Nexi Capital S.p.A.

Interim Noteholder Report

as of and for the six months ended June 30, 2018 in respect of €2,200,000,000 Senior Secured Notes, consisting of:

€825,000,000 4 1/8% Senior Secured Notes due 2023
€1,375,000,000 Senior Secured Floating Rate Notes due 2023

August 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"). 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 (a)(ii) of the Indenture, the Company hereunder provides the noteholder report of the Issuer 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 interim 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 recognised 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 Normalised 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 amortisation methods, historical cost and age of assets, financing and capital structures and taxation positions or regimes, we believe Normalised 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

Capitalised 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 the Issuer, including the consolidated financial statements of Holdco, the direct Parent Entity of the Company.

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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
"Existing Indentures"................	The base indenture and the supplementary indenture 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)
"Existing 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
"Financial Statements"	As the context requires, the financial statements of the Mercury Group, the Old Nexi Group and the Latino Group
"Help Line"	Help Line S.p.A.

Certain Definitions

"Holdco"	Mercury UK Holdco Limited
"Indenture"	The base indenture and the supplementary indenture entered into among, *inter alios*, Nexi Capital S.p.A. and U.S. Bank Trustees Limited, in respect of the €825,000,000 4 1⁄8% Senior Secured Notes due 2023 and the €1,375,000,000 Senior Secured Floating Rate Notes due 2023 (both issued 18 May 2018)
"ICBPI"	Istituto Centrale delle Banche Popolari Italiane S.p.A. (now DEPObank 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 Old Nexi Group)
"IMEL and PI"	Electronic Money Institution and Payment Institution
"Latino"	Latino Italy S.p.A. (formerly Latino Italy S.r.l.), renamed Nexi S.p.A. on 10 July 2018
"Latino Group"	Collectively, Latino, Nexi Capital S.p.A. and Mercury Payments
"Listing Particulars"	The listing particulars posted on the Exchange website on 17 May 2018
"Mercury Group", "Group"	Mercury UK Holdco Limited, Old 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 Old Nexi Group's acquisition of MPS Acquiring
"Nexi"	DEPObank S.p.A. (formerly Nexi S.p.A.)
"New Nexi Group"	Collectively, Latino, Nexi Capital S.p.A., Mercury Payments, 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
"Oasi"	Oasi Diagram S.p.A.
"Old Nexi Group"......................	Collectively, Nexi, Nexi Payments, Oasi, Help Line and Bassilichi Payments
"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); was amended on 15 December 2016 and 29 June 2017 and terminated on 2 July 2018
"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

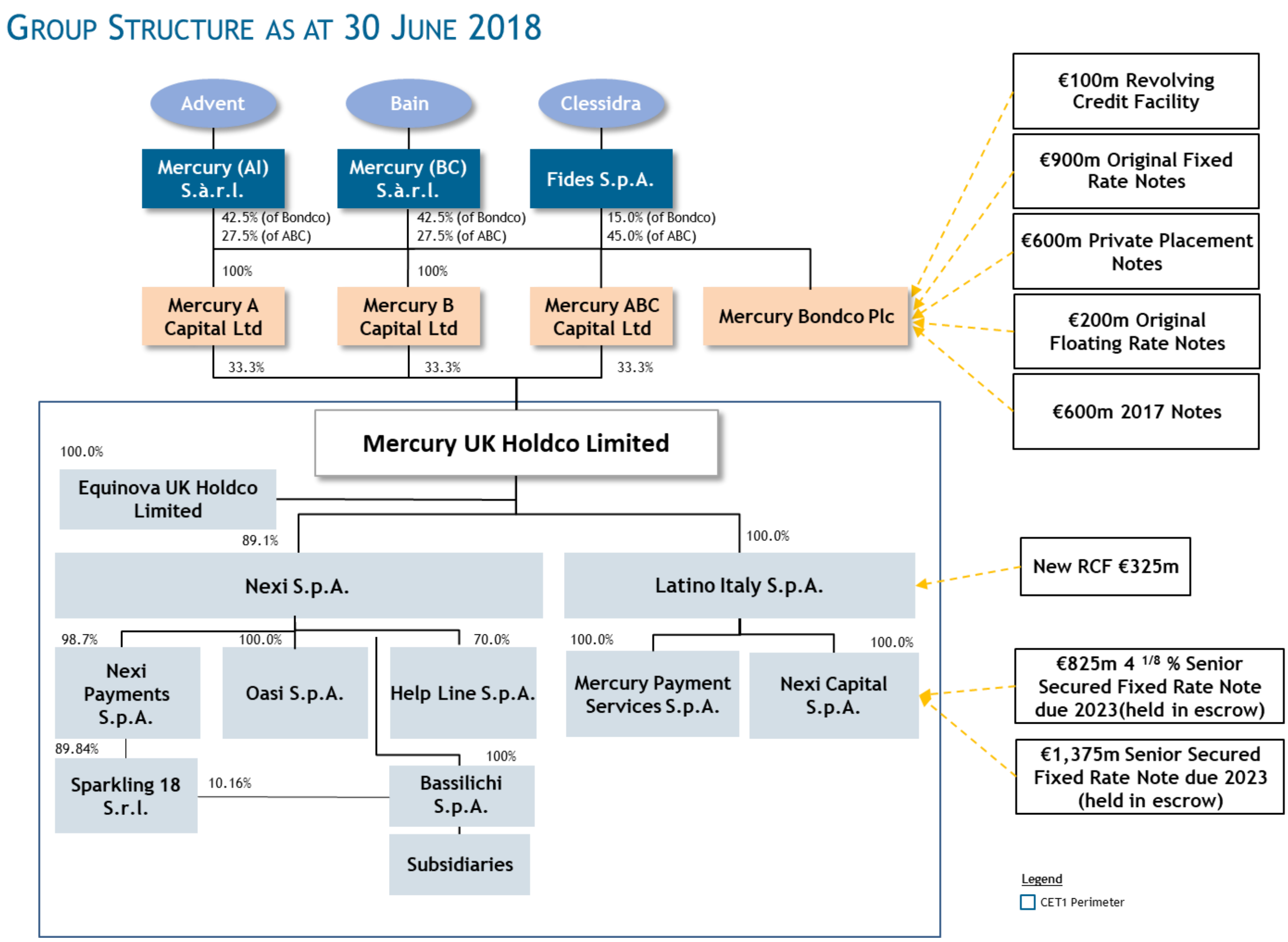
Certain Definitions

“Securities Services Business” ...	The operating segment referred to as ‘‘*Securities services*’’ in Nexi’s Financial Statements
“Sponsors”	Collectively, Advent, Bain Capital and Clessidra
“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.

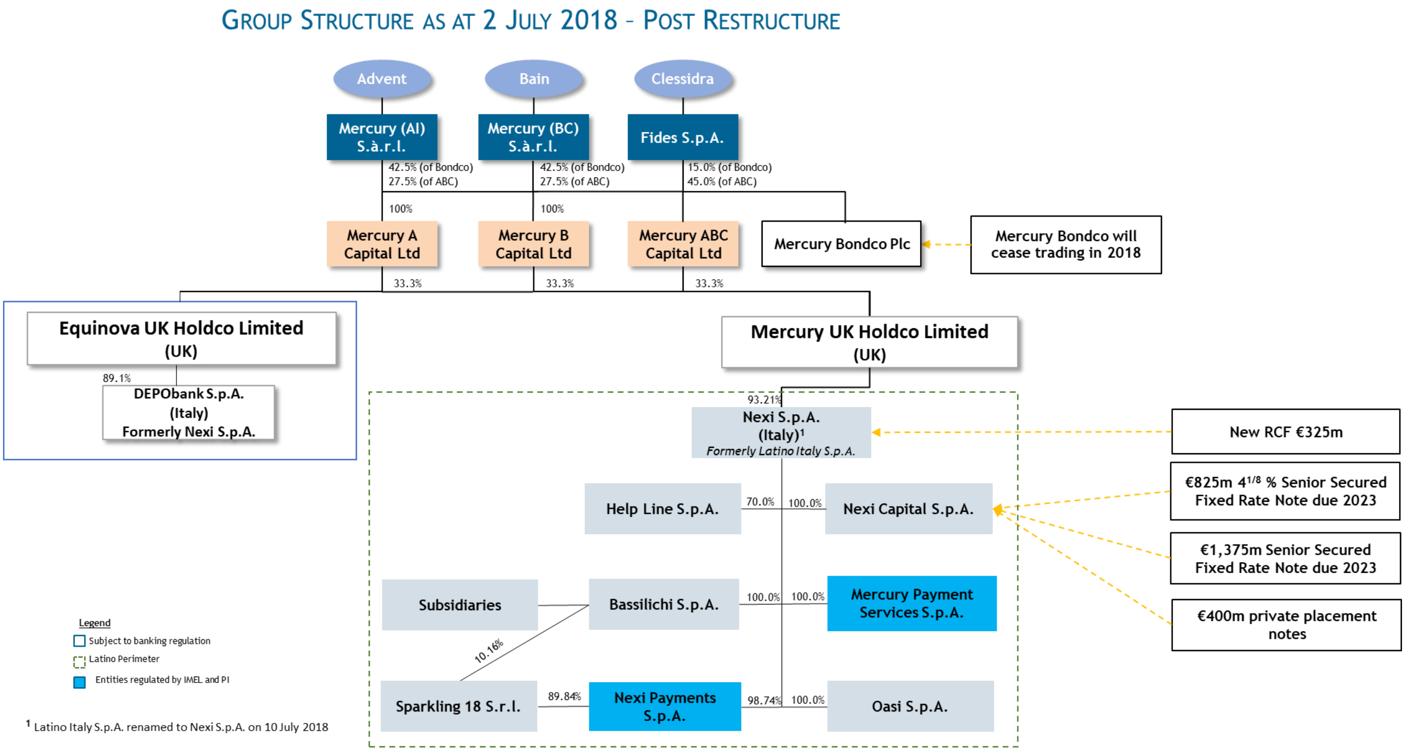
2 GLOSSARY OF PAYMENT AND BANKING TERMS

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

3 GROUP STRUCTURE



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 six months ended 30 June 2018 compared to the six months ended 30 June 2017 (the "Interim Financial Statements");

The pro forma financial information presents the results of the Mercury Group as if all of the entities within the Mercury Group as at 30 June 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 reflects the Mercury Group structure at 30 June 2018 and not the new Mercury Group structure following the Reorganisation (on 2 July 2018). 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 six months ended 30 June 2018 and 30 June 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 and Other Information” in the Listing Particulars.

5 INDUSTRY RANKING AND OTHER DATA

For certain macroeconomic data please refer to the Annual Financial Report and the section entitled *"Industry-Payments Industry Key Trends"* in the Listing Particulars, 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 and Market Data*" in the Listing Particulars.

6 FORWARD LOOKING STATEMENTS

This Interim Financial Report is provided pursuant to Section 4.09(a)(ii) of the Indenture. 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 “Business” as well as 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 future interim and annual financial reports of the Issuer 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

Due to the completion of the Reorganisation taking place following 30 June 2018, the first-half results include Nexi Capital S.p.A. financials but results are primarily a reflection of the performance of the Mercury Group (which included the Old Nexi Group). Standalone first-half results for the New Nexi Group are not available and reporting on the results of the post-Reorganisation Mercury Group will commence in the interim financial report for the period ended 30 September 2018, solely in respect of periods subsequent to 30 June 2018. The results of the Mercury Group and the Old Nexi Group are not comparable to the results of the New Nexi Group and should not be read as a proxy therefore.

The Mercury Group

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

The pro forma operating revenue of the Mercury Group increased by €29.4 million, or 5.7%, to €549.0 million for the six months ended 30 June 2018, from €519.6 million for six months ended 30 June 2017. Benefitting from operating leverage, pro forma EBITDA[1] increased by €27.3 million, or 13.8%, to €224.4 million for the six months ended 30 June 2018 from €197.1 million for the six months ended 30 June 2017.

As a result of the EBITDA growth and the lower level of non-recurring / extraordinary costs, pro forma net profit attributable to the owners of the parent increased by €44.9 million to €51.9 million for the six months ended 30 June 2018 from €7.1 million for the six months ended 30 June 2017.

Non-recurring/extraordinary items in the six months ended 30 June 2018 amounted to €74.0 million (€126.3 million in the same period last year) and mainly consisted of one-off projects costs for the transformation program initiated by the Sponsors (€39.2 million), Bassilichi Payments asset write-offs (€17.8 million) and financial charges associated with the Nexi Capital S.p.A. Notes issued in May (€12.1 million).

On 27 April 2018, the Group received regulatory approval for a Reorganization which completed on 1 July 2018. The Group's regulated banking activities were spun-off with the objective of concentrating operations on payments related services. Following completion of the Reorganisation, the CET1 perimeter applicable to the regulated banking activities to ensure compliance with capital adequacy requirements, which is measured at the level of Holdco prior to the Reorganisation, will be measured at the level of Equinova and its subsidiaries. The Notes were issued by Nexi Capital S.p.A, the proceeds of the Notes, together with the proceeds of the issuance of €400m private placement notes ("the "Private Notes") and cash on hand, were used to refinance Bondco's existing outstanding indebtedness. The Existing Notes issued by Bondco were redeemed on 2 July 2018. Please see section 7.9 Key Subsequent Events for further details.

The Old Nexi Group

The Old Nexi Group pro forma operating revenue and EBITDA for the six months ended 30 June 2018 both increased compared to the six months ended 30 June 2017. The pro forma operating revenue increased by €17.5 million, or 3.9%, to €466.7 million for the six months ended 30 June 2018, from €449.2 million for six months ended 30 June 2017, mostly due to an increase in net fee, commission and other business income (€20.9 million, or 4.9%). The pro forma EBITDA increased by €12.4 million, or 8.0%, to €166.5 million for the six months ended 30 June 2018 from €154.1 million for the six months ended 30 June 2017, as a result of higher contributions by most of customer-facing reporting segments.

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

Overview of Results

The pro forma profit for the period attributable to the owners of the Old Nexi Group amounted to €54.6 million, compared to a loss of €10.9 million for the six months ended 30 June 2017, as a result of higher EBITDA and lower non-recurring / extraordinary costs.

Non-recurring/extraordinary items in the six months ended 30 June 2018 (€40.1 million) mainly consisted of one-off projects costs for the transformation program initiated by the Sponsors (€17.8 million), Bassilichi Payments asset write-offs (€17.8 million) and Nexi rebranding costs (€3.8 million). Non-recurring/extraordinary items in the six months ended 30 June 2017 (€ 116.9 million) mainly consisted non-recurring/extraordinary operating costs associated with HR restructuring (€80.6 million), taxes on M&A transactions (€17.0 million) and the above-mentioned transformation program (€14.9 million).

The Old Nexi Group's key performance indicators improved in the six months ended 30 June 2018, compared to the same period of 2017, except for the Payments Business.

The Nexi Payments business grew both in terms of value of card transactions (+9.7% in total; +4.2% for the Issuing and +12.7% for the Acquiring businesses) and in number of managed transactions (+7.6% in total; -0.1% on debit cards; +10.9% and +15.6% on credit cards for Issuing and Acquiring respectively).

The number of managed cards at 30 June 2018 was marginally lower than the level of the same period of last year, as the 6.7% and 2.0% increases in, respectively, prepaid and charge cards largely balanced out the 8.3% 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 2.0%, the number of clearing transactions by 8.3%, and the number of e-banking workstations by 9.1% due to restructuring activity affecting some large clients and a clean -up of inactive accounts.

Compared to the previous year, the Securities Services business increased in the depositary bank with assets in custody up 4.8% and in global custody with assets in custody up 1.2%. The decrease in the value of brokerage negotiation (-30.0%) was partly attributable to the sale of the corresponding business unit in May, and the less favourable market conditions.

In the Bassilichi Payments business, between 30 June 2018 and 2017 the number of managed POS terminals and the number of managed ATMs decreased by 1.1% and 4.7% respectively, while the number of e-banking workstations increased by 1.4%.

Mercury Payments

On the back of higher volumes and repricing effects, the Payments Business increased operating revenue and EBITDA in the six months ended 30 June 2018 compared to the same period in the previous year: the pro forma operating revenue increased by €11.6 million, or 16.6%, to €81.3 million for the six months ended 30 June 2018 and the pro forma EBITDA increased by €14.4 million, or 33.4%, to €57.6 million for the same period.

As a result, pro forma net profit for the six months to June 30, 2018 increased by €12.0 million to €33.7 million.

Partly due to an enlarged customer base, all of Mercury Payments' key performance indicators improved in the first half of 2018 over the same period of last year, with the number of cards managed up 9.8%, the number of managed transactions up 16.4%, the number of managed POS up 11.3% and the number of managed ATMs up 4.9%.

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 six months ended 30 June 2018 and 30 June 2017.

