Nexi Capital S.p.A.

Interim Noteholder Report

as of and for the nine months ended September 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

November 29, 2018

Overview

Background

On May 18, 2018, Nexi Capital S.p.A. (the “Issuer”), a direct subsidiary of Nexi 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 the Company, the direct parent of the Issuer.

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 Nexi S.p.A. and its subsidiaries.

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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
"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 subsidiaries
"business unit"	means each of the business units specified in Nexi's Financial Statements: Merchant Services & Solutions, Cards & Digital Payments, Digital Banking Solutions and Other Services
"Cards & Digital Payments".......	The business unit referred to as "Cards & Digital Payments" in Nexi's Financial Statements
"Carige Acquiring" …	The merchant acquiring and POS businesses of Banca Carige S.p.A. acquired by Nexi in 2018
"Clessidra SGR"	Clessidra SGR S.p.A. on behalf of the fund Clessidra Capital Partners 3
"DB Cards Acquiring"................	The merchant acquiring business acquired by Nexi Payments
"DEPObank"	DEPObank – Banca Depositaria Italiana S.p.A. (formerly Nexi S.p.A.)
"Digital Banking Solutions"........	The business unit referred to as "Digital Banking Solutions" in Nexi's Financial Statements
"Equinova"	Equinova UK Holdco Limited
"financial statements"..............	As the context requires, the financial statements of the Nexi Group
"Help Line"	Help Line S.p.A.
"Holdco" or "Mercury UK Holdco"	Mercury UK Holdco Limited, the direct parent of the Company
"Holdco Annual Report"	Mercury UK Holdco Limited Annual Report for the year ended 31 December 2017
"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)
"IMEL and PI"	Electronic Money Institution and Payment Institution
"Listing Particulars"	The listing particulars relating to the Notes
"Merchant Services & Solutions"	The business unit referred to as "Merchant Services & Solutions" in Nexi's Financial Statements
"Mercury Payments"	Mercury Payments Services S.p.A.
"MPS Acquiring"	The merchant acquiring and POS businesses of Banca Monte dei Paschi di Siena S.p.A. acquired by Nexi Payments

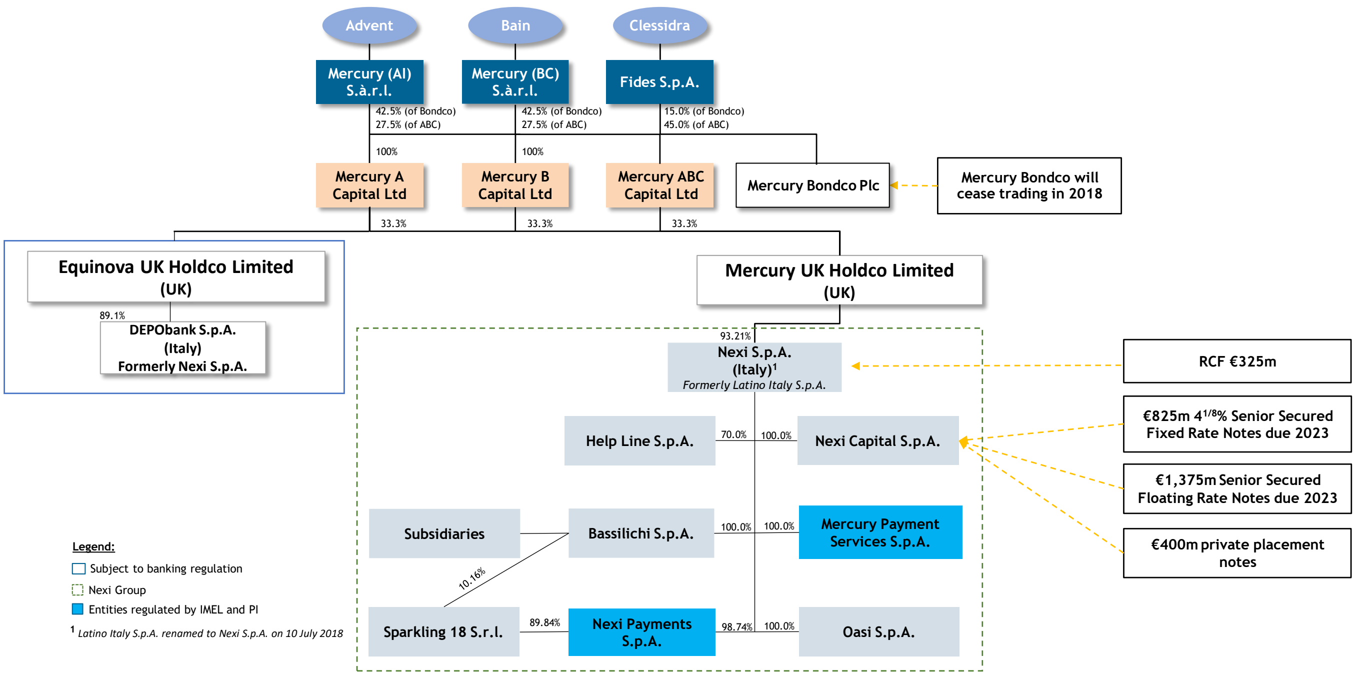
Certain Definitions

"Nexi Payments"	Nexi Payments S.p.A. (formerly CartaSi S.p.A.)
"Nexi"	Nexi S.p.A. (formerly Latino Italy S.p.A)
"Nexi Group" or "Group"	Collectively, Nexi, Nexi Capital S.p.A., Nexi Payments, Oasi, Help Line, Mercury Payments, Bassilichi Payments, and Sparkling 18
"Oasi"	Oasi Diagram S.p.A.
"Other Services"	The business unit referred to as "Other Services" in Nexi's Financial Statements
"Revolving Credit Facility"	The revolving credit facility established under the Revolving Credit Facility Agreement, for a principal amount of €325 million
"Revolving Credit Facility Agreement"	The super senior revolving credit facility agreement which was entered into on 4 May 2018 (and amended and restated on 18 May 2018) between, amongst others, Nexi Capital S.p.A., Nexi, the Agent (as defined therein), the Security Agent and the Arrangers (as defined therein)
"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
"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.
"Sparkling 18" ………………………	Sparkling 18 S.r.l., the digital payments startup acquired by Nexi

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 Listing Particulars.

3 GROUP STRUCTURE



4 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

4.1 Basis of preparation of the pro forma financial information

This Interim Financial Report includes the following financial statements:

- the unaudited consolidated interim financial statements of the Nexi Group (as defined in the section entitled "Certain Definitions") as of and for the nine months ended 30 September 2018 compared to the nine months ended 30 September 2017 (the "Interim Financial Statements");

The pro forma financial information presents the results of the Nexi Group as if all of the entities within the Nexi Group as at 30 September 2018 had been included within the Nexi Group from the beginning of the earliest reporting period presented (i.e. 1 January 2017). The pro forma financial information also reflects the Nexi Group structure at 30 September 2018, i.e. following the Reorganisation on 2 July 2018. The pro forma financial information is presented to illustrate the estimated effects of the acquisition of MPS Acquiring, DB Cards Acquiring, Bassilichi Payments, Sparkling 18, and Carige Acquiring on the Nexi 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 nine months ended 30 September 2018 and 30 September 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 Listing Particulars.

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 Nexi 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 Listing Particulars. Since the date of the Listing Particulars, 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 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, 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 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 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

Financial Performance

Nexi Group pro forma operating revenue and EBITDA increased for the nine months ended 30 September 2018 compared to the nine months ended 30 September 2017.

Pro forma operating revenue increased by €31.7 million, or 4.6%, to €729.3 million for the nine months ended 30 September 2018, from €697.5 million for nine months ended 30 September 2017, due to higher transaction volumes in both the issuing and acquiring businesses.

Pro forma EBITDA increased by €37.0 million, or 13.4%, to €313.3 million for the nine months ended 30 September 2018 from €276.4 million for the nine months ended 30 September 2017, as a result of an increase in revenue in the Merchant Services & Solutions, Cards & Digital Payments, and Other Services business units.

The pro forma profit for the period attributable to the owners of the Nexi Group increased by 67.8% to €39.9 million, as a result of both higher EBITDA and lower net non-recurring / extraordinary expenses.

Non-recurring/extraordinary items in the nine months ended 30 September 2018 (€68.0 million) mainly consisted of one-off projects costs for the Nexi Group's transformation program (€25.8 million), HR restructuring (€16.2 million), the data center termination fee (€11.1 million), and the Nexi Group reorganization and re-branding. Net negative non-recurring/extraordinary items in the nine months ended 30 September 2017 (€77.3 million) included – amongst others – the operating costs associated with HR restructuring plan (€31.6 million), the above-mentioned transformation program (€18.2 million), and taxes on M&A transactions (€17.0 million).

