit cards. The number of managed POS increased by 8.8%.

In the Payments Business, compared to the previous period, the number of banking payment transactions decreased by 1.3%, the number of clearing transaction by 7.4%, while the number of e-banking workstations by 7.6%.

---

[1] Pro forma EBITDA as used in this summary Interim Financial Report refers to pro forma normalised EBITDA.

[2] A.C.E. ("Aiuto alla Crescita Economica") is a tax benefit aimed at supporting economic growth in Italy and consisting of a notional interest deduction.

Mercury Bondco Plc

Interim Financial Report for the three months ended 31 March 2018

Overview of Results

Compared to the previous year, the Securities Services business increased in depositary bank assets in custody by 4.1%, while decreasing in the value of brokerage negotiation (-14.0%) and in global custody, with assets in custody down 3.5%.

In our Bassilichi Payments business, between 31 March 2018 and 2017 the number of managed POS terminals and the number of managed ATMs decreased by 4.9% and 9.4% respectively, while the number of e-banking workstations increased by 0.4%.

Mercury Payments

On the back of higher volumes and repricing effects, the Mercury Payments business increased operating revenue and EBITDA in the three months ended 31 March 2018 compared to the same period in the previous year: the pro forma operating revenue increased by €5.9 million, or 17.4%, to €39.6 million for the three months ended 31 March 2018, from €33.8 million for the three months ended 31 March 2017, and the pro forma EBITDA increased by €7.0 million, or 33.2%, to €27.9 million for the three months ended 31 March 2018 from €20.9 million for the three months ended 31 March 2017. As a result, over the same period, pro forma net profit increased by €5.3 million to €15.6 million.

All of Mercury Payments' key performance indicators improved in the three months to 31 March 2018 over the same period of last year, with the number of cards managed up 11.9%, the number of managed transactions up 15.7%, the number of managed POS up 12.1% and the number of managed ATMs up 13.6%.

7.2 Mercury Group Summary Pro Forma Financial Information

The following table shows the pro forma [(1)] operating revenue and pro forma EBITDA of the Mercury Group for the three months ended 31 March 2018 and 31 March 2017.

	Three months to 31 March		
	2018	**2017**	**% change**
	(*in € millions*)		
Pro forma operating revenue [(1)]	**266.1**	**251.9**	***5.6%***
Nexi Group	226.2	217.9	*3.8%*
Latino Group	39.7	33.5	*18.5%*
Holdco	0.3	0.6	*(52.6%)*
Consolidation adjustments	-	-	-
Pro forma normalised EBITDA [(2)]	**106.2**	**92.4**	***14.9%***
Nexi Group	78.2	71.6	*9.3%*
Latino Group	28.0	20.7	*35.3%*
Holdco	(0.1)	0.1	*n/r*
Consolidation adjustments	-	-	-
Pro forma profit for the period attributable to the owners of the parent	**41.0**	**47.2**	***(13.1%)***
Nexi Group	34.8	39.5	*(11.8%)*
Latino Group	7.8	11.4	*(32.0%)*
Holdco	(0.5)	(0.1)	*n/r*
Consolidation adjustments	(1.1)	(3.6)	*n/r*

(1) Pro forma operating revenue, pro forma normalised EBITDA and pro forma profit for the period attributable to the parent are extracted and aggregated from the management accounts of the Nexi Group, Latino Group, Holdco and net consolidation adjustments.

(2) Pro forma normalised EBITDA is defined in section 7.6.1, footnote 1.

7.3 Mercury Group

The following table provides an overview of the results of operations for the pro forma [(1)] financial information of the Mercury Group for the three months ended 31 March 2018 and 31 March 2017.

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	257.8	242.1
Net interest income	6.8	8.8
Net trading / hedging income	1.4	1.1
Dividends from equity investments	0.1	-
Pro forma operating revenue	**266.1**	**251.9**
Payroll and related costs	(52.3)	(53.9)
Other administrative expenses	(105.6)	(104.2)
Administrative expenses	**(157.8)**	**(158.1)**
Other net operating income	0.8	0.6
Net accruals to provisions for risks and charges	(2.9)	(2.1)
Pro forma operating costs (before depreciation and amortisation)	**(160.0)**	**(159.5)**
Pro forma EBITDA [(1)]	**106.2**	**92.4**
Depreciation and amortisation	(17.4)	(15.8)
Pro forma operating profit	**88.8**	**76.6**
Depreciation and amortisation on customer contracts	(10.2)	(2.6)
Share of profits of investees	-	0.2
Non-recurring / extraordinary items	(17.0)	(13.1)
Pre-tax pro forma profit	**61.6**	**61.1**
Income taxes	(16.5)	(9.7)
Post-tax pro forma profit	**45.1**	**51.4**
Pro forma profit for the period attributable to non-controlling interests	(4.1)	(4.2)
Pro forma profit for the period attributable to the owners of the parent	**41.0**	**47.2**

(1) Pro forma normalised EBITDA is defined in section 7.6.1, footnote 1

7.4 Mercury Group Summary Pro Forma Financial Information: Summary Segmental Information

The following table shows the pro forma [(1)] operating revenue and pro forma EBITDA by segment of the Mercury Group for the three months ended 31 March 2018 and 31 March 2017:

	Three months to 31 March			
	2018	**2017**	***change***	***% change***
	(€ millions)			
Pro forma Operating Revenue [(1)]	**266.1**	**251.9**	***14.2***	***5.6%***
Nexi	**226.2**	**217.9**	***8.3***	***3.8%***
Nexi Payments	146.9	134.6	*12.4*	*9.2%*
Card Issuing	*56.0*	*52.3*	*3.7*	*7.1%*
Merchant Acquiring and POS	*75.5*	*66.6*	*9.0*	*13.5%*
Other	*15.4*	*15.7*	*(0.3)*	*(1.9%)*
Payments	20.8	22.2	*(1.3)*	*(6.0%)*
Securities Services	16.0	18.1	*(2.1)*	*(11.4%)*
BPO Services	7.3	6.5	*0.8*	*12.5%*
Bassilichi	33.7	36.3	*(2.6)*	*(7.2%)*
Other Nexi Group Activities / consolidation	1.4	0.3	*1.1*	*n/r*
Latino	**39.7**	**33.5**	***6.2***	***18.5%***
Mercury Payments	39.6	33.8	*5.9*	*17.4%*
Latino / consolidation adjustments	0.1	(0.2)	*0.3*	*n/r*
Other	**0.3**	**0.6**	***(0.3)***	***(52.6%)***
Holdco	0.3	0.6	*(0.3)*	*(52.6%)*
Consolidation adjustments	-	-	-	-
Pro forma normalised EBITDA [(2)]	**106.2**	**92.4**	***13.8***	***14.9%***
Nexi	**78.2**	**71.6**	***6.6***	***9.3%***
Nexi Payments	60.4	56.4	*4.0*	*7.1%*
Payments	6.7	6.7	*0.0*	*0.1%*
Securities Services	5.2	3.8	*1.3*	*34.8%*
BPO Services	2.7	2.3	*0.4*	*16.5%*
Bassilichi	3.0	1.0	*2.0*	*196.8%*
Other Nexi Group Activities / consolidation	0.2	1.3	*(1.1)*	*(84.6%)*
Latino	**28.0**	**20.7**	***7.3***	***35.3%***
Mercury Payments	27.9	20.9	*7.0*	*33.2%*
Latino / consolidation	0.1	(0.3)	*0.3*	*n/r*
Other	**(0.1)**	**0.1**	***(0.2)***	***n/r***
Holdco	(0.1)	0.1	*(0.2)*	*n/r*
Consolidation adjustments	-	-	-	-
Pro forma profit for the period attributable to the owners of the parent	**41.0**	**47.2**	***(6.2)***	***(13.1%)***
Nexi Group [(3)]	**34.8**	**39.5**	***(4.7)***	***(11.8%)***
Latino	**7.8**	**11.4**	***(3.7)***	***(32.0%)***
Mercury Payments	15.6	10.3	*5.3*	*51.8%*
Latino / consolidation	(7.8)	1.2	*(9.0)*	*n/r*
Other	**(1.6)**	**(3.8)**	***2.2***	***n/r***
Holdco	(0.5)	(0.1)	*(0.3)*	*n/r*
Consolidation adjustments	(1.1)	(3.6)	*2.5*	*n/r*

(1) Pro forma operating revenue and pro forma normalised EBITDA are extracted and aggregated from the management accounts for the Nexi Group, Latino Group, Holdco and net consolidation adjustments.
(2) Pro forma normalised EBITDA is defined in section 7.6.1, footnote 1.
(3) Segmental pro forma profit information for those operating segments within Nexi is not reported to the board of Nexi and therefore not presented here.

Three months to 31 March

Overview of Results

	2018	2017
Pro forma EBITDA Margin	**39.9%**	**36.7%**
Nexi Group	**34.6%**	**32.9%**
Nexi Payments	41.1%	41.9%
Payments	32.3%	30.3%
Securities Services	32.3%	21.2%
BPO Services	36.8%	35.5%
Bassilichi Payments	9.0%	2.8%
Other Nexi Group Activities / consolidation adjustments	n/r	n/r
Latino Group	**70.4%**	**61.7%**
Mercury Payments	70.4%	62.0%
Latino / consolidation adjustments	n/r	n/r
Other Group	**n/r**	**n/r**
Holdco	n/r	n/r
Consolidation adjustments	n/r	n/r

7.5 Mercury Group Summary Pro Forma Financial Information: EBITDA reconciliation

The following table shows the pro forma EBITDA reconciliations of the Mercury Group for the three months ended 31 March 2018 and 31 March 2017:

	Three months to 31 March	
	2018	**2017**
	(€ millions)	
Pro forma profit for the period attributable to the owners of the parent	**41.0**	**47.2**
Pro forma profit for the period attributable to non-controlling interests	4.1	4.2
Income taxes	16.5	9.7
Share of profit of investees	-	(0.2)
Non-recurring / extraordinary net financial costs/ (income)	(0.5)	0.5
Non-recurring / extraordinary operating costs	17.4	12.6
Depreciation, amortisation and impairment losses on customer contracts	10.2	2.6
Pro forma operating profit	**88.8**	**76.6**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	17.4	15.8
Pro forma normalised EBITDA	**106.2**	**92.4**

Non-recurring / extraordinary net financial income for the three months ended 31 March 2018 were €0.5 million and comprised dividends on Nexi investments. Non-recurring / extraordinary net financial costs of €0.5 million for the three months ended 31 March 2017 comprised the write-off on a Nexi investment.

Non-recurring / extraordinary operating costs of €17.4 million for the three months ended 31 March 2018 mainly related to transformation program-related charges (€11.7 million). Non-recurring / extraordinary operating costs of

€12.6 million for the three months ended 31 March 2017 included €11.0 million for one-off charges related to the transformation program and the new management team.

7.6 Other Financial and Operating Information - Mercury Group

7.6.1 Other performance indicators

	Ref	**Twelve months to 31 March 2018**
		(*in € millions*)
Pro forma operating revenue		1,115.3
Pro forma normalised EBITDA (1)	*7.6.2*	440.0
Pro forma normalised EBITDA margin (2)		39.5%
Adjusted pro forma EBITDA (1)	*7.6.2*	555.4
Adjusted pro forma EBITDA margin (2)		49.8%
Pro forma profit for the period attributable to the owners of the parent	*7.6.3*	85.5
Adjusted pro forma profit for the period attributable to the owners of the parent	*7.6.3*	266.3
CET1 Capital Ratio		16.84%
Adjusted pro forma profit of the Mercury Group available to Sponsors' HoldCos	*7.6.4*	257.0
Net financial debt (3)		2,297.1
Pro forma cash interest expense (4)		185.5
Ratio of net financial debt to adjusted pro forma EBITDA		4.1x
Ratio of adjusted pro forma EBITDA to pro forma cash interest expense		3.0x
Adjusted pro forma coverage (5)		1.4x

(1) Set forth below are the definitions of the pro forma normalised EBITDA-based measures used in this Interim Financial Report:

- Pro forma normalised EBITDA is defined as pro forma operating profit for the period after adding back the charges for depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets, and net non-recurring or extraordinary items.
- Adjusted pro forma EBITDA is defined as pro forma EBITDA further adjusted as set forth in section 7.6.2.

For a reconciliation of pro forma normalised EBITDA and adjusted pro forma EBITDA to pro forma profit for the period attributable to the owners of the parent, see sections 7.6.2 and 7.6.3. Management believe that these EBITDA-based measures are useful to investors in evaluating operating performance and the ability of the Mercury Group to incur and service its indebtedness. These non-IFRS measures are not indicators of performance recognised under IFRS. These non-IFRS measures are not necessarily comparable to the performance figures published by other companies. Caution should be exercised in comparing these non-IFRS measures as reported here to the non-IFRS measures of other companies. For more information, see "*Presentation of Financial and Other Information—Non-GAAP Financial Information*" in the Listing Particulars, which are available on the website (www.mercurybond.com).

(2) Pro forma normalised EBITDA margin represents pro forma normalised EBITDA divided by pro forma operating revenue. Adjusted pro forma EBITDA margin represents adjusted pro forma EBITDA divided by pro forma operating revenue (without considering any potential impact that such adjustments may have on pro forma operating revenue).

(3) Net financial debt represents the combined gross financial debt of the Sponsors' HoldCos and Bondco, minus cash at Bondco and the Sponsors' HoldCos. At 31 March 2018, the cash and cash equivalents of Bondco and Sponsors' HoldCos was equal to €2.9 million. On 16 February 2017, Bondco issued €600,000,000 in aggregate principal amount of $7\frac{1}{8}$%/$7\frac{7}{8}$% senior secured fixed rate PIK toggle notes due 2021 (the "2018 Notes") to finance the pending acquisitions by the Nexi Group of the merchant

acquiring business of Banca Monte dei Paschi di Siena S.p.A., at least 92.24% of capital stock in Bassilichi S.p.A. and the merchant acquiring business of Deutsche Bank S.p.A.

(4) Pro forma cash interest expense represents the estimated cash interest expense of the Sponsors' HoldCos on a pro forma basis for the period ended 31 March 2018. This includes €15.68 million of cash interest expense that would have been payable by the Sponsors' HoldCos, had the 2017 Notes been issued and their proceeds been on-lent to the Sponsors' HoldCos at the beginning of the period presented. The 2017 Notes accrue interest at a rate per annum equal to $7\frac{1}{8}$% (in case of cash interest) and $7\frac{7}{8}$% (in case of PIK interest), commencing February 16, 2017.

(5) Represents the ratio of adjusted pro forma profit of the Mercury Group to pro forma cash interest expense.

7.6.2 Reconciliation of pro forma normalised EBITDA to adjusted pro forma EBITDA

	Twelve months to 31 March 2018
	(in € millions)
Pro forma normalised EBITDA	**440.0**
Capitalisation of ICT expenditures[(A)]	0.5
ICT and procurement savings[(B)]	5.8
Expected average annualised decrease in interest income from FVTOCI Portfolio[(C)]	(4.8)
International debit initiative[(D)]	2.4
Synergies with Mercury Payments[(E)]	20.0
Synergies with MPS Acquiring[(F)]	10.5
Synergies with DB Cards Acquiring[(G)]	0.9
Synergies with Bassilichi Payments[(H)]	15.9
EBITDA adjustments disclosed in Information Release 30 April 2018[(I)]	64.2
Adjusted pro forma EBITDA	**555.4**

(A) Capitalisation of ICT expenditures relates to the effect on the adjusted pro forma EBITDA of capitalising 33% of ICT expenditures (excluding payment processing costs) in respect of the period ended 31 March 2018. For the period ended 31 March 2018, it is estimated that the Mercury Group capitalised approximately 32% of all ICT expenditures. On the basis of benchmarks in the banking and financial services industry, management believe that 33% of the Mercury Group's total ICT expenditures for the period ended 31 March 2018 related to growth and transformation and so could have been capitalised. The adjustment has been calculated as if the Mercury Group had capitalised 33% of total ICT costs, in line with the aforementioned industry benchmarks, and excluding the amounts actually capitalised by the Mercury Group in such period. Any such capitalised expenditures would be amortised over a three-to-five-year period.

(B) ICT and procurement savings gives effect to outstanding estimated savings, net of related expenses that are expected to be realised within two-to-three years following the implementation of certain operational efficiency measures. The estimates of these savings are based on the Sponsors' experience with the Nexi Group and previous investments, as well as industry benchmarking, the advice of industry experts and management consultants retained in connection with the acquisition of Nexi and further acquisitions. However, there can be no assurance that all, or any, of these potential cost savings will be realised, see "Forward Looking Statements". The assumptions used in estimating savings and related expenses are made in reliance on the available information and judgments based on such information. These assumptions are inherently uncertain and subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results or timeline to differ materially from those contemplated in the savings estimates.

(C) Holdings of Italian government bonds made up 99.9% of total FVTOCI Portfolio as at 31 March 2018, and are accounted for as FVTOCI financial assets. In line with relevant accounting principles, interest income accruing on the FVTOCI Portfolio is accounted for at amortised cost—that is, using the historical yield. Since the yields on the three-to-four-year maturity Italian government bonds that were purchased in 2013 and 2014 were significantly higher than present yields, the average yield that is currently received on the FVTOCI Portfolio is higher than the yield that would be achievable if the FVTOCI Portfolio was replaced at present market yields. As the Italian government bonds that were purchased in 2013 and 2014 mature and are replaced with lower-yielding Italian government bonds, it is expected that the interest income from the FVTOCI Portfolio will decrease. It is currently estimated that the effect of this decrease in interest income over the next five years will have an average annual impact on adjusted pro forma EBITDA of €4.8 million. This average annual impact is estimated using the following reinvestment cycle:

- based on the actual composition of the FVTOCI Portfolio as at 31 March 2018, it is assumed that the proceeds of any maturing Italian government bond held in the FVTOCI Portfolio would be continuously reinvested in a new three-year Italian government bond (or a bond with a lower maturity if the original maturity of the re-invested bond was lower than three years);

- the expected yield earned on any newly-purchased bond is estimated using the forward Italian government bond yield curve as at 31 March 2018; and

- the notional interest income that would be earned in each year from 2018 to 2021 is calculated and the average of the four-year period is taken.

The assumptions used in estimating this adjustment are made in reliance on the information available to management and its judgments based on such information. These assumptions are inherently uncertain and subject to a wide variety of significant market and economic risks and uncertainties that could cause actual results to differ materially from this estimate.

(D) Represents the annualised run-rate effect of the launch of a new Nexi Payments debit product (Nexi Payments Pagomat) which will be positioned as a substitute for Bancomat, featuring additional functionalities aimed at improving customer experience and be fully integrated into the latest digital innovations (e.g. HCE, contactless, etc.). It is estimated that the positive effect resulting from the introduction of this new initiative over the next three years will have an impact on adjusted pro forma EBITDA of €2.4 million.

(E) Represents the annualised run rate cost synergies net of any increase in annualised run rate operating expenditures that are estimated to be realised in connection with the migration of certain acquiring processing to Mercury Payments (achievable in 2-3 years on average) and certain other in-house developments (achievable in 3-5 years), following cumulative expenditure of approximately €51.0 - €72.0 million in capital expenditures and one-off costs.

Overview of Results

(F) Represents cost and revenue synergies which we expect to realise within two to three years following the consummation of the MPS Acquiring Acquisition after expenditure of approximately €10.0 million in one-off costs. The estimated annualised run rate impact of these synergies on adjusted pro forma EBITDA includes:

(i) cost savings of €1.3 million from the elimination of value added tax (VAT) currently imposed on transactions between (A) MPS Acquiring and the Nexi Group on the one hand and (B) MPS Acquiring and Bassilichi Payments on the other hand;

(ii) cost savings of €2.0 million from the rationalisation of MPS Acquiring's cost base facilitated through the integration of MPS Acquiring into the Nexi Group's existing payments infrastructure;

(iii) synergies of €7.2 million through (A) the commercialisation of loss-making merchant acquiring contracts of MPS Acquiring, (B) improved up-selling and cross-selling of value-added services to merchant customers of MPS Acquiring and (C) a modernisation of MPS Acquiring's POS fleet, which we expect to enable the Mercury Group to charge higher, premium prices for the improved service.

(G) Represents the estimated annualised adjusted pro forma EBITDA contribution of the DB Cards Acquisition, plus expected synergies.

(H) Represents cost and revenue synergies which we expect to realise within two to three years following the consummation of the Bassilichi Payments Acquisition after expenditure of approximately €14.0 - €24.0 million in capital expenditure and one-off costs. The estimated annualised run rate impact of these synergies on adjusted pro forma EBITDA includes:

(i) cost savings of €3.8 million from the integration of Bassilichi Payments into the Nexi Group's existing payments infrastructure;

(ii) cost savings of €7.6 million from the rationalisation of Bassilichi Payments' cost base facilitated through the integration of Bassilichi Payments into the Nexi Group's existing payments infrastructure;

(iii) cost savings of €0.3 million from reductions in Bassilichi Payments' general and administrative costs; and

(iv) cost savings of €4.2 million mainly from reductions in ICT costs.

The adjustments described above are presented before any deductions for minority equity interests.

(I) EBITDA Adjustments

In addition to the adjustments to pro forma normalised EBITDA presented in this Interim Financial Report and our most recent Annual Financial Report, we have identified certain other adjustments that we believe are achievable within one to three years following the implementation of the measures set forth below, which are quantified below:

- *Purchasing*: This adjustment of €13.4 million gives effect to the run-rate impact of cost-cutting initiatives targeting our production costs and general and administrative expenses, which we launched in 2017 and are currently outperforming the targets we had set. We also give effect to the estimated run-rate impact of similar initiatives that we launched in 2018.