	Six months to 30 June		
	2018	**2017**	**% change**
	(*in € millions*)		
Pro forma operating revenue [1]	**549.0**	**519.6**	***5.7%***
Old Nexi Group	466.7	449.2	*3.9%*
Latino Group	81.6	69.5	*17.5%*
Holdco	0.7	1.0	*(24.9%)*
Consolidation adjustments	-	-	-
Pro forma normalised EBITDA [2]	**224.4**	**197.1**	***13.8%***
Old Nexi Group	166.5	154.1	*8.0%*
Latino Group	57.9	42.9	*35.0%*
Holdco	-	0.1	*(95.7%)*
Consolidation adjustments	-	-	-
Pro forma profit for the period attributable to the owners of the parent	**51.9**	**7.1**	***n/r***
Old Nexi Group	54.6	(10.9)	*n/r*
Latino Group	15.1	18.4	*(17.9%)*
Holdco	(1.8)	(1.4)	*23.2%*
Consolidation adjustments	(15.9)	1.0	*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 Old 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 six months ended 30 June 2018 and 30 June 2017.

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	526.9	495.1
Net interest income	17.9	21.3
Net trading / hedging income	3.6	2.5
Dividends from equity investments	0.7	0.6
Pro forma operating revenue	**549.0**	**519.6**
Payroll and related costs	(104.0)	(109.1)
Other administrative expenses	(219.9)	(211.1)
Administrative expenses	**(323.9)**	**(320.1)**
Other net operating income	4.8	1.4
Net accruals to provisions for risks and charges	(5.5)	(3.7)
Pro forma operating costs (before depreciation and amortisation)	**(324.6)**	**(322.5)**
Pro forma EBITDA [1]	**224.4**	**197.1**
Depreciation and amortisation	(38.8)	(33.0)
Pro forma operating profit	**185.6**	**164.1**
Depreciation and amortisation on customer contracts	(23.4)	(5.2)
Share of profits of investees	0.2	(2.0)
Non-recurring / extraordinary items	(74.0)	(126.3)
Pre-tax pro forma profit	**88.4**	**30.6**
Income taxes	(29.9)	(25.5)
Post-tax pro forma profit	**58.6**	**5.1**
Pro forma profit for the period attributable to non-controlling interests	(6.6)	1.9
Pro forma profit for the period attributable to the owners of the parent	**51.9**	**7.1**

(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 six months ended 30 June 2018 and 30 June 2017:

	Six months to 30 June			
	2018	**2017**	***change***	***% change***
	(€ millions)			
Pro forma Operating Revenue (1)	**549.0**	**519.6**	***29.4***	***5.7%***
Old Nexi Group	**466.7**	**449.2**	**17.5**	***3.9%***
Nexi Payments	303.0	276.6	26.4	*9.5%*
Card Issuing	*112.2*	*105.3*	*6.9*	*6.5%*
Merchant Acquiring and POS	*159.6*	*139.7*	*19.8*	*14.2%*
Other	*31.3*	*31.6*	*(0.3)*	*(1.0%)*
Payments	42.4	43.8	(1.4)	*(3.2%)*
Securities Services	32.0	36.0	(4.0)	*(11.2%)*
BPO Services	15.0	13.2	1.8	*13.5%*
Bassilichi	67.4	71.8	(4.5)	*(6.3%)*
Other Old Nexi Group Activities / consolidation adjustments	6.8	7.6	(0.8)	*(10.0%)*
Latino Group	**81.6**	**69.5**	**12.2**	***17.5%***
Mercury Payments	81.3	69.7	11.6	*16.6%*
Latino / Nexi Capital / consolidation adjustments	0.3	-0.3	0.6	*n/r*
Other Group	**0.7**	**1.0**	**(0.2)**	***(24.9%)***
Holdco	0.7	1.0	(0.2)	*(24.9%)*
Consolidation adjustments	-	-	-	-
Pro forma normalised EBITDA (2)	**224.4**	**197.1**	**27.3**	***13.8%***
Old Nexi Group	**166.5**	**154.1**	**12.4**	***8.0%***
Nexi Payments	132.1	119.8	12.3	*10.2%*
Payments	11.5	12.6	(1.1)	*(8.7%)*
Securities Services	11.1	9.2	1.9	*20.5%*
BPO Services	6.1	4.7	1.4	*29.5%*
Bassilichi	4.9	1.7	3.3	*193.2%*
Other Old Nexi Group Activities / consolidation adjustments	0.8	6.1	(5.3)	*(87.1%)*
Latino Group	**57.9**	**42.9**	**15.0**	***35.0%***
Mercury Payments	57.6	43.2	14.4	*33.4%*
Latino / Nexi Capital / consolidation adjustments	0.3	-0.3	0.6	*n/r*
Other Group	**-**	**0.1**	**(0.1)**	***(95.7%)***
Holdco	-	0.1	(0.1)	*(95.7%)*
Consolidation adjustments	-	-	-	-
Pro forma profit for the period attributable to the owners of the parent	**51.9**	**7.1**	**44.9**	***n/r***
Old Nexi Group (3)	**54.6**	**(10.9)**	**65.5**	***n/r***
Latino Group	**15.1**	**18.4**	**(3.3)**	***(17.9%)***
Mercury Payments	33.7	21.8	12.0	*55.0%*
Latino / Nexi Capital / consolidation adjustments	(18.6)	(3.4)	(15.2)	*n/r*
Other Group	**(17.7)**	**(0.4)**	**(17.3)**	***n/r***
Holdco	(1.8)	(1.4)	(0.3)	*23.2%*
Consolidation adjustments	(15.9)	1.0	(17.0)	*n/r*

(1) Pro forma operating revenue and pro forma normalised EBITDA are extracted and aggregated from the management accounts for the Old 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.

	Six months to 30 June	
	2018	**2017**
Pro forma EBITDA Margin	**40.9%**	**37.9%**
Old Nexi Group	**35.7%**	**34.3%**
Nexi Payments	43.6%	43.3%
Payments	27.2%	28.8%
Securities Services	34.6%	25.5%
BPO Services	40.4%	35.5%
Bassilichi Payments	7.3%	2.3%
Other Old Nexi Group Activities / consolidation adjustments	n/r	n/r
Latino Group	**70.9%**	**61.7%**
Mercury Payments	70.8%	62.0%
Latino /Nexi Capital/ 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 six months ended 30 June 2018 and 30 June 2017:

	Six months to 30 June	
	2018	**2017**
	(€ millions)	
Pro forma profit for the period attributable to the owners of the parent	**51.9**	**7.1**
Pro forma profit for the period attributable to non-controlling interests	6.6	(1.9)
Income taxes	29.9	25.5
Share of profit of investees	(0.2)	2.0
Non-recurring / extraordinary net financial costs/ (income)	11.8	3.5
Non-recurring / extraordinary operating costs	62.1	122.8
Depreciation, amortisation and impairment losses on customer contracts	23.4	5.2
Pro forma operating profit	**185.6**	**164.1**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	38.8	33.0
Pro forma normalised EBITDA	**224.4**	**197.1**

Non-recurring / extraordinary net financial costs for the six months ended 30 June 2018 were €11.8 million, mostly related to financial charges on May's Nexi Capital S.p.A. Notes issue. Non-recurring / extraordinary net financial costs of €3.5 million for the six months ended 30 June 2017 comprised the write-off on a Nexi investment.

Non-recurring / extraordinary operating costs of €62.1 million for the six months ended 30 June 2018 mainly related to one-off projects costs for the transformation program initiated by the sponsor (€39.2 million) and Bassilichi Payments asset write-offs (€17.8 million). Non-recurring / extraordinary operating costs of €122.8 million for the six months ended 30 June 2017 included €81.3 million for restructuring costs, €21.9 million for the above-mentioned transformation program and €17.0 million for taxes on M&A transactions.

7.6 Other Financial and Operating Information - Mercury Group

7.6.1 Other performance indicators

	Ref	Twelve months to 30 June 2018
		(*in € millions*)
Pro forma operating revenue		1,130.5
Pro forma normalised EBITDA (1)	*7.6.2*	453.5
Pro forma normalised EBITDA margin (2)		40.1%
Adjusted pro forma EBITDA (1)	*7.6.2*	566.5
Adjusted pro forma EBITDA margin (2)		50.1%
Pro forma profit for the period attributable to the owners of the parent	*7.6.3*	136.5
Adjusted pro forma profit for the period attributable to the owners of the parent	*7.6.3*	279.8
CET1 Capital Ratio		16.72%
Adjusted pro forma profit of the Mercury Group available to Sponsors' HoldCos	*7.6.4*	262.1
Net financial debt (3)		2,295.9
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		3.1x
Adjusted pro forma coverage (5)		1.5x

(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.

(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 30 June 2018, the cash and cash equivalents of Bondco and Sponsors' HoldCos was equal to €4.1 million.

(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 30 June 2018.

(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 30 June 2018
	(*in € millions*)
Pro forma normalised EBITDA	**453.5**
Capitalisation of ICT expenditures(A)	-
ICT and procurement savings(B)	5.6
International debit initiative(C)	1.8
Synergies with Mercury Payments(D)	20.0
Synergies with MPS Acquiring(E)	7.3
Synergies with DB Cards Acquiring(F)	-
Synergies with Bassilichi Payments(G)	15.6
EBITDA adjustments disclosed in Information Release 30 April 2018(H)	62.7
Adjusted pro forma EBITDA	**566.5**

(A) Capitalisation of ICT expenditures related 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 30 June 2018. For the period ended 30 June 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 30 June 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. All such items have been included in the normalised EBITDA.

(B) ICT and procurement savings give 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 Old 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) 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 €1.8 million.

(D) 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.

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

(ii) synergies of €5.3 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.

(F) Represented the estimated annualised adjusted pro forma EBITDA contribution of the DB Cards Acquisition, plus expected synergies. All such items have been included in the normalised EBITDA.

(G) 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 Old 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 Old Nexi Group's existing payments infrastructure; and

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

(H) 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 Centre*: This adjustment of €3.1 million gives effect to the estimated costs savings from initiatives targeting operational excellence at our customer contact centre, 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 €6.5 million of these additional EBITDA adjustments totalling €69.2 million have already been realised in the six months to June 30, 2018.

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

	Twelve months to 30 June 2018
	(*in € millions*)
Pro forma profit for the year attributable to the owners of the parent	**136.5**
Extraordinary (income)/costs[(A)]	68.3
Capitalisation of ICT expenditure[(B)]	-
ICT and procurement savings[(B)]	3.7
International debit initiative[(B)]	1.2
Tax benefit due to equity investment (ACE)[(C)]	(0.6)
Synergies with Mercury Payments[(B)]	13.4
Synergies with MPS Acquiring[(B)]	4.9
Synergies with DB Cards Acquiring[(B)]	-
Synergies with Bassilichi Payments[(B)]	10.4
EBITDA adjustments disclosed in Information Release 30 April 2018[(D)]	42.0
Adjusted pro forma profit	**279.8**

(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 €38.6 million of non-recurring items of the Old Nexi Group, mainly related to the transformation program and Bassilichi Payments asset write-offs (please refer to section 7.5 for more details), (ii) a negative impact of €25.9 million of one-off items incurred by the Latino Group, of which €17.5 million was incurred by Nexi Capital S.p.A., and, (iii) a negative impact of €3.8 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 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 30 June 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 30 June 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.

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 30 June 2018
	(*in € millions*)
Adjusted pro forma profit[(A)]	**279.8**
Minority equity interests[(B)]	(11.4)
Tax leakage[(C)]	(6.3)
Adjusted pro forma profit of the Mercury Group available to Sponsors' HoldCos[(D)]	**262.1**
Additional liquidity available to Bondco and the Sponsors' HoldCos	**104.1**
thereof: Revolving Credit Facility[(E)]	100.0
thereof: cash at Sponsors' HoldCos and Bondco[(E)]	4.1
Notional excess capital buffer available to Holdco[(F)]	**113.2**

(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 30 June 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 30 June 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 May 2018.

(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 30 June 2018, after giving effect to any tax leakage (as described in footnote (C) above).

	30 June 2018
	(*in € millions*)
CET1 Capital in excess of 14% CET1 capital ratio	113.2
Tax leakage[(A)]	-
Notional excess capital buffer available to Holdco	**113.2**

(A) Future dividends paid from Nexi to Holdco will not 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 30 June 2018.

	30 June 2018
	(*in € millions, except where stated otherwise)*
Own funds	
Common Equity Tier 1 (CET1)	764.5
Tier 1 capital	764.5
Tier 2 capital	-
Total own funds	**764.5**
Capital Requirements	
Credit and counterparty risk	186.4
Market risk	-
Operational risk	179.2
Total prudential requirements	**365.7**
Risk-Weighted Assets and capital ratios	
Risk-weighted assets	4,571.3
CET1 capital ratio	16.72%
Tier 1 capital ratio	16.72%
Total capital ratio	**16.72%**

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 six months ended 30 June 2018 and 30 June 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 six months to 30 June			
	2018	**2017**	**change**	**% change**
Nexi Payments reporting segment (1)				
Number of managed cards (‘000)	27,088	27,511	(422)	(1.5%)
Debit cards	*10,695*	*11,668*	*(973)*	*(8.3%)*
Issuing	*16,394*	*15,842*	*551*	*3.5%*
Charge cards	*9,765*	*9,578*	*187*	*2.0%*
Prepaid cards	*6,274*	*5,882*	*391*	*6.7%*
Credit cards	*355*	*383*	*(27)*	*(7.1%)*
Value of card transactions (€millions) (2)	44,454	40,529	3,925	9.7%
Issuing	*15,050*	*14,445*	*605*	*4.2%*
Acquiring	*29,404*	*26,084*	*3,320*	*12.7%*
Number of managed transactions (millions) (3)	1,454	1,351	103	7.6%
Debit cards	*596*	*597*	*(1)*	*(0.1%)*
Issuing	*333*	*300*	*33*	*10.9%*
Acquiring	*525*	*454*	*71*	*15.6%*
Number of managed POS	600,900	552,178	48,722	8.8%
Number of managed ATMs	9,234	9,145	89	1.0%
Payments reporting segment (1)				
Number of banking payment transactions (millions) (4)	284	290	(6)	(2.0%)
Number of clearing transactions (millions) (4)	429	467	(39)	(8.3%)
Number of e-banking workstations	242,152	266,342	(24,190)	(9.1%)
Securities Services reporting segment (1)				
Depositary bank—amount of assets in custody (€millions) (5)	63,842	60,891	2,950	4.8%
Global custody—amount of assets in custody (€millions) (5)	124,395	122,942	1,453	1.2%
Value of brokerage negotiation (€millions)	18,222	26,032	(7,811)	(30.0%)

(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 six months to 30 June			
	2018	2017	change	% change
Bassilichi Payments reporting segment				
Number of managed POS	316,537	320,143	(3,606)	(1.1%)
Number of managed ATMs	4,661	4,889	(228)	(4.7%)
Number of e-banking workstations	261,028	257,321	3,707	1.4%
Mercury Payments reporting segment (1)				
Number of managed cards ('000)	16,962	15,446	1,517	9.8%
Debit cards	*11,797*	*10,333*	*1,464*	*14.2%*
Charge cards	*2,406*	*2,273*	*133*	*5.9%*
Prepaid cards	*2,759*	*2,840*	*-81*	*-2.8%*
Number of managed transactions (millions) (2)	875	752	123	16.4%
Issuing	*317*	*277*	*40*	*14.5%*
Acquiring	*558*	*475*	*83*	*17.5%*
Number of managed POS	501,202	450,384	50,818	11.3%
Number of managed ATMs	7,520	7,169	351	4.9%

(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 1 July 2018 Nexi's regulated banking activities were spun-off to Holdco's shareholders. Consequently, the proceeds of the Notes, issued by Nexi Capital S.p.A. on 18 May 2018 in a combination of fixed and floating rate notes and placed into escrow pending completion of the Reorganisation, were released on 2 July 2018. In addition, Nexi Capital S.p.A.'s Private Notes were issued on 2 July 2018. The net proceeds of the Notes and Private Notes were used to, among other things, refinance Mercury Bondco Plc's existing outstanding indebtedness, including the redemption in full of the Existing Notes. The net proceeds from the Notes and Private Notes were loaned from Nexi Capital S.p.A to Latino, (now Nexi S.p.A), then from Latino (now Nexi S.p.A) to Holdco and from Holdco to each of the Sponsors' HoldCos via upstream loans. The Sponsors' HoldCos used the proceeds received from the upstream loan from Holdco to repay principal and interest on the existing proceeds loans. Bondco used the proceeds received from the repayment of the existing proceeds loans to redeem in full the Existing Notes.