Non-Financial KPIs

Most of the Nexi Group's non-financial key-performance indicators improved in the nine months ended 30 September 2018, compared to the nine months ended 30 September 2017.

Merchant Services & Solutions grew both in terms of value of card transactions (+6.6%) and in number of managed transactions (+11.7%), on a pro-forma basis for the Carige Acquisition (closed at the end of September 2018). The number of managed POS terminals increased by 8.1% year-on-year.

In Cards & Digital Payments, the number of managed cards at 30 September 2018 was lower than the level of the same period of last year (-3.9%), due to a massive clean-up of inactive prepaid cards. The number and the value of managed transactions increased by 9.8% and 5.2%, respectively, for the first nine months of 2018 compared to the first nine months of 2017.

Digital Banking Solutions recorded a decrease in the number of e-banking licenses (-11.7% compared to 30 September 2017) and of clearing transactions (-10.5% compared to the first nine months of 2017), mostly due to post-M&A restructuring activity affecting some large clients, a clean-up of inactive accounts and – in the case of the clearing segment –a particularly strong performance in the nine months ended 30 September 2017. The number of managed ATM terminals was consistent at 30 September 2018 with the same period of last year.

7.2 Nexi Group Summary Pro Forma Financial Information

The following table shows the pro forma[1] operating revenue and pro forma EBITDA of the Nexi Group for the nine months ended 30 September 2018 and 30 September 2017.

	Nine months to 30 September		
	2018	**2017**	***% change***
	(*in € millions*)		
Pro forma operating revenue [1]	**729.3**	**697.5**	***4.6%***
Merchant Services & Solutions	324.4	304.6	*6.5%*
Cards & Digital Payments	266.8	249.6	*6.9%*
Digital Banking Solutions	87.4	94.9	*(7.9%)*
Other Services	73.2	68.6	*6.6%*
Consolidation adjustments [2]	(22.5)	(20.1)	*12.1%*
Pro forma normalised EBITDA [1][3]	**313.3**	**276.4**	***13.4%***
Pro forma profit for the period attributable to the owners of the parent [1]	**39.9**	**23.8**	***67.8%***

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

(2) Relate to intercompany transactions.

(3) Pro forma normalised EBITDA is defined in section 7.5.1.

7.3 Nexi Group

The following table provides an overview of the results of operations for the pro forma[(1)] financial information of the Nexi Group for the nine months ended 30 September 2018 and 30 September 2017.

	Nine months to 30 September	
	2018	**2017**
	(in € millions)	
Net fee, commission and other business income	739.3	707.7
Net interest expenses	(10.0)	(10.2)
Net trading / hedging income	(0.0)	-
Dividends from equity investments	(0.0)	0.0
Pro forma operating revenue	**729.3**	**697.5**
Payroll and related costs	(128.1)	(130.0)
Other administrative expenses	(287.5)	(286.3)
Administrative expenses	**(415.6)**	**(416.3)**
Other net operating income	5.9	2.0
Net accruals to provisions for risks and charges	(6.3)	(6.9)
Pro forma operating costs (before depreciation and amortisation)	**(415.9)**	**(421.2)**
Pro forma EBITDA (1)	**313.3**	**276.4**
Depreciation and amortisation	(56.2)	(45.1)
Pro forma operating profit	**257.1**	**231.2**
Depreciation and amortisation on customer contracts	(27.9)	(23.5)
Share of profits of investees	(0.3)	-
Interest expenses on net debt (2)	(81.5)	(81.5)
Non-recurring / extraordinary items	(68.0)	(77.3)
Pre-tax pro forma profit	**79.4**	**49.0**
Income taxes	(38.3)	(26.0)
Post-tax pro forma profit	**41.2**	**23.0**
Pro forma profit for the period attributable to non-controlling interests	(1.3)	0.8
Pro forma profit for the period attributable to the owners of the parent	**39.9**	**23.8**

(1) Pro forma normalised EBITDA is defined in section 7.5.1.
(2) Includes interest expenses on Nexi Capital S.p.A. debt (including amortized issuance expenses), as if the Notes had been issued at 1 January 2017, and on Bassilichi Payments facilities.

7.4 Nexi Group Summary Pro Forma Financial Information: EBITDA reconciliation

The following table shows the pro forma EBITDA reconciliations of the Nexi Group for the nine months ended 30 September 2018 and 30 September 2017:

	Nine months to 30 September	
	2018	**2017**
	(€ millions)	
Pro forma profit for the period attributable to the owners of the parent	**39.9**	**23.8**
Pro forma profit for the period attributable to non-controlling interests	1.3	(0.8)
Income taxes	38.3	26.0
Share of profit of investees	0.3	-
Interest expenses on net debt	81.5	81.5
Non-recurring / extraordinary items	68.0	77.3
Depreciation, amortisation and impairment losses on customer contracts	27.9	23.5
Pro forma operating profit	**257.1**	**231.2**
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets (included in operating profit)	56.2	45.1
Pro forma normalised EBITDA	**313.3**	**276.4**

Non-recurring / extraordinary items for the nine months ended 30 September 2018 were €68.0 million, mostly related to projects costs for the transformation program (€25.8 million), HR restructuring (€16.2 million), the data center termination fee (€11.1 million), and the Nexi Group reorganization and re-branding.

Net negative non-recurring/extraordinary items in the nine months ended 30 September 2017 (€ 77.3 million) included – amongst others – the operating costs associated with HR restructuring plan (€31.6 million), the above-mentioned transformation program (€18.2 million), and taxes on M&A transactions (€17.0 million).

7.5 Other Financial and Operating Information - Nexi Group

7.5.1 Other performance indicators

	Ref	Twelve months to 30 September 2018
		(*in € millions*)
Pro forma operating revenue		975.0
Pro forma normalised EBITDA [(1)]	*7.5.2*	406.5
Pro forma normalised EBITDA margin [(2)]		41.7%
Pro forma normalised EBITDA adjustments	*7.5.2*	107.5
Ratio of EBITDA adjustments to pro forma normalised EBITDA		0.26x
Adjusted pro forma EBITDA [(1)]	*7.5.2*	514.0
Adjusted pro forma EBITDA margin [(2)]		50.9%
Cash Conversion ratio [(3)]		67.3%
Pro forma profit for the period attributable to the owners of the parent		14.2

Net debt [(4)]	2,365
Pro forma cash interest expense [(5)]	(108.7)
Ratio of net debt to adjusted pro forma EBITDA	4.6x
Ratio of adjusted pro forma EBITDA to pro forma cash interest expense	4.7x

(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 7.5.2.

For a reconciliation of pro forma normalised EBITDA to adjusted pro forma EBITDA, see sections 7.5.2. Management believe that these EBITDA-based measures are useful to investors in evaluating operating performance and the ability of the Nexi 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 adjusted operating revenue", defined as pro forma operating revenue plus the potential impact that such adjustments (Innovation and CVM Initiatives-related, as detailed below) may have on pro forma operating revenue.

(3) Defined as Normalised EBITDA minus maintenance capital expenditures, as percentage of normalised EBITDA.

(4) Net debt represents the combined gross debt of BondCo and Bassilichi Payments, minus cash and cash equivalents.

(5) Represents the estimated cash interest expense on Nexi Capital S.p.A. debt and Bassilichi Payments debt on a pro forma basis for the period ended 30 September 2018.

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

	Twelve months to 30 September 2018 (*in € millions*)
Pro forma normalised EBITDA	**406.5**
Cost savings[(A)]	38.3
Post-merger synergies[(B)]	34.8
Innovation and CVM initiatives[(C)]	34.3
Adjusted pro forma EBITDA	**514.0**

(A) Represents the estimated run-rate increase in Normalised EBITDA that we believe is achievable within one to three years following the implementation of the measures set forth below, which aim to further improve our operational efficiency and each of which relates to steps and actions that have been taken or have been identified:

i. *Purchasing*: This adjustment 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 the first quarter of 2018.

ii. *Human Resources*: This adjustment gives effect to the run-rate impact of headcount rationalizations 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 realized by 2020.

iii. *IT Processing & Running*: This adjustment gives effect to the run-rate impact of the successful renegotiation of our processing arrangements with key suppliers on more favorable terms, which we recently agreed pursuant to binding contracts. In addition, this adjustment gives effect to the estimated run-rate impact of additional savings on IT operating costs, which we have identified and which are included in our management forecast for 2018.

iv. *IT Strategy*: This adjustment gives effect to estimated cost savings to be realized 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 CBI Gateway infrastructure, our software and our licensing activities.

v. *Operations*: This adjustment gives effect to estimated cost 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.