- *Human Resources*: This adjustment of €5.3 million gives effect to the run-rate impact of headcount rationalisations we contractually agreed in 2017, some of which become effective after the expiration of a transitional period, such that the full run-rate impact is expected to be realised by 2020.

- *IT Strategy*: This adjustment of €4.2 million gives effect to estimated cost savings to be realised from a renegotiation of our arrangements with certain key suppliers, certain of which have been agreed pursuant to definitive agreements, and our IT costs savings initiatives relating to our IT infrastructure, ATMs, our Corporate Banking Interbancario platform (CBI Gateway infrastructure), our software and our licensing activities.

•

- *Operations*: This adjustment of €6.3 million gives effect to estimated costs savings from other initiatives targeting our operational efficiency, including, among other things, measures aimed at the reduction of our shipping costs, the streamlining of our production, the improvement of our fraud management and a reduction in maintenance interventions. Launched in 2017, these initiatives fully achieved their targets for the fiscal year 2017 and are expected to generate additional run-rate savings, beyond the current levels, within the next few years.

- *Customer Contact Center*: This adjustment of €3.1 million gives effect to the estimated costs savings from initiatives targeting operational excellence at our customer contact center, including providing online Q&As as alternatives to reduce the number of calls, operator trainings to increase the rate of first contact resolutions and digital care. Launched in 2017, these initiatives fully achieved their targets for the fiscal year 2017 and are expected to deliver additional run-rate savings over the next one to two years.

- *Innovation bundle*: This adjustment of €6.3 million gives effect to the run-rate impact from the launch of a new VAS/innovation bundle offering, which was defined in 2017 and launched in 2018. This adjustment was estimated on a run-rate basis, giving effect to contracts already signed.

- *E-Commerce*: This adjustment of €0.6 million gives effect to the expected run-rate impact of the commercialisation of a state-of-the-art eCommerce solution launched in the fourth quarter of 2017. This adjustment was estimated on a run-rate basis, giving effect to re-pricings that have already been agreed.

- *Apple Pay*: This adjustment of €0.8 million gives effect to the expected run-rate impact of the launch of our Apple Pay and Samsung Pay solutions which will be gradually implemented over the course of 2018, with the run-rate impact expected to materialise starting in 2019. The adjustment was estimated on the basis of contracts that have already been signed with client banks.

- *PSD2 Gateway*: This adjustment of €0.5 million gives effect to the minimum guaranteed payment we are entitled to pursuant to our exclusive right to develop the PSD2 Gateway, which was awarded to us by the CBI Consortium (the consortium that manages the CBI Gateway) following a competitive tender. We believe the adjustment reflects a conservative business case in terms of Normalised EBITDA growth.

- *ACH Instant Payments*: This adjustment of €1.0 million gives effect to the run-rate impact of ACH Instant Payments, which is a product that is already developed. The adjustment was estimated on the basis of two contracts that have already been signed, with official launch planned for 2018.

- *Customer Value Management (CVM)*: This adjustment of €20.9 million gives effect to the expected run-rate impact of our acquisition Carige Acquiring, the merchant acquiring business of Banca Carige S.p.A., for which we have already signed an acquisition agreement that is expected to close in the fourth quarter of 2018, and CVM initiatives with respect to both our existing customer base and our recently acquired merchant books. The adjustment was estimated on the basis of the CVM initiatives that were already launched in the fourth quarter of 2017 or first quarter of 2018 or are included in our management forecast for 2018. We expect that the run-rate impact from these initiatives will materialise starting in 2019.

- *IT Strategy (M&A)*: This adjustment of €6.8 million gives effect to the expected run-rate impact of cost-synergies from the integration of the IT platforms, technology and corporate systems of Bassilichi S.p.A. and Mercury Payments into our own.

Some of the above initiatives have not yet begun and we are beginning to track the others. We estimate that approximately €5 million of these additional EBITDA adjustments totaling €69.2 million have already been realised in Q1 2018.

7.6.3 Reconciliation of pro forma profit attributable to the owners of the parent to adjusted pro forma profit

	Twelve months to 31 March 2018
	(*in € millions*)
Pro forma profit for the year attributable to the owners of the parent	**85.5**
Extraordinary (income)/costs[(A)]	104.0
Capitalisation of ICT expenditure[(B)]	0.1
ICT and procurement savings[(B)]	3.9
Expected average annualised decrease in interest income from FVTOCI Portfolio[(B)]	(3.2)
International debit initiative[(B)]	1.6
Tax benefit due to equity investment (ACE)[(C)]	(0.1)
Synergies with Mercury Payments[(B)]	13.4
Synergies with MPS Acquiring[(B)]	7.0
Synergies with DB Cards Acquiring[(B)]	0.6
Synergies with Bassilichi Payments[(B)]	10.6
EBITDA adjustments disclosed in Information Release 30 April 2018[(D)]	43.0
Adjusted pro forma profit	**266.3**

(A) Represents the estimated after-tax effect on profit for the year attributable to the owner of Holdco of the following items: (i) a negative impact of €90.2 million of non-recurring items of the Nexi Group (of which €8.5 million deriving from Bassilichi Payments), mainly related to restructuring and the transformation plan (please refer to section 7.5 for more details), (ii) a negative impact of €10.0 million of one-off items incurred by the Latino Group, primarily transformation program-related, and, (iii) a negative impact of €3.7 million of non-recurring items at Holdco. All of the aforementioned costs are reported in the management accounts below EBITDA, under the line item non-recurring/extraordinary items, and therefore do not impact on EBITDA. The revenues and expenses reflected in these lines items are subject to different tax rates, subject to which entity within the Mercury Group recognised such revenues or expenses, as well as their nature. In calculating the total tax impact, the actual tax rates applied are applicable to each individual revenue and expense that was recognised under the line items pro forma non-recurring/extraordinary net financial income and pro forma non-recurring/extraordinary operating costs.

(B) Represents the estimated effect on pro forma profit for the year attributable to the owners of the parent for each of the other adjustments to pro forma normalised EBITDA described above. Each adjustment is subject to different tax rates, subject to which entity within the Mercury Group recognised such revenues or expenses as, as well as their nature and each adjustment ignores the impact of the 1.3% minority interest in Nexi Payments, the total effect of which is estimated to be less than €1.0 million on such adjustments. The adjustment related to capitalisation of ICT expenditures is based on the average annual savings over the next five years (taking into account the offsetting depreciation charge). The adjustment to ICT and procurement savings takes into account the equity interest in the payment processor with which the contract was renegotiated.

(C) This figure represents the annualised adjustment of a tax optimisation benefit which was included in financial statements for the twelve months ended 31 March 2018. The ACE ("Aiuto alla Crescita Economica") benefit is a tax benefit provided by the Italian government to support economic growth, and consists of a notional interest deduction.

(D) Represents the additional EBITDA adjustments disclosed in the Information Release 30 April 2018, net of taxes and Nexi Payments minority interest.

Adjusted pro forma profit is defined as profit attributable to the owners of the parent for the twelve months ended 31 March 2018 after giving effect to the adjustments above. A number of assumptions have been made in order to calculate these adjustments. These assumptions are inherently uncertain and subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those assumed in the adjustments below. Management believe that these adjustments to profit attributable to the owners of the parent are useful to investors in evaluating operating performance and the ability of the Mercury Group to incur and service its indebtedness. These non-IFRS measures are not indicators of performance recognised under IFRS. These non-IFRS measures are not necessarily comparable to the performance figures published by other companies and caution should be exercised in comparing these non-IFRS measures as reported here to non-IFRS measures of other companies.

For more information, see "*Presentation of Financial and Other Information—Non-GAAP Financial Information*" in the Listing Particulars which are available on the website (www.mercurybond.com).

7.6.4 Capacity to make distributions and other sources of funding available to Holdco, Bondco and Sponsors' HoldCos

The following table provides an overview of the main factors driving Holdco's capacity to make distributions to its shareholders and other sources of funding potentially available to Holdco. Dividends indirectly received by Bondco from the Mercury Group through the Sponsors' HoldCos, along with drawings on the Revolving Credit Facility, are expected to be Bondco's principal source of liquidity and thus a key determinant of its ability to pay cash interest on the Notes:

	Twelve months to 31 March 2018
	(*in € millions*)
Adjusted pro forma profit[(A)]	**266.3**
Minority equity interests[(B)]	(8.4)
Tax leakage[(C)]	(0.9)
Adjusted pro forma profit of the Mercury Group available to Sponsors' HoldCos[(D)]	**257.0**
Additional liquidity available to Bondco and the Sponsors' HoldCos	**102.9**
thereof: Revolving Credit Facility[(E)]	100.0
thereof: cash at Sponsors' HoldCos and Bondco[(E)]	2.9
Notional excess capital buffer available to Holdco[(F)]	**124.0**

(A) For the purposes of this notional analysis, adjusted pro forma profit is used as a proxy for annual profits and assume that the subsidiaries of the Mercury Group have (on both an individual and consolidated basis) sufficient distributable reserves, measured for the period ended 31 March 2018.

(B) Reflects the profit attributable to the Mercury Group's minority shareholders in respect of the adjustments above at 7.6.3 to arrive at the adjusted pro forma profit. A small number of the shares of Nexi and Nexi Payments are held by minority shareholders and thus a corresponding percentage of the dividends paid by Nexi to Holdco, for further distribution to the Sponsors' HoldCos and Bondco will be paid to these minority shareholders. The amount shown also excludes the effect of shares in Nexi held as treasury shares.

(C) Represents estimated taxes levied on dividends paid from Nexi Payments to Nexi and from Mercury Payments to Latino.

(D) This analysis of the adjusted pro forma profit attributable to Holdco and the Holdco liquidity for the period ended 31 March 2018 is notional. The Revolving Credit Facility available to Bondco and the Sponsors' HoldCos remains undrawn. Cash interest was paid on the Notes on the interest payment dates in November 2018. See section 7.10. "*Cash/PIK Interest Determination*."

(E) Represents amounts available for drawing under the Revolving Credit Facility.

(F) Based on CET1 Capital and represents the calculation of Holdco's notional excess capital above a 14% CET1 capital ratio as of 31 March 2018, after giving effect to any tax leakage (as described in footnote (C) above).

	31 March 2018 (*in € millions*)
CET1 Capital in excess of 14% CET1 capital ratio	124.0
Tax leakage[(A)]	-
Notional excess capital buffer available to Holdco	**124.0**

(A) Future dividends paid from Nexi to Holdco will not to be subject to withholding taxes. Holdco has obtained the clearance from HMRC regarding the withholding tax on dividends from Nexi subject to annual renewal. However, there may be a tax impact of any future dividends paid from Mercury Payments to Latino.

7.7 Financial Condition

The following table provides an overview of the Mercury Group's consolidated own funds, exposures, capital requirements and capital ratios at 31 March 2018.

	31 March 2018 (*in € millions, except where stated otherwise)*
Own funds	
Common Equity Tier 1 (CET1)	808.8
Tier 1 capital	808.8
Tier 2 capital	-
Total own funds	**808.8**
Capital Requirements	
Credit and counterparty risk	203.2
Market risk	1.8
Operational risk	179.2
Total prudential requirements	**384.2**
Risk-Weighted Assets and capital ratios	
Risk-weighted assets	4,802.2
CET1 capital ratio	16.84%
Tier 1 capital ratio	16.84%
Total capital ratio	**16.84%**

7.8 Non-financial key performance indicators

7.8.1 Non-financial key performance indicators by segment

The following table provides an overview of the non-financial key performance indicators for the Mercury Group as of and for three months ended 31 March 2018 and 31 March 2017. Investors should read the following presentation in conjunction with the section entitled *"Management's discussion and analysis of financial condition and results of operations"* in each of the Cleansing Statement and the Listing Particulars.

	As of and for three months to 31 March			
	2018	**2017**	**change**	**% change**
Nexi Payments reporting segment (1)				
Number of managed cards ('000)	27,194	27,288	(93)	(0.3%)
Debit cards	*10,932*	*11,689*	*(758)*	*(6.5%)*
Issuing	*16,262*	*15,598*	*664*	*4.3%*
Charge cards	*9,614*	*9,558*	*56*	*0.6%*
Prepaid cards	*6,288*	*5,650*	*638*	*11.3%*
Credit cards	*360*	*390*	*(30)*	*(7.7%)*
Value of card transactions (€millions) (2)	20,677	18,723	1,954	10.4%
Issuing	*7,243*	*6,943*	*300*	*4.3%*
Acquiring	*13,434*	*11,780*	*1,655*	*14.0%*
Number of managed transactions (millions) (3)	697.2	643.7	54	8.3%
Debit cards	*291.4*	*289.1*	*2*	*0.8%*
Issuing	*162.7*	*144.8*	*18*	*12.4%*
Acquiring	*243.1*	*209.8*	*33*	*15.9%*
Number of managed POS	591,271	543,324	49,947	8.8%
Number of managed ATMs	9,264	9,196	68	0.7%
Payments reporting segment (1)				
Number of banking payment transactions (millions) (4)	140.6	142.4	(2)	(1.3%)
Number of clearing transactions (millions) (4)	220.7	238.2	(18)	(7.4%)
Number of e-banking workstations	242,872	262,912	(20,040)	(7.6%)
Securities Services reporting segment (1)				
Depositary bank—amount of assets in custody (€millions) (5)	61,895	58,111	3,784	6.5%
Global custody—amount of assets in custody (€millions) (5)	123,257	120,735	2,522	2.1%
Value of brokerage negotiation (€millions)	35,918	28,341	7,577	26.7%

(1) The figures presented above are subject to variation from period to period, including due to seasonality and acquisitions. See the sections entitled "*Key Factors Affecting Results of Operations and Financial Condition*" and "*Risk Factors—Risks Related to Our Business*" of the Listing Particulars. These figures exclude Bassilichi Payments.

(2) Aggregates credit, charge and prepaid cards managed under the licensing model only. See the section entitled "*Our Business— Our Services—Card Issuing—Licensing (Card Issuing)*" of the Listing Particulars

(3) Aggregates debit, credit, charge and prepaid cards managed under the licensing or servicing model. See the sections entitled "*Our Business—Our Services—Card Issuing*" and "*Our Business—Our Services—Merchant Acquiring and POS*" of the Listing Particulars

(4) Clearing transactions includes certain banking payment transactions

(5) Global custody—amount of assets in custody includes most of the assets comprised in Depositary Bank—amount of assets in custody

Overview of Results

	As of and for three months to 31 March			
	2018	2017	change	% change
Bassilichi Payments reporting segment				
Number of managed POS	303,107	318,808	(15,701)	(4.9%)
Number of managed ATMs	4,706	5,195	(489)	(9.4%)
Number of e-banking workstations	258,008	256,963	1,045	0.4%
Mercury Payments reporting segment (1)				
Number of managed cards ('000)	16,933	15,134	1,798	11.9%
Debit cards	*11,522*	*10,140*	*1,382*	*13.6%*
Charge cards	*2,368*	*2,173*	*194*	*8.9%*
Prepaid cards	*3,043*	*2,821*	*222*	*7.9%*
Number of managed transactions (millions) (2)	416.1	359.6	56.4	15.7%
Issuing	*150.8*	*133.2*	*17.5*	*13.2%*
Acquiring	*265.3*	*226.4*	*38.9*	*17.2%*
Number of managed POS	487,125	434,656	52,469	12.1%
Number of managed ATMs	7,220	6,353	867	13.6%

(1) The figures presented above are subject to variation from period to period, including due to seasonality and acquisitions. See the sections entitled "*Key Factors Affecting Results of Operations and Financial Condition*" and "*Risk Factors—Risks Related to Our Business*" of the Listing Particulars

(2) Aggregates debit, credit, charge and prepaid cards managed under the licensing or servicing model. See the sections entitled "*Our Business—Our Services—Card Issuing*" and "*Our Business—Our Services—Merchant Acquiring and POS*" of the Listing Particulars

7.9 Key Subsequent Events

On 4 May 2018 Holdco announced that Nexi Capital S.p.A., a joint stock company (societá par azioni) incorporated under the laws of the Republic of Italy and direct wholly-owned subsidiary of Latino Italy S.p.A., has priced €2,200,000,000 in aggregate principal amount of senior secured notes (the "Notes") in a combination of fixed and floating rate notes. The €825,000,000 senior secured fixed rate notes mature on 1 November 2023, priced at par and have a coupon of 4.125% per annum. The €1,375,000,000 million senior secured floating rate notes mature on 1 May 2023, priced at par and have a coupon of three-month Euribor (with a 0% floor) plus 3.625% per annum, reset quarterly. The closing of the sale of the Notes was completed on 18 May 2018, and proceeds put in escrow to be released on 2 July 2018. A further €400,000,000 of privately-placed senior secured notes, will be issued on or about the completion of the Reorganisation, priced at a coupon of three-month Euribor (with a 0% floor) plus 3.625% per annum, reset quarterly.

On 3 April 2018, Nexi signed a binding agreement with Banca Carige for the acquisition of its merchant acquiring business for a consideration of €25 million, which is expected to close in September 2018. In addition, Nexi acquired the digital payments startup Sparkling on 10 April 2018 for a consideration of €3 million.

Following the approval by the relevant authorities of the planned reorganisation of the Group, a project has been initiated to assess the impact of the reorganisation on the investment policy of Nexi S.p.A and the potential reassessment of the business model to which the financial instruments in Nexi S.p.A.'s portfolio were initially allocated in the transition to IFRS9. The analysis is ongoing.

No other events took place after the reporting period that would have had a significant effect on Mercury Group's financial position, results of operations or cash flows that would have required adjustments to the financial statements captions.

8 OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of financial condition and results of operations are based on the pro forma financial information of the Mercury Group, which is extracted and aggregated from the unaudited consolidated financial statements of Holdco and Nexi and unaudited financial statements of Mercury Payments for the period ended 31 March 2018.

8.1 Results of Operations - Nexi Group

8.1.1 Nexi Group financial statements

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Interest and similar income	16.8	17.3
Interest and similar charges	(9.8)	(7.5)
Net interest income	**7.0**	**9.8**
Fee and commission income	261.9	244.6
Fee and commission expense	(137.2)	(123.3)
Net fee and commission income	**124.7**	**121.3**
Dividends and similar income	0.9	-
Net trading income	1.6	1.1
Net profit on sale or repurchase	-	0.2
Total income	**134.2**	**132.4**
Net impairment losses	(1.4)	(0.4)
Net financial income	**132.8**	**132.0**
Administrative expenses:	(164.7)	(166.1)
a) Payroll and related costs	(48.6)	(49.8)
b) Other administrative expenses	(116.1)	(116.3)
Net accruals to provisions for risks and charges	(3.1)	(1.8)
Depreciation and net impairment losses on property, equipment and investment property	(8.1)	(8.5)
Amortisation and net impairment losses on intangible assets	(9.0)	(8.4)
Other net operating income	104.1	98.8
Operating costs	**(80.9)**	**(86.0)**
Share of profits of investees	-	-
Profits from continuing operations	**51.9**	**46.0**
Income taxes	(16.6)	(6.0)
Profit from continuing operations	**35.3**	**40.0**
Profit for the period	35.3	40.0
Profit for the period attributable to non-controlling interests	(0.4)	(0.5)
Profit for the period attributable to the owners of the parent	**34.8**	**39.5**

8.1.2 Nexi Group: Reconciliation of consolidated financial statements to management accounts

We have presented in this Interim Financial Report certain data extracted from the Nexi Group's consolidated and reporting segment management accounts.

The management accounts are prepared on a similar basis to the pro forma financial information for the Mercury Group presented at section 7.4 and differ in important ways from the Nexi Group's consolidated financial statements presented in accordance with IFRS. In particular, the Nexi Group's management accounts are prepared to supplement the consolidated financial statements with information on the consolidated operating revenue of the Nexi Group and the operating performance on a reporting segment basis.

The consolidated financial statements present the revenues and costs of certain activities not core to the operations of a bank under the line items other net operating expenses/income, as part of operating costs. Because income related to many of the Nexi Group's operations, including its POS Business, ATM management, Help Line, debit servicing, clearing, digital corporate banking, BPO Services and certain other operations are not considered under IFRS to be financial income core to the operations of a bank, a significant amount of the revenues and costs are classified in the consolidated financial statements under other net operating expenses/income. In the Nexi Group's management accounts, these amounts are reassigned under such line items in the consolidated financial statements to the line items operating revenue and operating costs to provide a clearer picture of the operating results.

Operating profits in the Nexi Group's management accounts comprise the net of operating revenues and operating costs. Adding the line items depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets (excluded from operating profit), share of gain/losses of investees, non-recurring/extraordinary operating costs/income, income taxes and profit for the period attributable to non-controlling interests reconciles operating profit in the Nexi Group's management accounts to profit for the period attributable to the owners of the parent in the consolidated financial statements.

The line items presented in the Nexi Group's management accounts are not recognised by IFRS and may not be permitted to appear on the face of the consolidated financial statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the Nexi Group's management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the Nexi Group's management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for the results of operations as reported in accordance with IFRS. For a discussion of the differences in classification, see the section entitled "*Explanation of Key Line Items—Management Accounts*" of the Annual Finacial Report and Listing Particulars.