A new revolving credit facility of €325 million was entered into by Latino and Nexi Capital S.p.A. on 4 May 2018 (as amended and restated on 18 May 2018) and the existing Revolving Credit Facility was terminated on 2 July 2018.

Mercury Group completed a corporate Reorganisation aimed at separating the activities linked to digital payments from those of a strictly banking nature. The New Nexi Group led by Paolo Bertoluzzo, as CEO, includes Nexi Payments, Bassilichi, Mercury Payments, Oasi and Help Line. A new board of directors was elected to the board of the New Nexi Group. The banking business has been concentrated under DEPObank S.p.A., which will be led by a management and board of directors that is entirely separate and independent from that of the New Nexi Group. Equinova is now the UK holding company of DEPObank S.p.A.

Following the Reorganisation of the Mercury Group, the perimeter of the existing warrant plan was changed to reflect the fact that the plan is now for the benefit of the managers of Nexi S.p.A. Holdco entered into amended agreements with managers to offer and subscribe for a warrant plan where such persons may buy shares in Nexi S.p.A. rather than ICBPI.

On 26 June 2018 Nexi Payments entered into a settlement obligations factoring agreement with UniCredit Factoring S.p.A. (the "Settlement Obligations Factoring Agreement") which became effective on 2 July 2018. It involves a total of €3.55 billion committed lines (a maximim of €3.2 billion can be drawn-down) of which: €3 billion can be for "without recourse" purchases to fund accounts receivable outstanding from certain designated partner banks. A further €200 million can be used for purchases with recourse, and €350 million as bridge finance for non-business days.

On 1 July 2018 as a part of the restructuring Holdco subscribed for shares in the capital of Equinova by way of a cash subscription of €103 million and Holdco agreed to contribute all of the shares which it owns in the capital of Nexi to Equinova in consideration for the issue and allotment of €385 million ordinary shares of €1 each in the capital of Equinova. Subsequently, Holdco has transferred the entire share capital of Equinova to Sponsors' HoldCos by means of a dividend in specie.

Following the Reorganisation, Nexi Payments has facilities to be used for the settlement and collection of payments amounting to over €900 million in available funding.

On 10 July 2018, Latino Italy S.p.A. was renamed as Nexi S.p.A.

No other events took place after the reporting period that would have had a significant impact on the New Nexi Group 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 30 June 2018.

8.1 Results of Operations – Old Nexi Group

8.1.1 Old Nexi Group financial statements

	Six months to 30 June	
	2018	**2017**
	(in € millions)	
Interest and similar income	37.1	39.6
Interest and similar charges	(18.8)	(16.7)
Net interest income	**18.3**	**22.9**
Fee and commission income	554.8	518.5
Fee and commission expense	(301.1)	(269.3)
Net fee and commission income	**253.7**	**249.2**
Dividends and similar income	1.0	0.6
Net trading income	1.8	2.5
Net profit on sale or repurchase	0.3	0.2
Profit on financial assets/liabilities designated at fair value through profit and loss	3.4	-
Total income	**278.5**	**275.5**
Net impairment losses	(2.3)	(3.8)
Net financial income	**276.1**	**271.7**
Administrative expenses:	(354.7)	(431.4)
a) Payroll and related costs	(99.2)	(181.3)
b) Other administrative expenses	(255.5)	(250.2)
Net accruals to provisions for risks and charges	(15.4)	(1.8)
Depreciation and net impairment losses on property, equipment and investment property	(16.2)	(17.6)
Amortisation and net impairment losses on intangible assets	(24.6)	(17.1)
Other net operating income	216.0	199.0
Operating costs	**(194.9)**	**(269.0)**
Share of profits of investees	0.2	(2.2)
Net gains of investments	4.3	-
Pre-tax Profits from continuing operations	**85.7**	**0.6**
Income taxes	(30.3)	(12.3)
Profit from continuing operations	**55.4**	**(11.8)**
Profit for the period	55.4	(11.8)
Profit for the period attributable to non-controlling interests	(0.9)	0.9
Profit for the period attributable to the owners of the parent	**54.6**	**(10.9)**

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

We have presented in this Interim Financial Report certain data extracted from the Old 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 Old Nexi Group's consolidated financial statements presented in accordance with IFRS. In particular, the Old Nexi Group's management accounts are prepared to supplement the consolidated financial statements with information on the consolidated operating revenue of the Old 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 Old 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 Old 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 Old 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 Old 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 Old 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 Old 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 Old 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 *"Nexi Group: Reconciliation of Consolidated Financial Statements to Management Accounts"* of the Annual Financial Report.

Operating and Financial Review – Results of Operations – Old Nexi Group

Reconciliation of Management Accounts – Old Nexi Group *(€ millions)*	Six months to 30 June							
	2018				**2017**			
	Financial Statements	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**	**Financial Statement**	**Reclassified Line Items**	**Excluded Line**	**Management Accounts**
Net fee, commission and other business income (1)	253.7	189.2	1.3	444.1	249.2	174.0	-	423.2
Net interest income	18.3	(0.1)	-	18.2	22.9	(0.1)	-	22.9
Dividends from equity investments	1.0	-	(0.4)	0.6	0.6	-	-	0.6
Net trading / hedging income	1.8	-	1.9	3.7	2.5	-	-	2.5
Net profit on sale or repurchase	0.3	-	(0.3)	-	0.2	-	(0.2)	-
Profit on financial assets/liabilities designated at fair value through P&L	3.4	-	(3.4)	-	-	-	-	-
Net impairment losses	(2.3)	1.7	0.6	-	(3.8)	0.3	3.5	-
Net financial income	**276.1**	**190.8**	**(0.3)**	**466.7**	**271.7**	**174.2**	**3.3**	**449.2**
Operating revenue				**466.7**				**449.2**
Nexi Payments				303.0				276.6
Card Issuing	-	-	-	*112.2*	-	-	-	*105.3*
Merchant Acquiring and POS	-	-	-	*159.6*	-	-	-	*139.7*
Other	-	-	-	*31.3*	-	-	-	*31.6*
Payments	-	-	-	42.4	-	-	-	43.8
Securities Services	-	-	-	32.0	-	-	-	36.0
BPO Services	-	-	-	15.0	-	-	-	13.2
Bassilichi	-	-	-	67.4	-	-	-	71.8
Other Group Activities	-	-	-	23.6	-	-	-	24.6
Consolidation adjustments	-	-	-	(16.7)	-	-	-	(16.9)
Administrative expenses:								
a) payroll and related costs (2)	*(99.2)*	*0.9*	*3.2*	*(95.1)*	*(181.3)*	*0.5*	*80.6*	*(100.2)*
b) other administrative expenses (2)	*(255.5)*	*28.3*	*23.4*	*(203.9)*	*(250.2)*	*25.8*	*31.9*	*(192.4)*
Production costs	-	-	-	*(83.1)*	-	-	-	*(86.4)*
ICT costs	-	-	-	*(92.7)*	-	-	-	*(86.4)*
General expenses	-	-	-	*(28.1)*	-	-	-	*(19.6)*
Depreciation and impairment losses on property	(16.2)	-	-	(16.2)	(17.6)	-	-	(17.6)
Amortisation and net impairment losses on intangible assets	(24.6)	-	8.2	(16.5)	(17.1)	-	5.2	(11.9)
Other net operating expenses / income (2)	216.0	(214.9)	2.9	4.1	199.0	(198.2)	0.2	1.0
Net accruals to provisions for risks and charges (2)	(15.4)	(5.1)	15.2	(5.3)	(1.8)	(2.3)	0.6	(3.5)
Operating costs	**(194.9)**	**(190.8)**	**52.8**	**(332.9)**	**(269.0)**	**(174.2)**	**118.6**	**(324.6)**
Operating profit				**133.8**				**124.6**

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

This pro forma financial information presents the results of the Old Nexi Group as if all of the entities within the Old Nexi Group as at 30 June 2018 had been included within the Old Nexi Group from the beginning of the reporting period presented (January - June). 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 Old 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.

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	444.1	423.2
Net interest income	18.2	22.9
Net trading / hedging income	3.7	2.5
Dividends from equity investments	0.6	0.6
Operating revenue	**466.7**	**449.2**
Payroll and related costs	(95.1)	(100.2)
Other administration costs	(203.9)	(192.4)
Administrative expense	**(298.9)**	**(292.6)**
Other net operating income	4.1	1.0
Net accruals to provisions for risks and charges	(5.3)	(3.5)
Operating costs (before depreciation and amortisation)	**(300.2)**	**(295.1)**
EBITDA	**166.5**	**154.1**
Depreciation and amortisation (included in operating profit)	(32.7)	(29.5)
Operating profit	**133.8**	**124.6**
Depreciation and amortisation on customer contracts	(8.2)	(5.2)
Share of profits of investees	0.2	(2.0)
Non-recurring / extraordinary items	(40.1)	(116.9)
Pre-tax profit	**85.7**	**0.6**
Income taxes	(30.3)	(12.3)
Post-tax profit	**55.4**	**(11.8)**
Profit for the period attributable to non-controlling interests	(0.9)	0.9
Profit for the period attributable to the owners of the parent	**54.6**	**(10.9)**

8.1.4 Old Nexi Group: Discussion of Results of Operations

The following tables are extracts from the Management Accounts for the six months ended 30 June 2018 and 30 June 2017.

Old Nexi Group Operating Revenue

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	444.1	423.2
Net interest income	18.2	22.9
Net trading / hedging income	3.7	2.5
Dividends from equity investments	0.6	0.6
Operating revenue	**466.7**	**449.2**

Operating revenue increased by €17.5 million, or 3.9%, as net fee and commission income increased by €20.9 million, or 4.9%, driven by Nexi Payments and BPO reporting segments.

Net interest income decreased by €4.6 million, or 20.3%, due to a lower yield of the securities portfolio.

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

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Administrative expenses	(298.9)	(292.6)
thereof: Payroll and related costs	*(95.1)*	*(100.2)*
thereof: Other administrative expenses	*(203.9)*	*(192.4)*
Other net operating income	4.1	1.0
Net accruals to provision for risks and charges	(5.3)	(3.5)
Operating costs (net of depreciation and amortisation included in operating profit)	**(300.2)**	**(295.1)**

Operating costs (net of depreciation and amortisation included in operating profit) increased by €5.1 million, or 1.7%. Payroll and related costs decreased by €5.1 million, or 5.1%, and other administrative expenses increased by €11.5 million, or 6.0%. Other net operating income increased by €3.1 million, while net accruals to provision for risks and changes increased by €1.8 million mostly due to credit losses.

Old Nexi Group EBITDA

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Operating revenue	466.7	449.2
Operating costs (before depreciation and amortisation charges included in operating profit)	(300.2)	(295.1)
EBITDA	**166.5**	**154.1**

EBITDA increased by €12.4 million, or 8.0%, compared to the six months to June 30, 2017.

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

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets..	(40.9)	(34.7)

Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets increased by €6.1 million, or 17.7%.

Amortisation of customer contracts increased by €2.9 million (from €5.2 million for the period ended 30 June 2017 to €8.2 million for the period ended 30 June 2018), while depreciation, amortisation and impairment losses on property, equipment, investment property and other intangible assets decreased by €3.2 million (from €29.5 million in the six months ended 30 June 2017, to €32.7 million in the six months ended 30 June 2018).

Non-Recurring Items

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Non-recurring / extraordinary financial income	0.3	(3.5)
Non-recurring / extraordinary operating costs	(40.3)	(113.4)
Non-recurring / extraordinary items	**(40.1)**	**(116.9)**

Non-recurring/extraordinary items in the six months ended 30 June 2018 mainly consisted of one-off projects costs for the transformation program initiated by the Sponsors (€17.8 million), Bassilichi Payments asset write-offs (€17.8 million) and Nexi rebranding costs (€3.8 million).

Non-recurring/extraordinary items in the six months ended 30 June 2017 mainly consisted non-recurring/extraordinary operating costs associated with HR restructuring (€80.6 million), taxes on M&A transactions (€17.0 million) and the above-mentioned transformation program (€14.9 million).

Income Taxes

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Income taxes	(30.3)	(12.3)

Income taxes expense increased by €18.0 million to €30.3 million for the period ended 30 June 2018, mainly due the higher profit generation.

Profit for the period attributable to non-controlling interests

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Profit for the period attributable to non-controlling interests	(0.9)	0.9

Profit for the period attributable to non-controlling interests amounted to €0.9 million for the period ended 30 June 2018, compared to a loss of the same amount for the period ended 30 June 2017.

Profit for the period attributable to the owners of the parent

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Profit for the period attributable to the owners of the parent	54.6	(10.9)

Profit for the period attributable to the owners of the parent for the six months ended 30 June 2018 amounted to €54.6 million, compared to a loss of €10.9 million, as a result of higher EBITDA and lower non-recurring/extraordinary operating costs.

Discussion of Results of Operations by Reporting Segment

Operating Revenue by Reporting Segment

Old Nexi Group

	Six months to 30 June 2018	2017
	(*in € millions*)	
Operating Revenue	**466.7**	**449.2**
Nexi Payments	*303.0*	*276.6*
Payments	*42.4*	*43.8*
Securities Services	*32.0*	*36.0*
BPO Services	*15.0*	*13.2*
Bassilichi Payments	*67.4*	*71.8*
Other Group Activities	*23.6*	*24.6*
Consolidation adjustments (1)	*(16.7)*	*(16.9)*

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

Nexi Payments

	Six months to 30 March 2018	2017
	(*in € millions*)	
Net fee, commission and other business income	311.2	280.0
Net interest expense	(8.4)	(3.4)
Net trading / hedging loss	-	(0.2)
Dividends from equity investments	0.3	0.2
Operating revenue	**303.0**	**276.6**
thereof: Card Issuing	112.2	105.3
thereof: Merchant Acquiring and POS	159.6	139.7
thereof: Others (1)	31.3	31.6

(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 €26.4 million, or 9.5%, 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 €6.9 million, or 6.5%, primarily due to increases in the number and value of card transactions. Operating revenue generated by the Merchant Acquiring and POS Business increased by €19.8 million, or 14.2%, 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 1.0%.

Payments

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	41.4	42.7
Net interest income	1.1	1.1
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**42.4**	**43.8**

Operating revenue generated by the Payments reporting segment in the six months ended 30 June 2018 decreased by €1.4 million, or 3.2%. 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 3.2%, due to lower client activity in Clearing and Banking Payments and a decreased number of e-banking workstations.

Securities Services

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	26.5	30.3
Net interest income	5.3	4.1
Net trading / hedging income	0.3	1.6
Dividends from equity investments	-	-
Operating revenue	**32.0**	**36.0**

Operating revenue generated by the Securities Services reporting segment decreased by €4.0 million, or 11.2%.

Net fee, commission and other income business decreased by €3.8 million, or 12.6%, mostly due to the sale of a pension-fund related business and of the brokerage and primary market businesses in May. Net interest income increased by €1.1 million, or 27.0%, driven by growth in average gross deposit volume.

BPO Services

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	15.0	13.2
Net interest income	-	-
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**15.0**	**13.2**

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 €1.8 million, or 13.5%.

Operating revenue from anti-money laundering services increased by €2.1 million, or 40.5%, from €5.1 million in the six months ended 30 June 2017 to €7.2 million in the six months ended 30 June 2018, as a result of increased provision of services. Operating revenue from regulatory reporting services decreased by €0.3 million, or 3.7%, from €8.0 million in the six months ended 30 June 2017 to €7.7 million in the six months ended 30 June 2018.

Bassilichi Payments

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Net fee, commission and other business income	68.0	73.3
Net interest income	(0.7)	(1.5)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**67.4**	**71.8**

Operating revenue decreased by €4.5 million, or 6.3%, from €71.8 million in the six months ended 30 June 2017 to €67.4 million in the six months ended 30 June 2018, primarily due to a lower number of managed POS and ATM terminals.

Other Old Nexi Group Activities

	Six months to 30 June 2018	2017
	(*in € millions*)	
Net fee, commission and other business income	0.5	0.7
Net interest income	19.3	22.4
Net trading / hedging income	3.4	1.2
Dividends from equity investments	0.4	0.4
Operating revenue	**23.6**	**24.6**

Operating revenue contributed by the Other Old 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 Old Nexi Group Activities reporting segment decreased by €1.0 million in the six months ended 30 June 2018, as net interest income decreased by €3.1 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 108 basis points in the six months ended 30 June 2017 to 54 basis points in the six months ended 30 June 2018. The average value of the securities portfolio increased by €1.1 billion, or 35.1%, over the same period.