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

(B) Represents the estimated run-rate increase in Normalised EBITDA that we believe is achievable within one to three years following the implementation of the measures set forth below, which seek to achieve synergies from the integration of our recent acquisitions:

i. *Bassilichi Payments*: We have launched measures aimed at the full integration of Bassilichi into the Nexi Group by 2019. This adjustment gives effect to (i) expected savings in general and administrative expenses from, among other things, the renegotiation of contracts, elimination of indemnities in favor of Bassilichi's board of directors and centralization of services and (ii) the run-rate impact of procurement savings generated by initiatives that have already launched and, in part, completed.

ii. *Mercury Payments*: This adjustment gives effect to the expected run-rate impact of cost-synergies in our operations and the integration of Mercury Payments' central functions into our own, which we believe we can realize by the end of 2019.

iii. *IT Strategy (M&A)*: This adjustment gives effect to the expected run-rate impact of cost-synergies from the integration of the IT platforms, technology and corporate systems of Bassilichi and Mercury Payments with Nexi's.

We estimate that we will incur approximately €20.0 million in non-recurring restructuring and integration expenses in the next one to three years to achieve the post-merger synergies related to Bassilichi Payments. We believe we will incur only limited amounts of non-recurring expenses to achieve the post-merger synergies related to Mercury Payments. With respect to our M&A related IT strategy, we expect to incur predominantly capital expenditures.

(C) Represents the estimated run-rate increase in Normalised EBITDA that we believe is achievable within one to three years following the implementation of the initiatives set forth below, which target untapped potential in the areas of innovation and customer value management:

i. *Innovation bundle:* This adjustment gives effect to the expected run-rate impact from the launch of a new VAS/innovation bundle offering, which was defined in 2017 and launched in 2018, and the expansion of the services provided under two existing customer contracts. This adjustment was estimated on a run-rate basis, giving effect to contracts already signed.

ii. *E-Commerce:* This adjustment gives effect to the expected run-rate impact of the commercialization 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.

iii. *Apple Pay*: This adjustment 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 materialize starting in 2019. The adjustment was estimated on the basis of contracts that have already been signed with client banks.

iv. *Customer Value Management:* This adjustment gives effect to the expected run-rate impact of the acquisition of Carige Acquiring and CVM initiatives with respect to both our existing customer base and our recently acquired merchant books, also in relation to upgrades required to fully comply with Payment Card Industry Data Security Standards ("PCI DSS"). 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 full run-rate impact from these initiatives will materialize starting in 2019.

v. *International Debit:* This adjustment gives effect to the expected run-rate impact of new product launches in the debit cards segment to complement the traditional, domestic debit card products currently available in the Italian market. The adjustment was estimated on the basis of contracts that have already been signed with client banks.

vi. *ACH Instant Payments:* This adjustment gives effect to the expected 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.

vii. *PSD2 Gateway*: This adjustment 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.

We believe that the large majority of product development and CVM costs related to the implementation of the innovation and CVM initiatives set forth above have already been incurred in the year ended December 31, 2017. As a result, we do not currently expect to incur a material amount of additional costs in the next one to three years to achieve the benefit from these initiatives.

The adjustments described in footnotes (A) through (C) above are based upon forecasts and estimates and are in part based upon historical information of acquired entities which cannot be independently verified by our management. Our estimates of cost savings, post-merger synergies and innovation and CVM initiatives are based upon a number of expectations and assumptions, which may prove to be incorrect. As such, although we believe that we will be able to realize the earnings underlying these adjustments, our actual results of these initiatives may differ and any anticipated cost savings, synergies and run-rate revenue uplifts may not be achieved to the extent and within the time frame anticipated, if at all, and we may be required to expend more funds in respect of these initiatives than we currently anticipate. See “Risk Factors—Risks Related to Our Business—Our selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses” and “Risk Factors—Risks Related to the Transactions,” in the Listing Particulars.

The financial information presented in this Interim Financial Report has been formulated subject to significant assumptions and limitations and may not reflect what our actual results of operations and financial condition would have been had the transactions accounted for therein occurred as of and for the periods presented, and such financial information may not be indicative of our future operating performance.

7.5.3 Cash and other sources of funding

The following table provides an overview of the main sources of funding potentially available to Nexi Capital and Nexi S.p.A., which are expected to merge by December 31, 2018.

Dividends from Nexi Payments and Mercury Payments, along with drawings on the Revolving Credit Facility, are intended to be Nexi Capital's and Nexi S.p.A.'s principal source of liquidity and thus a key determinant of the Nexi Group's ability to pay cash interest on the Notes:

	30 September 2018
	(*in € millions*)
Cash and other available sources of funding	**597.9**
thereof: Revolving Credit Facility[A]	*325.0*
thereof: cash and cash equivalents[B]	*272.9*

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

(B) Reflects the cash available within the Nexi Group on the reporting date.

As detailed in the Listing Particulars, Nexi S.p.A. will distribute available reserves to its shareholders following the offering of the Notes. The main component, payable to Holdco in its capacity as its major shareholder, will be set off against any loans under which the proceeds of the Notes and the €0.4 billion privately placed notes (the "Private Notes") were passed on to Holdco, while any payments to minority interests in Nexi S.p.A. capital (other than Holdco) will be settled in cash.

7.6 Non-financial key performance indicators

The following table provides an overview of the non-financial key performance indicators for the Nexi Group as of and for nine months ended 30 September 2018 and 30 September 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 the Listing Particulars.

The figures presented below aggregate the number and value of transactions under the licensing, servicing and direct issuing and acquiring models.

	As of and for nine months ended 30 September			
	2018	**2017**	**change**	***% change***
Number of managed transactions (in millions)	4,062	3,665	398	*10.9%*
Issuing	*1,716*	*1,563*	*152*	*9.8%*
Acquiring	*2,347*	*2,101*	*245*	*11.7%*
Number of managed cards ('000)	41,956	43,644	(1,689)	*(3.9%)*
Debit cards	*22,323*	*22,296*	*27*	*0.1%*
Charge cards	*12,258*	*11,978*	*280*	*2.3%*
Prepaid cards	*7,024*	*8,994*	*(1,969)*	*(21.9%)*
Credit cards	*351*	*377*	*(26)*	*(6.9%)*

Value of card transactions (€ millions)	327,405	308,834	18,572	*6.0%*
Issuing	*143,698*	*136,538*	*7,160*	*5.2%*
Acquiring ….	*183,708*	*172,295*	*11,412*	*6.6%*
Number of managed POS (‘000)	1,449	1,340	109	*8.1%*
Number of clearing transactions (in millions)	613	685	(72)	*(10.5%)*
Number of e-banking licenses (‘000)	435	493	(58)	*(11.7%)*
Number of managed ATMs (‘000)	21.2	21.4	(0.2)	*(0.8%)*

7.7 Key Subsequent Events

No events took place after the reporting period that would have had a significant impact on the 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 Nexi Group, which is extracted and aggregated from the unaudited consolidated financial statements of Nexi S.p.A. and unaudited financial statements of Nexi Capital and Carige Acquiring for the period ended 30 September 2018.

The consolidated financial statements for the nine months ended 30 September 2017 and the nine months ended 30 September 2018 in the table in section 8.1.1. are not comparable due to the significant changes to the perimeter of the Nexi Group in 2018. For more information relating to the reorganization of the Nexi Group see the Listing Particulars. The financial performance of the Nexi Group should not be judged based on the table in section 8.1.1. due to the lack of comparability between the results.

The table in section 8.1.2. provides a reconciliation of the Nexi Group's management accounts in order to improve comparability of results for the nine months ended 30 September 2017 and the nine months ended 30 September 2018.

8.1 Results of Operations – Nexi Group

8.1.1 Nexi Group financial statements

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Interest and similar income	24.0	0.0
Interest and similar charges	(44.4)	(1.7)
Net interest income	**(20.4)**	**(1.6)**
Fee and commission income	411.9	114.7
Fee and commission expense	(172.0)	(1.3)
Net fee and commission income	**239.9**	**113.4**
Dividends and similar income	0.2	0.0
Net trading income	(2.0)	(0.2)
Net profit on sale or repurchase	(3.7)	-
Profit on financial assets/liabilities designated at fair value through profit and loss	(0.0)	0.0
Total income	**213.9**	**111.7**
Net impairment losses	(0.0)	(0.0)
Net financial income	**213.9**	**111.7**
Administrative expenses:	(217.9)	(71.4)
a) Payroll and related costs	(55.9)	(24.3)
b) Other administrative expenses	(162.1)	(47.1)
Net accruals to provisions for risks and charges	3.6	(0.2)
Depreciation and net impairment losses on property, equipment and investment property	(15.0)	(4.7)
Amortisation and net impairment losses on intangible assets	(36.0)	(2.7)
Other net operating income	95.0	27.5
Operating costs	**(170.3)**	**(51.5)**
Share of profits of investees	(0.0)	-
Net gains of investments	21.0	-
Pre-tax Profits from continuing operations	**64.6**	**60.1**
Income taxes	(18.8)	(20.8)
Profit from continuing operations	**45.8**	**39.4**
Profit for the period	45.8	39.4
Profit for the period attributable to non-controlling interests	(0.6)	-
Profit for the period attributable to the owners of the parent	**45.3**	**39.4**

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

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

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

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

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

The line items presented in the Nexi Group's management accounts are not recognised by IFRS. Different companies and analysts may calculate these non-IFRS measures differently, so making comparisons among companies on this basis should be done very carefully. These non-IFRS measures have limitations as analytical tools, are not measures of performance or financial condition under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS.