Reconciliation of Management Accounts – Nexi Group

(€ millions)

	Three months to 31 March							
	2018				2017			
	Financial Statements	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**	**Financial Statements**	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**
Net fee, commission and other business income (1)	124.7	92.8	-	217.5	121.3	85.7	-	207.0
Net interest income	7.0	-	-	7.0	9.8	-	-	9.8
Dividends from equity investments	0.9	-	(0.7)	0.1	-	-	-	-
Net trading / hedging income	1.6	-	(0.1)	1.5	1.1	-	-	1.1
Net profit on sale or repurchase	-	-	-	-	0.2	-	(0.2)	-
Net impairment losses	(1.4)	1.0	0.3	-	(0.4)	(0.1)	0.5	-
Net financial income	**132.8**	**93.8**	**(0.5)**	**226.2**	**132.0**	**85.5**	**0.3**	**217.9**
Operating revenue				**226.2**				**217.9**
Nexi Payments				146.9				134.6
Card Issuing				*56.0*				*52.3*
Merchant Acquiring and POS				*75.5*				*66.6*
Other				*15.4*				*15.7*
Payments				20.8				22.2
Securities Services				16.0				18.1
BPO Services				7.3				6.5
Bassilichi				33.7				36.3
Other Group Activities				10.1				8.9
Consolidation adjustments				(8.7)				(8.6)
Administrative expenses:								
a) payroll and related costs (2)	(48.6)	0.4	0.2	(48.0)	*(49.8)*	*0.4*	*(0.1)*	*(49.5)*
b) other administrative expenses (2)	(116.1)	12.2	6.1	(97.8)	*(116.3)*	*12.6*	*8.4*	*(95.3)*
Production costs				(40.5)				*(41.5)*
ICT costs				(45.3)				*(40.8)*
General expenses				(11.9)				*(13.1)*
Depreciation and impairment losses on property	(8.1)	-	-	(8.1)	(8.5)	-	-	(8.5)
Amortisation and net impairment losses on intangible assets	(9.0)	-	2.6	(6.5)	(8.4)	-	2.6	(5.8)
Other net operating expenses / income (2)	104.1	(104.4)	0.9	0.6	98.8	(98.5)	-	0.4
Net accruals to provisions for risks and charges (2)	(3.1)	(2.0)	2.4	(2.7)	(1.8)	-	-	(1.9)
Operating costs	**(80.9)**	**(93.8)**	**12.2**	**(162.5)**	**(86.0)**	**(85.5)**	**11.0**	**(160.6)**
Operating profit				**63.7**				**57.3**

(1) Represents the line items captioned Net fee and commission income in the Nexi Group consolidated financial statements and, respectively, Net fee, commission and other business income in the Nexi Group's management accounts

(2) Non- recurring/ extraordinary items described in section 7.7.3 above are excluded from operating costs and reclassified under non- recurring items

8.1.3 Nexi Group: Management accounts

This pro forma financial information presents the results of the Nexi Group as if all of the entities within the Nexi Group as at 31 March 2018 had been included within the Nexi Group from the beginning of the reporting period presented (January - March). The pro forma financial information is presented to illustrate the estimated effects of the acquisitions of MPS Acquiring, DB Cards Acquiring and Bassilichi Payments on the Nexi Group's results of operations as if all of such transactions had occurred on the first day of the periods presented. The unaudited pro forma financial information is presented for information purposes only and is not intended to represent or be indicative of the financial condition or results of operations that would have been reported had the transactions described above actually occurred during the periods and as at the dates presented, and the unaudited pro forma financial information does not purport to project our results of operations or financial condition for any future period.

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	217.5	207.0
Net interest income	7.0	9.8
Net trading / hedging income	1.5	1.1
Dividends from equity investments	0.1	-
Operating revenue	**226.2**	**217.9**
Payroll and related costs	(48.0)	(49.5)
Other administration costs	(97.8)	(95.3)
Administrative expense	**(145.7)**	**(144.8)**
Other net operating income	0.6	0.4
Net accruals to provisions for risks and charges	(2.7)	(1.9)
Operating costs (before depreciation and amortisation)	**(147.9)**	**(146.3)**
EBITDA	**78.2**	**71.6**
Depreciation and amortisation (included in operating profit)	(14.6)	(14.3)
Operating profit	**63.7**	**57.3**
Depreciation and amortisation on customer contracts	(2.6)	(2.6)
Share of profits of investees	-	0.2
Non-recurring / extraordinary items	(9.1)	(8.9)
Pre-tax profit	**51.9**	**46.0**
Income taxes	(16.6)	(6.0)
Post-tax profit	**35.3**	**40.0**
Profit for the period attributable to non-controlling interests	(0.4)	(0.5)
Profit for the period attributable to the owners of the parent	**34.8**	**39.5**

8.1.4 Nexi Group: Discussion of Results of Operations

The following tables are extracts from the Management Accounts for the three months ended 31 March 2018 and 31 March 2017.

Nexi Group Operating Revenue

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	217.5	207.0
Net interest income	7.0	9.8
Net trading / hedging income	1.5	1.1
Dividends from equity investments	0.1	-
Operating revenue	**226.2**	**217.9**

Operating revenue increased by €8.3 million, or 3.8%, as net fee and commission income increased by €10.5 million, or 5.1%, driven by Nexi Payments and BPO reporting segments. Net interest income decreased by €2.8 million, or 28.4%, driven by a lower yield of the securities portfolio.

Nexi Group Operating Costs (before charges for depreciation and amortisation)

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Administrative expenses	(145.7)	(144.8)
thereof: Payroll and related costs	*(48.0)*	*(49.5)*
thereof: Other administrative expenses	*(97.8)*	*(95.3)*
Other net operating income	0.6	0.4
Net accruals to provision for risks and charges	(2.7)	(1.9)
Operating costs (net of depreciation and amortisation included in operating profit)	**(147.9)**	**(146.3)**

Operating costs (net of depreciation and amortisation included in operating profit) increased by €1.6 million, or 1.1%. Payroll and related costs decreased by €1.5 million, or 3.1%, and other administrative expenses increased by €2.5 million, or 2.6%. Other net operating income increased by €0.2 million, while net accruals to provision for risks and changes increased by €0.9 million.

Nexi Group EBITDA

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Operating revenue	226.2	217.9
Operating costs (before depreciation and amortisation charges included in operating profit)	(147.9)	(146.3)
EBITDA	**78.2**	**71.6**

EBITDA increased by €6.6 million, or 9.3%, with all business reporting segments raising their contribution.

Depreciation, Amortisation and Net Impairment Losses on Property, Equipment, Investment Property and Intangible Assets

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	(17.2)	(16.9)

Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets increased by €0.2 million, or 1.4%.

Amortisation of intangible assets increased by €0.6 million, or 7.0% (from €8.4 million for the period ended 31 March 2017 to €9.0 million for the period ended 31 March 2018), while depreciation of property, equipment and investment property decreased by €0.4 million, or 4.7% (from €8.5 million in the three months ended 31 March 2017, to €8.1 million in the three months ended 31 March 2018).

Non-Recurring Items

	Three months to 31 March	
	2018	**2017**
	(in € millions)	
Non-recurring / extraordinary financial income	0.5	(0.5)
Non-recurring / extraordinary operating costs	(9.6)	(8.4)
Non-recurring / extraordinary items	**(9.1)**	**(8.9)**

Non-recurring/extraordinary items in the three months ended 31 March 2018 mainly consisted of non- recurring/extraordinary operating costs, including charges of €4.9 million for one-off project costs for the transformation program and Bassilichi asset write-offs and Nexi re-branding costs for a cumulated amount of €4.2 million.

Non-recurring/extraordinary items in the three months ended 31 March 2017 mainly consisted non-recurring/extraordinary operating costs associated with the above-mentioned transformation program (€8.4 million).

Income Taxes

	Three months to 31 March	
	2018	**2017**
	(in € millions)	
Income taxes	(16.6)	(6.0)

Income taxes expense increased by €10.7 million from €6.0 million for the period ended 31 March 2017 to €16.6 million for the period ended 31 March 2018, mainly due to lower benefits associated with the A.C.E. (“Aiuto alla Crescita Economica”) tax regulation.

Profit for the period attributable to non-controlling interests

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Profit for the period attributable to non-controlling interests	(0.4)	(0.5)

Profit for the period attributable to non-controlling interests amounted to €0.4 million for the period ended 31 March 2018, compared to €0.5 million for the period ended 31 March 2017.

Profit for the period attributable to the owners of the parent

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Profit for the period attributable to the owners of the parent	34.8	39.5

Compared to the same period of last year, profit for the period attributable to the owners of the parent for the three months ended 31 March 2018 decreased by 11.8% to €34.8 million, mostly due to higher income taxes, partly offset by higher EBITDA.

Discussion of Results of Operations by Reporting Segment

Operating Revenue by Reporting Segment

Nexi Group

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Operating Revenue	**226.2**	**217.9**
Nexi Payments	*146.9*	*134.6*
Payments	*20.8*	*22.2*
Securities Services	*16.0*	*18.1*
BPO Services	*7.3*	*6.5*
Bassilichi Payments	*33.7*	*36.3*
Other Group Activities	*10.1*	*8.9*
Consolidation adjustments [(1)]	*(8.7)*	*(8.6)*

(1) Eliminates the effect of intragroup activities on operating revenue

Nexi Payments

	Three months to 30 March	
	2018	**2017**
	(*in € millions*)	
Net fee, commission and other business income	150.9	135.8
Net interest expense	(3.8)	(1.2)
Net trading / hedging loss	(0.3)	(0.1)
Dividends from equity investments	0.1	-
Operating revenue	**146.9**	**134.6**
thereof: Card Issuing	*56.0*	*52.3*
thereof: Merchant Acquiring and POS	*75.5*	*66.6*
thereof: Others [(1)]	*15.4*	*15.7*

(1) Includes operating revenue generated by Nexi Payments from debit servicing and ATM management and operating revenue generated by Help Line

Operating revenue generated by the Nexi Payments reporting segment increased by €12.4 million, or 9.2%, as a result of increased operating revenue in Card Issuing and Merchant Acquiring and POS sub-segments.

Operating revenue generated by the Card Issuing business increased by €3.7 million, or 7.1%, primarily due to increases in the number and value of card transactions. Operating revenue generated by the Merchant Acquiring and POS Business increased by €9.0 million, or 13.5%, due to increases in the number and value of card transactions and in the number of managed POS. Operating revenue generated by the other Nexi Payments Business units (debit services, ATM management and Help Line) decreased by €0.3 million, or 1.9%.

Payments

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	20.3	21.6
Net interest income	0.5	0.5
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**20.8**	**22.2**

Operating revenue generated by the Payments reporting segment in the three months ended 31 March 2018 decreased by €1.3 million, or 6.0%. While net interest income was consistent with the same period of 2017, net fee, commission and other business income decreased by €1.4 million, or 6.3%, due to lower client activity in both Clearing and Banking Payments.

Securities Services

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	13.5	14.8
Net interest income	2.5	2.0
Net trading / hedging income	0.1	1.2
Dividends from equity investments	-	-
Operating revenue	**16.0**	**18.1**

Operating revenue generated by the Securities Services reporting segment decreased by €2.1 million, or 11.4%.

Net fee, commission and other income business decreased by €1.4 million, or 9.3%, mostly due to the deconsolidation of a pension-fund related business and the decline in the value of brokerage negotiation. Net interest income increased by €0.4 million, or 20.8%, driven by a 15.1% growth in average gross deposit volume (from €5,146.4 million in the three months ended 31 March 2017 to €5,925.8 million in the three months ended 31 March 2018).

BPO Services

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee, commission and other business income	7.3	6.5
Net interest income	-	-
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**7.3**	**6.5**

Due to the absence of any funding activity, operating revenue contributed by the BPO Services reporting segment is almost entirely composed of net fee, commission and other business income, increased by €0.8 million, or 12.5%.

Operating revenue from anti-money laundering services increased by €0.7 million, or 24.5%, from €2.7 million in the three months ended 31 March 2017 to €3.4 million in the three months ended 31 March 2018, as a result of increased provision of services. Operating revenue from regulatory reporting services increased by €0.1 million, or 3.7%, from €3.7 million in the three months ended 31 March 2017 to €3.9 million in the three months ended 31 March 2018.

Bassilichi Payments

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee, commission and other business income	34.1	36.6
Net interest income	(0.4)	(0.3)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**33.7**	**36.3**

Operating revenue decreased by €2.6 million, or 7.2%, from €36.3 million in the three months ended 31 March 2017 to €33.7 million in the three months ended 31 March 2018, primarily due to a lower number of managed POS and ATM terminals.

Other Nexi Group Activities

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	0.3	0.3
Net interest income	8.2	8.6
Net trading / hedging income	1.7	-
Dividends from equity investments	-	-
Operating revenue	**10.1**	**8.9**

Operating revenue contributed by the Other Nexi Group Activities reporting segment is primarily related to net interest income generated by the treasury function in connection with its investment portfolio consisting primarily of investments in Italian government bonds.

Operating revenue contributed by the Other Nexi Group Activities reporting segment increased by €1.2 million, or 13.6%, due to an increase in net trading / hedging income (€1.7 million).

Net interest income decreased by €0.5 million, primarily due to a reduction in the average yield of the securities portfolio, as new securities added to the portfolio carried a lower yield than the maturing securities they replaced. The average yield on the securities portfolio decreased from 76 basis points in the three months ended 31 March 2017 to 57 basis points in the three months ended 31 March 2018. The average value of the securities portfolio increased by €0.3 billion, or 9.1%, over the same period.

Operating Costs by Reporting Segment

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Operating costs (net of depreciation and amortisation included in operating profit)	**(147.9)**	**(146.3)**
Nexi Payments	*(86.5)*	*(78.1)*
Payments	*(14.1)*	*(15.4)*
Securities Services	*(10.8)*	*(14.2)*
BPO Services	*(4.6)*	*(4.2)*
Bassilichi Payments	*(30.7)*	*(35.3)*
Other Group Activities	*(9.9)*	*(7.6)*
Consolidation adjustments [(1)]	*8.7*	*8.6*

(1) Eliminates the effect of intragroup activities on operating costs

Nexi Payments

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Administrative expenses:	(84.0)	(76.7)
a) payroll and related costs	*(15.3)*	*(15.6)*
b) other administrative expenses	*(68.7)*	*(61.1)*
Other net operating income	0.3	0.2
Net accruals to provision for risks and charges	(2.7)	(1.6)
thereof: Fraud	*(1.4)*	*(1.5)*
thereof: Credit losses	*(1.2)*	-
thereof: Others	*(0.1)*	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(86.5)**	**(78.1)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Nexi Payments reporting segment increased by €8.4 million, or 10.7%.

Administrative expenses increased by €7.3 million, or 9.5%, due to a 12.5% increase in other administrative expenses. Other net operating income amounted to €0.3 million, compared to €0.2 million in the prior year. Net accruals to provision for risks and charges increased by €1.2 million, due to higher accrual for credit losses.

Payments

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Administrative expenses:	(11.2)	(13.8)
a) payroll and related costs	*(2.6)*	*(4.2)*
b) other administrative expenses	*(8.7)*	*(9.6)*
Other net operating expenses	(2.9)	(1.6)
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(14.1)**	**(15.4)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Payments reporting segment decreased by €1.3 million, or 8.7%. This decrease was due to lower payroll and related costs for €1.7 million, or 39.8%, as well as lower administrative expenses for €0.9 million, or 9.6%, on lower volumes and efficiency initiatives.

Securities Services

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(8.7)	(11.1)
a) payroll and related costs	*(3.6)*	*(4.8)*
b) other administrative expenses	*(5.1)*	*(6.4)*
Other net operating expenses	(2.1)	(2.8)
Net accruals to provision for risks and charges	-	(0.3)
Operating costs (net of depreciation and amortisation included in operating profit)	**(10.8)**	**(14.2)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Securities Services reporting segment decreased by €3.4 million, or 23.9%, due to the deconsolidation of a pension-fund related business and efficiency initiatives.

Payroll and related costs decreased by €1.2 million, or 25.5% and other administrative expenses decreased by the same absolute amount, or 19.0%. Other net operating expenses amounted to €2.1 million, compared to €2.8 million in the three months to March 31, 2017.

BPO Services

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(4.6)	(4.2)
a) payroll and related costs	*(1.9)*	*(2.0)*
b) other administrative expenses	*(2.7)*	*(2.2)*
Other net operating income	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(4.6)**	**(4.2)**

Operating costs (net of depreciation and amortisation included in operating profit) in the BPO Services reporting segment increased by €0.4 million, or 10.2%, as other administrative expenses increased by €0.5 million.

Bassilichi Payments

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(30.8)	(35.3)
a) payroll and related costs	*(10.3)*	*(11.6)*
b) other administrative expenses	*(20.4)*	*(23.7)*
Other net operating income	0.1	-
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(30.7)**	**(35.3)**

Operating costs (net of depreciation and amortisation included in operating profit) decreased by €4.6 million, or 13.1%, from €35.3 million for the three months ended 31 March 2017 to €30.7 million for the three months ended 31 March 2018, partly as a result of post-acquisition synergies.

Compared to the same period of last year, payroll and related costs decreased by 11.0% and other administrative expenses decreased by 13.7%.

Other Nexi Group Activities

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(20.5)	(17.6)
a) payroll and related costs	*(14.3)*	*(11.3)*
b) other administrative expenses	*(6.2)*	*(6.4)*
Other net operating income	10.6	10.0
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(9.9)**	**(7.6)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Other Nexi Group Activities reporting segment increased by €2.3 million, or 30.6%, due to payroll and related costs, increasing by €3.0 million, or 27.0%. Other net operating income increased by €0.6 million, or 5.5%.

EBITDA by Reporting Segment

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
EBITDA	**78.2**	**71.6**
Nexi Payments	*60.4*	*56.4*
Payments	*6.7*	*6.7*
Securities Services	*5.2*	*3.8*
BPO Services	*2.7*	*2.3*
Bassilichi Payments	*3.0*	*1.0*
Other Group Activities	*0.2*	*1.3*
Consolidation adjustments [(1)]	-	-

(1) Eliminates the effect of intragroup activities on EBITDA

Liquidity and Capital Resources

Liquidity, Funding and Intragroup Funding

Nexi uses funding from surplus liquidity generated by its Securities Services reporting segment and Payments reporting segment partly to fund Nexi Payments' receivables from cardholders in its Card Issuing Business and merchants in its Merchant Acquiring Business. Remaining liquidity is then invested mainly in government bonds or in the interbank market. Due to the volatility of some balance sheet items, which are linked to the volume of transactions executed by Nexi with its customers across its operations, daily average volumes provide a better illustration of Nexi 's liquidity, funding and intragroup funding than period-end figures.

The following table provides an overview of average daily balances in the sources and uses of our funding for Nexi for the three months ended 31 March 2018 and 31 March 2017, according to the management accounts.

<u>Sources</u>	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Interbank deposits	1,018.2	843.9
Current bank accounts	1,452.0	806.0
Securities services deposits	5,925.8	5,146.4
Payments deposits	721.1	896.8
Other liabilities	755.9	361.8
Equity	1,855.5	1,062.2
Total sources	**11,728.5**	**9,117.1**

<u>Uses</u>	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Interbank deposits	1,084.8	1,177.3
Current bank accounts	2,907.9	2,199.0
Other financial assets	3,451.7	3,164.1
Nexi Payments loan	1,691.2	1,025.0
Equity investments	2,335.1	947.5
Other assets	257.8	604.3
Total uses	**11,728.5**	**9,117.1**

The following table provides an overview of average daily balances in the sources and uses of our funding for Nexi Payments S.p.A. for the three months ended 31 March 2018 and 31 March 2017, according to the management accounts.

Sources	**Three months to 31 March**	
	2018	**2017**
	(*in € millions*)	
Loan from Nexi	1,691.2	1,025.0
Payables to other banks	327.3	353.9
Equity and other liabilities	1,343.0	733.7
Total sources	**3,361.5**	**2,112.6**

Uses	**Three months to 31 March**	
	2018	**2017**
	(*in € millions*)	
Issuing receivables	2,040.5	1,849.5
Acquiring receivables	162.8	143.8
Fixed and other assets	1,158.1	119.3
Total uses	**3,361.5**	**2,112.6**

Capital Expenditures

To support the business strategy and development plans, capital expenditures are incurred regularly. Expansion capital expenditures mainly relate to the purchase of assets, joint ventures and acquisitions of other businesses. Maintenance capital expenditures mainly relate to purchases and upgrades of the ICT infrastructure, software, POS terminals and ATMs. Maintenance capital expenditures are expected to increase in the next three months due to the gradual implementation of a revised policy on the capitalisation of ICT expenditures.

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Expansion capital expenditures	-	-
Maintenance capital expenditures	28.3	10.6
Capital expenditures	**28.3**	**10.6**

Likewise for the same period of last year, no expansion capital expenditure was incurred for the three months ended 31 March 2018.

The maintenance capital expenditures of €28.3 million primarily related to ICT expenses for €25.8 million, purchases and maintenance of POS and ATM property for €1.7 million and other equipment for €0.8 million. The maintenance capital expenditures of €10.6 million incurred for the three months ended 31 March 2017 primarily related to ICT expenses (€6.8 million), purchases and maintenance of POS and ATM property (€2.9 million) and other equipment (€0.9 million).