Operating Costs by Reporting Segment

	Six months to 30 June 2018	2017
	(*in € millions*)	
Operating costs (net of depreciation and amortisation included in operating profit)	**(300.2)**	**(295.1)**
Nexi Payments	*(170.9)*	*(156.8)*
Payments	*(30.9)*	*(31.2)*
Securities Services	*(20.9)*	*(26.9)*
BPO Services	*(8.9)*	*(8.5)*
Bassilichi Payments	*(62.4)*	*(70.2)*
Other Group Activities	*(22.8)*	*(18.5)*
Consolidation adjustments [(1)]	*16.7*	*16.9*

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

Nexi Payments

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(168.8)	(153.4)
a) payroll and related costs	*(30.9)*	*(31.2)*
b) other administrative expenses	*(137.9)*	*(122.2)*
Other net operating income	3.0	(0.2)
Net accruals to provision for risks and charges	(5.1)	(3.2)
thereof: Fraud	(3.0)	(2.9)
thereof: Credit losses	(2.1)	(0.4)
thereof: Others	(0.1)	0.1
Operating costs (net of depreciation and amortisation included in operating profit)	**(170.9)**	**(156.8)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Nexi Payments reporting segment increased by €14.1 million, or 9.0%.

Administrative expenses increased by €15.5 million, or 10.1%, due to a 12.8% increase in other administrative expenses. This was driven by customer service and planned IT initiatives. Other net operating income amounted to €3.0 million, compared to a negative value of €0.2 million in the prior year. Net accruals to provision for risks and charges increased by €1.9 million, mostly due to higher accrual for credit losses.

Payments

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(24.9)	(28.3)
a) payroll and related costs	*(5.0)*	*(7.9)*
b) other administrative expenses	*(19.9)*	*(20.4)*
Other net operating expenses	(6.0)	(2.9)
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(30.9)**	**(31.2)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Payments reporting segment decreased by €0.3 million, or 1.0%. This decrease was due to lower payroll and related costs for €2.9 million and lower administrative expenses for €0.5 million on lower volumes and efficiency initiatives, while other net operating expenses increased by €3.1 million.

Securities Services

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(16.8)	(21.3)
a) payroll and related costs	*(6.8)*	*(9.2)*
b) other administrative expenses	*(10.1)*	*(12.1)*
Other net operating expenses	(3.9)	(5.3)
Net accruals to provision for risks and charges	(0.2)	(0.3)
Operating costs (net of depreciation and amortisation included in operating profit)	**(20.9)**	**(26.9)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Securities Services reporting segment decreased by €5.9 million, or 22.0%, due to the sale of a pension-fund related business and of the brokerage and primary market businesses in May, as well as to efficiency initiatives.

For the six-month period ending 30 June 2018, payroll and related costs decreased by €2.4 million, or 26.4% and other administrative expenses decreased by €2.0 million, or 16.6%. Other net operating expenses decreased to €3.9 million, compared to €5.3 million in the six months to June 30, 2017.

BPO Services

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(8.9)	(8.7)
a) payroll and related costs	*(3.8)*	*(4.0)*
b) other administrative expenses	*(5.0)*	*(4.7)*
Other net operating income	-	0.2
Operating costs (net of depreciation and amortisation included in operating profit)	**(8.9)**	**(8.5)**

Operating costs (net of depreciation and amortisation included in operating profit) in the BPO Services reporting segment increased by €0.4 million, or 4.8%, primarily as other administrative expenses increased by €0.3 million.

Bassilichi Payments

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(63.1)	(70.2)
a) payroll and related costs	*(20.2)*	*(23.8)*
b) other administrative expenses	*(42.9)*	*(46.4)*
Other net operating income	0.7	-
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(62.4)**	**(70.2)**

Operating costs (net of depreciation and amortisation included in operating profit) decreased by €7.7million, or 11.0%, from €70.2 million for the six months ended 30 June 2017 to €62.4 million for the six months ended 30 June 2018, partly as a result of post-acquisition synergies.

Compared to the same period of last year, payroll and related costs decreased by 14.9% and other administrative expenses decreased by 7.5%.

Other Old Nexi Group Activities

	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Administrative expenses:	(44.7)	(38.5)
a) payroll and related costs	(28.6)	(24.2)
b) other administrative expenses	(16.2)	(14.3)
Other net operating income	22.0	20.0
Net accruals to provision for risks and charges	-	-
Operating costs (net of depreciation and amortisation included in operating profit)	**(22.8)**	**(18.5)**

Operating costs (net of depreciation and amortisation included in operating profit) in the Other Old Nexi Group Activities reporting segment increased by €4.3 million, or 23.3%, due to payroll and related costs, increasing by €4.4 million, or 18.1%. Other net operating income increased by €1.9 million, or 9.8%.

EBITDA by Reporting Segment

	Six months to 30 June 2018	2017
	(*in € millions*)	
EBITDA	**166.5**	**154.1**
Nexi Payments	*132.1*	*119.8*
Payments	*11.5*	*12.6*
Securities Services	*11.1*	*9.2*
BPO Services	*6.1*	*4.7*
Bassilichi Payments	*4.9*	*1.7*
Other Group Activities	*0.8*	*6.1*
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 six months ended 30 June 2018 and 30 June 2017, according to the management accounts.

<u>Sources</u>	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Interbank deposits	1,189.2	1,007.3
Current bank accounts	1,373.8	762.1
Securities services deposits	6,116.6	5,149.8
Payments deposits	691.6	883.7
Other liabilities	1,286.7	426.3
Equity	1,869.9	1,497.8
Total sources	**12,527.7**	**9,727.0**

<u>Uses</u>	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Interbank deposits	1,218.0	1,145.3
Current bank accounts	2,784.0	2,408.5
Other financial assets	4,199.8	3,107.9
Nexi Payments loan	1,728.8	1,108.8
Equity investments	1,911.3	1,331.4
Other assets	685.9	625.1
Total uses	**12,527.7**	**9,727.0**

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 six months ended 30 June 2018 and 30 June 2017, according to the management accounts.

Sources	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Loan from Nexi	1,728.8	1,108.8
Payables to other banks	346.3	357.4
Equity and other liabilities	1,347.3	751.9
Total sources	**3,422.4**	**2,218.1**

Uses	Six months to 30 June	
	2018	2017
	(*in € millions*)	
Issuing receivables	2,051.5	1,876.1
Acquiring receivables	175.6	156.2
Fixed and other assets	1,195.3	185.8
Total uses	**3,422.4**	**2,218.1**

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 six months due to the gradual implementation of a revised policy on the capitalisation of ICT expenditures.

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Expansion capital expenditures	4.5	551.2
Maintenance capital expenditures	58.3	28.5
Capital expenditures	**62.7**	**579.6**

Expansion capital expenditure incurred for the six months ended 30 June 2018 related to the acquisition of the digital payment start-up Sparkling 18. In the same period of 2017 the Old Nexi Group incurred expansion capital expenditures of €551.2 million, due to the DB Cards and MPS Acquiring acquisitions.

The maintenance capital expenditures of €58.3 million primarily related to ICT expenses for €51.4 million, purchases and maintenance of POS and ATM property for €4.6 million and other equipment for €2.2 million. The maintenance capital expenditures of €28.5 million incurred for the six months ended 30 June 2017 primarily related to ICT expenses (€20.9 million).

8.2 Mercury Payments

8.2.1 Mercury Payments: Financial statements

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Interest and similar income	-	-
Interest and similar charges	(0.6)	(1.4)
Net interest charges	(0.6)	**(1.3)**
Fee and commission income	82.9	71.9
Fee and commission expense	(1.0)	(0.9)
Net fee and commission income	81.9	**71.0**
Dividends and similar income	-	-
Net trading income	-	-
Net profit on sale or repurchase	-	-
Total income	**81.3**	**69.7**
Net impairment losses	0.5	-
Net financial income	**81.8**	**69.7**
Administrative expenses:	(26.1)	(34.5)
a) Payroll and related costs:	*(9.3)*	*(9.3)*
b) Other administrative expenses:	*(16.9)*	*(25.2)*
Net accruals to provisions for risks and charges	(0.2)	(0.2)
Depreciation and net impairment losses on property, equipment and investment property	(4.6)	(2.3)
Amortisation and net impairment losses on intangible assets	(1.5)	(1.2)
Other net operating income	0.5	0.3
Operating costs	**(31.9)**	**(37.9)**
Share of profits of investees	-	-
Pre-tax profits from continuing operations	**49.9**	**31.8**
Income taxes	(16.2)	(10.1)
Post-tax profit from continuing operations	**33.7**	**21.8**
Profit for the period	33.7	21.8
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to the owners of the parent	**33.7**	**21.8**

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 *"Mercury Payments: Reconciliation of Consolidated Financial Statements to Management Accounts"* of the Annual Financial Report.

8.2.3 Mercury Payments: Reconciliation of Financial Statements to Management Accounts

(€ millions)	Six months to 30 June							
	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)]	81.9	-	-	81.9	71.0	-	-	71.0
Net interest charges	(0.6)	-	-	(0.6)	(1.3)	-	-	(1.3)
Dividends from equity investments	-	-	-	-	-	-	-	-
Net trading/hedging expense	-	-	-	-	-	-	-	-
Net profit on sale or repurchase	-	-	-	-	-	-	-	-
Net impairment losses	0.5	-	(0.5)	-	-	-	-	-
Net financial income	**81.8**	**-**	**(0.5)**	**81.3**	**69.7**	**-**	**-**	**69.7**
Operating revenue				**81.3**				**69.7**
Administrative expenses:								
a) payroll and related costs [(2)]	*(9.2)*	*(0.1)*	*0.8*	*(8.5)*	*(9.3)*	*0.1*	*0.7*	*(8.6)*
b) other administrative expenses [(2)]	*(16.9)*	*(0.1)*	*1.3*	*(15.7)*	*(25.2)*	*(0.1)*	*7.2*	*(18.1)*
Depreciation and impairment losses on property	(4.6)	-	-	(4.6)	(2.3)	-	-	(2.3)
Amortisation and net impairment losses on intangible assets	(1.5)	-	-	(1.5)	(1.2)	-	-	(1.2)
Other net operating expenses/income	0.5	0.2	-	0.7	0.3	0.1	-	0.4
Net accruals to provisions for risks and charges	(0.2)	-	-	(0.2)	(0.2)	-	-	(0.2)
Operating costs	**(31.9)**	**-**	**2.1**	**(29.8)**	**(37.9)**	**-**	**7.9**	**(30.0)**
Operating profit				**51.5**				**39.7**

(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

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	81.9	71.0
Net interest expense	(0.6)	(1.3)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**81.3**	**69.7**
Payroll and related costs	(8.5)	(8.6)
Other administrative expenses	(15.7)	(18.1)
Administrative expenses	**(24.2)**	**(26.7)**
Other net operating income	0.7	0.4
Net accruals to provisions for risks and charges	(0.2)	(0.2)
Operating costs (before depreciation and amortisation)	**(23.7)**	**(26.5)**
EBITDA	**57.6**	**43.2**
Depreciation and amortisation	(6.1)	(3.5)
Operating profit	**51.5**	**39.7**
Depreciation and amortisation on customer contracts	-	-
Share of profits / (losses) of investees	-	-
Non-recurring / extraordinary items	(1.6)	(7.9)
Pre-tax profit	**49.9**	**31.8**
Income taxes	(16.2)	(10.1)
Post-tax profit	**33.7**	**21.8**
Profit for the period attributable to non-controlling interests	-	-
Profit for the period attributable to the owners of the parent	**33.7**	**21.8**

8.2.5 Discussion of Mercury Payments Results of Operations

The following tables are extracts from the Management Accounts for the six months ended 30 June 2018 and 30 June 2017.

Mercury Payments Operating Revenue

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Net fee, commission and other business income	81.9	71.0
Net interest expense	(0.6)	(1.3)
Net trading / hedging income	-	-
Dividends from equity investments	-	-
Operating revenue	**81.3**	**69.7**

Net fee, commissions and income from services

These amounted to €81.9 million, compared to €71.0 million in the six months to June 30, 2017 (+15.3%).

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

Net interest expense

It was €0.6 million and included interest expense accrued against existing lines of credit.

- Net interest expenses were €0.7 million lower (55.0%) at June 30, 2018 compared to the previous year, due to the loan reduction from €95 million (Intesa Sanpaolo) to €45 million (Latino Italy S.p.A.) on April 2017 and to the loan extinction of €45 million from Latino Italy S.p.A on May 2018.

Mercury Payments Costs

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Administrative expenses	**(24.2)**	**(26.7)**
thereof: Payroll and related costs	(8.5)	(8.6)
thereof: Other administrative expenses	(15.7)	(18.1)
Other net operating income	0.7	0.4
Net accruals to provision for risks and charges	(0.2)	(0.2)
Operating costs (net of depreciation and amortisation included in operating profit)	**(23.7)**	**(26.6)**

Operating costs decreased from €26.6 million to €23.7 million, as a consequence of savings on other administrative expenses.

The decrease of the other administrative expenses was mainly due to cost efficiencies and a change in VAT system (thanks to the new "36-*bis*" VAT regime, from the beginning of 2018 where it is possible to capitalise VAT on the purchase of tangible and intangible assets. This procedure was not allowed under the previous VAT regime and all the VAT related to assets was accrued in the P&L item "Administrative Expenses").

Mercury Payments EBITDA

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Operating revenue	81.3	69.7
Operating costs (net of depreciation and amortisation included in operating profit)	(23.7)	(26.6)
EBITDA	**57.6**	**43.2**

EBITDA increased by €14.4 million, or 33.4%.

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

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	(6.1)	(3.5)

Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets increased by € 2.6million, or 75.4%. Amortisation of intangible assets increased by €0.3 million, or 27% to € 1.5 million in the six months ended 30 June 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 € 2.3 million, to € 4.6 million in the six months ended 30 June 2018 and was mainly a result of the amortisation charges on new POS purchased in 2017.

Non-Recurring/extraordinary Items

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Non-recurring /extraordinary items	(1.6)	(7.9)

Non-recurring expenses in the six months ended 30 June 2018 was €1.6 million and consisted of (i) a charge of €1.3 million for one-off project costs for the transformation program initiated by the Sponsors (ii) a charge of €0.8 million for Mercury Payments restructuring (iii) and decrease of €0.5 million in the general revaluation reserve.

Income Taxes

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Income taxes	(16.2)	(10.1)

Income taxes increased by €6.1 million, or 60.7%, due to increase of pre-tax profit.

Profit for the period attributable to the owners of the parent

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Profit for the period attributable to the owners of the parent	33.7	21.8

Profit for the period attributable to the owners of the parent increased by €12.0 million, or 55.0% to €33.7 million in the first six months ended 30 June 2018.

Liquidity and Capital Resources

Overview

The table below shows cash flow statement information for the six months ended 30 June 2018 and 30 June 2017.

	Six months to 30 June	
	2018	**2017**
	(in € millions)	
Net cash generated by operating activities	(67.4)	6.3
Net cash used in investing activities	(9.4)	(13.0)
Net cash used in financing activities	-	(130.0)
Net (decrease)/increase in cash and cash equivalents, net of bank	**(76.8)**	**(136.8)**
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	**(122.2)**	**(42.9)**

In 2017 cash flow has been influenced by the loan of €95 million received from ISP (effective 1.12.2016) reimbursed to ISP (effective 28.04.2017) 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 Latino Italy of €45 million (opened on 27.04.2017 and closed on 15.05.2018)
- profit for year not distributed (€49.26 million)

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.