Reconciliation of Management Accounts - Nexi Group	**9 months ended 30 September 2018**					**9 months ended 30 September 2017**				
(€ millions)	**Financial Statements**	**Reclassified Line Items**	**Excluded Line Items**	**Proforma Items**	**Management Accounts**	**Financial Statements**	**Reclassified Line Items**	**Excluded Line Items**	**Proforma Items**	**Management Accounts**
Net fee, commission and other business income (1)	239.9	87.0	0.4	412.0	739.3	113.4	27.6	-	566.6	707.7
Net interest income	(20.4)	0.0	19.5	(9.1)	(10.0)	(1.6)	-	-	(8.6)	(10.2)
Dividends from equity investments	0.2	(0.1)	(0.0)	(0.0)	(0.0)	0.0	-	-	-	0.0
Net trading income	(2.0)	0.0	2.0	(0.0)	(0.0)	(0.2)	-	0.2	-	-
Fair value adjustments in hedge accounting	-	-	-	-	-	0.0	-	(0.0)	-	-
Profit (loss) on disposal or sale or repurchase	(3.7)	-	3.7	-	-	-	-	-	-	-
Profit on financial assets & liabilities designated at fair value through P&L	(0.0)	0.0	-	-	-	-	-	-	-	-
Net impairment losses	(0.0)	0.0	-	-	-	(0.0)	0.0	-	-	-
Net financial income	**213.9**	**86.9**	**25.6**	**402.9**	**729.3**	**111.7**	**27.7**	**0.1**	**558.1**	**697.5**
Operating revenue					729.3					697.5
Merchant Services & Solutions					*324.4*					*304.6*
Cards & Digital Payments					*266.8*					*249.6*
Digital Banking Solutions					*87.4*					*94.9*
Other Services					*73.2*					*68.6*
Consolidation adjustments					*(22.5)*					*(20.1)*
Administrative expenses:										
a) Personnel expenses (2)	*(55.9)*	*0.1*	*8.9*	*(81.3)*	*(128.1)*	*(24.3)*	-	*1.9*	*(107.6)*	*(130.0)*
b) Other administrative expenses (2)	*(162.1)*	*2.2*	*54.5*	*(182.1)*	*(287.5)*	*(47.1)*	-	*10.3*	*(249.4)*	*(286.3)*
Depreciation and Amortisation	(51.0)	-	24.5	(29.7)	(56.2)	(7.4)	-	-	(37.7)	(45.1)
Other net operating income, net (2)	95.0	(92.6)	(0.6)	4.1	5.9	27.5	(27.6)	0.1	2.1	2.0
Net accruals to provisions for risks and charges (2)	3.6	3.4	(8.0)	(5.3)	(6.3)	(0.2)	(0.0)	-	(6.7)	(6.9)
Operating costs	**(170.3)**	**(86.9)**	**79.3**	**(294.3)**	**(472.2)**	**(51.5)**	**(27.7)**	**12.3**	**(399.3)**	**(466.3)**
Operating profit	**43.6**	**-**	**104.9**	**108.6**	**257.1**	**60.1**	**-**	**12.4**	**158.7**	**231.3**

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

(2) Non- recurring/ extraordinary items described in section 7.4 above are excluded from operating costs and reclassified under non-recurring items

8.1.3 Nexi Group: Management accounts

This pro forma financial information presents the results of the Nexi Group as if, since the beginning of the reporting period presented (January-September): i) all of the entities within the Nexi Group as at 30 September 2018 had been included within the Nexi Group, ii) the Notes and Private Notes had been outstanding and interest-bearing (including the amortized debt issue costs). The pro forma financial information is presented to illustrate the estimated effects of the acquisitions of MPS Acquiring, DB Cards Acquiring, Bassilichi Payments, Sparkling 18, and Carige Acquiring on the Nexi Group's results of operations as if all of such transactions had occurred on the first day of the periods presented. The unaudited pro forma financial information is presented for information purposes only and is not intended to represent or be indicative of the financial condition or results of operations that would have been reported had the transactions described above actually occurred during the periods and as at the dates presented, and the unaudited pro forma financial information does not purport to project our results of operations or financial condition for any future period.

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	739.3	707.7
Net interest income	(10.0)	(10.2)
Net trading / hedging income	(0.0)	-
Dividends from equity investments	(0.0)	0.0
Operating revenue	**729.3**	**697.5**
Payroll and related costs	(128.1)	(130.0)
Other administration costs	(287.5)	(286.3)
Administrative expense	**(415.6)**	**(416.3)**
Other net operating income	5.9	2.0
Net accruals to provisions for risks and charges	(6.3)	(6.9)
Operating costs (before depreciation and amortisation)	**(415.9)**	**(421.2)**
EBITDA	**313.3**	**276.4**
Depreciation and amortisation (included in operating profit)	(56.2)	(45.1)
Operating profit	**257.1**	**231.2**
Depreciation and amortisation on customer contracts	(27.9)	(23.5)
Share of profits of investees	(0.3)	-
Interest expenses on net debt	(81.5)	(81.5)
Non-recurring / extraordinary items	(68.0)	(77.3)
Pre-tax profit	**79.4**	**49.0**
Income taxes	(38.3)	(26.0)
Post-tax profit	**41.2**	**23.0**
Profit for the period attributable to non-controlling interests	(1.3)	0.8
Profit for the period attributable to the owners of the parent	**39.9**	**23.8**

8.1.4 Nexi Group: Discussion of Results of Operations

The following tables are extracts from the management accounts of the Nexi Group for the nine months ended 30 September 2018 and 30 September 2017.

Nexi Group Operating Revenue

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Net fee and commission income	739.3	707.7
Net interest income	(10.0)	(10.2)
Net trading / hedging income	(0.0)	-
Dividends from equity investments	(0.0)	0.0
Operating revenue	**729.3**	**697.5**

Operating revenue increased by €31.7 million, or 4.6%, as net fee and commission income increased by €31.6 million, or 4.5%, driven by client-related transaction volume growth in the Merchant Services & Solutions and Cards & Digital Payments business units.

The net interest income and other revenue items were consistent with the same period of last year.

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

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Administrative expenses	(415.6)	(416.3)
thereof: Payroll and related costs	*(128.1)*	*(130.0)*
thereof: Other administrative expenses	*(287.5)*	*(286.3)*
Other net operating income	5.9	2.0
Net accruals to provision for risks and charges	(6.3)	(6.9)
Operating costs (net of depreciation and amortisation included in operating profit)	**(415.9)**	**(421.2)**

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Operating costs (net of depreciation and amortisation included in operating profit) decreased by €5.2 million, or 1.2%. With administrative expenses and net accruals to provision for risks and charges consistent with the same period of last year, this decrease was due to higher other net operating income on contingent items.

Nexi Group EBITDA

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Operating revenue	729.3	697.5
Operating costs (before depreciation and amortisation charges included in operating profit)	(415.9)	(421.2)
EBITDA	**313.3**	**276.4**

EBITDA increased by €37.0 million, or 13.4%, compared to the nine months to September 30, 2017, on the back of both a volume-driven operating revenue growth and a decrease in operating costs.

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

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets	(84.1)	(68.6)

Depreciation, amortisation and impairment losses on property, equipment, investment property and intangible assets increased by €15.5 million, or 22.6%.

Amortisation of customer contracts increased by €4.4 million (from €23.5 million for the period ended 30 September 2017 to €27.9 million for the period ended 30 September 2018), while depreciation, amortisation and impairment losses on property, equipment, investment property and other intangible assets increased by €11.1 million (from €45.1 million in the nine months ended 30 September 2017, to €56.2 million in the nine months ended 30 September 2018).

Non-Recurring Items

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Non-recurring / extraordinary items	(68.0)	(77.3)

Non-recurring/extraordinary items in the nine months ended 30 September 2018 mainly consisted of projects costs for the transformation program (€25.8 million), HR restructuring (€16.2 million), the data center termination fee (€11.1 million), and the Nexi Group reorganization and re-branding.