8.2 Mercury Payments

8.2.1 Mercury Payments: Financial statements

	Three months to 31 March 2018	2017
	(*in € millions*)	
Interest and similar income	-	-
Interest and similar charges	(0.3)	(0.8)
Net interest charges	(0.3)	(0.8)
Fee and commission income	40.5	34.9
Fee and commission expense	(0.6)	(0.4)
Net fee and commission income	39.9	34.5
Dividends and similar income	-	-
Net trading income	-	-
Net profit on sale or repurchase	-	-
Total income	**39.6**	**33.8**
Net impairment losses	-	-
Net financial income	**39.6**	**33.8**
Administrative expenses:	(13.5)	(16.7)
a) Payroll and related costs:	*(4.6)*	*(4.6)*
b) Other administrative expenses:	*(8.9)*	*(12.2)*
Net accruals to provisions for risks and charges	(0.2)	(0.2)
Depreciation and net impairment losses on property, equipment and investment property	(2.2)	(0.9)
Amortisation and net impairment losses on intangible assets	(0.7)	(0.6)
Other net operating income	0.2	0.1
Operating costs	**(16.3)**	**(18.3)**
Share of profits of investees	-	-
Pre-tax profits from continuing operations	**23.3**	**15.5**
Income taxes	(7.7)	(5.2)
Post-tax profit from continuing operations	**15.6**	**10.3**
Profit for the period	15.6	10.3
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to the owners of the parent	**15.6**	**10.3**

8.2.2 Mercury Payments: Reconciliation of consolidated financial statements to management accounts

We have presented in this Interim Report certain data extracted from the Mercury Payment Services' financial statements and the reporting segment management accounts.

The management accounts are prepared on a similar basis to the pro forma financial information for the Mercury Group presented at section 7.4 and differ in important ways from the Mercury Payments financial statements presented in accordance with IFRS.

The line items presented in the Mercury Payments management accounts are not recognised by IFRS and may not be permitted to appear on the face of the financial statements in the manner presented herein. Different companies and analysts may calculate the line items presented in the management accounts differently, so making comparisons among companies on this basis should be done very carefully. The line items presented in the management accounts are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for the results of operations as reported in accordance with IFRS. For a discussion of the differences in classification, see the section entitled "*Explanation of Key Line Items—Management Accounts"* of the Annual Financial Report and Listing Particulars.

8.2.3 Mercury Payments: Reconciliation of Financial Statements to Management Accounts

(€ millions)	Three months to 31 March							
	2018				**2017**			
	Financial Statements	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**	**Financial Statements**	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**
Net fee, commission and other business income (1)	39.9	-	-	39.9	34.5	-		34.5
Net interest charges	(0.3)			(0.3)	(0.8)			(0.8)
Dividends from equity investments	-			-	-			-
Net trading/hedging expense								
Net profit on sale or repurchase								
Net impairment losses								
Net financial income	**39.6**			**39.6**	**33.8**			**33.8**
Operating revenue				**39.6**				**33.8**
Administrative expenses:								
a) payroll and related costs (2)	*(4.6)*	*0.1*	*0.4*	*(4.1)*	*(4.6)*	*-*	*0.4*	*(4.2)*
b) other administrative expenses (2)	*(8.9)*	*(0.1)*	*1.3*	*(7.7)*	*(12.2)*	*(0.1)*	*3.6*	*(8.7)*
Depreciation and impairment losses on property	(2.2)			(2.2)	(0.9)			(0.9)
Amortisation and net impairment losses on intangible assets	(0.7)			(0.7)	(0.6)			(0.6)
Other net operating expenses/income	0.2			0.2	0.1	0.1		0.2
Net accruals to provisions for risks and charges	(0.2)			(0.2)	(0.2)			(0.2)
Operating costs	**(16.3)**	**-**	**1.7**	**(14.7)**	**(18.3)**	**-**	**4.0**	**(14.3)**
Operating profit				**25.0**				**19.4**

(1) Represents the line items captioned Net fee and commission income in the Mercury Payments financial statements and, respectively, Net fee, commission and other business income in the Mercury Payments management accounts.

(2) Reflects the gross amount of the Visa proceeds received attributable to the owner of the parent company. At the Mercury group consolidated level, the proceeds received are accounted for as an adjustment to the value of goodwill recognised at 31 December 2016, and not recognised in net financial income.

(3) Extraordinary one-off costs related to the transformation program initiated by Sponsors are excluded from operating costs and reclassified under non-recurring items. The transformation program consists of measures aimed at revenue increases, cost savings, organisational improvements and M&A initiatives

8.2.4 Mercury Payments: Management accounts

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	39.9	34.5
Net interest expense	(0.3)	(0.8)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**39.6**	**33.8**
Payroll and related costs	(4.1)	(4.2)
Other administrative expenses	(7.7)	(8.7)
Administrative expenses	**(11.8)**	**(12.9)**
Other net operating income	0.2	0.2
Net accruals to provisions for risks and charges	(0.2)	(0.2)
Operating costs (before depreciation and amortisation)	**(11.8)**	**(12.9**
EBITDA	**27.9**	**20.9**
Depreciation and amortisation	(2.9)	(1.5)
Operating profit	**25.0**	**19.4**
Depreciation and amortisation on customer contracts	-	-
Share of profits / (losses) of investees		
Non-recurring / extraordinary items	(1.7)	(4.0)
Pre-tax profit	**23.3**	**15.5**
Income taxes	(7.7)	(5.2)
Post-tax profit	**15.6**	**10.3**
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to the owners of the parent	**15.6**	**10.3**

8.2.5 Discussion of Mercury Payments Results of Operations

The following tables are extracts from the Management Accounts for the three months ended 31 March 2018 and 31 March 2017.

Mercury Payments Operating Revenue

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Net fee, commission and other business income	39.9	34.5
Net interest expense	(0.3)	(0.8)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**39.6**	**33.8**

Net fee, commissions and income from services

These amounted to €39.9 million, compared to €34.5 million in the three months to March 31, 2017 (+15.7%).

The increase was mainly due to higher volumes of managed transactions related to the three processing contracts with Intesa Sanpaolo and the debit card repricing which took place in August 2017.

Net interest expense

Net interest expense was €0.5 million lower (60%) at March 31, 2018 compared to the previous period due to the loan reduction from €95 million (Intesa Sanpaolo) to €45 million (Latino S.p.A.).

Mercury Payments Costs

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Administrative expenses	**(11.8)**	**(12.9)**
thereof: Payroll and related costs	(4.1)	(4.2)
thereof: Other administrative expenses	(7.7)	(8.7)
Other net operating income	0.2	0.2
Net accruals to provision for risks and charges	(0.2)	(0.2)
Operating costs (net of depreciation and amortisation included in operating profit)	**(11.8)**	**(12.9)**

Operating cost decreased from €12.9 million to €11.8 million, as a consequence of savings on other administrative expenses.

The decrease of the other administrative expenses was mainly due to:

- Cost efficiency
- Change in VAT System. The VAT System adopted was in compliance with art.19-*bis* until December 31, 2017 while from the beginning of 2018 the system adopted is art. 36-*bis* compliant.

Thanks to the "36-*bis*" VAT regime it is possible to capitalise VAT on the purchase of tangible and intangible assets. This procedure was not possible with the previous VAT regime and VAT related to assets was accrued in the P&L item "Administrative Expenses".

Mercury Payments EBITDA

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Operating revenue	39.6	33.8
Operating costs (net of depreciation and amortisation included in operating profit)	(11.8)	(12.9)
EBITDA	**27.9**	**20.9**

EBITDA increased by € 7.0 million, or 33.2%.

Depreciation, amortisation and net impairment losses on property, equipment, investment property and intangible assets

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	(2.9)	(1.5)

Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets increased by €1.4million, or 91.1%. Amortisation of intangible assets increased by €0.1 million, or 20.9% (from €0.6 million in the three months ended 31 March 2017 to €0.7 million in the three months ended 31 March 2018), and resulted mainly from the amortisation charges on new intangible assets purchased during the period. Amortisation of property, equipment and investment property increased by €1.2 million, or 135.0% mainly as a result of the amortisation charges on new POS purchased in 2017.

Non-Recurring/extraordinary Items

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Non-recurring /extraordinary items	(1.7)	(4.0)

Non-recurring expenses in the three months ended 31 March 2018 was €1.7 million and consisted of (i) a charge of €0.7 million for one-off project costs for the transformation program initiated by the Sponsors, (ii) a charge of €0.6 million for VAT costs of capitalised POS terminals due to mandatory requirements of the circuits, and (iii) a charge of €0.4 million for company restructuring.

Income Taxes

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Income taxes	(7.7)	(5.2)

Income taxes increased by € 2.5 million, or 47.8%, due to increase of pre-tax profit.

Profit for the period attributable to the owners of the parent

	Three months to 31 March	
	2018	2017
	(*in € millions*)	
Profit for the period attributable to the owners of the parent	15.6	10.3

Profit for the period attributable to the owners of the parent increased by €5.3 million, or 51.8%, from the first three months ended 31 March 2017.

Liquidity and Capital Resources

Overview

The table below shows cash flow statement information for the three months ended 31 March 2018 and 31 March 2017.

	Three months to 31 March	
	2018	**2017**
	(in € millions)	
Net cash generated by operating activities...	(30.7)	59.2
Net cash used in investing activities...	(3.9)	(5.3)
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents, net of bank	**(34.6)**	**53.9**
Cash and cash equivalents net of bank deposits/overdraft at beginning of period	(45.4)	93.9
Cash and cash equivalents net of bank overdraft/deposits at end of period	**(80.0)**	**147.8**

In 2017 Cash Flow has been influenced by the loan of €95 million received from ISP (effective 1.12.2016) and by the 2016 dividend paid in April 2017 (€129.99 million).

In 2018, Cash Flow has been influenced by:

- reimbursement of the loan to ISP (occurred on 28.04.2017)
- opening of a new loan with Latino Italy of €45 million (occurred on 27.04.2017)
- profit for year available for distribution (€49.3 million)
- outstanding settlements towards International Networks for Q1 18 is 2 days (compared to 1 day in Q1 17)

Capital Expenditures

Mercury Payments has always focused on maintaining a high quality of services for its customers, a major one of which is Intesa Sanpaolo Group. To support the business strategy and development plans, capital expenditures are incurred.

	Three months to 31 March	
	2018	**2017**
	(*in € millions*)	
Expansion capital expenditures	-	-
Maintenance capital expenditures	2.8	4.5
Capital expenditures	**2.8**	**4.5**

In the first three months of 2018 the maintenance capital expenditures mainly related to the ICT infrastructure and the acquisitions of POS terminals. The investments in POS is due to the reconsideration of the POS procurement strategy.

9 RISK FACTORS

The risks and uncertainties described below are not an exhaustive list of the risks the Mercury Group faces. Additional risks and uncertainties of which the Mercury Group are not aware or that are currently believed to be immaterial may also adversely affect the business, financial condition and results of operations and the ability to fulfill the obligations under the Notes and the Indentures. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, Bondco may not be able to pay interest or principal on the Notes when due. Factors that may cause our actual results to vary from projected future results include, but are not limited to the risks set out below:

- Economic conditions in Italy may adversely affect consumer spending in Italy, which may adversely impact our revenues and profitability.
- Our business may be affected by political uncertainty in Italy.
- Our operations are dependent on ICT and information systems and any disruption of our or our outsourced information systems, whether widespread or localised, could adversely impact our operations.
- The condition of the Italian banking sector may affect our business.
- Certain parts of our business are subject to significant revenue concentration and we depend on our relationships with our partner banks which are our primary distribution channel for our business. If we are unable to maintain these relationships, or if our partner banks are unable to maintain relationships with merchants or cardholders, our businesses may be adversely affected.
- Our business is subject to a variety of complex regulatory regimes, and changes in law and regulation impose or could impose operational restrictions on us, increase our expenses and/or otherwise have a material adverse effect on our business.
- Competition for each of our businesses is intense and our business could be harmed should we lose market share or fail to gain market share as a result of competition.
- We face the risk of our bank customers insourcing the services we currently provide.
- Consolidation in the Italian banking market could adversely affect our business and results of operations by reducing the number of our customers and increasing the risk of insourcing or the impact of our customers switching to a different service provider.
- It may be costly for us to remain at the forefront of new technological developments and changes in the payments services industry, and a market-disruptive technology or service in the payments industry or changes in the regulations governing the payments services industry could adversely affect our results of operations, financial condition and prospects.
- We are subject to potential credit risk from our customers, as well as short term credit risk from our partner banks.
- Fraud by merchants, cardholders, suppliers or others could have a material adverse effect on our business, financial condition and results of operations.
- We may incur liabilities for the actions of our directors, employees, agents, representatives and intermediaries.
- Changes in payment network rules or standards could adversely affect our business, financial condition and results of operations.
- We rely on various financial institutions in connection with our clearing and settlement activities.
- Our business is subject to fluctuations and we require periodic funding for working capital needs.

Risk Factors

- As a former member of Visa Europe, we may become liable for liabilities and losses of Visa Europe.
- We may become liable for liabilities related to our failure to upgrade our POS terminal fleet in compliance with Visa's PIN Security Program.
- Regulation in the areas of privacy, information security and data protection could increase our costs and affect or limit how we collect and/or use personal information and our business opportunities.
- Unauthorised disclosure of data could expose us to liability, protracted and costly litigation, affect our operations and damage our reputation.
- We are subject to liquidity risks.
- The EU Interchange Fee Regulation may adversely affect the results of operations of our Merchant Services & Solutions segment.
- Our selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.
- We may not be able to attract, integrate, manage, and retain qualified personnel or key employees.
- Our risk management policies and procedures may not be fully effective in mitigating our risk exposure.
- We are subject to the risk of litigation and other claims.
- Our insurance coverage may not be adequate to cover all possible losses that we could suffer and our insurance costs may increase.
- Our business may suffer if we are sued for infringing the intellectual property rights of third parties, or if we are unable to obtain rights to third-party intellectual property on which our business depends.
- We may require additional capital in the future, which may not be available to us on commercially favorable terms, or at all.
- If we experience labor disputes or work stoppages, our business could be materially adversely affected.
- Our real estate portfolio may be negatively affected by the deterioration of residential and commercial real estate markets, and we may be required to record impairments.
- Goodwill, intangibles and investment impairments may have negative effects on our results of operations.
- Changes in tax laws or challenges to the Group's tax position could adversely affect our results of operations and financial condition.

Also, see "*Risk Policies*" in the notes to Holdco's Annual Report.

10 APPENDIX – FINANCIAL STATEMENTS

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

€'000		Three months to 31 March 2018		Three months to 31 March 2017[1]	
	INCOME STATEMENT				
10.	Interest and similar income		17,077		17,227
20.	Interest and similar expense		(10,271)		(8,030)
30.	**Net interest income**		**6,806**		**9,197**
40.	Fee and commission income		302,461		261,082
50.	Fee and commission expense		(137,858)		(123,682)
60.	**Net fee and commission income**		**164,603**		**137,400**
70.	Dividends and similar income		855		27
80.	Net trading income		1,509		900
100.	Net profit on sale or repurchase of:		-		211
	a) financial asset measured at amortised cost	-		-	
	b) financial assets at fair value through OCI	-		211	
	c) financial liability	-		-	
110.	Profit on financial assets and liabilities designated at fair value though profit or loss		10		7
	a) financial assets designated at fair value	-		-	
	b) other financial assets mandatory measured at fair value	10		7	
120.	**Total income**		**173,783**		**147,742**
130.	Net impairment losses on:		(1,383)		(402)
	a) financial assets measured at amortised cost	*(1,381)*		*109*	
	b) financial assets at fair value through OCI	*(2)*		*(512)*	
150.	**Net financial income**		**172,400**		**147,341**
190.	Administrative expenses:		(184,575)		(154,067)
	a) personnel expense	*(53,317)*		*(45,843)*	
	b) other administrative expenses	*(131,258)*		*(108,224)*	
190.	Net accruals to provisions for risks and charges		(3,338)		(1,864)
	a) commitments and guarantees issued	-		-	
	b) other provisions	-		1,864	
210.	Depreciation and net impairment losses on property, equipment and investment property		(10,278)		(7,321)
220.	Amortisation and net impairment losses on intangible assets		(17,358)		(7,719)
230.	Other operating income, net		104,730		78,572
240.	**Operating costs**		**(110,819)**		**(92,399)**
250.	Share of profits of investees		6		-
270.	Net gains on sales of investments		-		-
290.	**Pre-tax profit from continuing operations**		**61,587**		**54,942**
300.	Income taxes		(16,472)		(7,535)
310.	**Post-tax profit from continuing operations**		**45,115**		**47,407**
330.	**Profit for the period**		**45,115**		**47,407**
340.	Profit for the period attributable to non-controlling interests		(4,084)		(4,070)
350.	**Profit for the period attributable to the owners of the parent**		**41,031**		**43,337**

The accompanying notes are an integral part of these interim consolidated financial statements

[1] The comparatives have been presented under the new accounting policies effective from 1 January 2018 to aid comparability. Comparatives for 100 b), 130 a) and 130b) were previously disclosed as profit on sale of AFS and impairment gains/losses on loans receivable and AFS financial assets respectively.

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

€'000		Three months to 31 March 2018	Three months to 31 March 2017
	Profit for the period	**45,115**	**47,407**
Other comprehensive income without reclassification to Profit and Loss			
20.	Financial assets at fair value through OCI		
	a) fair value gains	1,203	5,096
	b) transfer to other components of Net Equity	-	-
70.	Defined benefit plan	14	4
Other comprehensive income with reclassification to Profit and Loss			
150.	Financial assets (other than Equity instruments) measured at fair value through OCI		
	a) fair value gains	14,443	(4,939)
120.	Exchange rate gains (losses)	**-**	473
180.	Income taxes on the other comprehensive income with reclassification to Profit and Loss	-	-
190.	**Other comprehensive income, net of tax**	**15,661**	**634**
200.	**Comprehensive income**	**60,776**	**48,041**
210.	Comprehensive income attributable to non-controlling interests	5,732	4,144
220.	**Comprehensive income attributable to the owners of the parent**	**55,044**	**43,897**

The accompanying notes are an integral part of these consolidated financial statements.

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

€'000		31 March 2018		1 January 2018[1]	
	ASSETS				
10.	Cash and cash equivalent		3,215,240		3,243,282
20.	Financial assets at fair value through profit or loss		50,278		38,508
	a) financial assets held for trading	28,070		17,424	
	b) financial assets designated at fair value	-		-	
	c) other financial assets mandatory measured at fair value	22,208		21,084	
30.	Financial assets at fair value though OCI		4,713,266		2,689,575
40.	Financial assets measured at amortised cost		4,029,091		4,171,976
	a) loans and receivables with banks	967,696		1,022,990	
	b) loans and receivables with customers	3,061,395		3,148,986	
70.	Equity investments		12,102		12,101
90.	Property, equipment and investment property		236,272		241,361
100.	Intangible assets		2,759,027		2,750,953
110.	Tax assets		104,221		119,230
130.	Other assets		911,919		670,451
	TOTAL ASSETS		**16,031,416**		**13,937,437**
	LIABILITIES				
10.	Financial liability measured at amortised cost		11,011,334		9,047,255
	a) Due to banks	1,911,287		1,863,537	
	b) Due to customers	9,100,046		7,183,718	
20.	Financial liabilities held for trading		14,556		12,793
40.	Hedging derivatives		6,107		5,520
60.	Tax liabilities		175,673		167,284
	a) current	4,354		3,182	
	b) deferred	171,319		164,102	
80.	Other liabilities		1,138,046		1,079,401
90.	Post-employment benefits		22,621		23,828
100.	Provision for risks and charges		58,280		57,334
	a) Commitments and guarantees issued	-		-	
	b) pension and similar obligations	869		881	
	c) other provisions	57,411		56,453	
	TOTAL LIABILITIES		**12,426,617**		**10,393,415**
	NET ASSETS		**3,604,799**		**3,544,022**
	CAPITAL AND RESERVES				
120.	Valuation reserve		54,576		40,563
150.	Reserves		72,173		(26,755)
170.	Share capital		3,396,444		3,396,444
190.	Equity attributable to non-controlling interests		40,575		34,843
200.	Profit for the period/year		41,031		98,927
	SHAREHOLDERS' FUNDS		**3,604,799**		**3,544,022**

The accompanying notes are an integral part of these interim consolidated financial statements and where relevant comparatives have been restated as at 1 January 2018.

[1] The comparatives are presented under the new accounting policies effective 1 January 2018 to aid comparability. A reconciliation of the balance sheet as at 31 December 2017 to 1 January 2018 on pages 77 to 78.