	Six months to 30 June	
	2018	**2017**
	(*in € millions*)	
Expansion capital expenditures	-	-
Maintenance capital expenditures	6.9	11.5
Capital expenditures	**6.9**	**11.5**

In the first six months of 2018 the maintenance capital expenditures mainly related to the ICT infrastructure and the acquisitions of POS terminals in accordance with Mercury Payment's 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 and we 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 SIX MONTHS PERIOD ENDED 30 JUNE 2018

€'000		Six months to 30 June 2018		Six months to 30 June 2017[1]	
	INCOME STATEMENT				
10.	Interest and similar income		36,148		39,492
20.	Interest and similar expense		(30,275)		(16,484)
30.	**Net interest income**		**5,873**		**23,008**
40.	Fee and commission income		637,757		555,723
50.	Fee and commission expense		(302,160)		(270,151)
60.	**Net fee and commission income**		**335,597**		**285,572**
70.	Dividends and similar income		1,012		619
80.	Net trading income		1,672		2,285
100.	Net profit on sale or repurchase of:		7		211
	a) financial asset measured at amortised cost	-		-	
	b) financial assets at fair value through OCI	7		211	
	c) financial liability	-		-	
110.	Profit on financial assets and liabilities designated at fair value though profit or loss		3,423		29
	a) financial assets designated at fair value	-		-	
	b) other financial assets mandatory measured at fair value	3,423		29	
120.	**Total income**		**347,584**		**311,725**
130.	Net impairment losses on:		(1,826)		(3,757)
	a) financial assets measured at amortised cost	*(1,826)*		*(278)*	
	b) financial assets at fair value through OCI	-		*(3,479)*	
150.	**Net financial income**		**345,758**		**307,969**
180.	**Net financial and insurance income**		**345,758**		**307,969**
190.	Administrative expenses:		(401,670)		(414,620)
	a) personnel expense	*(108,863)*		*(172,905)*	
	b) other administrative expenses	*(292,807)*		*(241,715)*	
190.	Net accruals to provisions for risks and charges		(15,639)		(1,642)
	a) commitments and guarantees issued	-		-	
	b) other provisions	(15,639)		(1,642)	
210.	Depreciation and net impairment losses on property, equipment and investment property		(20,857)		(15,135)
220.	Amortisation and net impairment losses on intangible assets		(41,352)		(16,016)
230.	Other operating income, net		217,655		160,019
240.	**Operating costs**		**(261,863)**		**(287,394)**
250.	Share of profits of investees		188		351
270.	Net gains on sales of investments		4,329		-
290.	**Pre-tax profit from continuing operations**		**88,412**		**20,926**
300.	Income taxes		(29,858)		(12,534)
310.	**Post-tax profit from continuing operations**		**58,554**		**8,392**
330.	**Profit for the period**		**58,554**		**8,392**
340.	Profit for the period attributable to non-controlling interests		(6,611)		2,125
350.	**Profit for the period attributable to the owners of the parent**		**51,943**		**10,517**

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 SIX MONTHS PERIOD ENDED 30 JUNE 2018

€'000		Six months to 30 June 2018	Six months to 30 June 2017
10.	Profit for the period	**58,554**	**8,392**
Other comprehensive income without reclassification to Profit and Loss			
20.	Equity instruments designated at fair value through OCI	25,545	22,996
40.	Hedging transactions related to equity instruments designated at fair value through OCI	(9,748)	-
70.	Defined benefit plan	143	448
120.	Cash flow hedge	(2)	-
140.	Financial assets (other than equity securities) at fair value through OCI	(14,331)	-
170.	**Other comprehensive income, net of tax**	**1,607**	**23,444**
180.	**Comprehensive income**	**60,161**	**31,837**
190.	Comprehensive income attributable to non-controlling interests	6,824	286
200.	**Comprehensive income attributable to the owners of the parent**	**53,337**	**31,551**

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

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

€'000		30 June 2018		1 January 2018[1]	
	ASSETS				
10.	Cash and cash equivalent		2,794,289		3,243,282
20.	Financial assets at fair value through profit or loss		28,470		38,508
	a) financial assets held for trading	1,817		17,424	
	b) financial assets designated at fair value	-		-	
	c) other financial assets mandatory measured at fair value	26,653		21,084	
30.	Financial assets at fair value though OCI		215,022		2,689,575
40.	Financial assets measured at amortised cost		9,250,411		4,171,976
	a) loans and receivables with banks	1,299,521		1,022,990	
	b) loans and receivables with customers	7,950,890		3,148,986	
70.	Equity investments		9,753		12,101
90.	Property, equipment and investment property		164,712		241,361
100.	Intangible assets		2,779,794		2,750,953
110.	Tax assets		99,462		113,920
130.	Other assets		665,250		660,531
	TOTAL ASSETS		**16,007,163**		**13,922,207**
	LIABILITIES				
10.	Financial liability measured at amortised cost		11,059,927		9,047,255
	a) Due to banks	1,973,571		1,863,537	
	b) Due to customers	6,910,086		7,183,718	
	c) Securities issued	2,176,269		-	
20.	Financial liabilities held for trading		13,585		12,793
40.	Hedging derivatives		15,995		5,520
60.	Tax liabilities		156,397		164,050
	a) current	9,119		3,182	
	b) deferred	147,278		160,868	
80.	Other liabilities		1,147,363		1,063,072
90.	Post-employment benefits		21,956		23,828
100.	Provision for risks and charges		68,692		57,334
	a) Commitments and guarantees issued	-		-	
	b) pension and similar obligations	850		881	
	c) other provisions	67,842		56,453	
	TOTAL LIABILITIES		**12,483,915**		**10,373,852**
	NET ASSETS		**3,523,248**		**3,548,355**
	CAPITAL AND RESERVES				
120.	Valuation reserve		41,957		41,107
150.	Reserves		478,601		(23,446)
170.	Share capital		2,898,444		3,396,444
190.	Equity attributable to non-controlling interests		52,303		35,323
200.	Profit for the period/year		51,943		98,927
	SHAREHOLDERS' FUNDS		**3,523,248**		**3,548,355**

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 71 to 72.

MERCURY UK HOLDCO LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

Period ended 30 June 2018						**2018 comprehensive income**				
	Balance at 1 January 2018 €'000	**IFRS 9, IFRS 15 and other changes in opening balances €'000**	**Dividends €'000**	**Other changes in reserves €'000**	**Capital reduction €'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 30 June 2018 €'000**
Share capital:										
a) ordinary shares	3,396,444	-	-	-	(498,000)	-	-	-	-	**2,898,444**
b) other shares	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-
Reserves:										
a) income-related	75,481	(891)	(94,000)	11	498,000	51,943	-	-	51,943	**530,544**
b) other	-	-	-	-	-	-	-	-	-	-
Valuation reserves	41,107	(544)	-	-	-	-	1,270	124	1,394	**41,957**
Equity instruments	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-
Equity attributable to the owners of the Mercury Group	3,513,032	(1,435)	(94,000)	11	-	51,943	1,270	124	53,337	**3,470,945**
Equity attributable to non-controlling interests	35,323	(151)	(3,973)	14,280	-	6,611	194	19	6,824	**52,303**
Total equity	**3,548,355**	**(1,586)**	**(97,973)**	**14,291**	**-**	**58,554**	**1,464**	**143**	**60,161**	**3,523,248**

MERCURY UK HOLDCO LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS: INDIRECT METHOD FOR THE SIX MONTHS PERIOD ENDED 30 June 2018

€000	30 June 2018	30 June 2017
Operating Activities		
Operations		
Profit for the period	51,943	10,517
Net gains on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	1,918	49
Net impairment losses	1,826	3,757
Net impairment losses on property, plant and equipment, investment property and intangible assets	62,209	31,151
Net accruals to provisions for risks and charges and other costs/revenue	15,639	-
Unpaid taxes, duties and tax assets	29,858	12,534
Other adjustments	(210,264)	23,613
	(46,871)	**81,622**
Cash flows (used in)/ generated by financial assets		
Financial assets held for trading	13,689	(4,243)
Other financial assets mandatory measured at fair value	(2,293)	-
Financial assets measured at amortised cost	3	(65,615)
Other assets	(2,424,808)	62,480
	(2,413,408)	**(7,378)**
Cash flows generated by financial liabilities		
Financial liability measured at amortised cost	2,009,372	665,032
Financial liabilities held for trading	792	10,012
Financial liabilities designated at fair value	-	-
Other liabilities	5,546	174,909
	2,015,709	**849,953**
Net cash flows generated by operating activities	**(444,571)**	**924,197**
Investing Activities		
Cash flows generated by:		
Sales from equity investments	1,523	-
Dividends from equity investments	-	363
Sales of property, equipment and investment property	69,214	256
Sales of intangible assets	463	-
Cash flows used to acquire:		
Property, plant and equipment	(13,422)	(18,839)
Intangible assets	(54,227)	(24,417)
Subsidiaries and business units	(4,000)	(565,247)
Net cash flows used in investing activities	**(449)**	**(607,884)**
Financing activities		
Issue of equity instruments	-	485,000
Dividends and other distributions	(3,973)	(84,212)
Net cash flows generated by financing activities	**(3,973)**	**400,788**
Net cash flows for the period	**(448,993)**	**717,099**
Net cash flows for the period	(448,993)	717,099
Opening cash and cash equivalents	3,243,282	1,798,785
Closing cash and cash equivalents	**2,794,289**	**2,515,884**

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, Holdco has prepared these consolidated financial statements for the six months ended 30 June 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 30 June 2018 and Bank of Italy's instructions about financial statements.

It did not make any departures from IFRS.

Holdco was incorporated on 15 June 2015 in England. Holdco has its registered office at 111 Buckingham Palace Road, London, SW1W 0SR and is domiciled in the United Kingdom. The principal activity of Holdco 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 six months ended 30 June 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 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 accounting standards adopted in preparation of this Consolidated interim report on operations, with regard to the classification, recognition, measurement and derecognition of the financial assets and liabilities, and the recognition methods for revenues and costs, have changed compared to those adopted for the Mercury Group 2017 Annual Report.

These amendments derive essentially from the mandatory application, from 1 January 2018, of the following International Financial Accounting Standards:

- IFRS 9 "Financial Instruments", issued by the IASB in July 2014 and endorsed by the European Commission through Regulation 2067/2016, which replaced IAS 39 concerning the rules for the classification and measurement of financial instruments, as well as the related impairment process;
- IFRS 15 "Revenues from contracts with customers", endorsed by the European Commission through Regulation 1905/2016, which led to the cancellation and replacement of IAS 18 "Revenues" and IAS 11 "Construction contracts".

In view of the above, this Interim Statement provides details of the new accounting policies of the Mercury Group and an analysis of the main captions in the financial statements.

Mercury Holdco Group decided to avail themselves of the option provided by the accounting standards not to restate comparative figures. 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.

Attached to this Interim Report are the reconciliation statements that show the details of the allocations made from the previous captions of the official financial statement layouts to the new financial statement layouts compliant with IFRS 9 and IFRS 15.

The following table shows other new standards or amendments whose application was mandatory from 1 January 2018.

Endorsement date	Documents
7/02/2018	Annual improvements to IFRS Standards 2014-2016 Cycle
28/03/2018	IFRIC 22: Foreign currency transactions and advance considerations
14/3/2018	Amendment to IAS 40: Transfers of Investments Property
26/2/2018	Amendment to IFRS 2: Classification and Measurement of Share based Payment transactions

The above indicated new standards did not have any significant impact on Mercury Group 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 IFRS 16, that has been endorsed in 2016 and whose application is mandatory from 1 January 2019, the project to assess the impact started at the end of 2017 and continues in 2018.

The next table shows the standards for which amendments were issued.

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 IFRS 15

IFRS 9 project, started in 2016, was organised at Group level through specific work-streams:
- “Classification and Measurement” aimed at reviewing financial instruments classification in line with new IFRS 9 criteria;
- “Impairment” aimed at developing and implementing models and methods for calculating impairment.

The following should be noted regarding the new accounting principle:
- it introduced significant changes in the rules for classifying and measuring financial instruments compared to IAS 39.
  With reference to loans and debt securities, the classification and consequent measurement of these instruments is based on the "business model” and on the characteristics of the financial instrument cash flows (SPPI criterion - Solely Payments of Principal and Interests).
  With reference to equity instruments, they will be classified as financial instruments at fair value, with differences recognised through profit or loss or in other comprehensive income. In the latter case, unlike the requirements of IAS 39 for available-for-sale financial assets, IFRS 9 no longer requires to recognise impairment losses and provides that, in the event of sale of the instrument, the profits and losses on disposal must be reclassified to other shareholders' equity reserve and not to profit or loss.
  Lastly, with reference to financial liabilities designated at fair value, it modified the accounting of "own credit risk", i.e. the changes in the value of liabilities at fair value that are due to fluctuations in their creditworthiness. According to the new standard, these changes must be recognised in an equity reserve, rather than in the income statement as per IAS 39, thus eliminating a source of volatility in economic results.
- It has introduced a new accounting model of impairment for credit exposures based on (i) an "expected losses" approach replacing the current one based on the recognition of "incurred losses" and (ii) on the concept of "lifetime" expected loss.
- It has also modified the rules applicable to "hedge accounting" with regard to designating a hedging relationship and verifying its effectiveness with the aim of ensuring greater alignment between the accounting recognition of hedges and the underlying management rationale.

The impacts of the transition to IFRS 9 at Mercury Group level, has been as follows:

- Classification and measurement of debt financial instruments:

The business model assessment, performed by the Group starting from the segment reporting, has been determined as follows:

a) Trading and the loan portfolios are not changed and have been allocated respectively in the IFRS 9 "Other" and "Held to collect" (HTC) portfolios.

b) The portfolio of debt instruments classified in the IAS 39 portfolio of instruments available for sale has been allocated in the business model "Held to collect or sale” (HTCS). Furthermore, some instruments classified in the HTCS portfolio didn’t pass the SPPI test. Consequently, these instruments have been measured at fair value through profit and loss in 2018 financial statements instead of at fair value though OCI (IAS 39 measurement rules). Based on the above, 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 according to the election made by the Group to measure those instruments at FVTOCI. IFRS 9 states, differently from IAS 39, 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 reclassified the impairment recorded from the Retained Earnings to the Valuation Reserve.

- Impairment:
  The new impairment requirements, which are an expected losses model, did not determine significant impacts on Mercury Group, because of the low significance of the credit risk inherent in the loan portfolio, and because Mercury Group exposures are mainly on demand or very short term loans and consequently the transition from the incurred loss model of IAS 39 to the expected loss model of IFRS 9 does not lead to significant impacts. With reference to the securities portfolio, there has been no-significant impact as it mainly includes Italian Government Bonds

- Hedge accounting:
  With reference to the amendments of Hedge accounting rules, Visa shares hedging relationships, started in September 2017, is the only transaction that falls in this accounting model. Consequently, the Group decided to apply IFRS 9 instead of maintaining IAS 39.
  Since this hedging relationship is qualified for hedge accounting in accordance with IAS 39 and for IFRS 9, it is regarded as continuing hedging relationship, with the requirement to rebalance the IAS 39 hedge ratio if necessary and recognise any impacts in the income statement. No rebalancing is necessary as at 31 December 2017, because the hedge ratio calculated in accordance with IAS 39 is the same as that calculated for IFRS 9 purposes.
  The transition to IFRS 9 did 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 Old Nexi Group and some cost to fulfill a contract, that under IAS 18 were recorded immediately to profit and loss, under IFRS 15 have to 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 this revenue, that was recorded immediately to profit and loss under IAS 18, has been recognised

on a straight-line basis in relation to the useful life of the underlying contracts.

- The change in accounting treatment mentioned above, 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.

The following table is the summary, based on the best current estimates of, 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	1.2	(21.7)
Shareholders Equity	**3,513.0**	**0.0**	**1.2**	3,514.2
NCI	35.3	-	0.2	35.5

Since the original estimation additional costs have been included in IFRS 15 adjustments in relation to credit card costs amounting to €5.1 million.

The following is 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	-	-	5,532	119,452	
140.a)	*110.a)*	*a) current*	*52,495*	-	-	-	*52,495*	
140.b)	*110.b)*	*b) deferred*	*61,425*	-	-	*5,532*	*66,957*	(5)
160.	130.	Other assets	660,531	-	-	19,156	679,687	(5)
		Total assets	**13,922,207**	**-**	**-**	**24,689**	**13,946,896**	

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”. This caption also includes some Equity instruments other than those held for trading that were classified in the caption “30” under IAS 39. Being these instruments are measured at fair value under IAS 39, 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	-	-	6,289	170,339	(2)
80.a)	60.a)	a) current	3,182	-	-	-	3,182	(2)
80.b)	60.b)	b) deferred	160,868	-	-	6,289	167,157	
100.	80.	Other liabilities	1,063,072	-	-	17,001	1,080,073	(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**	**-**	**-**	**23,290**	**10,397,142**	
140.	120.	Valuation reserve	41,107	-	(544)	-	40,563	(4)
170.	150.	Reserves	(23,446)	-	544	1,215	(21,687)	(4)
190.	170.	Share capital	3,396,444	-	-	-	3,396,444	
210.	190.	Equity attributable to non-controlling interest	35,323	-	-	184	35,507	(5)
220.	200.	Profit for the period	98,927	-	-		98,927	
		Total equity	**3,548,355**	**-**	**-**	**1,399**	**3,549,754**	

Notes:

(1) = These captions do not have had any reclassification in respect to IAS 39 Balance Sheets scheme.

(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 39 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.

The financial statements at 30 June 2018 of Holdco and consolidated companies were used for consolidation purposes, after reclassifications and adjustments to comply with the consolidation requirements and IFRS.

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 Holdco 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. Holdco'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 Holdco's share of its equity is included in the investment's carrying amount. If there is an indication of impairment, Holdco 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, Holdco 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
- Sparkling 18 S.r.l.	Milan	Milan	1	Nexi Payments S.p.A.	89.84	89.84
				Bassilichi S.p.A.	10.16	10.16
- 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
				Consorzio Triveneto S.p.A.	39.00	39.00
- PayCare	Florence	Florence	1	Bassilichi S.p.A.	50.00	50.00
- 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
- Nexi Capital 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 30 June 2018:

- 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.

During the first half of the year the Mercury Group sold the 25% of interest held in Hi-Mtf.