Net negative non-recurring/extraordinary items in the nine months ended 30 September 2017 (€ 77.3 million) included – amongst others – the operating costs associated with HR restructuring plan (€31.6 million), the above-mentioned transformation program (€18.2 million), and taxes on M&A transactions (€17.0 million).

Income Taxes

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Income taxes	(38.3)	(26.0)

Income tax expense for the period ended 30 September 2018 increased by €12.3 million, or 47.4%, mainly due the higher profit generation.

Profit for the period attributable to non-controlling interests

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Profit for the period attributable to non-controlling interests	(1.3)	0.8

Profit for the period attributable to non-controlling interests amounted to €1.3 million, compared to a loss of €0.8 million for the period ended 30 September 2017.

Profit for the period attributable to the owners of the parent

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Profit for the period attributable to the owners of the parent	39.9	23.8

Profit for the period attributable to the owners of the parent for the nine months ended 30 September 2018 amounted to €39.9 million, increasing by 67.8% compared to the prior year, as a result of higher EBITDA and lower non-recurring/extraordinary operating expenses.

Discussion of Results of Operations by Business Unit

Operating Revenue by Business Unit

Nexi Group

	Nine months to 30 September 2018	2017
	(*in € millions*)	
Operating Revenue	**729.3**	**697.5**
Merchant Services & Solutions	*324.4*	*304.6*
Cards & Digital Payments	*266.8*	*249.6*
Digital Banking Services	*87.4*	*94.9*
Other Services	*73.2*	*68.6*
Consolidation adjustments (1)	*(22.5)*	*(20.1)*

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

Operating revenue generated by the Merchant Services & Solutions business unit increased by 6.5%, as a result of a higher number and value of managed transactions, as well as an enlarged POS terminal fleet.

Operating revenue in the Card & Digital Payments business unit increased by 6.9%, due to increases in the number and value of card transactions.

Operating revenue generated by the Digital Banking Services business unit decreased by 7.9%, mostly due to lower client activity, restructuring activity affecting some large clients and a particularly strong clearing services performance in the nine months ended 30 September 2017.

The Other Services segment revenue increased by 6.6%, primarily due to Oasi's sales performance in its anti-money laundering services.

Liquidity and Capital Resources

Liquidity, Funding and Intragroup Funding

Nexi's ordinary course of business activities involve daily settlement of issuing and acquiring activities which generate a temporary funding need, although it does not imply any material credit risk, when such activities relate in substance to the licensing model.

The largest funding requirement arises in our issuing licensing business in connection with charge cards. In general terms, the exposure is the result of the amount spent by the cardholders in a reference month and anticipated by Nexi to the international circuits. Such amounts are recorded in a monthly statement for each cardholder and the month-end balance of this statement is debited, on average, on the 15th day of the following month, to the current account held by the cardholder in Nexi's partner bank, thus the related exposure ranges from 15 to 45 days. It must be noted that such an exposure is granted by the bank which autonomously sets the card spending limit (monthly rolling) for its client.

By means of the Settlement Obligations Factoring Agreement granted by UniCredit Factoring S.p.A. ("UCF"), Nexi provides for the daily sale and assignment to UCF of daily receivables outstanding, receiving the related purchase price on the same day when the factored cardholder receivables have to be funded, up to the maximum committed amount of around €3.1 billion in receivables at any time outstanding. The Settlement Obligations Factoring Agreement is further described in the Listing Particulars.

The first sale took place on 2 July 2018 when the reorganization became effective and involved all the receivables accrued and unpaid starting from the 1 June 2018. In the third quarter of 2018, the daily average amount sold has been equal to €57 million, involving around 165 partner banks and 5 million customers.

The Settlement Obligations Factoring Agreement also provides for a secondary line, i.e. a bridge facility in an amount of up to €350 million, devoted to cover an amount equal to the amount of receivables Nexi expects to incur that day or on one or more subsequent days if such days are bank holidays.

As regards the acquiring licensing business, its ordinary course implies Nexi to credit its merchants network the amount spent by other card issuers' cardholders before receiving back these amounts through the international circuits' settlement. The average duration of such exposure is equal to ca. 1/2 business days and is supported by bilateral credit lines provided by primary banks, granted to Nexi following and in connection with the effective reorganization which took place on 1 July 2018.

As of 30 September 2018, the total amount of such available funding lines was in excess of €1.0 billion, 24% of which represented by committed credit lines (71% considering revolving short-term commitments). More than 80% of the total available amount is granted by investment grade-rated banks. During the third quarter of 2018, the credit lines have been covering more than 2.5x the actual needs, given the actual average daily exposure was equal to ca. €325 million.

Capital Expenditures

To support the business strategy and development plans, capital expenditures are incurred regularly.

Net cash outflows for 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.

	Nine months to 30 September	
	2018	**2017**
	(*in € millions*)	
Expansion capital expenditures	16.3	748.1
Maintenance capital expenditures	102.5	62.1
Capital expenditures[(1)]	**118.8**	**810.2**

(1) Pro forma reported and managerial data

Expansion capital expenditure incurred for the nine months ended 30 September 2018 related to the acquisitions of Carige Acquiring and the digital payment start-up Sparkling 18. For the nine months ended 30 September 2017, the Nexi Group incurred expansion capital expenditures due to the DB Cards Acquiring, MPS Acquiring, and Bassilichi Payments acquisitions.

9 THE BUSINESS

The Nexi Group is the leading paytech company in Italy, connecting banks, merchants and consumers and enabling them to make and receive digital payments.

Its business is built on deeply-ingrained relationships with approximately 150 partner banks, which span more than 80% of the domestic banking sector and serve approximately 30 million cardholders and 860,000 merchants.

The Nexi Group conducts its business through the following four business units:

Merchant Services & Solutions: This business unit supplies merchants with the necessary infrastructure to enable digital payment acceptance, and executes card payments on the merchant's behalf. The services performed within the Merchant Services & Solutions business unit can be divided into core acquiring services and POS management. Core acquiring services are financial services such as the settlement of card payments to our merchants, technology services aimed at the fast, reliable and secure authentication and execution of payment transactions, and administrative services such as payment tracking and data analytics. POS management involves the configuration, activation and maintenance of the hardware and software required for digital payments, which is installed both at physical POS such as shops, grocery stores, restaurants, taxis, hotels and vending machines and online POS such as websites and mobile applications. Core acquiring and POS management services are usually sold as a bundle, which offers customers a full service benefit. The Nexi Group provides the majority of acquiring services in partnership with its partner banks – benefitting, as a result, from the existing relationships and extensive branch networks for customer origination, while providing them with the benefit of its expertise and scale in the areas of procurement, processing and data security. However, the Nexi Group also serves certain merchants directly through direct acquiring activities, with the partner bank acting solely as referral partner.

Cards & Digital Payments: This business unit, in partnership with its partner banks, provides a wide spectrum of services in connection with the issuance of payment cards to cardholders, including product development and procurement services relating to the design and production of durable and secure payment cards, anti-fraud and customer support services, pricing services, banking services such as the provision of an underlying credit allowance or savings account and credit scoring services, financial services such as the prefunding of card payments, technology services to ensure the fast, reliable and secure authentication and execution of payment transactions, administrative services such as payment tracking and monthly billing and data analytics services. The Nexi Group almost exclusively acts alongside partner banks in the provision of issuing services, with its partner banks assuming the underlying cardholders' credit risk. The Nexi Group services most of the card issuing needs of the partner banks, allowing them to focus on their core lending business.

Digital Banking Solutions: This business unit provides clearing services, digital corporate banking services, financial supply chain services and ATM management services. Clearing services comprise the provision of infrastructure for and management of the execution of account-based payments. It also operates as a clearing house for domestic and international SEPA payments. Corporate banking services provide digital solutions to banks and corporate clients to help them manage their bank accounts and payments, such as a customizable e-banking platform. The Digital Banking Solutions business unit also provides market-leading CBI Gateway services. The CBI Gateway is an Italian payment platform allowing for direct payment collection and the delivery of supporting documentation between banks, corporations, tax authorities, pension schemes and other public and private bodies. ATM management services range from the complete management of an ATM fleet for banks to the management of discrete parts of the ATM management value chain based on customer needs.

Other Services: This business unit includes the Nexi Group's remaining business activities which consist of business process outsourcing services and Help Line.

10 RISK FACTORS

The risks and uncertainties described below are not an exhaustive list of the risks the Nexi Group faces. Additional risks and uncertainties of which the Nexi 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 Indenture. 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 the latest Holdco Annual Report.