MERCURY UK HOLDCO LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

Period ended 31 March 2018						2018 comprehensive income				
	Balance at 1 January 2018 €'000	IFRS 9 and IFRS 15 changes in opening balances €'000	Non-controlling interest adjustment due to business combination €'000	Other changes in reserves €'000	Issue of new shares €'000	Profit for the period €'000	Other comprehensive income – other financial assets €'000	Other comprehensive income – Actuarial reserve €'000	2018 comprehensive income €'000	Balance at 31 March 2018 €'000
Share capital:										
a) ordinary shares	3,396,444	-	-	-	-	-	-	-	-	**3,396,444**
b) other shares	-	-	-	-	-	-	-	-	-	**-**
Share premium	-	-	-	-	-	-	-	-	-	**-**
Reserves:										
a) income-related	75,481	(3,308)	-	-	-	41,031	-	-	41,031	**113,204**
b) other	-	-	-	-	-	-	-	-	-	**-**
Valuation reserves	41,107	(544)	-	-	-	-	13,999	14	14,013	**54,576**
Equity instruments	-	-	-	-	-	-	-	-	-	**-**
Interim dividend	-	-	-	-	-	-	-	-	-	**-**
Treasury shares	-	-	-	-	-	-	-	-	-	**-**
Equity attributable to the owners of the Mercury Group	3,513,032	(3,852)	-	-	-	41,031	13,999	14	55,044	**3,564,224**
Equity attributable to non-controlling interests	35,323	(480)	-	-	-	4,084	1,648	-	5,732	**40,575**
Total equity	**3,548,355**	**(4,332)**	**-**	**-**	**-**	**45,115**	**15,647**	**14**	**60,776**	**3,604,799**

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS: INDIRECT METHOD FOR THE THREE MONTHS PERIOD ENDED 31 March 2018

€000	31 March 2018	31 March 2017
Operating Activities		
Operations		
Profit for the period	41,031	43,337
Net losses on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	79	1
Net impairment losses	1,383	402
Net amortisation, depreciation and impairment losses on property, plant and equipment, investment property and intangible assets	27,636	15,040
Unpaid taxes, duties and tax assets	16,472	7,535
Other adjustments	-	(41)
	86,601	**66,274**
Cash flows (used in)/ generated by financial assets		
Financial assets held for trading	(10,725)	(5,430)
Financial assets at fair value through profit and loss	(24)	(7)
FVTOCI	(2,009,132)	12,049
Financial assets measured at amoritised cost-loans and receivables with banks	55,291	(675,558)
Financial assets measured at amortised cost -loans and receivables with customers	86,210	159,783
Other assets	(241,690)	(35,779)
	(2,120,070)	**(544,943)**
Cash flows generated by financial liabilities		
Due to banks: on demand	47,750	(104,773)
Due to banks: other	-	-
Due to customers	1,916,328	1,277,506
Financial liabilities held for trading	1,763	2,112
Other liabilities	135,695	(35,966)
	2,101,536	**1,138,879**
Net cash flows generated by operating activities	**68,067**	**660,210**
Investing Activities		
Cash flows generated by:		
Sale of equity investments	-	495
Sales / repayments of financial assets measured at amorised cost	3	-
Cash flows used to acquire:		
Property, plant and equipment	(90,923)	(8,163)
Intangible assets	-	(8,561)
Financial assets measured at amortised cost	(5,189)	-
Net cash flows used in investing activities	**(96,109)**	**(16,229)**
Financing activities		
Issue of equity instruments	-	-
Dividends and other distributions	-	-
Net cash flows generated by financing activities	**-**	**-**
Net cash flows for the period	**(28,042)**	**643,982**
Net cash flows for the period	(28,042)	643,982
Opening cash and cash equivalents		1,798,786
Closing cash and cash equivalents	**3,215,240**	**2,442,768**

The accompanying notes are an integral part of these consolidated financial statements.

PART A - ACCOUNTING POLICIES

A.1 -GENERAL PART

Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, the Company has prepared these consolidated financial statements for the quarter ended 31 March 2018 in compliance with the International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC") as endorsed by the European Commission (and introduced into Italian law with Legislative decree no. 38/2005) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has applied the IFRSs enacted at 31 December 2017 and Bank of Italy's instructions about financial statements.

It did not make any departures from IFRS.

The Company was incorporated on 15 June 2015 in England. The Company has its registered office at 111 Buckingham Palace Road, London, SW1W 0SR and is domiciled in the United Kingdom. The principal activity of the Company is to invest in, and subsequently to hold and monitor its investments in, its direct and indirect subsidiaries.

Basis of presentation

The consolidated financial statements for the quarter ended at 31 March 2018 comprise a consolidated statement of financial position, a consolidated statement of profit or loss and a consolidated statement of comprehensive income, a consolidated statement of changes in equity, a consolidated statement of cash flows and related notes.

The Group's functional currency and presentational currency is the Euro and the amounts shown in the consolidated financial statements and these notes are in thousands of Euros.

Holdco applies the measurement criteria assuming that it will continue as a going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The consolidated financial statements and the notes present corresponding prior year figures.

The Directors' report and these notes include all the information required by the IFRS, the law and Bank of Italy, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of Holdco's financial position and results of operations.

The Group has applied the recognition and measurement criteria established by the IFRS endorsed by the European Commission and the general assumptions in the framework for the preparation and presentation of financial statements issued by the IASB.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2018 (for entities whose reporting period is the calendar year).

Endorsement date	Documents	Year of application
22/11/2016	IFRS 9: Financial Instruments	2018
3/11/2017	Amendments to IFRS 4: applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018
22/09/2016	IFRS 15: Revenue from contracts with customers	2018
31/10/2017	Clarifications of IFRS 15: Clarifications of IFRS 15 Revenue from Contracts with Customers	2018
7/02/2018	Annual Improvements to IFRS Standards 2014-2016 Cycle	2018 (for IFRS 1 and IAS 28 amendments)
28/03/2018	IFRIC 22: Foreign currency transactions and advance considerations	2018
14/3/2018	Amendment to IAS 40: Transfers of Investments Property	2018
26/2/2018	Amendment to IFRS 2: Classification and Measurement of Share Based Payment transactions	2018

The impact arising from IFRS 9 and IFRS 15 are explained in the paragraph “First time adoption of IFRS 9 and IFRS15”. Other accounting standards effective from 1 January 2018 do not have any material impact on the financial statements.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2019 (for entities whose reporting period is the calendar year) or subsequently.

Endorsement date	Name	Standard/Interpretation	Year of application
22/03/2018	Amendment to IFRS 9	Financial Instruments: Prepayment features with Negative compensation	2019
31/10/2017	IFRS 16	Leases	2019

With reference to IFRS16, that was endorsed in 2016 and whose application is mandatory from 1 January 2019, the project was started at the end of 2017 and will continue in 2018.

The next table shows the standards for which amendments were issued, specifying the scope of our object for such amendments.

IASB Document	Date of IASB publication
IFRS 17: Insurance contract	18/05/2017
Amendments to IAS 28: Long term Interests in Associates and Joint Ventures	12/10/2017
IFRIC Interpretation 23: Uncertainty over income tax treatments	7/06/2017
Annual improvements to IFRS: 2015-2017 Cycle	12/12/2017
Amendments to IAS 19: Plan Amendment, Curtailment of Settlement	7/02/2018
Amendments to References to the Conceptual Framework in IFRS Standards	29/03/2018

As none of them have been endorsed by the European Commission, they did not affect the consolidated financial statements.

First time adoption of IFRS 9 and IFRS15

With reference to IFRS 9 and IFRS 15, Mercury Holdco Group decided to apply them without the restatement of comparative information. Consequently, the transition date to the new accounting standards is 1 January 2018 and the impact as at the transition date has been determined on a cumulative basis. The impacts for IFRS 15 purposes have been determined with reference only to the contracts that have not been completed at the transition date.

The impacts of the transition to IFRS 9 has been as follows:

- classification and measurement of debt financial instruments: trading and the loan portfolios will not change and will be allocated respectively in the IFRS 9 "Other" and "Held to collect" (HTC) portfolios. The portfolio of debt instruments classified in the IAS 39 portfolio of instruments available for sale will be allocated in the business model "Held to collect or sale" (HTCS). Furthermore, some instruments classified in the HTCS portfolio didn't pass the Solely Payments of Principal and Interest test ("SPPI test"). Consequently, these instruments have been measured at fair value through profit and loss in 2018 financial statements instead that at fair value through OCI (IAS 39 measurement rules). The transition to IFRS 9 has required the reclassification of the difference between fair value and the carrying amount as at 31 December 2017 from the valuation reserve to retained earnings without impact on total net equity
- classification and measurement of equity instruments: equity instrument other than those held for trading purposes, that were classified in the portfolio of instruments available for sale for IAS 39 purposes, are measured at fair value through OCI under IFRS9. IFRS 9 states, differently form IFRS9, that only dividends should be recognised in the income statement and that any impairment loss and any gain or loss on sale should remain recorded in the OCI. Consequently, the transition to IFRS 9 has requested to reclassify the impairment recorded from the Retained Earnings to the Valuation Reserve.
- hedge accounting: the transition to IFRS 9 will not have any material impact on the Group's shareholders' equity but only the reclassification of the "Hedging Result" recorded to profit and loss under IAS 39, from the Retained Earnings to the Valuation Reserve, as a result of the fair value valuation of the object hedged against equity.

The impacts of the transition to IFRS 15 has been as follows:

- Some upfront fees of the Nexi Group and some cost to fulfill a contract, that under IAS 18 were recorded immediately to profit and loss, under IFRS 15 have be recognised on a straight-line basis in relation to the useful life of the underlying contracts.
- The revenues from sale of software that are considered as a transfer of right of access. Consequently, under IFRS 15 these revenues, that were recorded immediately to profit and loss under 1AS 19, have been recognised on a straight-line basis in relation to the useful life of the underlying contracts.
- The change in accounting treatment above mentioned, requires the removal of revenue and costs from the retained earnings as at 1 January 2018, as these revenue and costs for IFRS 15 purposes are attributable to subsequent financial years.

Following the summary, based on the best current estimates, the impacts recorded on the Net Equity of Holdco as at 31 December 2017 due to the application of the accounting standards applicable from 1 January 2018.

(€/million)	**As reported at 31 December 2017**	**Adjustments due to adoption of IFRS 9**	**Adjustments due to adoption of IFRS 15**	**Adjusted opening balance at 1 January 2018**
Valuation Reserves	41.1	(0.5)	-	40.6
Retained Earnings	(23.4)	0.5	(3.9)	(26.8)
Shareholders Equity	**3,513.0**	**-**	**(3.9)**	3,509.2
NCI	35.3	-	(0.5)	34.8

Following the summary of IFRS 9 and IFRS 15 impacts on the opening balance sheet:

IAS 39 ref	IFRS 9 ref	ASSETS	31/12/2017	Balance sheet presentation	IFRS 9 Adjustment	IFRS 15 Adjustment	01/01/2018	Notes
10.	10.	Cash and cash equivalents	3,243,282		-	-	3,243,282	
20.		Financial assets held for trading	17,424	(17,424)	-	-	-	
30.		Financial assets at fair value	154	(154)	-	-	-	
40.		Available for sale financial assets	2,710,505	(2,710,505)	-	-	-	
	20.	Financial assets at fair value through profit or loss	-	38,508	-	-	38,508	
	20.a)	*a) financial assets held for trading*	-	*17,424*	-	-	*17,424*	(1)
	20.b)	*b) financial assets designated at fair value*	-	-	-	-	*0*	
	20.c)	*c) other financial assets mandatorily measured at fair value*	-	*21,084*	-	-	*21,084*	(2)
	30.	Financial assets at fair value through OCI	-	2,689,575	-	-	2,689,575	(3)
50.		Held to maturity investments	4,966	(4,966)	-	-	-	
60.		Loans and receivables with banks	1,018,024	(1,018,024)	-	-	-	
70.		Loans and receivables with customers	3,148,986	(3,148,986)	-	-	-	
	40.	*Financial asset measured at amortised cost*	-	*4,171,976*	-	-	*4,171,976*	(4)
	40.a)	*a) loans and receivables with banks*	--	*1,022,990*	-	-	*1,022,990*	
	40.b)	*b) loans and receivables with customers*	-	*3,148,986*	-	-	*3,148,986*	
100.	70.	Equity investments	12,101	-	-	-	12,101	
120.	90.	Property, equipment and investment property	241,361	-	-	-	241,361	
130.	100.	Intangible assets	2,750,953	-	-	-	2.750.953	
		goodwill	0	-	-	-	0	
140.	110.	Tax assets	113,920	-	-	5,310	119,230	
140.a)	*110.a)*	*a) current*	*52,495*	-	-	-	*52,495*	
140.b)	*110.b)*	*b) deferred*	*61,425*	-	-	*5,310*	*66,735*	(5)
160.	130.	Other assets	660,531	-	-	9,920	670,451	(5)
		Total assets	**13.922.207**	**-**	**-**	**15.230**	**13.937.437**	

Notes:

(1) = this caption is fully composed by the financial assets classified in the caption 20 "Financial asset held for trading" of the IAS 39 Balance Sheets Scheme
(2) = this caption relates to some financial instruments classified in the Business Model “Held to collect and sale” but that does not meet IFRS 9 criteria that allow the classification in the caption “Financial assets at fair value through OCI” (i.e. SPPI test). These instruments were classified under IAS 39 in the caption “Available for sale financial assets”. Being these instruments are measured at fair value under IAS 39 (€20.916 thousand), this reclassification does not impact their book value.
(3) =except from the above-mentioned reclassification, the caption includes the instruments classified in the IAS 39 caption "Available for sale financial assets".
(4) = the caption includes the instruments classified in IAS 39 captions 50 " Held to maturity financial assets", 60 "Loans and receivable with banks" and 70 "Loans and receivables with customers". All these financial assets are included in the Business Model "Held to collect" and meet the SPPI test.
(5) = IFRS 15 adjustment refers to deferred taxes calculated on the "Deferred income".
6) = IFRS 15 adjustment refers to "Prepaid expenses" on the Cost to fulfill contract with customers.

IAS 39 ref	IFRS 9 ref	LIABILITIES AND EQUITY	31/12/2017	Balance sheet presentation	IFRS 9 Adjustment	IFRS 15 Adjustment	01/01/2018	Notes
10.		Due to banks	1,863,537	(1,863,537)	-	-	-	
10.		Due to customers	7,183,718	(7,183,718)	-	-	-	
	10.	Financial liability measured at amortised cost	-	9,047,255	-	-	9,047,255	(1)
	10.a)	Due to banks	-	1,863,537	-	-	1,863,537	
	10.b)	Due to customers	-	7,183,718	-	-	7,183,718	
	10.c)	Securities issued	-	-	-	-	-	
40.	20.	Financial liabilities held for trading	12,793	-	-	-	12,793	
60.	40.	Hedging derivatives	5,520	-	-	-	5,520	
80.	60.	Tax liabilities	164,050	-	-	3,234	167,284	(2)
80.a)	60.a)	a) current	3,182	-	-	-	3,182	(2)
80.b)	60.b)	b) deferred	160,868	-	-	3,234	164,102	
100.	80.	Other liabilities	1,063,072	-	-	16,329	1,079,401	(3)
110.	90.	Post- employment benefits	23,828	-	-	-	23,828	
120.	100.	Provisions for risk and charges	57,334	-	-	-	57,334	
	100.a)	a) commitments and guarantees issued	-	-	-	-	-	
120.a)	100.b)	b) pension and similar obligations	881	-	-	-	881	
120.b)	100.c)	c) other provisions	56,453	-	-	-	56,453	
		Total liabilities	**10,373,852**	**-**	**-**	**19,563**	**10,393,415**	
140.	120.	Valuation reserve	41,107	-	(544)	-	40,563	(4)
170.	150.	Reserves	(23,446)	-	544	(3,853)	(26,755)	(4)
190.	170.	Share capital	3,396,444	-	-	-	3,396,444	
210.	190.	Equity attributable to non-controlling interest	35,323	-	-	(480)	34,843	(5)
220.	200.	Profit for the period	98,927	-	-		98,927	
		Total equity	**3,548,355**	**-**	**-**	**(4,333)**	**3,544,022**	

Notes:

(1) = These captions do not have had any reclassification in respect to IAS 39 Balance Sheets scheme:
- the Caption 10 "Financial liabilities measured at amortised cost" fully refers to the IAS 39 captions 10 "Due to banks" and 20 "Due to customers"
- the Caption 20 "Financial liabilities held for trading" refers "40" to IAS 39 Caption 40 "Financial liabilities held for trading".

(2) = IFRS 15 adjustment refers to the deferred taxes calculated on the "prepaid expenses" adjustment.
(3) = IFRS 15 adjustment refers to the "Deferred income" on upfront fee and on revenues from sale of software.
(4)
IFRS 9 adjustment:
- €388 thousand is related to the revaluation profit accounted under IAS 38 in the “Valuation reserve” for some financial assets that under IFRS 9 are classified in the caption "Financial assets mandatorily measured at fair value” and that under IAS 39 were classified in the Available for sale portfolio. Consequently, this revaluation profit has been reclassified from the caption "Valuation reserve" to the caption "Reserves";
- €978 thousand of impairment loss on Equity instruments valued at "Fair value through OCI" held by the Group, that has been reclassified from the caption "Reserves" to the caption "Valuation reserve" due to IFRS 9 accounting model for these instruments. In fact, IFRS 9 requires us to account for the impairment loss for these instruments in the "Valuation reserve" instead of in the profit and loss;
- €822 thousand of 2017 hedging profit that has been reclassified from the caption "Reserves" to the caption "Valuation reserve" due to IFRS 9 hedge accounting model for Equity instrument that required to account the "Hedging result" in the "Valuation reserve" instead of in the profit and loss.
(5) This adjustment related to minority interest on the above-mentioned adjustments.

Basis of presentation of the interim consolidated financial statements

Statement of financial position, income statement and statement of comprehensive income

They comprise captions, subcaptions and additional information. Revenue is shown without a plus sign while costs are shown with a minus sign in the income statement.

Statement of changes in equity

This statement shows changes in equity during the period split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the period. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the period has been prepared using the indirect method, whereby cash flows from operations are the profit for the period adjusted by the effects of non-monetary transactions.

Cash flows are split between those from operating, investing and financing activities.

Basis of presentation of the notes

These notes include a description of the accounting policies and a table of the main captions of the interim consolidated financial statements and the other disclosures as required by the IFRS.

The accounting policies described below have been adopted to disclose all the information in the consolidated financial statements.

Basis of consolidation

The Mercury Group has established the consolidation scope in accordance with IFRS 10—Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

Therefore, the Mercury Group consolidates all types of entities when all three control elements exist.

When an entity is directed mainly through exercise of voting rights, control exists when the investor holds more than half the voting rights.

In other cases, the assessment of control is more complex and requires the greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the case of Holdco, all the consolidated entities are directed mainly through voting rights. Accordingly, the Mercury Group did not have to perform special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

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

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

Pursuant to IAS 28, the consolidated financial statements also include the results of associates, i.e. entities over which the Company has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement using the equity method. The Company's share of the associate's profit or loss is recognised separately in the consolidated income statement.

The difference between the investment's carrying amount and the Company's share of its equity is included in the investment's carrying amount. If there is an indication of impairment, the Company estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss.

At present, the Company is not a party to joint arrangements as defined by IFRS 11 either in the form of joint ventures or joint operations (the parties have rights to the arrangement's net assets).

1. Investments in fully controlled subsidiaries

Name of subsidiary	Operating office	Registered office	Type of relationship (1)	Investor	Investment %(2)	Voting rights %(2)
Nexi S.p.A.	Milan	Milan	1	Mercury UK Holdco Limited	89.07	89.07
- Nexi Payments S.p.A.	Milan	Milan	1	Nexi S.p.A.	98.74	98.74
- Oasi Diagram S.p.A.	Milan	Milan	1	Nexi S.p.A.	100.00	100.00
- Help Line S.p.A.	Cividale del Friuli / Milan	Cividale del Friuli	1	Nexi S.p.A.	70.00	70.00
- Bassilichi S.p.A.	Florence/Milan/Padova/Sassari/Roma/Siena	Milan	1	Nexi S.p.A.	100.00	100.00
- Consorzio Treveneto S.p.A.	Padova	Padova	1	Nexi S.p.A.	26.09	26.09
				Bassilichi S.p.A.	64.26	64.26
- Moneynet S.p.A.	Palermo	Palermo	1	Bassilichi S.p.A.	61.00	61.00
			1	Consorzio Triveneto S.p.A.	39.00	39.00
- Bassmart S.r.l.	Florence	Florence	1	Bassilichi S.p.A.	95.00	95.00
- Bassilichi CEE d.o.o. Belgrado	Belgrade	Belgrade	1	Bassilichi S.p.A.	80.00	80.00
- ArsBlue d.o.o.	Belgrade	Belgrade	1	Bassilichi CEE d.o.o. Belgrado	51.00	51.00
- Bassilichi CEE d.o.o. Banja Luka	Banja Luka	Banja Luka	1	Bassilichi CEE d.o.o. Belgrado	100.00	100.00
- Bassilichi CEE d.o.o. Podgorica	Podgorica	Podgorica	1	Bassilichi CEE d.o.o. Belgrado	100.00	100.00
Latino Italy S.p.A.	Milan	Milan	1	Mercury UK Holdco Limited	100.00	100.00
- Mercury Payment Services S.p.A.	Milan	Milan	1	Latino Italy S.p.A.	100.00	100.00

Key

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings
(2) The above percentages do not include treasury shares

As well as the above consolidated group companies, the Group includes the following equity-accounted associates at 31 March 2018:

- Hi-mtf S.p.A., in which Nexi has a 25% interest;
- Unione Fiduciaria S.p.A., in which Nexi has a 24% interest;
- Win Join in which Nexi has 24% interest;
- RS Records Store S.p.A., in which Bassilichi has a 30% interest;
- ICT Logistica S.r.l., in which Bassilichi has a 33% interest;
- K.Red S.r.l., in which Bassilichi has a 50% interest;
- Bassnet S.r.l., in which Nexi has a 49.68% interest.

2. Significant judgements and assumptions applied to define the consolidation scope

As stated above and given the Mercury Group's current structure, where control is principally based on voting rights held, there were no situations that would have made it necessary to make specific judgements or significant assumptions to define the consolidation scope.

This is also true for the associates, where significant influence is basically attributable to the voting rights held by the Mercury Group.