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.[(2)]	30%	30%	—

(1) availability of votes at ordinary shareholders' meetings
(2) Subsidiaries represent the minority interest held at Nexi level.

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
	€	€	€	€	€	€
	20,001,408	791	-	6,650,757	-	3,123,000

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)
	€	€	€	€	€	€	€	€
	(37)	(1,312)	219,192	217,880	210,936	210,936	52,588	263,524

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

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular financial assets classified as:

- "held for trading";
- "designated at fair value";
- "mandatorily measured at fair value".

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

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

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 since this classification eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets mandatorily measured at fair value

This category includes:

- Debt financial asset held within Held to collect or Held to collect and sale business models whose contractual terms give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding (the SPPI criterion is not met). The caption includes the private equity investments held by the Group
- Equity financial assets held for purposes different from trading for which Group has not exercised the option to measure them at fair value through OCI (Other comprehensive income).

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.

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 financial instruments.

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.

In particular financial disposed assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

Financial assets at fair value through OCI

Classification criteria

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.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).

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.

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

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

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.

In particular financial disposed assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

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).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to

Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

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 direct cost of transaction

Measurement

After initial recognition, financial asset 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 asset measured at amortised costs are tested for impairment at each reporting date.
In particular the impairment rules below descripted are applied also to financial asset measured at fair value through OCI, to Loan commitments and to Financial guarantees 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 (Stage) 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 recognition, or financial instruments that have low credit risk at the reporting date. For these instruments, the impairment is measured on a 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 a lifetime expected credit losses;
- Stage 3: Includes financial instruments that are considered impaired. For these instruments, the impairment is measured on a lifetime expected credit losses, but unlike the Stage 2 positions, the lifetime expectancy loss calculation is analytical. Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the EU Supervisory Regulations, in line with the IAS/IFRS.

In estimating the above indicated expected losses, the Group incorporate, 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.

In particular financial disposed assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

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

The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these; this type of hedge is used to hedge exposure to changes in fair value of a specific asset, attributable to exchange rate and price risk.
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to neutralise the exchange rate risk arising from highly probably forecasted transactions.

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 IFRS 9 requirement with respect to Hedge effectiveness.

Recognition

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

Measurement

Hedging derivatives are measured at fair value. In particular:
- fair value hedges: the hedging derivative at the date is a hedging instrument designed to hedge an equity instrument for which the Group has elected the fair value measurement in FVTOCI. Consequently, the hedging instrument continues to be measured at fair value through OCI.
- cash flow hedges: the hedging instruments it's a USD deposit with designed to hedge currency risk related to the forecasted purchase of tangible fixed asset. Consequently, changes in the book value of the deposit due to exchange rate are recorded in equity until they are effective (cash flow hedge reserve), and these are removed from the cash flow hedge reserve and included in the carrying amount the asset acquired.

Derecognition

If a hedging 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.

Investment properties are accounted for at cost and subsequently measured at cost in accordance with IAS 40.

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 that is 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 useful life of intangible assets arising from business combinations has been estimated as follows:
- Customer contracts: ten years or twelve years depending on the contractual terms.
- Customer relationship (externally generated): approximately 20 years.

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

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

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, 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 Mercury 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 Mercury 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 Mercury 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 Mercury Group may find itself.

Provisions for risks and charges

Pension and similar provisions: defined benefit plans

The majority of the pension plans within the Mercury Group are considered to be defined benefit plans. The Mercury 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 Mercury 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 Mercury 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

Old 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 IAS 19. 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 Mercury 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 100 and 70;
- estimation of useful lives for property, plant and equipment – see page 83
- 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 six months of 2018.

Transfers between portfolios of financial assets

Reclassified financial assets: changes of business model, fair value and effects on comprehensive income

As for Nexi S.p.A., the Reorganisation of the Group, authorised by Bank of Italy with the provision dated 11 April 2018, and started up on the second quarter 2018, has determined a significant change in the bank's operations and in the investment policy in financial assets.

In particular following the Reorganisation process, aimed at creating two separate groups focused respectively on payments and banking activities, the banking operations will be focused only on the banking business and will no longer fund the payments business line.

Following the Reorganisation process described above, the banking operations have been significantly modified and no longer fund the Payment business, and there is no need to have a flexible policy for the management of the treasury bonds that had determined the allocation of these instrument in the Business model "Held to collect and sale".

Accordingly, under the new operations, the investment in treasury bonds represents for the banking business the main investment of the excess of liquidity arising, stably, from the depositary bank activity whose objective is to collect contractual cash flows over the life of the instruments. This new business objective determined the allocation of the treasury bonds in the "Held to collect" business model.

Consequently, based on the above indicated reassessment of the bank business model, the treasury bonds have to be reclassified from the Business model «Held to collect and sale» to the Business model «Held to collect», at the time of the business model change.

IFRS 9 measurement requirements on the reclassification of financial asset out of the fair value through OCI category (Held to collect and Sale) and into the Amortised Cost category (Held to collect), determine the reclassification of the Valuation Reserve against the fair value of the financial asset at the reclassification date, without any impact on the effective interest rate.

The follow table reports the disclosure requested by IFRS 7.12.

Type of financial instrument	Original portfolio	Portfolio to which transfer is made	Carrying amount at 30/06/2018	Fair value at 30/06/2018	**Profit and Loss income or expense if transfer had not taken place (before tax)**		**OCI Income or expense if transfer had not taken place (before tax)**	
					Fair value gain/loss	Other	Fair value gain/loss	Other
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Debt instruments	Financial asset at fair value through OCI	Financial assets measured at amortised cost	-	4,694,925	-	-	-175,513	-

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 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 Holdco 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 period, 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.

Information on “day one profit or loss”

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;
- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e. reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the “day one profit or loss” and is immediately taken to profit or loss.

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

	30 June 2018	31 December 2017
a) Cash	1,233	517
b) Demand deposits with central banks	2,793,056	3,242,765
Total	**2,794,289**	**3,243,282**

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

2.1 Financial assets held for trading: breakdown by product

	30 June 2018			1 January 2018		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	14	-	-	15,897	-	-
1.1 Structured instruments	3	-	-	182	-	-
1.2 Other instruments	11	-	-	15,715	-	-
2. Equity instruments	-	-	-	30	-	-
3. OEIC units	1	3	-	18	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse purchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**15**	**3**	**-**	**15,944**	**-**	**-**
B. Derivatives						
1. Financial derivatives:	-	1,799	-	-	1,480	-
1.1 trading	-	1,799	-	-	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	**-**	**1,799**	**-**	**-**	**1,480**	**-**
Total	**15**	**1,802**	**-**	**15,944**	**1,480**	**-**

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

	30 June 2018	1 January 2018
A. Assets		
1. Debt instruments		
a) Central banks	-	313
b) General government	4	1,347
c) Banks	11	11,698
d) Other financial companies	-	-
— including insurance companies	-	-
d) Non-financial companies	-	2,539
2. Equity instruments		
a) Banks	-	6
b) Other financial companies	-	-
— including insurance companies	-	-
c) Non -financial companies	3	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	**17**	**15,944**
B. Derivatives		
a) Central counterparties	-	1,094
d) Other	1,799	386
Total	**1,799**	**1,480**
Total	**1,817**	**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

	30 June 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	-	-	-	-	159	-
3. OEIC units	-	26,653	-	-	-	20,916
4. Financing	-	-	-	-		
4.1 Structured instruments	-	-	-	-	-	-
4.2 Other instruments	-	-	-	-	9	-
Total	-	**26,653**	**-**	-	**168**	**20,916**

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

	30 June 2018	1 January 2018
1. Equity instruments	10	168
a) Banks	-	-
b) Financial companies	10	168
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	26,643	20,916
4. Financing	-	-
a) Central banks	-	-
b) General government	-	-
c) Banks	-	-
d) Other financial companies	-	-
—including insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total	**26,653**	**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

	30 June 2018			1 January 2018		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	-	-	2,501,990	-	-
1.1 Structured instruments ..	-	-	-	-	-	-
1.2 Other instruments..........	-	-	-	2,501,990	-	-
2. Equity instruments	183	214,839	-	253	187,332	-
3. Financing	-	-	-	-	-	-
Total	**183**	**214,839**	**-**	**2,502,243**	**187,332**	**-**

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

	30 June 2018	1 January 2018
A. Assets		
1. Debt instruments		
a) Central banks	-	-
b) General government	-	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:	104,148	187,001
-Including insurance companies	-	88,423
- Non-financial companies	110,538	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	**215,022**	**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

	30 June 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	**179,051**				**179,051**	
1. Term deposits..................................	-	-	-	-	-	-
2. Minimum reserve	179,051	-	-	-	-	-
3. Reverse repurchase agreements	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans and receivables with banks ...	**1,120,470**			**4,949**	**1,115,923**	
1. Financing deposits	476,605	-	-	-	-	-
1.2 Term deposits................................	17,470	-	-	-	-	-
1.3 Other financing	617,110					
- Reverse repurchase agreements.........	439,741	-	-	-	-	-
- Finance leases	-	-	-	-	-	-
- Other	177,368	-	-	-	-	-
2.Debt instruments..............................	9,285			4,949	4,739	
2.1 Structured instruments	4,972	-	-	4,949	-	-
2.2 Other instruments	4,313	-	-	-	4,739	-
Total	**1,299,521**	**-**	**-**	**4,949**	**1,294,974**	**-**

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	**179,264**				**179,264**	
2. Term deposits	-	-	-	-	-	-
2. Minimum reserve	179,264	-	-	-	-	-
3. Reverse repurchase agreements	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
B. Loans and receivables with banks	**843,726**			**4,916**	**838,760**	
1. Financing	-	-	-	-	-	-
1.1 Current account and demand deposits	375,903	-	-	-	-	-
1.2 Term deposits	2,460	-	-	-	-	-
1.3 Other financing						
- Reverse repurchase agreements	136,207	-	-	-	-	-
- Finance leases	-	-	-	-	-	-
- Other	319,964	-	-	-	-	-
2 Debt instruments	9,192			4,916	4,226	
2.1 Structured instruments	4,966	-	-	4,916	-	-
2.2 Other instruments	4,226	-	-	-	4,226	-
Total	**1,022,990**	**-**	**-**	**4,916**	**1,018,024**	**-**

Key
FV = fair value
CA = carrying amount

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

	30 June 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	Impaired acquired or originated	Level 1	Level 2	Level 3
Financing	**3,079,622**	**830**	**-**	**-**	**2,142,993**	**-**
1. Current accounts	109,372	391	-	-	-	-
2. Reverse repurchase agreements	216,564	-	-	-	-	-
3. Loans	-	-	-	-	-	-
4. Credit cards, personal loans and salary backed loans	2,342,774	152	-	-	-	-
5. Finance leases	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-
7. Other financing	410,912	287	-	-	-	-
Debt instruments	**4,870,437**	-	-	-	**4,870,437**	-
8. Structured instruments	-	-	-	-	-	-
9. Other instruments	4,870,437	-	-	-	4,870,437	-
Total	**7,950,059**	**830**	**-**	**-**	**7,013,430**	**-**

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. Unione Fiduciaria S.p.A.	Milan	Milan	1	Nexi	24	24
2. Consorzio Stabile Win Join S.c.a.r.l.	Lecce	Rome	1	Bassilichi S.p.A.	24	24
3. RS Records Store S.p.A.	Caorso	Caorso	1	Bassilichi S.p.A.	30	30
4. ICT Logistica S.r.l.	Empoli	Empoli	1	Bassilichi S.p.A.	33	33
5. K.Red S.r.l.	Milan	Milan	1	Bassilichi S.p.A.	50	50
6. 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

	30 June 18	31 December 2017
Associates		
1. Hi-Mtf Sim S.p.A.	-	1,521
2. Unione Fiduciaria	8,803	8,690
3. Consorzio Stabile Win Join S.c.a.r.l.	48	48
4. RS Records Store S.p.A.	682	1,364
5. ICT Logistica S.r.l.	-	259
6. K.Red S.r.l.	220	219
Total	**9,753**	**12,101**

During the first half of the year the Mercury Group sold the 25% of interest held in Hi-Mtf.

8.3 Equity investments: changes

	30 June 2018	31 December 2017
A. Opening balance	**12,101**	**10,103**
B. Increases	**477**	**2,378**
B.1 Purchases	-	-
B.2 Reversals of impairment losses	-	-
B.3 Fair value gains	-	-
B.4 Other increases	477	2,378
- Including business combinations	-	1,889
C. Decreases	**(2,825)**	**(380)**
C.1 Sales	(1,523)	-
C.2 Impairment losses	-	-
C.3 Other decreases	(1,302)	(380)
D. Closing balance	**9,753**	**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.

	30 June 2018	31 December 2017
1. Owned		
a) land	22,808	18,804
b) buildings	60,706	66,092
c) furniture	1,697	1,410
d) electronic systems	72,187	78,240
e) other	5,927	4,615
2. Under finance lease		
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	885	1,294
e) other	-	927
Total	**164,209**	**171,382**

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

	30 June 2018				**31 December 2017**			
		Fair value				**Fair value**		
	Carrying amount	**L1**	**L2**	**L3**	**Carrying amount**	**L1**	**L2**	**L3**
1. Owned								
a) land	288	-	737	-	39,899	-	43,405	-
b) buildings	216	-	553	-	30,080	-	32,725	-
2. Under finance lease								
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**503**	**-**	**1,290**	**-**	**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	**4,004**	**45**	**734**	**12,100**	**1,618**	**18,499**
B.1 Purchases	-	45	432	12,100	845	13,422
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	4,004	-	302	-	773	5,078
—including business combinations	-	-	-	-	-	-
—other changes	-	-	-	-	-	-
C. Decreases	**-**	**(5,431)**	**(447)**	**(18,562)**	**(1,233)**	**(25,673)**
C.1 Sales	-	-	(281)	(67)	(203)	(552)
C.2 Depreciation	-	(1,620)	(166)	(17,274)	(1,030)	(20,090)
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	-	(3,811)	-	(1,221)	-	(5,031)
D. Net closing balance	**22,808**	**60,706**	**1,697**	**73,072**	**5,927**	**164,209**
D.1 Total net impairment losses	-	**6,849**	**595**	**65,191**	**3,849**	**76,484**
D.2 **Gross closing balance**	**22,808**	**67,555**	**2,292**	**138,263**	**9,776**	**240,694**

9.4 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	**39,898**	**30,080**
B. Increases	-	**24,725**
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	-	24,725
C. Decreases	**(39,610)**	**(54,589)**
C.1 Sales	(39,610)	(53,822)
C.2 Depreciation	-	(767)
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	**288**	**216**
E. Fair value	737	553

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 property is held by Mercury Group and relates to 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

	30 June 2018		31 December 2017	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	**2,169,541**	**-**	**2,278,635**
A.1.1 attributable to the owners of the parent	-	2,169,541	-	2,278,635
A.1.2 attributable to non-controlling interests	-	-	-	-
A.2 Other intangible assets	**610,253**	-	**472,318**	-
A.2.1 Assets measured at cost:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	610,253	-	472,318	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally developed assets	-	-	-	-
b) Other	-	-		-
Total	**610,253**	**2,169,541**	**472,318**	**2,278,635**

10.2 Intangible assets: changes

30 June 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	**2,924**	-	-	**182,737**	-	**185,661**
B.1 Purchases	-	-	-	54,229	-	54,229
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	2,924	-	-	128,508	-	131,433
—including business combinations	2,924	-	-	1,173	-	4,097
C. Decreases	**(112,018)**	**-**	-	**(44,801)**	-	**(156,819)**
C.1 Sales	-	-	-	(463)	-	(463)
C.2 Impairment losses	-	-	-	-	-	-
–Amortisation	-	-	-	(41,352)	-	(41,352)
–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	(112,018)	-	-	(2,986)	-	(115,004)
—business combinations	-	-	-	-	-	-
D. Net closing balance	**2,169,541**	**-**	**-**	**610,253**	**-**	**2,779,794**
D.1 Total net impairment losses	-	-	-	138,460	-	138,460
E. Gross closing balance	**2,169,541**	**-**	**-**	**748,714**	**-**	**2,918,255**

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 €34.919 million (2017: €52.495 million) of tax recoveries receivable and €9.119 million (2017: €3.182million) of tax payments due under the IRES and IRAP taxation regimes in Italy.