11 APPENDIX – FINANCIAL STATEMENTS

NEXI S.P.A.
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

€'000			30 September 2018		31 December 2017
	ASSETS				
10.	Cash and cash equivalent		45		1
20.	Financial assets at fair value through profit or loss		10		168
	c) other financial assets mandatorily measured at fair value	*10*		*168*	
30.	Financial assets at fair value through OCI		112,975		-
40.	Financial assets measured at amortised cost		2,184,171		542,788
	a) loans and receivables with banks	*941,043*		*304,715*	
	b) loans and receivables with financial institutions	*778,210*		*232,470*	
	c) loans and receivables with customers	*464,918*		*5,603*	
70.	Equity investments		949		-
80.	Property, equipment and investment property		156,128		23,689
90.	Intangible assets		2,697,305		934,460
	a) goodwill	*2,127,401*		*590,828*	
100.	Tax assets		49,488		10,188
	a) current	*16,809*		*7,093*	
	b) deferred	*32,679*		*3,095*	
120.	Other assets		2,424,086		11,404
	TOTAL ASSETS		**7,625,157**		**1,522,698**
	LIABILITIES				
10.	Financial liabilities measured at amortised cost		3,993,077		191,514
	a) Due	*1,415,679*		*191,514*	
	b) Securities issued	*2,577,398*		-	
20.	Financial liabilities held for trading		5,158		-
40.	Hedging derivatives		27,082		-
60.	Tax liabilities		164,281		114,047
	a) current	*27,037*		*3,182*	
	b) deferred	*137,244*		*110,865*	
80.	Other liabilities		703,819		142,989
90.	Post-employment benefits		18,087		1,261
100.	Provisions for risks and charges		35,505		5,431
	b) pension and similar obligations	*6*		-	
	c) other provisions	*35,499*		*5,431*	
110.	Share capital		50,000		50,000
140.	Share premium		989,672		989,672
150.	Reserves		1,547,040		(3,551)
160.	Valuation reserves		38,526		9
170.	Profit for the period/year		45,266		31,326
180.	Equity attributable to non-controlling interests		7,644		-
	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**7,625,157**		**1,522,698**

NEXI S.P.A.
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

€'000		Nine months to 30 September 2018		Nine months to 30 September 2017	
	INCOME STATEMENT				
10.	Interest and similar income		23,958		80
20.	Interest and similar expense		(44,377)		(1,696)
30.	**Net interest income**		**(20,419)**		**(1,616)**
40.	Fee and commission income		411,870		114,711
50.	Fee and commission expense		(171,988)		(1,310)
60.	**Net fee and commission income**		**239,882**		**113,401**
70.	Dividends and similar income		164		21
80.	Net trading income		(1,994)		(175)
100.	Net profit on sale or repurchase of:		(3,702)		-
	a) financial assets measured at amortised cost	*(3,702)*		-	
110.	Profit on financial assets and liabilities designated at fair value through profit or loss		(11)		43
	b) other financial assets mandatorily measured at fair value	*(11)*		*43*	
120.	**Total income**		**213,920**		**111,674**
130.	Net impairment losses on:		(32)		(5)
	a) financial assets measured at amortised cost	*(32)*		*(5)*	
150.	**Net financial income**		**213,888**		**111,669**
160.	Administrative expenses:		(217,937)		(71,401)
	a) personnel expenses	*(55,851)*		*(24,275)*	
	b) other administrative expenses	*(162,086)*		*(47,126)*	
170.	Net accruals to provisions for risks and charges		3,620		(200)
	b) other provisions	*3,620*		*(200)*	
180.	Depreciation and net impairment losses on property, equipment and investment property		(14,998)		(4,732)
190.	Amortisation and net impairment losses on intangible assets		(35,989)		(2,680)
200.	Other operating income, net		95,038		27,492
210.	**Operating costs**		**(170,266)**		**(51,520)**
220.	Share of profits of investees		(8)		-
250.	Net gains on sales of investments		21,016		-
260.	**Pre-tax profit from continuing operations**		**64,630**		**60,149**
270.	Income taxes		(18,807)		(20,759)
280.	**Post-tax profit from continuing operations**		**45,823**		**39,390**
300.	**Profit for the period**		**45,823**		**39,390**
310.	Profit for the period attributable to non-controlling interests		(557)		-
320.	**Profit for the period attributable to the owners of the parent**		**45,266**		**39,390**

NEXI S.P.A.
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

(€'000)	Equity at 31.12.2017	Change opening balances	Existences at 01.01.2018	Allocation of prior year profit		Changes in the period							Comprehensive income 30.09.2018	Group shareholders equity at 30.09.2018	Minority interests at 30.09.2018
							Transactions on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of new shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes				
Share capital:	**50,000**	-	50,000	-	-	1,651	-	-	-	-	-		-	**50,000**	1,651
Share premium	**989,672**	-	989,672	-	-	71	-	-	-	-	-		-	**989,672**	71
Reserves:															
a) income-related	***(3,551)***	-	*(3,551)*	*(24,674)*	-	*30,498*	-	-	-	-	*1,549,658*		-	***1,547,040***	*4,891*
b) other	**-**	-	-	-	-	-	-	-	-	-	-		-	**-**	-
Valuation reserves	**9**	-	9	-	-	-	-	-	-	-	-		38,991	**38,526**	474
Equity instruments	**-**	-	-	-	-	-	-	-	-	-	-		-	**-**	-
Treasury shares	**-**	-	-	-	-	-	-	-	-	-	-		-	**-**	-
Profit for the period	**31,326**	-	31,326	24,674	(56,000)	-	-	-	-	-	-		45,823	**45,266**	557
Equity to the owners of the parent	**1,067,456**	-	**1,067,456**	**-**	**(56,000)**	**25,607**	-	-	-	-	**1,549,658**		**83,783**	**2,670,504**	**-**
Equity attributable to non-controlling interests (+/-)	**-**	-	-	-	-	6,613	-	-	-	-	-		1,031	**-**	7,644

NEXI S.P.A.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018

€'000		Nine months to 30 September 2018	Nine months to 30 September 2017
10.	Profit for the period	**45,823**	**39,390**
Items, net of tax, that will not be reclassified subsequently to profit and Loss			
20.	Equity instruments designated at fair value through OCI	63,974	-
40.	Hedging transactions related to equity instruments designated at fair value through OCI	(25,201)	-
70.	Defined benefit plan	142	48
Other net of tax income components with reversal to the income statement			
110.	Exchange differences	-	243
120.	Cash flow hedge	77	-
170.	**Other comprehensive income (expense), net of tax**	**38,992**	**291**
180.	**Comprehensive income (10 + 170)**	**84,815**	**39,681**
190.	Comprehensive income attributable to non-controlling interests	1,032	-
200.	**Comprehensive income attributable to the owners of the parent**	**83,783**	**39,681**

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

Appendix – Notes to the Financial Statements – Nexi Group

PART A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, Nexi has prepared these consolidated financial statements for the nine months ended 30 September 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).

The Group has applied the IFRSs enacted at 30 September 2018.

It did not make any departures from IFRS.

This Interim Financial Report presents the first reported consolidated financial statements for Nexi S.p.A. and its subsidiaries. Consequently, the comparative figures presented in this report (for the period ended 30 September 2017) were prepared for the purpose of this Interim Financial Report.

The interim consolidated financial statements are unaudited.

Basis of presentation

The consolidated financial statements for the nine months ended 30 September 2018 comprise a consolidated statement of financial position, a consolidated statement of profit or loss, a consolidated statement of changes in equity and a consolidated statement of comprehensive income 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.

Nexi 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 prepared for the purposes of this Interim Financial Report.

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 Holdco Annual Report.

These amendments derive essentially from the mandatory application, from 31 December 2017, 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".

Nexi Group decided to avail itself of the option provided by the accounting standards not to restate comparative figures. Consequently, the transition date to the new accounting standards is 31 December 2017 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.

Based on the analysis performed the above-mentioned new accounting standards did not have any significant impact on Nexi Group's Consolidated Financial Statements.

The following table shows other new standards or amendments whose application was mandatory from 31 December 2017.

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
14/03/2018	Amendment to IAS 40: Transfers of Investments Property
26/02/2018	Amendment to IFRS 2: Classification and Measurement of Share based Payment transactions

The above indicated new standards did not have any significant impact on Nexi 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 as at 30 September 2018, they did not affect the consolidated financial statements.

Basis of presentation of the consolidated interim report

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.

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.

Consolidation

Introduction

On 1 July 2018 the reorganization of Mercury Group, aimed at creating two distinct groups, took effect. In particular, the two distinct groups are as follows:

- the first of which focused on digital payments and ancillary activities;
- the second focused on the development of Securities Services and payment services that require the possession of a banking license.