3. Investments in consolidated companies with significant non-controlling interests

3.1 Non-controlling interests, their voting rights and dividends distributed to them

	Investment %	Voting rights %(1)	Dividends
1. Help Line S.p.A.	30%	30%	—

(1) availability of votes at ordinary shareholders' meetings

3.2 Investments with significant non-controlling interests: financial information

Help Line S.p.A.

Balance sheet captions (1):	Total assets	Cash and cash equivalents	Financial Assets	Property, equipment and investment property and intangible assets	Financial Liabilities	Equity
	€	€	€	€	€	€
	18,651,963	965	-	6,380,114	-	3,018,150

Income statement captions (1):	Net interest expense	Total expenses	Operating income	Pre-tax profit from continuing operations	Post-tax profit from continuing operations	Profit for the year (1)	Other comprehensive income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)
	€	€	€	€	€	€	€	€
	(1,013)	(7,602,521)	7,791,697	188,163	188,163	129,311	-	129,311

(1): Figures as at 31 March 2018

4. Significant restrictions

There are no significant restrictions to the exercise of voting rights for the investments in subsidiaries and associates.

5. Other information

Given the Mercury Group's structure, there is no other information that needs to be disclosed.

ACCOUNTING POLICIES

A.2—KEY FINANCIAL STATEMENTS CAPTIONS

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as "held for trading" or "designated".

Financial assets classified as held for trading

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Financial assets designated at fair value though profit or loss

Financial assets designated at fair value through profit or loss are those financial assets that management has designated as fair value through profit and loss at inception.

Recognition

Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets at fair value through profit or loss are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any resulting fair value gains or losses are recognised trading income/(expense) of the consolidated income statement. Interest accrued on these assets is recognised in interest and similar income in the consolidated income statement, although interest and/or other income and expense on trading derivatives are recognised in trading income/(expense) of the consolidated income statement.

Other information within the accounting policies below provides information on the calculation of fair value of listed financial instruments. Equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

Derecognition

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

Financial assets at fair value through OCI

Classification

This category includes:

- non-derivative financial assets held within held to collect and sale business models whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion);
- equity instrument different from those held for trading and for that the entity has made the election to present in OCI (Other comprehensive income) the change in the fair value.

Recognition

They are initially recognised at the settlement date and measured at fair value, which includes directly related transaction costs.

Measurement

Debt financial instruments that meet the SPPI test, are subsequently measured at fair value with recognition of amortised cost in profit or loss and the fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.

Equity instruments are subsequently measured at fair value through OCI. Dividends are recognised in the net profit (loss), and any impairment and gains or losses from disposal are not recognised in the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

The Group tests its debt financial assets for impairment at each reporting date, using the same criteria described for "Financial asset measured at amortised cost".

Derecognition

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

Financial asset measured at amortised cost

Classification

This category includes non-derivative financial assets held within held to collect business models whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion);

Recognition

Financial asset measured at amortised costs are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement

After initial recognition, financial assets measured at amortised costs are measured at amortised cost using the effective interest method. Interest is recognised in Interest and similar income of the consolidated income statement.

Financial assets measured at amortised costs are tested for impairment at each reporting date.
In particular the impairment rules below described, are applied also to financial asset measured at fair value through OCI, to loan commitments and to financial guarantee contracts issued.
For these financial instruments the impairment is determined based on a concept of forward-looking expected loss. The application of the impairment model requires to classify the financial instruments in three levels (Stages) depending on whether there has been a significant increase in credit risk since the initial detection. For each stage, a different level of recognition of the expected losses is applied. In particular:

- Stage 1: Includes financial instruments without a significant increase in credit risk since the initial detection, or financial instruments that have low credit risk at the reporting date. For these instruments, the impairment is measured on 12-month expected credit losses;
- Stage 2: Includes financial instruments with a significant increase in credit risk since the initial detection. For these instruments, the impairment is measured on lifetime expected credit losses;
- Stage 3: Includes financial instruments that are considered impaired. For these instruments, the impairment is measured on lifetime expected credit losses, but unlike the Stage 2 positions, the lifetime expectancy loss calculation is analytical.

In estimating the above indicated expected losses, the Group incorporates, in addition to historical statistical information, all the information available at the reporting date including the looking forward information about potential worsening of historical losses recorded.

Impairment losses are recognised in Net impairment losses in the consolidated income statement.

Debt instruments impaired, are reinstated to their original value in subsequent years when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the consolidated income statement and may not exceed the position’s amortised cost had the impairment loss not been recognised.

Derecognition

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

Hedging transactions

Classification

Asset and liability items include financial hedging derivatives, which at the date of the financial statements or interim report showed a positive and negative fair value, respectively.

Hedges seek to neutralise potential losses recognisable on a given financial instrument or a group of financial instruments, attributable to a specific risk, by offsetting them with the gains recognisable on a different financial instrument or group of financial instruments in the event that said risk should actually materialise.

With reference to the IFRS 9 hedging model, the Company's hedging transactions only relate to single fair value hedging transactions, which seek to hedge exposure to changes in the fair value of a specific financial asset, attributable to exchange rate and price risk.

As stated by IFRS 9, the derivative instruments are designated as hedges provided that the hedging relationship between the hedged instrument and the hedging instruments is formally documented and meet the IFRS 9 requirements with respect to Hedge effectiveness.

Recognition

The hedging derivative instrument is recognised at a value equal at the transaction date.

Measurement

The hedging derivative at any date is a hedging instrument designed to hedge an equity instrument for which the Group has elected to present changes in fair value in OCI.
Consequently, it is measured at fair value with changes recognised in OCI and the hedged item continues to be measured at fair value through OCI.

Derecognition

If the hedge effectiveness test failed, the hedging transaction is discontinued and the derivative instrument is classified within trading transactions.

Moreover, the hedging transaction is discontinued when:
• the derivative instrument expires;
• the hedging instrument is derecognised;
• the hedged items are derecognised.

Equity investments

This caption includes equity-accounted investees as described in the Basis of consolidation.

Investments in entities other than subsidiaries and associates are classified as financial assets at fair value through profit or loss or FVTOCI and treated accordingly.

Property, equipment and investment property

Classification

This includes land, owner-occupied property, investment property, furniture and fittings and all equipment. It also comprises assets under a finance lease.

Recognition

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

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

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement

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

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

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

- furniture and fittings: 8 years;
- owner-occupied buildings: maximum 33 years;
- investment property: maximum 33 years;
- point of sale machines and automated teller machines, classified as electronic equipment, are depreciated over three and seven years, respectively, as these periods are held to reflect their useful lives.

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

The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount, being the higher of fair value and value in use.

Derecognition

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

Intangible assets

Classification

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

Recognition

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

Measurement

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

Technology related intangible assets, such as software acquired and software development cost, are amortised on the basis of their expected technological obsolescence and over a maximum period of five years. In particular, the costs incurred for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, (ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, (iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. The intangible asset in relation to a customer relationship is amortised over a period of 12 years.

Intangible assets relating to the Depositary services, recorded following the acquisition of contracts or business units, have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.

The Group tests the assets for impairment at each reporting date. If there is an indication of impairment, it compares the asset's carrying amount to its recoverable amount, being the higher of fair value and value in use.

Derecognition

The Company derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, plus the amount of any non-controlling interest in the acquiree and the fair value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in profit or loss (excess cost) as a gain on bargain purchase.

Goodwill is recognised at cost, net of accumulated impairment losses and is not amortised. It is tested annually for impairment even if there are no indicators of impairment. Goodwill arising from a business combination is allocated to cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGO is the greater of its value in use ("VIU") and it fair value less costs of disposal ("FVLCD"). An impairment loss is recognised if the carrying amount of the CGU exceeds its recoverable amount. Impairment losses on goodwill are recognised in the consolidated income statement and are not reversed in subsequent years.

Current and deferred taxes

The Group estimates current and deferred taxes.

Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the consolidated statement of financial position. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in income taxes in the consolidated income statement unless they relate to gains or losses on FVTOCI financial assets and actuarial gains and losses, which are recognised directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position without offsetting as "Tax assets" and "Tax liabilities" respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The Group recognises deferred tax assets for deductible temporary differences and carryforward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the Group does not expect to undertake transactions that would require their taxation.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the year in which the deferred tax asset will be recovered or the deferred tax liability extinguished, based on the ruling tax laws.

They are re-measured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the Group may find itself.

Provisions for risks and charges

Pension and similar provisions: defined benefit plans

The majority of the pension plans within the Group are considered to be defined benefit plans. The Group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The discount rate is the average market rate at the measurement date. The present value of the Group's liability at the reporting date is also adjusted by the fair value of any plan assets.

Pension and similar provisions: defined contribution plans

Contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Other provisions

The Group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation; and
- the liability can be reliably estimated.

When the effect of the time value of money is material, the provision is discounted using the current market rates at the closing date. Accruals and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Financial liability measured at amortised cost

Classification

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

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

Recognition

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

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

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in interest and similar expense in the consolidated income statement.

Derecognition

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e. when the obligation is complied with, cancelled or has expired. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

Financial liabilities held for trading

This includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

Foreign currency transactions

Initial recognition

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

Subsequent measurement

Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

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

Exchange rate differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in profit or loss in line with the method used to recognise the gains or losses that include this component.

Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

Other information

Post-employment benefits

Nexi Group and Mercury Payments

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

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as Nexi's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19. Accordingly, the related obligation is subject to actuarial valuation using the projected unit credit method. This method projects future payments using historical statistics and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) relates to Italy only. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in the consolidated statement of financial position equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation. From 2013, the Group has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS19. Before 2013, the actuarial gains and losses were recognised in the profit and loss.

Interest accrued on the net liability continues to be recognised.

Measurement of the fair value of financial instruments

The fair value of financial instruments is measured using the financial market prices in the case of instruments listed on an active market or by using internal measurement models for other financial instruments.
More information is available in section “Fair value disclosures”.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:

- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for on demand assets and liabilities, with a short term or undetermined maturity, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect fair value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Measurement of fair value of non-financial assets

The fair value of investment property is only calculated for disclosure in the notes. The Group uses third party appraisals considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Guarantees issued

Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in other liabilities.

Consolidated income statement

Interest income and expense

Interest income and expense and related income and expense relate to cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through OCI, financial assets measured at amortised cost and financial liabilities held for trading.

Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method, including in the calculation also direct fee and commission.

Fee and commission income and expense

Fee and commission income, different from that included in the amortised cost, are recognised when the performance obligation is satisfied by transferring service to the customer. Fee and commission expenses, different from that included in the amortised cost, are recognised when incurred or when related revenues are recorded.

Specifically, trading commissions on securities are recognised when the service is rendered.

Dividends

Dividends are recognised in profit or loss when their distribution is approved.

Other income and costs

Other income is recognised when the performance obligation is satisfied by transferring service to the customer.

Fee and commission expensed, different form that included in the amortised cost, are recognised when incurred or when related revenues are recorded.

Cost to fulfill contracts with customer are recorded on a straight-line basis in relation to the useful life of the underlying contracts.

Business combinations

Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. The purchase price allocation process has to be performed during the "measurement period" that cannot be longer than one year from the date of acquisition. After initial recognition, goodwill is tested annually for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

Utilisation of estimates and assumptions in the preparation of the consolidated financial statements

The consolidated financial statements items are measured using the policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.

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

- measurement of financial assets not listed on active markets;
- measurement of intangible assets and equity investments -see asset section 70 and 100;
- quantification of accruals to provisions for risks and charges – see liability section 100;
- quantification of deferred tax liabilities – see assets section 110.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss of the year of the change and, if the change affects future years, also in future years. No significant charges to the accounting estimates were made in first quarter 2018.

Fair value disclosure

The IFRS requires that financial products classified at fair value through profit or loss, and FVTOCI portfolios, be measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not a forced liquidation or distress sale) on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The fair value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (Level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (Level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (Level 3).

The Group uses the reporting date market price for instruments listed on active markets (Level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (Level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk;

- derivatives, including Interest Rates Swaps (IRSs) and Overnight Index Swap (OISs), and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material;

- a fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

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

The Group did not have at the reporting date, nor did it trade in during the period, Level 3 financial instruments, except for immaterial amounts.

Qualitative disclosure

A. Levels 2 and 3 - valuation techniques and inputs used

The Group does not have nor did trade in level 3 financial instruments, except for the immaterial amounts. The Group measured Level 2 financial instruments (mainly IRSs, OISs and interest rate and currency options) using market interest rates and volatility. The adjustments made to the Level 2 instruments to reflect counterparty risk were immaterial due to the facts that the Company has limited operations in the unlisted derivatives segment, that its transactions are mainly with Italian institutional counterparties and, most importantly, it has guarantees mitigating risk.

B. Measurement processes and sensitivity

As noted above, the Group does not have nor did it trade in Level 3 financial instruments during the financial year, except for immaterial amounts.

C. Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or its market.

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

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

D. Other disclosures

The Group did not avail itself of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The Group does not hold assets for which the current use differs from their highest and best use.

Part B—NOTES TO THE STATEMENTS OF FINANCIAL POSITION

Assets

Section 1—Cash and cash equivalents—Caption 10

1.1 Cash and cash equivalents: breakdown

	31 March 2018	31 December 2017
a) Cash	559	517
b) Demand deposits with central banks	3,214,681	3,242,765
Total	**3,215,240**	**3,243,282**

Section 2—Financial assets held for trading—Caption 20 a)

2.1 Financial assets held for trading: breakdown by product

	31 March 2018			1 January 2018		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	17,862	-	-	15,897	-	-
1.1 Structured instruments	124	-	-	182	-	-
1.2 Other instruments	17,739	-	-	15,715	-	-
2. Equity instruments	403	987	-	30	-	-
3. OEIC units	-	-	-	18	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse purchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**18,265**	**987**	**-**	**15,944**	**-**	**-**
B. Derivatives						
1. Financial derivatives:	-	8,817	-	-	1,480	-
1.1 trading	-	8,817	-	-	1,480	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total	**-**	**8,817**	**-**	**-**	**1,480**	**-**
Total	**18,265**	**9,804**	**-**	**15,944**	**1,480**	**-**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparts

	31 March 2018	1 January 2018
A. Assets		
1. Debt instruments		
a) Central banks	-	313
b) General government	575	1,347
c) Banks	15,604	11,698
d) Other financial companies	1,031	-
— including insurance companies	418	-
d) Non-financial companies	653	2,539
2. Equity instruments		
a) Banks	3	6
b) Other financial companies	997	-
— including insurance companies	-	-
c) Non -financial companies	390	24
d) Other issuers	-	-
3. OEIC units	-	18
4. Financing		
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial companies	-	-
— including insurance companies	-	-
e) Other financial companies	-	-
f) Other	-	-
Total	**19,253**	**15,944**
B. Derivatives		
a) Central counterparties	-	1,094
d) Other	8,817	386
Total	**8,817**	**1,480**
Total	**28,070**	**17,424**

Derivatives mainly relate to matched interest rate swaps held for trading.

Section 3—Financial assets designated at fair value though profit and loss—Caption 20 c)

3.1 Financial assets at fair value: breakdown by product

	31 March 2018			1 January 2018		
Level 1 financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Debt instruments						
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	-	-	-	-	-	-
2. Equity instruments	169	-	-	-	159	-
3. OEIC units	-	22,030	-	-	-	20,916
4. Financing	-	-	-	-		
4.1 Structured instruments	-	-	-	-	-	-
4.2 Other instruments	9	-	-	-	9	-
Total	178	20,030	-	-	**168**	**20,916**

3.2 Financial assets at fair value: breakdown by debtor/issuer

	31 March 2018	**1 January 2018**
1. Equity instruments	169	159
a) Banks	169	159
b) Financial companies	-	-
c) Non- financial companies	-	-
2. Debt instruments	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial companies	-	-
—including insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	20,030	20,916
4. Financing	9	9
a) Central banks	-	-
b) General government	-	-
c) Banks	9	9
d) Other financial companies	-	-
—including insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total	**20,208**	**21,084**

Section 4—Financial assets at fair value through OCI—Caption 30

4.1 Financial assets at fair value through OCI: breakdown by product

	31 March 2018			1 January 2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	4,523,902	-	-	2,501,990	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	4,523,902	-	-	2,501,990	-	-
2. Equity instruments	183	189,181	-	253	187,332	-
3. Financing	-	-	-	-	-	-
Total	**4,524,085**	**189,181**	**-**	**2,502,243**	**187,332**	**-**

4.2 Financial assets at fair value for trading: breakdown by debtor/issuer/counterparts

	31 March 2018	1 January 2018
A. Assets		
1. Debt instruments		
a) Central banks	-	-
b) General government	4,523,902	2,501,990
c) Banks	-	-
d) Other financial companies	-	-
—including insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments		
a) Banks	336	584
b) Other financial companies:	189,028	187,001
-Including insurance companies	90,153	88,423
- Non-financial companies	98,875	98,578
-Other issuers	-	-
3. OEIC units	-	-
4. Financing		
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial companies	-	-
—including insurance companies	-	-
c) Non-financial companies	-	-
d) Families	-	-
Total	**4,713,266**	**2,689,575**

Section 4—Financial assets measured at amortised cost—Caption 40

4.1 Financial asset measured at amortised cost: breakdown by product loans and receivables with banks

	31 March 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	Impaired acquired or originated	Level 1	Level 2	Level 3
A. Loans and receivables with central banks						
1. Term deposits..................................	-	-	-	-	-	-
2. Minimum reserve	180,608	-	-	-	-	-
3. Reverse repurchase agreements.......	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans and receivables with banks ...						
1. Financing deposits	236,166	-	-	-	-	-
1.2 Term deposits.................................	74,363	-	-	-	-	-
1.3 Other financing						
- Reverse repurchase agreements.........	172,309	-	-	-	-	-
- Finance leases	-	-	-	-	-	-
- Other	295,012	-	-	-	-	-
2.Debt instruments...............................						
2.1 Structured instruments	4,963	-	-	4,963	-	-
2.2 Other instruments	4,275	-	-	-	4,275	-
Total	**967,696**	**-**	**-**	**4,963**	**4,275**	**-**

Key
FV = fair value
CA = carrying amount

	1 January 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	Impaired acquired or originated	Level 1	Level 2	Level 3
A. Loans and receivables with central banks						
2. Term deposits..................................	-	-	-	-	-	-
2. Minimum reserve	179,264	-	-	-	-	-
3. Reverse repurchase agreements.......	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans and receivables with banks ...						
1. Financing deposits	375,903	-	-	-	-	-
1.2 Term deposits	2,460	-	-	-	-	-
1.3 Other financing						
- Reverse repurchase agreements.........	136,217	-	-	-	-	-
- Finance leases	-	-	-	-	-	-
- Other	319,954	-	-	-	-	-
2 Debt instruments...............................						
2.1 Structured instruments	4,966	-	-	4,966	-	-
2.2 Other instruments	4,226	-	-	-	4,226	-
Total	**1,022,990**	**-**	**-**	**4,966**	**4,226**	**-**

Key
FV = fair value
CA = carrying amount

4.2 Financial assets measured at amortised cost: breakdown by product loans and receivables with customers

	31 March 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	Impaired acquired or originated	Level 1	Level 2	Level 3
Financing						
1. Current accounts..............................	84,231	-	391	-	-	-
2. Reverse repurchase agreements.......	313,795	-	-	-	-	-
3. Loans	-	-	-	-	-	-
4. Credit cards, personal loans and salary backed loans	1,994,911	-	151	-	-	-
5. Finance leases	-	-	-	-	-	-
6. Factoring..	-	-	-	-	-	-
7. Other financing................................	667,603	-	313	-	-	-
Debt instruments						
8. Structured instruments	-	-	-	-	-	-
9. Other instruments............................	-	-	-	-	-	-
Total	**3,060,540**	**-**	**855**	**-**	**-**	**-**

Key
FV = fair value
CA = carrying amount

	1 January 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	Impaired acquired or originated	Level 1	Level 2	Level 3
Financing						
1. Current accounts..............................	41,427	-	391	-	-	-
2. Reverse repurchase agreements.......	204,548	-	-	-	-	-
3. Loans	-	-	-	-	-	-
4. Credit cards, personal loans and salary backed loans	2,323,098	-	180	-	-	-
5. Finance leases	-	-	-	-	-	-
6. Factoring..	-	-	-	-	-	-
7. Other financing.................................	579,059	-	283	-	-	-
Debt instruments						
8. Structured instruments	-	-	-	-	-	-
9. Other instruments	-	-	-	-	-	-
Total	**3,148,132**	**-**	**853**	**-**	**-**	**-**

Key
FV = fair value
CA = carrying amount

"**Section 8—Equity investments—Caption 70**

8.1 Equity investments

	Registered office	Operating office	Type of relationship	Investment: Investor	Investment: Investment %	Voting rights %
Associates						
1. Hi-Mtf Sim S.p.A.	Milan	Milan	1	Nexi	25	25
2. Unione Fiduciaria S.p.A.............................	Milan	Milan	1	Nexi	24	24
3. Consorzio Stabile Win Join S.c.a.r.l.	Lecce	Rome	1	Bassilichi S.p.A.	24	24
4. RS Records Store S.p.A.	Caorso	Caorso	1	Bassilichi S.p.A.	30	30
5. ICT Logistica S.r.l......................................	Empoli	Empoli	1	Bassilichi S.p.A.	33	33
6. K.Red S.r.l.	Milan	Milan	1	Bassilichi S.p.A.	50	50
7. Bassnet S.r.l.	Monteriggioni	Monteriggioni	1	Bassilichi S.p.A.	49.68	49.68