11.2 Deferred tax assets: breakdown

	30 June 2018	1 January 2018
IRAP		
Net impairment losses on loans and receivables	295	317
Provisions	707	488
Substitute tax on goodwill	3,319	3,505
Amortisation/depreciation	1,380	1,459
Fair value reserve	-	16
Other	1,643	309
IRES		
Net impairment losses on loans and receivables	10,855	11,538
Provisions	9,835	10,029
Substitute tax on goodwill	16,386	17,307
Impairment losses on intangible assets, P&E and investment property	13,546	13,372
Fair value reserve	-	77
Other	6,578	3,008
Total	**64,544**	**61,425**

11.3 Deferred tax liabilities: breakdown

	30 June 2018	1 January 2018
IRAP		
Building revaluations	4,344	3,757
Other	23,361	21,314
Fair value reserve	3,410	1,314
IRES		
Building revaluations	2,350	19,590
Other	112,623	106,150
Fair value reserve	1,190	8,743
Total	**147,278**	**160,868**

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)

	30 June 2018	1 January 2018
1. Opening balance	**60,286**	**54,090**
2. Increases	**7,833**	**10,624**
2.1 Deferred tax assets recognised in the period	-	-
a) related to previous years	71	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	7,762	7188
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	3,436
3. Decreases	**(5,732)**	**(4,428)**
3.1 Deferred tax assets derecognised in the period	-	-
a) reversals	(5,732)	(4,428)
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	**62,387**	**60,286**

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

	30 June 2018	1 January 2018
1. Opening balance	**150,800**	**29,857**
2. Increases	**14,700**	**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	14,700	131,585
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(23,286)**	**(10,642)**
3.1 Deferred tax liabilities derecognised in the period	-	-
a) reversals	(23,286)	(10,642)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.2 Other decreases	-	-
4. Closing balance	**142,214**	**150,800**

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

	30 June 2018	1 January 2018
1. Opening balance	**1,139**	**3,571**
2. Increases	**1,111**	**-**
2.1 Deferred tax assets recognised in the period	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	728	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	383	-
3. Decreases	**(93)**	**(2,432)**
3.1 Deferred tax assets derecognised in the period	-	-
a) reversals	(93)	(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	**2,157**	**1,139**

11.7 Changes in deferred tax liabilities (recognised in equity)

	30 June 2018	1 January 2018
1. Opening balance	**10,068**	**9,530**
2. Increases	**2,359**	**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	1,906	2,019
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	453	-
3. Decreases	**(7,363)**	**(1,481)**
3.1 Deferred tax liabilities derecognised in the period		
a) reversals	(7,363)	(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	**5,064**	**10,068**

Section 12—Other assets—Caption 130

12.1 Other assets: breakdown

	30 June 2018	1 January 2018
Withholding taxes paid on interest charged to customers and other tax assets	108,216	90,059
Negotiated cheques to be cleared	16,500	34,844
Matured securities and accrued interest to be collected	476	4,855
Commissions and other income to be charged	261,840	252,043
BIREL, transfers, SETIF, received messages to be charged, e-money	208,280	195,080
Sundry and residual items	69,938	83,650
Total	**665,250**	**660,531**

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

	30 June 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	**4,859**	**-**	**-**	**-**	**1,774**	-	-	-
2. Due to banks	**1,968,713**				**1,861,763**			
2.1. Current accounts and demand deposits	1,122,725	-	-	-	1,022,421	-	-	-
2.2. Term deposits	124,501	-	-	-	124,428	-	-	-
2.3. Financing	509,663	-	-	-	414,209	-	-	-
2.3.1. repurchase agreements					-			
2.3.2 other	509,663	-	-	-	414,209	-	-	-
2.5 Other liabilities	211,824	-	-	-	300,705	-	-	-
Total	**1,973,571**	**-**	**1,973,571**	**-**	**1,863,537**	**-**	**1,863,537**	**-**

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

	30 June 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	6,056,745	-	-	-	6,223,110	-	-	-
2. Term deposits	99	-	-	-	174	-	-	-
3.Finacing	302,874	-	-	-	-	-	-	-
3.1. Repurchase agreements	296,392	-	-	-	340,791	-	-	-
3.2. Other	6,483	-	-	-	656	-	-	-
4. Commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5.Other liabilities	550,369	-	-	-	618,987	-	-	-
Total	**6,910,086**	**-**	**6,910,086**	**-**	**7,183,718**	**-**	**7,183,718**	**-**

1.3 Financial liability measured at amortised cost: breakdown of securities in issue

	30 June 2018				1 January 2018			
	CA	Fair value			CA	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	-	-	-	-	-	-	-	-
1. Bonds	-	-	-	-	-	-	-	-
1.1. Structured	-	-	-	-	-	-	-	-
1.2. Other	2,176,269	-	2,200,000	-	-	-	-	-
2. Other securities	-	-	-	-	-	-	-	-
2.1. Structured	-							
2.2. Other	-	-	-	-	-	-	-	-
Total	**2,176,269**	**-**	**2,200,000**	**-**	**-**	**-**	**-**	**-**

On 1 July 2018 the proceeds of the €2,200,000,000 senior secured notes due 2023, which were issued by Nexi Capital S.p.A. on 18 May 2018 in a combination of fixed and floating rate notes and placed into escrow pending completion of the Reorganisation, were released on 2 July 2018.

Section 3—Financial liabilities held for trading—Caption 20

3.1 Financial liabilities held for trading: breakdown by product

	30 June 2018					31 December 2017				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	-	-	-	-	-	1	1	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**		**1**	**1**	**-**	**-**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	-	-	6,818	-	-	-	-	6,721	-	-
1.2 Associated with fair value option	-	-	6,767	-	-	-	-	6,071	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**13,585**	**-**	**-**	**-**	**-**	**12,792**	**-**	**-**
Total (A + B)	**-**	**-**	**13,585**	**-**	**-**	**1**	**1**	**12,792**	**-**	**-**

Included in the financial liabilities held for trading are warrants issued by Holdco in the amount of €6.8 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 during 2017 and in a second quarter of 2018.

Following the Reorganisation of the Mercury Group, the perimeter of the existing warrant plan was changed to reflect the fact that the plan is now for the benefit of the managers of Nexi S.p.A. and entered into amended agreements with managers to offer and subscribe for a warrant plan where such persons may buy shares in Nexi S.p.A. rather than ICBPI.

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

	30 June 2018				31 December 2017			
	L1	L2	L3	NV	L1	L2	L3	NV
A. Financial derivatives	-	-	-	-	-	-	-	-
1.Fair value	-	15,995	-	6,044	-	5,520	-	6,044
2.Cash flows	-	-	-	-	-	-	-	-
3.Foreign Investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1 Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**15,995**	**-**	**6,044**	**-**	**5,520**	**-**	**6,044**

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge as at 30 June 2018

	Fair value						Cashflow		
	Specific								
	Interest rate	Foreign exchange rate	Credit risk	Price risk	Various	Generic	Specific	Generic	Foreign Investment
A. Total assets	**-**	**-**	**-**	**15,995**	**-**	**-**	**-**	**-**	**-**
1 FVTOCI	-	-	-	15,995	-	-	-	-	-
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

	30 June 2018	1 January 2018
Tax liabilities, withholding taxes and other amounts to be paid	45,476	33,820
Cheques, cheque truncation flows to be credited	9,212	18,540
Securities, currency and premium transactions paid for options to be credited	169	1,934
Due to employees	78,249	95,536
Other liabilities for expenses, commissions and interest to be paid	294,620	393,623
Prepaid debit cards	42,990	45,554
Currency differences on portfolio transactions	21,641	5,264
BIREL, transfers, payment flows to be credited	370,011	367,244
Sundry and residual items	284,994	101,557
Total	**1,147,363**	**1,063,072**

Section 7- Post employment benefits—Caption 90

7.2 Post-employment benefits: changes

	30 June 2018	31 December 2017
A. Opening balance	**23,828**	**22,789**
B. Increases	**287**	**7,213**
B.1 Accruals	131	297
B.2 Other increases	156	-
-including business combination	-	541
-other changes	-	6,375
C. Decreases	**(2,159)**	**(6,174)**
C.1 Payments	(863)	(5,006)
C. 2 Other decreases	(1,296)	(1,168)
Total	**21,956**	**23,828**

Section 8—Provisions for risks and charges—Caption 100

8.1 Provisions for risks and charges: breakdown

	30 June 2018	31 December 2017
1. Internal pension funds	850	881
2. Other provisions for risks and charges	67,842	56,453
Total	**68,692**	**57,334**

8.2 Provisions for risks and charges: changes

	30 June 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	**-**	**16,685**	**16,685**	**6**	**26,989**	**26,995**
B.1 Accruals	-	16,685	16,685	-	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	**(31)**	**(5,296)**	**(5,327)**	**(65)**	**(10,551)**	**(10,616)**
C.1 Utilisations	(31)	(4,602)	(4,633)	(65)	(8,916)	(8,981)
C.2 Changes due to variations in discount rate	-	-	-	-	-	-
C.3 Other decreases	-	(694)	(694)	-	(1,635)	(1,635)
D. Closing balance	**850**	**67,842**	**68,692**	**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 Old 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 30 June 2018 amounts to €850,000.

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

	30 June 2018	1 January 2018
1. Share capital	2,898,444	3,396,444
2. Share premium	-	-
3. Reserves	478,601	(23,446)
4. Treasury shares		
a) parent	-	-
b) subsidiaries	-	-
5. Valuation reserves	41,957	41,107
6. Profit for the period /year	51,943	98,927
Total	**3,470,945**	**3,509,179**

9.2 Share capital—number of shares: changes

Ordinary shares

	30 June 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	**(498,000)**	-
C.1 Cancellations	-	-
C.2 Repurchases of treasury shares	-	-
C.3 Disposals of entities	-	-
C.4 Other decreases	(498,000)	-
D. Outstanding shares: closing balance	**2,898,444**	**3,396,444**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	**2,898,444**	**3,396,444**
—fully paid-in	**2,898,444**	**3,396,444**
—not fully paid-in	-	-

On 28 June 2018, in anticipation of the Reorganisation, the Holdco Board of Directors agreed a reduction of share capital by cancelling 498,000,000 class A ordinary shares of €1 each. This cancelled amount of share capital was credited to a distributable reserve of Holdco.

On 1 July 2018 as a part of the restructure Holdco subscribed for shares in the capital of Equinova by way of a cash subscription of €103 million and Holdco has agreed to contribute all of the shares which it owns in the capital of Nexi to Equinova in consideration for the issue and allotment of €385 million ordinary shares of €1 each in the capital of Equinova. Subsequently, Holdco has transferred the entire share capital of Equinova to Sponsors' HoldCos by means of a dividend in specie, reducing reserves by €488 million.

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

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

	30 June 2018	1 January 2018
Investments in consolidated companies with significant non-controlling interests:		
Help Line	937	867
Nexi Payments S.p.A.	5,421	3,005
Nexi S.p.A.	44,816	30,341
Bassilichi S.p.A.	-	-
Sparkling 18.	(40)	-
Bassmart S.r.l.	77	71
Consorzio Triveneto	-	-
Moneynet S.p.A.	-	-
Bassilichi CEE d.o.o. Belgrado	245	245
Bassilichi CEE d.o.o. Banja Luka	38	18
ArsBlue d.o.o.	805	772
Bassilichi CEE d.o.o. Podgorica	4	5
Total	**52,303**	**35,323**

Other disclosures

1. *Guarantees and commitments*

	30 June 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	21,297	-	-	21,297	129,402
d) Other financial companies	200,188	-	-	200,188	49,743
e). Non- financial companies	9,374	-	-	9,374	-
f) Families	-	-	-	-	-
Financial guarantees issued					
a) Central banks	-	-	-	-	-
b) Central government	263	-	-	263	-
c) Banks	-	-	-	-	2,421
d) Other financial companies	22,620	-	-	22,620	-
e). Non- financial companies	796	-	-	796	911
f) Families	-				

2. Assets pledged as guarantee for liabilities and commitments

	30 June 2018	1 January 2018
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets at fair value through OCI	109,615	102,100
3. Financial assets measured at amortised cost	-	-
4. Property, equipment and investment property	-	-
Total	**109,615**	**102,100**

Note- Comparative was previously disclosed as available for sale

3. Management and trading on behalf of third parties

	30 June 2018	31 December 2017
1. Execution of customer orders		
a) Purchases		
1. settled	9,559,847	19,001,542
2. unsettled	-	-
b) Sales		
1. settled	8,317,186	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)	50,702,711	49,908,683
1. securities issued by the consolidated entities	50,702,711	49,908,683
2. other securities	-	-
b) third party securities on deposit (excluding asset management): other	69,898,551	67,111,668
1. securities issued by the consolidated entities	39,694	39,694
2. other securities	69,858,856	67,071,974
c) third party securities deposited with third parties	104,008,614	100,142,290
d) securities owned by the bank deposited with third parties	4,814,458	2,983,724
4. Order collection and transmission	-	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	6 months to 30 June 2018	6 months to 30 June 2017
1. Financial assets at fair value through profit or loss	**166**	**-**	**-**	**166**	**194**
1.1 Financial assets held for trading	166	-	-	166	194
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory measured at fair value	-	-	-	-	-
2. Financial assets at fair value through OCI	**11,303**	**-**	**-**	**11,303**	**16,791**
3. Financial assets measured at amoritised cost	**148**	**17,957**	**-**	**18,105**	**16,248**
3.1 Loans and receivables with banks	148	6,856	-	7,004	4,164
3.2 Loans and receivables with customers	-	11,101	-	11,101	12,084
4. Hedging derivatives	**-**	**-**	**-**	**-**	
5. Other activities	**-**	**-**	**448**	**448**	**486**
6. Financial liabilities	**-**	**-**	**6,126**	**6,126**	**5,772**
Total	**11,617**	**17,957**	**6,574**	**36,148**	**39,492**

1.2 Interest and similar expense: breakdown

	Liabilities	Securities	Other	6 months to 30 June 2018	6 months to 30 June 2017
1. Financial liability measured at amortised cost	-	-	-	-	-
1.1 Due to central banks	-	-	-	-	9,935
1.2 Due to banks	19,146	-	-	19,146	1,665
1.3 Due to customers	4,349	-	-	4,349	-
2. Financial liabilities held for trading	-	-	-	-	42
3. Financial liabilities at fair value through profit or loss	-	-	-	-	-
4. Other liabilities and provisions	-	-	667	667	3,755
5. Hedging derivatives	-	-	-	-	-
6. Financial assets	-	-	6,114	6,114	1,087
Total	**23,494**	**-**	**6,781**	**30,275**	**16,484**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
a) guarantees received	89	87
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	31,721	5,783
1. trading in financial instruments	4,114	5,783
2. foreign currency transactions	-	-
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	2,583	2,532
5. depository services	22,987	25,557
6. securities placement	969	557
7. order collection and transmission	978	893
8. consultancy services	90	103
8.1. concerning investments	-	-
8.2. concerning financial structure	90	103
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	560,856	469,013
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	45,091	51,198
Total	**637,757**	**555,723**

2.2 Fee and commission expense: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
a) guarantees received	24	25
b) credit derivatives	-	-
c) management and brokerage services:	4,913	4,912
1. trading in financial instruments	235	258
2. foreign currency transactions	140	36
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	2,777	3,199
5. placement of financial instruments	921	487
6. securities settlement	840	932
7. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	295,251	263,906
e) other services	1,972	1,307
Total	**302,160**	**270,151**

Section 3—Dividends and similar income—Caption 70

3.1 Dividends and similar income: breakdown

	6 months to 30 June 2018		6 months to 30 June 2017	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	1	-	15	-
B. Available-for-sale financial assets	-	-	604	-
C. Financial assets at fair value through profit or loss	718	-	-	-
D. Equity investments	293	-	-	-
Total	**1,012**	**-**	**619**	**-**

Section 4—Net trading income—Caption 80

4.1 Net trading income: breakdown

	Gains	Trading income	Losses	Trading losses	Net trading income for 6 months to 30 June 2018	Net trading income for 6 months to 30 June 2017
1. Financial assets held for trading						
1.1 Debt instruments	-	1,238	1	340	897	1,633
1.2 Equity instruments	-	121	-	177	(56)	128
1.3 OEIC units	-	-	-	2	(2)	(13)
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading						
2.1 Debt instruments	-	-	4	-	(4)	-
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate gains/ (losses)	-	-	-	-	2,482	146
4. Derivatives						
4.1 Financial derivatives:						
—On debt securities and interest rates	-	-	-	-	-	-
—On equity instruments and equity indexes	674	3,958	2,591	3,686	(1,645)	391
—On currencies and gold	-	-	-	-	-	-
—Other	-	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-	-
Total	**674**	**5,317**	**2,596**	**4,205**	**1,672**	**2,285**

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

5.1 Net profit on sale or repurchase of:

	30 June 2018	30 June 2017
Financial assets at fair value through OCI:		
Loans and receivables with customers	**-**	-
Equity instruments	7	211
Total	**7**	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

	30 June 2018					30 June 2017
	Gains	Trading income	Losses	Trading losses	Net trading income	
1.Financial assets at fair value:						
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	1	-	11	(10)	29
1.3 OEIC units	3,973	-	540	-	3,433	-
2.Financial assets and liabilities in currency: exchange differences	-	-	-	-	-	-
Total	**3,973**	**1**	**540**	**11**	**3,423**	29