The separation of the two groups was implemented by:

- the demerger in favor of Nexi S.p.A. of the investments held by DepoBank S.p.A. (the "Demerger")
- the provision by DepoBank S.p.A. to Nexi Payments S.p.A. of the business branch concerning payment services that do not require the possession of the banking license (ACH / Application Center, Digital Corporate Banking) and the Corporate Center structures serving the companies of the Nexi Group (the "Provision")
- the refinancing of the debt incurred by the Sponsor Holdco's for the acquisition of ownership of Nexi, which was placed in the hands of a vehicle (Nexi Capital) controlled by Nexi S.p.A.

The above indicated transactions are "business combination under common control" that have to be accounted based on the continuity of values of Mercury UK Holdco's consolidated financial statements.

Based on the above, the difference arising from the consolidation of the new investments has been accounted to goodwill for an amount consistent with Mercury UK Holdco's consolidated financial statements.

Moreover, the consolidated statement of profit or loss figures reflect the effect of the above mentioned transactions starting from 1 July in accordance with the company restructuring plan. Consequently the contribution to Profit & Loss of companies involved in the Demerger commences from 1 July 2018.

Basis of consolidation

The Nexi Group has established the scope of consolidation 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 Nexi 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 Nexi, all the consolidated entities are directed mainly through voting rights. Accordingly, the Nexi 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 interim reporting at 30 September 2018 of Nexi 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 Nexi 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. Nexi'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 Nexi's share of its equity is included in the investment's carrying amount. If there is an indication of impairment, Nexi 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, Nexi 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*

Following the Group reorganization, the Nexi Group's perimeter has been substantially changed compared to the Group structure as of 31 December 2017.

The following table shows the new Nexi Group perimeter.

Name of subsidiary	Operating office	Registered office	Type of relationship (1)	Investor	Investment %(2)	Voting rights %(2)
Nexi Payments S.p.A.	Milan	Milan	1	Nexi S.p.A.	98.85	98.85
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/Padua /Sassari/Rome/Siena	Milan	1	Nexi S.p.A.	100.00	100.00
Consorzio Treveneto S.p.A.	Padua	Padua	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 S.r.l.	Florence	Florence	1	Bassilichi S.p.A.	50.00	50.00
				Consorzio Triveneto 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
Mercury Payment Services S.p.A.	Milan	Milan	1	Nexi S.p.A.	100.00	100.00
Nexi Capital S.p.A.	Milan	Milan	1	Nexi 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 Nexi Group includes the following equity-accounted associates as at 30 September 2018:

- Win Join, in which Bassilichi has a 24% interest;
- RS Records Store S.p.A., in which Bassilichi has a 30% interest;
- K.Red S.r.l., in which Bassilichi has a 50% interest;
- Bassnet S.r.l., in which Bassilichi has a 49.68% interest.

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

As stated above and given the Nexi 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 Nexi Group.

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

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

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

(1) availability of votes at ordinary shareholders' meetings

3.2 Investments with significant non-controlling interests: financial information

Help Line (2)

Balance sheet captions (1):	Total assets	Cash and cash equivalent	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

(2) June 2018 data

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 Nexi 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

Classification criteria

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. At the reporting date, this caption includes only financial assets classified "mandatorily measured at fair value". In particular the caption include 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).

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.

Recognition

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 recognized in the profits and loss 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

At the reporting date, the caption includes only 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

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, mainly, 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.

In particular, the costs incurred for the development of software projects are considered as intangible assets and are recognized under assets only when all the following conditions are met:

- the cost attributable to the intangible asset during its development can be measured reliably,
- there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale,
- 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.

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

The useful life of intangible assets arising from business combinations has been estimated as follows:

- Customer contracts: based on the contractual terms.
- Customer relationship: 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

Nexi 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 Nexi 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 Nexi 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 Nexi 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 Nexi Group may find itself.

Provisions for risks and charges

The Nexi 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 the placing of bonds.

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.

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

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.

Interest accrued on the net liability are recognized in the profit and loss.

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 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.

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.

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 and derivative financial instruments not listed on active markets;
- measurement of intangible assets and equity investments;
- estimation of useful lives for property, plant and equipment;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred tax assets.

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 nine months of 2018.

Transfers between portfolios of financial assets

This case is not applicable to the Nexi Group.

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 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.

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.

The fair value of investment property is only calculated for disclosure in the notes. The Nexi 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.

Qualitative disclosure

Levels 2 and 3 - valuation techniques and inputs used

The assets and liabilities valued at fair value on a recurring basis are represented, for the company, mainly by the Visa Inc Classe C shares in portfolio and by the derivative stipulated against the price and exchange risk arising from these instruments.
For these instruments, in the absence of prices directly observable on active markets, the fair value is determined as follows:

- Unlisted equity securities: these are valued by reference to the market price of the Visa class A shares, listed on active markets, in which the shares in the portfolio (class C) will be converted;
- OTC derivatives: these were valued using models commonly recognized in the market practice (Black & Scholes with continuous future dividend treatment) and fueling the models themselves using market parameters. Since these are derivatives regulated by CSA (Credit Support Annex), the counterparty risk is mitigated by the daily settlement of collateral with the counterparty.

Measurement processes and sensitivity

As noted above, the Group does not have nor, did it trade in Level 3 financial instruments during the period.

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.

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"

This case is not applicable to the Nexi Group.

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 September 2018	31 December 2017
a) Cash	45	1
b) Demand deposits with central banks	-	-
Total	**45**	**1**

Section 2—Financial assets at fair value through profit or loss—Caption 20

2.6 Other financial assets mandatorily measured at fair value: breakdown by type

	30 September 2018			31 December 2017		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	-	-	-	-	-	-
2. Equity instruments	-	**10**	**-**	**158**	**10**	-
3. OEIC units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Purchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**10**	**-**	**158**	**10**	**-**

Key:

L1 = Level 1

L2= Level 2

L3 = Level 3

Section 3—Financial assets at fair value through other comprehensive income —Caption 30

3.1 Financial assets at fair value through other comprehensive income: breakdown by type

	30 September 2018			31 December 2017		
	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	**-**	**112,975**	**-**	**-**	**-**	**-**
3. Financing	**-**	**-**	**-**	**-**	**-**	**-**
Total	-	**112,975**	**-**	-	**-**	**-**

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

4.1 Financial asset measured at amortised cost: loans and receivables with banks broken down by type

	30 September 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1. Deposits and current accounts	**788,088**	**-**	**-**	**-**	**788,088**	**-**
2. Financing	**47,980**	**-**	**-**	**-**	**47,980**	**-**
2.1 Reverse purchase agreements.........	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-
2.4 Other Financing..............................	47,980	-	-	-	47,980	-
3.Debt instruments	-	-	-	-	-	-
3.1 Structured instruments...................	-	-	-	-	-	-
3.2 Other instruments	-	-	-	-	-	-
4. Other assets....................................	**104,976**	**-**	**-**	**-**	**104,976**	**-**
Total	**941,043**	**-**	**-**	**-**	**941,043**	**-**

	31 December 2017					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1. Deposits and current accounts	**260,162**	**-**	**-**	**-**	**260,162**	**-**
2. Financing	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Reverse purchase agreements.........	-	-	-	-	-	-
2.2 Finance leases	-	-	-	-	-	-
2.3 Factoring	-	-	-	-	-	-
2.4 Other Financing..............................	-	-	-	-	-	-
3.Debt instruments	-	-	-	-	-	-
3.1 Structured instruments...................	-	-	-	-	-	-
3.2 Other instruments	-	-	-	-	-	-
4. Other assets....................................	**44,553**	**-**	**-**	**-**	**44,553**	**-**
Total	**304,715**	**-**	**-**	**-**	**304,715**	**-**

4.2 Financial assets measured at amortised cost: receivables with financial institutions broken down by type

	30 September 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1.Financing	**778,210**	**-**	**-**	**-**	**778,210**	**-**
1.1 Reverse repurchase agreements	-	-	-	-	-	-
1.2 Finance leases	-	-	-	-	-	-
1.3 Factoring	-	-	-	-	-	-
1.4 Other financing	778,210	-	-	-	778,210	-
2.Debt instruments	**-**	-	-	-	**-**	-
2.1. Structured instruments	-	-	-	-	-	-
2.2 Other instruments	-	-	-	-	-	-
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**778,210**	**-**	**-**	**-**	**778,210**	**-**

	31 December 2017					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1.Financing	**232,470**	**-**	**-**	**-**	**232,470**	**-**
1.1 Reverse repurchase agreements	-	-	-	-	-	-
1.2 Finance leases	-	-	-	-	-	-
1.3 Factoring	-	-	-	-	-	-
1.4 Other financing	232,470	-	-	-	232,470	-
2.Debt instruments	**-**	-	-	-	**-**	-
2.1. Structured instruments	-	-	-	-	-	-
2.2 Other instruments	-	-	-	-	-	-
3. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	**232,470**	**-**	**-**	**-**	**232,470**	**-**