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meetings

8.2 Significant equity investments: carrying amount

	31 March 18	31 December 2017
Associates		
1. Hi-Mtf Sim S.p.A.	1,523	1,521
2. Unione Fiduciaria	8,690	8,690
3. Consorzio Stabile Win Join s.c.a.r.l.	48	48
4. RS Records Store S.p.A.	1,364	1,364
5. ICT Logistica s.r.l.	258	259
6. K.Red s.r.l.	220	219
Total	**12,102**	**12,101**

8.3 Equity investments: changes

	31 March 2018	31 December 2017
A. Opening balance	**12,101**	**10,103**
B. Increases	**1**	**2,378**
B.1 Purchases	-	-
B.2 Reversals of impairment losses	-	-
B.3 Fair value gains	-	-
B.4 Other increases	1	489
- Including business combinations	-	1,889
C. Decreases	**-**	**(380)**
C.1 Sales	-	-
C.2 Impairment losses	-	-
C.3 Other decreases	-	(380)
D. Closing balance	**12,102**	**12,101**
E. Total fair value gains	**-**	-
F. Total impairment losses	**-**	-

Section 9—Property, equipment and investment property—Caption 90

9.1 Property, equipment and investment property: assets measured at cost less accumulated depreciation.

	31 March 2018	31 December 2017
1. Owned		
a) land	18,804	18,804
b) buildings............................	65,290	66,092
c) furniture	1,724	1,410
d) electronic systems	72,168	78,240
e) other	6,467	4,615
2. Under finance lease		
a) land	-	-
b) buildings............................	-	-
c) furniture	-	-
d) electronic systems	2,222	1,294
e) other	-	927
Total	**166,675**	**171,382**

9.2 Investment property: breakdown of assets measured at cost less accumulated depreciation.

	31 March 2018				31 December 2017			
		Fair value				Fair value		
	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
1. Owned								
a) land	39,898	-	43,405	-	39,899	-	43,405	-
b) buildings	29,699	-	32,725	-	30,080	-	32,725	-
2. Under finance lease								
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total...	**69,597**	**-**	**76,130**	**-**	**69,979**	**-**	**76,130**	**-**

9.3 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**18,804**	**71,321**	**1,839**	**127,451**	**8,362**	**227,777**
A.1 Total net impairment losses	**-**	**5,229**	**429**	**47,917**	**2,820**	**56,395**
A.2 Net opening balance	**18,804**	**66,092**	**1,410**	**79,534**	**5,542**	**171,382**
B. Increases	**-**	**-**	**384**	**4,571**	**1,540**	**6,495**
B.1 Purchases	-	-	376	4,571	344	5,290
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property.	-	-	-	-	-	-
B.7 Other increases	-	-	8	-	1,196	1,203
—including business combinations	-	-	-	-	-	-
—other changes	-	-	-	-	-	-
C. Decreases	**-**	**(802)**	**(70)**	**(9,714)**	**(615)**	**(11,201)**
C.1 Sales	-	-	(8)	(51)	(46)	(104)
C.2 Depreciation	-	(802)	(58)	(8,467)	(569)	(9,896)
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) disposal group	-	-	-	-	-	-
C.7 Other decreases	-	-	(4)	(1,196)	-	(1,200)
D. Net closing balance	**-**	**65,290**	**1,724**	**74,390**	**6,467**	**166,675**
D.1 Total net impairment losses	-	6,031	483	57,580	2,193	**66,288**
D.2 **Gross closing balance**	**18,804**	**71,321**	**2,208**	**131,970**	**8,660**	**232,963**

9.4 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	**39,898**	**30,080**
B. Increases	-	-
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Fair value gains	-	-
B.4 Reversals of impairment losses	-	-
B.5 Exchange rate gains	-	-
B.6 Transfers from property and equipment	-	-
B.7 Other increases	-	-
C. Decreases	-	**(382)**
C.1 Sales	-	-
C.2 Depreciation	-	(382)
C.3 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange rate losses	-	-
C.6 Transfers to other portfolios:	-	-
a) property and equipment	-	-
b) non-current assets held for sale	-	-
C.7 Other decreases	-	-
D. Closing balance	**39,898**	**29,699**
E. Fair value	43,405	32,725

Investment property is covered by IAS 40 and includes property held (either owned or under finance lease) to earn rental and/or obtain appreciation of invested capital.

Investment property is measured at cost, net of depreciation.

Investment properties are held by Mercury Group and are listed below:

- building in via Verziere 11, Milan,
- building in via Cavallotti 14, Milan,
- building in via Zurigo 3, Milan,
- building in via Broletto 37, Milan,
- building in Corso Europa 18, Milan,
- building in Assago,
- building in via Nazionale 3, San Giovanni al Natisone.

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

Section 10—Intangible assets—Caption 100

10.1 Intangible assets: breakdown by asset

	31 March 2018		31 December 2017	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	**2,278,635**	**-**	**2,278,635**
A.1.1 attributable to the owners of the parent	-	2,278,635	-	2,278,635
A.1.2 attributable to non-controlling interests	-	-	-	-
A.2 Other intangible assets	**480,392**	-	**472,318**	-
A.2.1 Assets measured at cost:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	480,392	-	472,318	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	-	-		-
Total	**480,392**	**2,278,635**	**472,318**	**2,278,635**

10.2 Intangible assets: changes

31 March 2018		Other intangible assets: developed internally		Other intangible assets: other		
	Goodwill	Finite life	Indefinite life	Finite life	Indefinite life	Total
A. Opening balance	**2,278,635**	**-**	**-**	**569,426**	**-**	**2,848,061**
A.1 Total net impairment losses	-	-	-	97,108	-	97,108
A.2 Net opening balance	**2,278,635**	**-**	**-**	**472,318**	**-**	**2,750,953**
B. Increases	**-**	-	-	**26,854**	-	**26,854**
B.1 Purchases	-	-	-	26,854	-	26,854
B.2 Increase in internally generated assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
—equity	-	-	-	-	-	-
—profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
—including business combinations	-	-	-	-	-	-
C. Decreases	-	-	-	**(18,779)**	-	**(18,779)**
C.1 Sales	-	-	-	(8)	-	(8)
C.2 Impairment losses	-	-	-	-	-	-
–Amortisation	-	-	-	(17,358)	-	(17,358)
–Fair value losses	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses recognised in:	-	-	-	-	-	-
—equity	-	-	-	-	-	-
—profit or loss	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(1,413)	-	(1,413)
—business combinations	-	-	-	-	-	-
D. Net closing balance	**2,278,635**	**-**	**-**	**480,392**	**-**	**2,759,027**
D.1 Total net impairment losses	-	-	-	115,879	-	115,879
E. Gross closing balance	**2,278,635**	**-**	**-**	**596,272**	**-**	**2,874,907**

Section 11—Tax assets and liabilities—Caption 110 of assets and Caption 60 of liabilities

11.1 Current tax assets and liabilities

These balances relate to €37.783 million (2017: €52.495 million) of tax recoveries receivable and €4.354 million (2017: €3.182million) of tax payments due under the IRES and IRAP taxation regimes in Italy.

11.2 Deferred tax assets: breakdown

	31 March 2018	1 January 2018
IRAP		
Net impairment losses on loans and receivables	311	317
Provisions	528	488
Substitute tax on goodwill	3,412	3,505
Amortisation/depreciation	1,488	1,459
Fair value reserve	-	16
Other	1,194	1,199
IRES		
Net impairment losses on loans and receivables	11,218	11,538
Provisions	10,481	10,102
Substitute tax on goodwill	16,847	17,307
Impairment losses on intangible assets, P&E and investment property	13,644	13,372
Fair value reserve	-	77
Other	7,315	7,355
Total	**66,438**	**66,735**

11.3 Deferred tax liabilities: breakdown

	31 March 2018	1 January 2018
IRAP		
Building revaluations	3,810	3,757
Other	21,840	21,856
Fair value reserve	4,384	1,314
IRES		
Building revaluations	19,431	19,590
Other	109,140	108,842
Fair value reserve	12,714	8,743
Total	**171,319**	**164,102**

Italian corporate entities are subject to corporate income tax (IRES) and to regional production tax (IRAP).

11.4 Changes in deferred tax assets (recognised in profit or loss)

	31 March 2018	1 January 2018
1. Opening balance	**60,286**	**54,090**
2. Increases	**2,461**	**10,238**
2.1 Deferred tax assets recognised in the period	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	9,095
d) other	2,461	-
2.2 New taxes or increases in tax rates	-	1,143
2.3 Other increases	-	1,143
3. Decreases	**(1,022)**	**(4,042)**
3.1 Deferred tax assets derecognised in the period	-	-
a) reversals	(1,022)	(4,042)
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax credits as per Law no 214/2011	-	-
b) other	-	-
4. Closing balance	**61,725**	**60,286**

11.5 Changes in deferred tax liabilities (recognised in profit or loss)

	31 March 2018	1 January 2018
1. Opening balance	**150,800**	**29,857**
2. Increases	**3,178**	**131,585**
2.1 Deferred tax liabilities recognised in the period	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) tax assets related to land and building recognised in equity for PPA	-	-
d) recognised in equity in prior period	-	-
e) other	3,178	131,585
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(2,704)**	**(10,642)**
3.1 Deferred tax liabilities derecognised in the period	-	-
a) reversals	(2,704)	(10,642)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.2 Other decreases	-	-
4. Closing balance	**151,274**	**150,800**

11.6 Changes in deferred tax assets (recognised as part of a business combination)

	31 March 2018	1 January 2018
1. Opening balance	**1,139**	**3,571**
2. Increases	**3,670**	**-**
2.1 Deferred tax assets recognised in the period	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	3,670	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(96)**	**(2,432)**
3.1 Deferred tax assets derecognised in the period	-	-
a) reversals	(96)	(525)
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
Other decreases	-	(1,907)
4. Closing balance	**4,713**	**1,139**

11.7 Changes in deferred tax liabilities (recognised in equity)

	31 March 2018	1 January 2018
1. Opening balance	**10,068**	**9,530**
2. Increases	**10,191**	**2,019**
2.1 Deferred tax liabilities recognised in the period		
a) related to previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	10,191	2,019
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(214)**	**(1,481)**
3.1 Deferred tax liabilities derecognised in the period		
a) reversals	(214)	(1,481)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decrease	-	-
4. Closing balance	**20,045**	**10,068**

Section 12—Other assets—Caption 130

12.1 Other assets: breakdown

	31 March 2018	1 January 2018
Withholding taxes paid on interest charged to customers and other tax assets	74,937	89,808
Negotiated cheques to be cleared	116,923	34,844
Matured securities and accrued interest to be collected	2,740	4,855
Commissions and other income to be charged	283,775	251,514
BIREL, transfers, SETIF, received messages to be charged, e-money	337,586	195,080
Sundry and residual items	95,958	94,350
Total	**911,920**	**670,451**

Liabilities

Section 1—Financial liabilities measured at amortised cost—Caption 10

1.1 Financial liability measured at amortised cost: breakdown by product loans and receivables with banks

	31 March 2018				1 January 2018			
	CA	Fair value			CA	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**532**	**-**	**-**	**-**	**1,774**	-	-	-
2. Due to banks	**1,910,755**				**1,861,763**			
2.1. Current accounts and demand deposits	1,160,947	-	-	-	1,022,421	-	-	-
2.2. Term deposits	123,037	-	-	-	124,428	-	-	-
2.3. Financing	7,166	-	-	-	414,209	-	-	-
2.3.1. repurchase agreements					-			
2.3.2 other	478,937	-	-	-	414,209	-	-	-
2.5 Other liabilities	140,669	-	-	-	300,705	-	-	-
Total	**1,911,287**	**-**	**-**	**-**	**1,863,537**	**-**	**-**	**-**

1.2 Financial liability measured at amortised cost: breakdown by product loans and receivables with customers

	31 March 2018				1 January 2018			
	CA	Fair value			CA	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	6,170,086	-	-	-	6,223,110	-	-	-
2. Term deposits	98	-	-	-	174	-	-	-
3.Finacing	-	-	-	-	-	-	-	-
3.1. Repurchase agreements	2,281,211	-	-	-	340,791	-	-	-
3.2. Other	656	-	-	-	656	-	-	-
4. Commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5.Other liabilities	647,995	-	-	-	618,987	-	-	-
Total	**9,100,046**	**-**	**-**	**-**	**7,183,718**	**-**	**-**	**-**

Section 3—Financial liabilities held for trading—Caption 20

3.1 Financial liabilities held for trading: breakdown by product

	31 March 2018					31 December 2017				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	-	93	-	-	-	1	1	-	-	-
2. Due to customers	-	495	-	-	-	-	-	-	-	-
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total A	**-**	**589**	**-**	**-**		**1**	**1**	**-**	**-**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	-	-	7,402	-	-	-	-	6,721	-	-
1.2 Associated with fair value option	-	-	6,565	-	-	-	-	6,071	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**13,967**	**-**	**-**	**-**	**-**	**12,792**	**-**	**-**
Total (A + B)	**-**	**589**	**13,967**	**-**	**-**	**1**	**1**	**12,792**	**-**	**-**

Included in the financial liabilities held for trading are warrants issued by Holdco in the amount of €6.6 million. Warrants are rights to purchase existing shares of Nexi up to maximum of 12.7% of the share capital of Nexi. In December 2016, Holdco made an offer to certain members of the Nexi management team to subscribe for a proportion of the warrants and these were accepted and issued in January 2017. Additional warrants were issued in July, August and December 2017.

Legend:

FV = fair value

NA = nominal or notional amount

FV* = fair value calculated by excluding gains and losses due to changes in Bondco's credit standing compared to the issue date.

L1 = level 1

L2 = level 2

L3 = level 3

Section 4—Hedging derivatives—Caption 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	31 March 2018				31 December 2017			
	L1	L2	L3	NV	L1	L2	L3	NV
A. Financial derivatives	-	-	-	-	-	-	-	-
1.Fair value	-	6,107	-	-	-	5,520	-	-
2.Cash flows	-	-	-	-	-	-	-	-
3.Foreign Investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,107**	**-**	**-**	**-**	**5,520**	**-**	**-**

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge as at 31 March 2018

	Fair value						Cashflow		
	Specific								
	Interest rate	Foreign exchange rate	Credit risk	Price risk	Various	Generic	Specific	Generic	Foreign Investment
A. Total assets	**-**	**-**	**-**	**6,107**	**-**	**-**	**-**	**-**	**-**
1 FVTOCI	-	-	-	6,107	-	-	-	-	-
2 Loans	-	-	-	-	-	-	-	-	-
3 Financial assets at amortised cost	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other transactions	-	-	-	-	-	-	-	-	-
B. Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1 Financial liabilities	-	-	-	-	-	-	-	-	-
2 Portfolio	-	-	-	-	-	-	-	-	-
1. Forecast transactions	-	-	-	-	-	-	-	-	-
2. Financial assets and liabilities portfolio	-	-	-	-	-	-	-	-	-

Section 5—Tax liabilities—Caption 60

See section 11 of Assets.

Section 6—Other liabilities—Caption 80

6.1 Other liabilities: breakdown

	31 March 2018	1 January 2018
Tax liabilities, withholding taxes and other amounts to be paid	19,664	33,820
Cheques, cheque truncation flows to be credited	13,338	18,540
Securities, currency and premium transactions paid for options to be credited	645	1,934
Due to employees	101,884	95,536
Other liabilities for expenses, commissions and interest to be paid	402,593	393,623
Prepaid debit cards	42,936	45,554
Currency differences on portfolio transactions	19,678	5,264
BIREL, transfers, payment flows to be credited	412,693	367,244
Sundry and residual items	124,617	117,886
Total	**1,138,047**	**1,079,401**

Section 7- Post employment benefits—Caption 90

7.2 Post-employment benefits: changes

	31 March 2018	31 December 2017
A. Opening balance	**23,828**	**22,789**
B. Increases	**110**	**7,213**
B.1 Accruals	110	297
B.2 Other increases	-	-
-including business combination	-	541
-other changes	-	6,375
C. Decreases	**(1,317)**	**(6,174)**
C.1 Payments	(1,317)	(5,006)
C. 2 Other decreases	-	(1,168)
Total	**22,621**	**23,828**

Section 8—Provisions for risks and charges—Caption 100

8.1 Provisions for risks and charges: breakdown

	31 March 2018	31 December 2017
1. Internal pension funds	869	881
2. Other provisions for risks and charges	57,411	56,453
Total	**58,280**	**57,334**

8.2 Provisions for risks and charges: changes

	31 March 2018			31 December 2017		
	Pension Funds	Other provisions	Total	Pension Funds	Other provisions	Total
A. Opening balance	**881**	**56,452**	**57,333**	**940**	**40,015**	**40,955**
B. Increases	**-**	**3,338**	**3,338**	**6**	**26,989**	**26,995**
B.1 Accruals	-	3,338	3,338	-	8,439	8,439
B.2 Discounting	-	-	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	6	-	-
B.4 Other increases	-	-	-	6	18,550	18,556
Including business combination	-	-	-	-	18,550	18,556
C. Decreases	**(12)**	**(2,379)**	**(2,391)**	**(65)**	**(10,551)**	**(10,616)**
C.1 Utilisations	(12)	(2,379)	(2,391)	(65)	(8,916)	(8,981)
C.2 Changes due to variations in discount rate	-	-	-	-	-	-
C.3 Other decreases	-	-	-	-	(1,635)	(1,635)
D. Closing balance	**869**	**57,411**	**55,215**	**881**	**56,453**	**57,334**

8.3 Defined benefit internal pension plans

1. Description and related risks

The liability for defined benefit internal pension plans includes the accruals made for the Nexi Group's obligation to its former employees. There are no other defined benefit pension plans within the Mercury Group.

2. Changes in defined benefit plan liabilities (assets) and related repayment rights

The present value of the defined benefit liability at 31 March 2018 amounts to €869,000.

3. Fair value of plan asset

There are no plan assets.

4. Cash flow amount, timing and uncertainty

The plan is based on the latest remuneration.

8.4 Provisions for risks and charges—other provisions

Provision for legal disputes

The legal environment in which the Mercury Group operates exposes it to a wide range of legal disputes.

The related risks are specifically analysed in order to make the related accrual to the provision for risks and charges when the outlay is considered probable based on information available at the time of the analysis.

Provisions for risks and charges—employee benefits

The item "employee benefits" principally relates to bonuses and other incentives granted to employees.

Provisions for risks and charges—other

“Other” includes all accruals made for probable outlays mainly relating to:

- contractual costs;
- operational risks;
- non-banking invoices issued;
- pending tax litigation.