Section 7—Net impairment losses—Caption 130

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

	Impairment losses			Impairment profits			
		Stage 3		Individual	Collective		
	Stage 1-2	Write off	Other	Stage 1-2	Stage 3	6 months to 30 June 2018	6 months to 30 June 2017
A. Loans and receivables with banks	-	-	-	-	-	**-**	**-**
—Financing	-	-	-	-	-	**-**	**-**
—Debt instruments..............................	-	-	-	-	-	**-**	**-**
B. Loans and receivables with customers .	-	-	-	-	-	**-**	**-**
Impaired loans acquired	-	-	-	-	-	**-**	**-**
—Financing	(162)	75	2,499	586	1	**1,826**	**278**
—Debt instruments..............................	-	-	-	-	-	**-**	**-**
C. Total	**(162)**	**75**	**2,499**	586	1	**1,826**	**278**

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	6 months to 30 June 2018	6 months to 30 June 2017
A. Debt instruments................................	-	-	-	-	**-**	**-**
B. Equity instruments	-	-	-	-	-	3,479
C. OEIC units	-	-	-	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total...	**-**	**-**	-	**-**	**-**	**3,479**

Key

A = from interest

B = other reversals

Section 8—Administrative expenses—Caption 190

8.1 Personnel expense: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
1) Employees		
a) wages and salaries	74,935	148,474
b) social security charges	23,195	15,556
c) post-employment benefits	1,495	364
d) pension costs	92	86
e) accrual for post-employment benefits	1,218	139
f) accrual for pension and similar provisions:		
—defined contribution plans	-	-
—defined benefit plans	-	-
g) payments to external supplementary pension funds:		
—defined contribution plans	3,967	3,919
—defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	2,821	2,783
2) Other personnel	28	617
3) Directors and statutory auditors	1,136	967
4) Retired personnel	-	-
5) Cost recoveries for employees seconded to other companies	(32)	-
6) Cost reimbursements for third party employees seconded to the bank	7	-
Total	**108,863**	**172,905**

8.2 Average number of employees per category

	6 months to 30 June 2018	6 months to 30 June 2017
a) managers	114	81
b) junior managers	706	670
c) other employees	2,044	1,603

8.3 Other administrative expenses: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
—data processing	47,534	56,395
—post office, valuables transportation and couriers	11,582	10,524
—external services	3,430	8,913
—interbank network traffic	2,778	4,321
—IT connections and automation costs	2,131	1,959
—access to markets	964	1,270
—professional services	27,714	22,222
—agents' commissions	467	774
—bank draft books	6	62
—maintenance and lease	27,049	26,716
—building running costs, leases, heating and lighting	3,904	3,074
—stationery and printed matter	305	275
—insurance companies	1,321	1,068
—telegraph, telephone and telex	6,532	3,033
—card processing	42,078	16,179
—membership fees	616	656
—surveillance and cleaning	462	431
—other	82,616	35,171
—taxes and duties	31,318	48,673
Total	**292,807**	**241,715**

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

9.1 Net accruals to provisions for risks and charges: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
Accruals to provisions	15,639	1,642
Total	**15,639**	**1,642**

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 6 months to 30 June 2018	Carrying amount for 6 months to 30 June 2017
A. Property, equipment and investment property					
A.1 Owned					
—Property and equipment	19,940	-	-	19,940	14,393
—Investment property	767	-	-	767	742
A.2 Acquired under finance lease					
—Property and equipment	150	-	-	150	-
—Investment property	-	-	-	-	-
Total	**20,857**	**-**	**-**	**20,857**	**15,135**

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 6 months to 30 June 2018	Carrying amount for 6 months to 30 June 2017
A. Intangible assets					
A.1 Owned					
—Generated internally	-	-	-	-	-
—Other	41,352	-	-	41,352	16,016
A.2 Acquired under finance lease	-	-	-	-	-
Total	**41,352**	**-**	**-**	**41,352**	**16,016**

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

12.1 Other operating expense: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
Transfer of revenue from services	7,319	8,931
Other costs	5,292	4,149
Total	**12,612**	**13,080**

12.2 Other operating income: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
Lease income	320	427
Services	136,298	134,826
Recoveries of stamp duties from customers and post office expenses	36,726	35,050
Other income	56,923	2,796
Total	**230,266**	**173,099**

Section 13—Share of profits (losses) of investees—Caption 250

	6 months to 30 June 2018	6 months to 30 June 2017
1. Jointly controlled entities	-	-
A. Income	-	-
1. Fair value gains	-	-
2. Gains on sales	-	-
3. Reversal of impairment losses	-	-
4.Other income	-	-
B. Costs	-	-
1.Fair value losses	-	-
2.Impairment losses	-	-
3.Losses on sales	-	-
2. Associates	-	-
A. Income	-	-
1. Fair value gains	-	-
2.Gains on sales	-	-
3.Reversal of impairment losses	-	-
4.Other income	188	370
B. Costs	-	-
1.Fair value losses	-	-
2.Impairment losses	-	-
3.Losses on sales	-	-
4.Other costs	-	(19)
Total	**188**	**351**

Section 14—Gains (losses) on sales of investments—Caption 280

14.1 Net gains on sales of investments: breakdown

	6 months to 30 June 2018	6 months to 30 June 17
A. Property	-	-
1. Gains on sales	3,238	-
2. Losses on sales	-	-
B. Other assets	-	-
1. Gains on sales	1,304	-
2. Losses on sales	212	-
Total	**4,329**	**-**

Section 15—Income taxes—Caption 300

15.1 Income taxes: breakdown

	6 months to 30 June 2018	6 months to 30 June 2017
Tax expense for the period	(29,858)	(12,534)

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 Old 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 Old Nexi Group forecasts the related effects on equity and their suitability.

Lastly, the Old 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

30 June 2018

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	-	-	2,898,444	-	2,898,444
Valuation reserves	-	-	-	-	-
—Equity instruments at fair value through OCI	54,449	-	-	-	54,449
—Actuarial reserve	(13,161)	-	-	-	(13,161)
—Net actuarial losses on defined benefit plan	669	-	-	-	669
Reserves	-	-	-	-	-
—Income related	-	-	478,601	-	478,601
Profit for the period	-	-	51,943	-	51,943
Equity	**41,957**	**-**	**3,428,988**	**-**	**3,470,945**

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)	40,699	-	-	-	40,699
—Actuarial reserve	408	-	-	-	408
Reserves	-	-	-	-	-
—Income related	-	-	(23,446)	-	(23,446)
Profit for the year	-	-	98,927	-	98,927
Equity	**41,107**	**-**	**3,471,925**	**-**	**3,513,032**

PART E – BUSINESS COMBINATIONS REGARDING COMPANIES OR DIVISIONS

Section 1 - Transactions achieved during the period

Acquisition of Sparkling

In April 2018, Nexi Payments acquired 89.84% of interest in Sparkling 18.
Considering that Bassilichi already held 10.16% of Sparkling, through this business combination, Mercury Group has acquired an interest of 88.54% in Sparkling due to Mercury Group's minority interest in Nexi S.p.A. and Nexi Payments S.p.A. The goodwill arising from this business combination, amounts to €2.9 million.

The purchase price allocation process has not been completed and it will be finalised by the end of 2018.

Section 3 – Retrospective adjustments

Acquisition of Bassilichi Group

During the first half of 2018, the purchase price allocation process has been completed with reference to the acquisition of Bassilichi Group.
The goodwill arising from these business combinations has been allocated as follows:

	Provisional fair value	Adjustments	Final fair value
	€ 000	€ 000	€ 000
Cash consideration paid	111,656	(39,520)	72,136
Portion of identifiable net assets attributable to minority interest	(15,650)	20	(15,630)
Cash and cash equivalent	29	-	29
Financial assets	1,796	-	1,796
Investments	1,890	-	1,890
Tangibles assets	39,369	-	39,369
Intangible assets	18,774	(187)	18,588
Tax assets	3,423	-	3,423
Other assets	96,832	-	96,832
Financial liabilities	(93,766)	-	(93,766)
Other liabilities	(135,201)	-	(135,201)
Identifiable net assets	**(66,854)**	**(187)**	**(67,040)**
Goodwill on acquisition	**162,860**	**(39,314)**	**123,546**
Cash consideration paid	-	-	72,136
Cash acquired	-	-	-29
Net cash consideration	-	-	72,107

Acquisition of MPS and DB business units

During the first half of 2018, the purchase price allocation process has been completed with reference to the acquisition of Deutsche Bank AG Cards Acquiring business and of Banca Monte dei Paschi di Siena S.p.A. Acquiring Services ("MPS and DB acquiring businesses").
The goodwill arising from these business combinations has been allocated as follows:

	Provisional fair value	**Adjustments**	**Final fair value**
DB Acquiring	**€ 000**	**€ 000**	**€ 000**
Cash consideration paid	29,100	-	29,100
Contingent consideration	12,000	-	12,000
Portion of identifiable net assets attributable to minority interest	(4,863)	1,766	(3,097)
Cash and cash equivalent	-	-	-
Financial assets	-	-	-
Investments	-	-	-
Tangibles assets	-	-	-
Intangible assets	-	15,252	15,252
Tax assets	-	-	-
Other assets	2,480	-	2,480
Due to banks	-	-	-
Financial liabilities	-	-	-
Other liabilities	(3,380)	-	(3,380)
Identifiable net assets	**(900)**	**15,252**	**14,352**
Goodwill on acquisition	**37,137**	**(13,486)**	**23,651**
Cash consideration paid	41,100	-	41,100
Cash acquired	-	-	-
Net cash consideration	41,100	-	41,100

MPS Acquiring	Provisional fair value € 000	Adjustments € 000	Final fair value € 000
Cash consideration paid	534,784	-	534,784
Contingent consideration	-	-	-
Portion of identifiable net assets attributable to minority interest	(60,628)	12,903	(47,724)
Cash and cash equivalent	-	-	-
Financial assets	-	-	-
Investments	-	-	-
Tangibles assets	-	-	-
Intangible assets	-	111,436	111,436
Tax assets	-	-	-
Other assets	16,137	-	16,137
Due to banks	(4,946)	-	(4,946)
Financial liabilities	-	-	-
Other liabilities	-	-	-
Identifiable net assets	**11,191**	**111,436**	**122,627**
Goodwill on acquisition	**462,965**	**- 98,532**	**364,432**
Cash consideration paid	534,784	-	534,784
Cash acquired	-		-
Net cash consideration	534,784	-	534,784

PART F - 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; and
- 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; and
- 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; and
- 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.

Appendix –Notes to the Financial Statements - Mercury UK Holdco Limited

6 months to 30 June 2018 (€'000)	E-money	Payments	Securities services	Application outsourcing	Bassilichi Payments	Other Old Nexi Group activities	Consolidation adjustment	Old Nexi Group	Latino Group	Mercury activities	Consolidation adjustment	Consolidated financial statements
Net fee and commission income	311,179	41,361	26,486	14,969	68,024	507	(18,398)	444,127	81,899	833	-	526,860
Net interest income	(8,397)	1,071	5,262	(2)	(668)	19,275	1,683	18,225	(299)	-	-	17,926
Net trading/hedging income	(26)	-	280	-	-	3,420	-	3,673	2	(107)	-	3,568
Dividends from equity investments	282	-	-	-	-	363	-	645	11	90,030	(90,030)	655
Operating revenue	**303,037**	**42,432**	**32,028**	**14,967**	**67,356**	**23,564**	**(16,715)**	**466,669**	**81,613**	**90,757**	**(90,030)**	**549,009**
Payroll and related costs	(30,944)	(4,958)	(6,792)	(3,846)	(20,224)	(28,574)	251	(95,086)	(8,520)	(425)	-	(104,031)
Production costs	(53,347)	(4,859)	(1,676)	(1,720)	(36,636)	(304)	15,440	(83,103)	(15,640)	-	-	(98,743)
ICT costs	(63,810)	(14,269)	(8,135)	(2,354)	-	(4,819)	718	(92,669)	-	(3)	-	(92,672)
General expenses	(20,745)	(786)	(245)	(975)	(6,280)	(11,047)	11,992	(28,086)	(65)	(295)	-	(28,446)
Administrative expenses	**(168,846)**	**(24,873)**	**(16,848)**	**(8,896)**	**(63,140)**	**(44,744)**	**28,400**	**(298,945)**	**(24,225)**	**(722)**	**-**	**(323,892)**
Other net operating expenses/income	3,032	(6,039)	(3,906)	(19)	721	21,970	(11,686)	4,073	750	-	-	4,823
Net accruals for risks and charges	(5,115)	-	(193)	-	-	-	-	(5,308)	(240)	-	-	(5,548)
Operating costs (Net of DA)	(170,929)	(30,911)	(20,947)	(8,915)	(62,418)	(22,774)	16,715	(300,180)	(23,715)	(722)	-	(324,617)
EBITDA	**132,108**	**11,521**	**11,081**	**6,052**	**4,937**	**790**	**-**	**166,489**	**57,898**	**90,034**	**(90,030)**	**224,392**
Depreciation and amortisation	(18,400)	(2,093)	(976)	(2,908)	(6,460)	(1,877)	(14)	(32,728)	(6,098)	(1)	-	(38,827)
Operating profit	**113,708**	**9,428**	**10,105**	**3,143**	**(1,522)**	**(1,087)**	**(14)**	**133,762**	**51,800**	**90,033**	**(90,030)**	**185,565**
Depreciation and Amort. (customer contract)								(8,151)	(15,230)	-	-	(23,381)
Share of gains/losses of investees								186	-	-	2	188
Non-recurring/extraordinary items								(40,050)	(32,132)	(1,774)	-	(73,958)
Pre-tax profit for the period								**85,746**	**4,438**	**88,259**	**(90,028)**	**88,413**
Income taxes								(30,299)	441	-	-	(29,858)
Profit to non-controlling interests								(866)		- -	(5,744)	(6,611)
Net profit								**54,581**	**4,877**	**88,259**	**(95,773)**	**51,944**

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

6 months to 30 June 2018 (€'000)	E-money	Payments	Securities services	Application outsourcing	Bassilichi Payments	Other Old Nexi Group activities	Latino-MPS	Mercury activities	Mercury Group total
E-money		1,520	-	548	14,081	(12,830)	-	-	3,320
Payments	(1,272)		-	-	-	-	-	-	(1,272)
Securities services	-	-		-	-	-	-	-	-
Application Outsourcing	57	134	-		-	164	-	-	355
Bassilichi Payments	115	415	-	-		-	-	-	531
Other Mercury Group activities	13,317	-	-	463	-		-	-	13,780
Latino -MPS	-	-	-	-	-	-		-	-
Mercury activities	-	-	-	-	-	-			-
Operating revenue—other	**12,217**	**2,069**	**-**	**1,012**	**14,081**	**(12,666)**	**-**	**-**	**16,715**
Third party customers	290,820	40,363	32,028	13,954	53,274	36,230	81,613	726	549,009
Total operating revenue	**303,037**	**42,432**	**32,028**	**14,967**	**67,356**	**23,564**	**81,613**	**726**	**565,723**

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; and
- 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	526,860	(191,262)	335,597	60
Net interest income	17,926	(12,052)	5,874	30
Net trading/hedging income	3,568	(1,896)	1,672	80 - 90
Dividends from equity investments	655	356	1,012	70
Operating revenue	**549,009**	**(204,854)**	**344,154**	**sum**
Payroll and related costs	(104,031)	(4,832)	(108,863)	180a
Other administrative expenses (*)	(219,861)	(72,946)	(292,807)	180b
Administrative expenses	**(323,892)**	**(77,777)**	**(401,670)**	**sum**
Other net operating expenses/income	4,823	212,549	217,372	220
Net accruals for risks and charges	(5,548)	(11,917)	(17,465)	130 - 190
Operating costs (Net of DA)	**(324,617)**	**122,855**	**(201,762)**	**sum**
EBITDA	**224,392**	**(81,999)**	**142,392**	**sum**
Depreciation and amortisation	(38,827)	(23,381)	(62,208)	200-210
Operating profit	**185,565**	**(105,381)**	**80,184**	**sum**
Depreciation and Amort. (customer contract)	(23,381)	23,381	-	200-210
Share of gains/losses of investees	188	3,712	3,900	100-240
Non-recurring/extraordinary items	(73,958)	78,287	4,329	Other items
Pre-tax profit for the period	**88,413**	**-**	**88,413**	**sum**
Income taxes	(29,858)	-	(29,858)	290
Profit attributable to non-controlling interests	(6,611)	-	(6,611)	330
Profit attributable to the owners of the parent	**51,944**	**-**	**51,944**	**sum**

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