Section 9—Equity—Captions 120, 150, 170 and 220

9.1 “Share capital” and “Treasury shares”: breakdown

	31 March 2018	1 January 2018
1. Share capital	3,396,444	3,396,444
2. Share premium	-	-
3. Reserves	72,173	(26,755)
4. Treasury shares		
a) parent	-	-
b) subsidiaries	-	-
5. Valuation reserves	54,576	40,563
6. Profit for the period /year	41,031	98,927
Total	**3,564,224**	**3,509,179**

9.2 Share capital—number of shares: changes

Ordinary shares

	31 March 2018	1 January 2018
A. Opening balance		
—fully paid-in	3,396,444	2,911,444
—not fully paid-in	-	-
A.1 Treasury shares (−)	-	-
A.2 Outstanding shares: opening balance	**3,396,444**	**2,911,444**
B. Increases	-	485,000
B.1 New issues	-	-
—against consideration:	-	485,000
—business combinations	-	-
—bond conversions	-	-
—exercise of warrants	-	-
—other	-	485,000
—bonus issues:	-	-
—to employees	-	-
—to directors	-	-
—other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Repurchases of treasury shares	-	-
C.3 Disposals of entities	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	**3,396,444**	**3,396,444**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	**3,396,444**	**3,396,444**
—fully paid-in	**3,396,444**	**3,396,444**
—not fully paid-in	-	-

Section 10—Equity attributable to non-controlling interests—Caption 210

10.1 Caption 190 "Equity attributable to non-controlling interests"

	31 March 2018	1 January 2018
Investments in consolidated companies with significant non-controlling interests:		
Help Line	905	867
Nexi Payments S.p.A.	3,420	2,833
Nexi S.p.A.	35,158	30,033
Bassilichi S.p.A.	-	-
Bassmart S.r.l.	74	71
Consorzio Triveneto	-	-
Moneynet S.p.A.	-	-
Bassilichi CEE d.o.o. Belgrado	259	245
Bassilichi CEE d.o.o. Banja Luka	24	18
ArsBlue d.o.o.	730	771
Bassilichi CEE d.o.o. Podgorica	5	5
Total	**40,575**	**34,843**

Other disclosures

1. *Guarantees and commitments*

	31 March 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Irrecoverable commitments to disburse funds					
a) Central banks	-	-	-	-	-
b) Central government	-	-	-	-	-
c) Banks	520,768	-	-	520,768	129,402
d) Other financial companies	122,383	-	-	122,383	49,743
e). Non- financial companies	20,345	-	-	20,345	-
f) Families	-	-	-	-	-
Financial guarantees issued					
a) Central banks	-	-	-	-	-
b) Central government	263	-	-	263	-
c) Banks	2,421	-	-	2,421	2,421
d) Other financial companies	99,856	-	-	99,856	-
e). Non- financial companies	682	-	-	682	911
f) Families	-				

2. Assets pledged as guarantee for liabilities and commitments

	31 March 2018	1 January 2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets at fair value through OCI	1,909,418	102,100
3. Financial assets measured at amortised cost	-	-
4. Property, equipment and investment property	-	-
Total	**1,909,418**	**102,100**

Note- Comparative was previously disclosed as available for sale

3. Management and trading on behalf of third parties

	31 March 2018	31 December 2017
1. Execution of customer orders		
a) Purchases		
1. settled	5,296,832	19,001,542
2. unsettled	-	-
b) Sales		
1. settled	5,042,487	18,303,414
2. unsettled	-	-
2. Asset management		
a) individual	-	-
b) collective	-	-
3. Securities custody and administration		
a) third party securities held as part of depository bank services (excluding asset management)	50,758,275	49,908,683
1. securities issued by the consolidated entities	-	49,908,683
2. other securities	50,758,275	-
b) third party securities on deposit (excluding asset management): other	66,149,283	67,111,668
1. securities issued by the consolidated entities	39,694	39,694
2. other securities	66,109,589	67,071,974
c) third party securities deposited with third parties	99,830,699	100,142,290
d) securities owned by the bank deposited with third parties	4,367,025	2,983,724
4. Order collection and transmission	1,048,122	1,208,333

Part C—NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENTS

Section 1—Interest—Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	3 months to 31 March 2018	3 months to 31 March 2017
1. Financial assets held for trading	116	-	-	116	95
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Available-for-sale financial assets	4,922	-	-	4,922	5,789
4. Held-to-maturity investments	54	-	-	54	58
5. Due from banks	-	2,875	425	3,301	3,735
6. Loans to customers	1	459	5,428	5,888	7,464
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	2,797	2,797	86
Total	**5,093**	**3,334**	**8,650**	**17,077**	**17,227**

1.2 Interest and similar expense: breakdown

	Liabilities	Securities	Other	3 months to 31 March 2018	3 months to 31 March 2017
1. Due to central banks	-	-	-	-	1,479
2. Due to banks	5,303	-	-	5,303	5,588
3. Due to customers	1,969	-	-	1,969	932
4. Securities issued	-	-	-	-	-
5. Financial liabilities held for trading	8	-	-	8	24
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	2,992	2,992	7
8. Hedging derivatives	-	-	-	-	-
Total	**7,279**	**-**	**2,992**	**10,271**	**8,030**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
a) guarantees received	44	42
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	2,514	17,386
1. trading in financial instruments	2,514	2,972
2. foreign currency transactions	-	-
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	1,224	1,266
5. depository services	11,366	12,637
6. securities placement	1	-
7. order collection and transmission	694	463
8. consultancy services	45	48
8.1. concerning investments	-	-
8.2. concerning financial structure	45	48
9. distribution of third party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d) collection and payment services	262,950	218,644
e) servicing services for securitisations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	-	-
j) other services	23,623	25,010
Total	**302,461**	**261,082**

2.2 Fee and commission expense: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
a) guarantees received	9	8
b) credit derivatives	-	-
c) management and brokerage services:	2,099	2,131
1. trading in financial instruments	168	136
2. foreign currency transactions	7	15
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	1,474	1,499
5. placement of financial instruments	-	1
6. securities settlement	450	480
7. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	135,099	120,756
e) other services	651	787
Total	**441,719**	**123,682**

Section 3—Dividends and similar income—Caption 70

3.1 Dividends and similar income: breakdown

	3 months to 31 March 2018		3 months to 31 March 2017	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	-	-	10	-
B. Available-for-sale financial assets	855	-	17	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	-	-	-
Total	**855**	**-**	**27**	**-**

Section 4—Net trading income—Caption 80

4.1 Net trading income: breakdown

	Gains	Trading income	Losses	Trading losses	Net trading income for 3 months to 31 March 2018	Net trading income for 3 months to 31 March 2017
1. Financial assets held for trading						
1.1 Debt instruments	220	656	251	135	491	885
1.2 Equity instruments	-	64	38	187	161	15
1.3 OEIC units	-	-	-	1	1	(10)
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading						
2.1 Debt instruments	-	-	4	-	4	12
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate gains/ (losses)					935	(264)
4. Derivatives						
4.1 Financial derivatives:						
—On debt securities and interest rates	-	-	-	-	-	-
—On equity instruments and equity indexes	1,702	2,162	1,586	2,027	250	262
—On currencies and gold	-	-	-	-	-	-
—Other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
Total	**1,922**	**2,882**	**1,879**	**2,351**	**1,509**	**900**

Section 5—Net profit on sale or repurchase of—Caption 100

5.1 Net profit on sale or repurchase of:

	31 March 2018	31 March 2017
Financial assets at fair value through OCI:		
Loans and receivables with customers	**-**	-
Equity instruments	-	211
Total	**-**	211

Note – The comparative was disclosed as available for sale.

Section 6—Profit on financial assets and liabilities designated at fair value through profit or loss—Caption 110

6.1. Other financial assets mandatory measured at fair value: breakdown

	31 March 2018	31 March 2017
Financial assets at fair value:		
Equity instruments	10	7
Total	**10**	7

Section 7—Net impairment losses—Caption 130

7.1 Net impairment losses on financial assets measured at amortised cost: breakdown

Period ended 31 March 2018

	Impairment losses (1)			Reversals of impairment losses (2)				
	Individual			Individual		Collective		
	Derecognition	Other	Collective	A	B	A	B	3 months to 31 March 2018
A. Loans and receivables with banks	-	-	-	-	-	-	-	-
—Financing	-	-	-	-	-	-	-	-
—Debt instruments	-	-	-	-	-	-	-	-
2. Loans and receivables with customers .	-	-	-	-	-	-	-	-
Impaired loans acquired	-	-	-	-	-	-	-	-
—Financing	-	-	-	-	-	-	-	-
—Debt instruments	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	
—Financing	-	1,043	-	-	-	-	-	1,043
—Debt instruments	-	338	-	-	-	-	-	**338**
C. Total	-	**1,381**	**-**	-	-	-	-	**1,381**

Period ended 31 March 2017

	Impairment losses (1)			Reversals of impairment losses (2)				
	Individual			Individual		Collective		
	Derecognition	Other	Collective	A	B	A	B	3 months to 31 March 2017
A. Loans and receivables with banks	-	-	-	-	-	-	-	-
—Financing	-	-	-	-	-	-	-	-
—Debt instruments	-	-	-	-	-	-	-	-
2. Loans and receivables with customers .	-	-	-	-	-	-	-	-
Impaired loans acquired	-	-	-	-	-	-	-	-
—Financing	-	-	-	-	-	-	-	-
—Debt instruments	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
—Financing	-	109	-	-	-	-	-	109
—Debt instruments	-	-	-	-	-	-	-	-
C. Total	-	109	**-**	-	-	-	-	**109**

Key

A = from interest

B = other reversals

7.2 Net impairment losses on financial assets at fair value through OCI: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)			
	Individual		Individual			
	Derecognition	Other	A	B	3 months to 31 March 2018	3 months to 31 March 2017
A. Debt instruments……………………………	-	-	-	-	-	-
B. Equity instruments..............................	-	2	-	-	2	(512)
C. OEIC units..	-	-	-	-	-	-
D. Financing to banks...............................	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total………………………………………………	**-**	**2**	-	**-**	**2**	**(512)**

Key

A = from interest

B = other reversals

Section 8—Administrative expenses—Caption 190

8.1 Personnel expense: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
1) Employees		
a) wages and salaries..	38,771	32,535
b) social security charges	9,531	8,278
c) post-employment benefits...	164	173
d) pension costs..	33	43
e) accrual for post-employment benefits..	720	263
f) accrual for pension and similar provisions:		
—defined contribution plans	-	-
—defined benefit plans..	-	-
g) payments to external supplementary pension funds:		
—defined contribution plans	1,610	1,852
—defined benefit plans..	-	-
h) costs of share-based payment plans..	-	-
i) other employee benefits...	1,400	1,774
2) Other personnel	515	347
3) Directors and statutory auditors...	573	577
4) Retired personnel...	**-**	**-**
Total	**53,317**	**45,843**

8.2 Average number of employees per category

	3 months to 31 March 2018	3 months to 31 March 2017
a) managers	114	78
b) junior managers	703	673
c) other employees	2,044	1,665

8.3 Other administrative expenses: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
—data processing	10,084	19,183
—post office, valuables transportation and couriers	5,238	5,779
—external services	3,972	4,474
—interbank network traffic	1,203	1,907
—IT connections and automation costs	1,064	972
—access to markets	546	725
—professional services	6,695	12,918
—agents' commissions	354	401
—bank draft books	17	31
—maintenance and lease	10,003	13,845
—building running costs, leases, heating and lighting	1,731	1,703
—stationery and printed matter	188	93
—insurance companies	698	498
—telegraph, telephone and telex	1,349	1,721
—card processing	19,740	8,325
—membership fees	355	317
—surveillance and cleaning	183	227
—other	53,024	18,107
—taxes and duties	14,813	16,998
Total	**131,258**	**108,224**

Section 9—Net accruals to provisions for risks and charges—Caption 200

9.1 Net accruals to provisions for risks and charges: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
Accruals to provisions	3,338	1,864
Total	**3,338**	**1,864**

Section 10—Depreciation and net impairment losses on property, equipment and investment property—Caption 210

10.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

	Depreciation	Impairment losses	Reversals of impairment losses	Carrying amount for 3 months to 31 March 2018	Carrying amount for 3 months to 31 March 2017
A. Property, equipment and investment property					
A.1 Owned					
—Property and equipment	9,726	-	-	9,726	6,939
—Investment property	382	-	-	382	382
A.2 Acquired under finance lease					
—Property and equipment	170	-	-	170	-
—Investment property	-	-	-	-	-
Total	**10,278**	**-**	**-**	**10,278**	**7,321**

Section 11—Amortisation and net impairment losses on intangible assets—Caption 220

11.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount for 3 months to 31 March 2018	Carrying amount for 3 months to 31 March 2017
A. Intangible assets					
A.1 Owned					
—Generated internally	-	-	-	**-**	**-**
—Other	17,358	-	-	17,358	7,719
A.2 Acquired under finance lease	-	-	-	-	-
Total	**17,358**	**-**	**-**	**17,358**	**7,719**

Section 12—Other operating expense and income, net—Caption 230

12.1 Other operating expense: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
Transfer of revenue from services	3,489	4,366
Other costs	2,367	614
Total	**5,856**	**4,980**

12.2 Other operating income: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
Lease income	200	215
Services	91,042	64,951
Recoveries of stamp duties from customers and post office expenses	18,183	17,318
Other income	1,159	1,068
Total	**110,585**	**83,552**

Section 13—Income taxes—Caption 300

13.1 Income taxes: breakdown

	3 months to 31 March 2018	3 months to 31 March 2017
Tax expense for the period	(16,472)	(7,535)

PART D - EQUITY

Section 1—Equity

A. Qualitative disclosure

The figure available for allocation purposes is the regulatory capital. Under this approach, the supervisory regulations represent the minimum restriction. Specifically, the Mercury Group's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main capital management tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Equity availability is therefore an indispensable tool supporting the Mercury Group's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the Mercury Group's use of capital and its compliance with capital requirements. These figures are reported with different frequencies to senior management and the board of directors, which are the bodies responsible for deciding, in line with their delegated powers, the methods that the Nexi Group should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, the Nexi Group forecasts the related effects on equity and their suitability.

Lastly, the Nexi Group's dividend distribution policies are also aimed at ensuring a suitable capitalisation level, in line with its development objectives.

B. Quantitative disclosure

B.1 Equity: breakdown by type of entity

31 March 2018

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	-	-	3,396,444	-	3,396,444
Valuation reserves	-	-	-	-	-
—Financial assets at fair value through OCI	54,154	-	-	-	54,154
—Actuarial reserve	422	-	-	-	422
Reserves	-	-	-	-	-
—Income related	-	-	72,173	-	72,173
Profit for the period	-	-	41,031	-	41,031
Equity	**54,576**	**-**	**3,509,648**	**-**	**3,501,152**

1 January 2018

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	-	-	3,396,444	-	3,396,444
Valuation reserves	-	-	-	-	-
—Financial assets at fair value through ICI (previously Available for sale)	40,155	-	-	-	40,155
—Actuarial reserve	408	-	-	-	408
Reserves	-	-	-	-	-
—Income related	-	-	(26,755)	-	(26,755)
Profit for the year	-	-	98,927	-	98,927
Equity	**41,107**	**-**	**3,468,616**	**-**	**3,509,179**

PART E - SEGMENT REPORTING

Segment reporting complies with the requirements of IFRS 8: Operating Segments.

Reporting by business segment includes, in order of importance, the segments that may be identified within the Mercury Group's organisation and specifically:

E-money

It comprises Nexi Payments Business (including MPS Acquiring) and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- fund services;
- investment and investment-related services for qualified parties and professional customers.

Application outsourcing and innovative services

It comprises Oasi, which carries out the following integrated activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and internal control systems;
- development and provision of training courses.

Latino Group activities

It comprises Mercury Payments, Nexi Capital S.p.A. and their following integrated activities:

- payment processing services including issuing solutions and acquiring solutions; and
- other related services

Other Mercury Group activities

This segment manages the activities that are not carried out by the parent's business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;
- group management and coordination; and
- other activities of the consolidated companies.

A.1 Breakdown by business segment: income statement

The results of operations for the period of each of the above business segments are set out below.

3 months to 31 March 2018 (€'000)	E-money	Payments	Securities services	Application outsourcing	Bassilichi Payments	Other Nexi Group activities	Consolidation adjustment	Nexi Group	Latino Group	Mercury activities		Consolidation adjustment	Consolidated financial statements
Net fee and commission income	150,863	20,279	13,458	7,279	34,120	282	(8,762)	217,520	39,936	371		-	257,826
Net interest income	(3,785)	537	2,461	(1)	(429)	8,159	46	6,988	(210)	(11)		-	6,767
Net trading/hedging income	(266)	-	69	-	-	1,705	-	1,509	-	(97)		-	1,411
Dividends from equity investments	136	-	-	-	-	-	-	136	-	-		-	136
Operating revenue	**146,949**	**20,816**	**15,988**	**7,278**	**33,691**	**10,146**	**(8,716)**	**226,152**	**39,726**	**262**		**-**	**266,141**
Payroll and related costs	(15,297)	(2,552)	(3,567)	(1,908)	(10,328)	(14,307)	-	(47,959)	(4,112)	(179)		-	(52,251)
Production costs	(26,885)	(2,257)	(940)	(1,061)	(17,269)	(173)	8,037	(40,550)	(7,621)	-		-	(48,171)
ICT costs	(31,924)	(6,103)	(4,124)	(1,139)	-	(2,353)	330	(45,312)	-	(1)		-	(45,313)
General expenses	(9,929)	(325)	(83)	(465)	(3,170)	(3,696)	5,755	(11,913)	(39)	(133)		-	(12,085)
Administrative expenses	**(84,035)**	**(11,238)**	**(8,714)**	**(4,573)**	**(30,767)**	**(20,529)**	**14,122**	**(145,734)**	**(11,773)**	**(314)**		**-**	**(157,820)**
Other net operating expenses/income	268	(2,864)	(2,106)	(28)	108	10,587	(5,406)	560	235	-		-	795
Net accruals for risks and charges	(2,736)	-	-	-	-	-	-	(2,736)	(203)	-		-	(2,938)
Operating costs (Net of DA)	(86,502)	(14,101)	(10,820)	(4,601)	(30,659)	(9,942)	8,716	(147,910)	(11,740)	(314)		-	(159,964)
EBITDA	**60,447**	**6,715**	**5,168**	**2,677**	**3,032**	**204**	**-**	**78,242**	**27,986**	**(51)**		**-**	**106,177**
Depreciation and amortisation	(7,688)	(1,008)	(493)	(1,388)	(3,080)	(902)	(7)	(14,566)	(2,857)	(1)		-	(17,423)
Operating profit	**52,759**	**5,706**	**4,676**	**1,289**	**(48)**	**699**	**(7)**	**63,676**	**25,130**	**(52)**		**-**	**88,754**
Depreciation and Amort. (customer contract) ...								(2,598)	(7,615)	-		-	(10,213)
Share of gains/losses of investees								5	-	-		2	6
Non-recurring/extraordinary items								(9,148)	(7,392)	(422)		-	(16,961)
Pre-tax profit for the period								**51,936**	**10,123**	**(473)**		**2**	**61,587**
Income taxes								(16,649)	177		-	-	(16,472)
Profit to non-controlling interests								(441)		-	-	(3,643)	(4,084)
Net profit								**34,846**	**10,299**	**(473)**		**(3,641)**	**41,031**

Net interest income (expense) is the business segments' contribution to the Mercury Group's net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2018 interim consolidated financial statements: Operating revenue

3 months to 31 March 2018 (€'000)	E-money	Payments	Securities services	Application outsourcing	Bassilichi Payments	Other Nexi Group activities	Latino-MPS	Mercury activities	Mercury Group total
E-money		915	-	217	7,576	5,191	-	-	13,899
Payments	(605)		-	-	-	-	-	-	(605)
Securities services	-	-		-	-	-	-	-	-
Application Outsourcing	27	59	-		-	88	-	-	174
Bassilichi Payments	63	-	-	-		-	-	-	63
Other Mercury Group activities	(4,946)	-	-	131	-		-	-	(4,815)
Latino -MPS	-	-	-	-	-	-		-	-
Mercury activities	-	-	-	-	-	-			-
Operating revenue—other	**(5,460)**	**974**	**-**	**348**	**7,576**	**5,279**	**-**	**-**	**8,716**
Third party customers	152,410	19,842	15,988	6,930	26,115	4,867	39,726	262	266,141
Total operating revenue	**146,949**	**20,816**	**15,988**	**7,278**	**33,691**	**10,146**	**39,726**	**262**	**274,857**

Reconciliation between the management accounts and the interim consolidated financial statements

Segment reporting is consistent with the Mercury Group planning and control system's principles and operating procedures defined by the central planning and control (P&C) department and approved by Mercury Group management, whose aim is to ensure consistent management reporting among the various Mercury Group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the Mercury Group's management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the Mercury Group's operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to (i) the provision of services (non-banking/financial) that are part of the operating segments' core business, (ii) the provision of rents from buildings, are presented under Net fee and commission income and revenue from services in the management accounts;

- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the retrocession of revenue from services and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;
- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;
- income classified in Fee and commission income (caption 40 of the consolidated financial statements), relating to items subject to IFRIC 13, which establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programmes relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled, is presented under Production costs in the management accounts;
- gains and losses relating to impairment losses/reversals of impairment losses on the equity portion of the FVTOCI Portfolio and classified in Net impairment losses (captions 130b and 130c of the consolidated financial statements) are presented under Gains (losses) on equity investments and FVTOCI financial assets in the management accounts;
- profits relating to the bond portion of the FVTOCI Portfolio and classified in Profit (loss) on sale or repurchase of FVTOCI financial assets are presented under Profit on securities and exchange rate gains in the management accounts;
- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;
- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Profits on securities and exchange rate gains in the management accounts;
- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;
- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);
- accruals relating to the remuneration of employees, classified in Net accruals to provisions for risks and charges (caption 190 of the consolidated financial statements), are presented under Personnel expense in the management accounts;
- consolidation entries relating to dividends distributed by non-group companies that are accounted for using the equity method, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Gains (losses) on equity investments and FVTOCI financial assets in the management accounts;
- income and expense that, based on supporting evidence, relate to extraordinary and/or non-recurring events for the Mercury Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;
- Other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts, in order that the Mercury Group companies present operating costs consistently.

The Mercury Group's income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the interim consolidated financial statements:

Interim consolidated financial statements

(€'000)	Management accounts	Reconciliation (cons. f/s- mngmt. accounts)	Interim consolidated financial statements	Cons. financial statements caption
Management account captions				
Net fee and commission income	257,826	(93,224)	164,603	60
Net interest income	6,767	39	6,806	30
Net trading/hedging income	1,411	98	1,509	80 - 90
Dividends from equity investments	136	719	855	70
Operating revenue	**266,141**	**(92,368)**	**173,773**	**sum**
Payroll and related costs	(52,251)	(1,066)	(53,317)	180a
Other administrative expenses (*)	(105,569)	(25,689)	(131,258)	180b
Administrative expenses	**(157,820)**	**(26,755)**	**(184,576)**	**sum**
Other net operating expenses/income	795	103,935	104,730	220
Net accruals for risks and charges	(2,938)	(1,782)	(4,720)	130 - 190
Operating costs (Net of DA)	**(159,964)**	**75,397**	**(84,566)**	**sum**
EBITDA	**106,177**	**(16,971)**	**89,206**	**sum**
Depreciation and amortisation	(17,423)	(10,213)	(27,636)	200-210
Operating profit	**88,754**	**(27,184)**	**61,570**	**sum**
Depreciation and Amort. (customer contract)	(10,213)	10,213	-	200-210
Share of gains/losses of investees	6	-	6	100-240
Non-recurring/extraordinary items	(16,961)	16,971	10	Other items
Pre-tax profit for the period	**61,587**	**-**	**61,587**	**sum**
Income taxes	(16,472)	-	(16,472)	290
Profit attributable to non-controlling interests	(4,084)	-	(4,084)	330
Profit attributable to the owners of the parent	**41,031**	**-**	**41,031**	**sum**

(*) Sum of the "Production costs", "ICT costs" and "General expenses" management account captions