4.3 Financial assets measured at amortised cost: receivables with customers broken down by type

	30 September 2018					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1.Financing	**412,386**	**152**	**-**	**-**	**412,234**	**152**
1.1 Finance leases	-	-	-	-	-	-
of which: no final purchase option	-	-	-	-	-	-
1.2 Factoring	-	-	-	-	-	-
1.3 Consumer loans	-	-	-	-	-	-
1.4 Credit cards	408,276	152	-	-	408,124	152
1.5 Pawn loans in relation to payment services	-	-	-	-	-	-
1.7 Other financing	4,110	-	-	-	4,110	-
2.Debt instruments	**-**	-	-	-	**-**	-
2.1. Structured instruments	-	-	-	-	-	-
2.2 Other instruments	-	-	-	-	-	-
3. Other assets	**52,095**	**285**	**-**	**-**	**52,095**	**285**
Total	**464,481**	**437**	**-**	**-**	**464,329**	**437**

	31 December 2017					
	Carrying amount			Fair value		
	Stage 1-2	Stage 3	*of which: Impaired acquired or originated*	Level 1	Level 2	Level 3
1.Financing	**4,625**	**-**	**-**	**-**	**4,625**	**-**
1.1 Finance leases	-	-	-	-	-	-
of which: no final purchase option	-	-	-	-	-	-
1.2 Factoring	-	-	-	-	-	-
1.3 Consumer loans	-	-	-	-	-	-
1.4 Credit cards	-	-	-	-	-	-
1.5 Pawn loans in relation to payment services	-	-	-	-	-	-
1.7 Other financing	4,625	-	-	-	4,625	-
2.Debt instruments	**-**	-	-	-	**-**	-
2.1. Structured instruments	-	-	-	-	-	-
2.2 Other instruments	-	-	-	-	-	-
3. Other assets	**924**	**54**	**-**	**-**	**924**	**54**
Total	**5,549**	**54**	**-**	**-**	**5,549**	**54**

"**Section 7—Equity investments—Caption 70**

7.1 Equity investments

	Registered office	Operating office	Investment: Investor	Investment: Investment %	Voting rights %
B. Associates					
1. Win Join S.c.a.r.l.	Lecce	Rome	Bassilichi S.p.A.	24	24
2. RS Records Store S.p.A.	Piacenza	Piacenza	Bassilichi S.p.A.	30	30
3. K.Red S.r.l.	Milan	Milan	Bassilichi S.p.A.	50	50
4. Bassnet S.r.l.	Monteriggioni	Monteriggioni	Bassilichi S.p.A.	49.68	49.68

(1) Type of relationship: majority of voting rights at ordinary shareholders' meetings

7.2 Significant equity investments: carrying amount, fair value and dividends received

	Carrying amount	Fair value	Dividends received
B. Associates			
1. Win Join S.c.a.r.l.	48	X	
2. RS Records Store S.p.A.	682	X	
3. K.Red S.r.l.	220	X	
4. Bassnet S.r.l.	-	X	
Total...	**949**	-	-

Section 8—Property, equipment and investment property—Caption 80

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

	30 September 2018	31 December 2017
1. Owned	**151,070**	**23,689**
a) land	15,420	-
b) buildings...............................	55,305	-
c) furniture	1,366	12
d) electronic systems	75,822	23,677
e) other	3,157	-
2. Under finance lease	**738**	**-**
a) land	0	-
b) buildings...............................	0	-
c) furniture	0	-
c) electronic systems................	738	-
e) other	0	-
Total	**151,808**	**23,689**

8.2 Investment property: breakdown of assets measured at cost

	30 September 2018	31 December 2017
	Carrying amount	Carrying amount
1. Owned		
a) land	903	-
b) buildings	3,417	-
2. Under finance lease		
a) land	-	-
b) buildings	-	-
Total	**4,320**	**-**

Section 9—Intangible assets—Caption 90

9.1 Intangible assets: breakdown

	30 September 2018		31 December 2017	
	Assets measured at cost	Financial assets at fair value through P&L	Assets measured at cost	Financial assets at fair value through P&L
1. Goodwill	**2,127,401**	**-**	**590,828**	**-**
2. Other				
2.1 Owned	569,904	-	343,632	-
2.2 Under finance lease	-	-	-	-
Total 2.	**569,904**	**-**	**343,632**	**-**
3. Assets related to finance leases	**-**	-	**-**	-
3.1 Unopted assets	-	-	-	-
3.2 Assets withdrawn following termination	-	-	-	-
3.3 Other assets	-	-	-	-
Total 3.	**-**	**-**	**-**	**-**
4. Assets under operating lease	**-**	**-**	**-**	**-**
Total (1+2+3+4)	**2,697,305**	**-**	**934,460**	**-**

Section 10—Tax assets and liabilities—Caption 100 of assets and Caption 60 of liabilities

10.1 Tax assets: current and deferred: breakdown

	30 September 2018	31 December 2017
1. Current tax assets	16,809	7,093
2. Deferred tax assets	32,679	3,095
Total	**49,488**	**10,188**

10.2 Tax liabilities: current and deferred: breakdown

	30 September 2018	31 December 2017
1. Current tax liabilities	27,037	3,182
2. Deferred tax liabilities	137,244	110,865
Total	**164,281**	**114,047**

Section 12—Other assets—Caption 120

12.1 Other assets: breakdown

	30 September 2018	31 December 2017
Withholding taxes paid on interest charged to customers and other tax assets	53,619	-
Intercompany loan Mercury UK Holdco	2,036,819	-
Commissions and other income to be charged	225,790	9,291
Sundry and residual items	107,858	2,113
Total	**2,424,086**	**11,404**

LIABILITIES

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

1.1 Financial liability measured at amortised cost: breakdown by type

	30 September 2018			31 December 2017		
	Due to banks	Due to financial institutions	Due to customers	Due to banks	Due to financial institutions	Due to customers
1. Financing						
1.1 Repurchase agreements	-	-	-	-	-	-
1.2 Other financing	1,104,931	-	-	171,575	101	-
2. Other liabilities	**160,644**	**73,458**	**76,646**	**-**	**19,838**	**-**
Total	**1,265,575**	**73,458**	**76,646**	**171,575**	**19,939**	**-**

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

	30 September 2018	31 December 2017
	BA	BA
A. Securities	-	-
1. Bonds	-	-
1.1. Structured	-	-
1.2. Other	2,577,398	-
2. Other securities	-	-
2.1. Structured	-	-
2.2. Other	-	-
Total	**2,577,398**	**-**

Key:

BA=Balance amount

Section 2 — Financial liabilities held for trading — Caption 20

2.1 Financial liabilities held for trading: breakdown by product

	30 September 2018					31 December 2017				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. Financial liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives	1,151	-	5,158	-			-	-	-	-
1.1 Trading		-	-	-	X	X	-	-	-	-
1.2 Associated with fair value option	-	-	-	-	X	X	-	-	-	-
1.3 Other	-	-	-	-	X	-	-	-	-	-
2. Credit derivatives										
2.1 Trading	-	-	-	-	X	X	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	X	X	-	-	-	-
2.3 Other	-	-	-	-	X	X	-	-	-	-
Total B	**1,151**	**-**	**5,158**	**-**	**X**	**X**	**-**	**-**	**-**	**-**
Total (A + B)	**1,151**	**-**	**5,158**	**-**	**X**	**-**	**-**	**-**	**-**	**-**

Key:
NA = nominal or notional amount

FV* = fair value calculated by excluding changes in value, due to changes in the issuer'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 September 2018			31 December 2017		
	Fair value			Fair value		
	L1	L2	L3	L1	L2	L3
A. Financial derivatives	**-**	**27,082**	**-**	**-**	**-**	**-**
1.Fair value	-	27,082	-	-	-	-
2.Cash flows	-	-	-	-	-	-
3.Foreign Investments						
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
1 Fair value	-	-	-	-	-	-
2. Cash flows						
Total	**-**	**27,082**	**-**	**-**	**-**	**-**

Section 8 — Other liabilities — Caption 80

8.1 Other liabilities: breakdown

	30 September 2018	31 December 2017
Tax liabilities, withholding taxes and other amounts to be paid	12,827	451
Due to employees	40,977	-
Other liabilities for expenses, commissions and interest to be paid	258,225	1,145
Currency differences on portfolio transactions	308	-
Sundry and residual items	391,481	141,393
Total	**703,819**	**142,989**

Section 9 - Post employment benefits — Caption 90

9.1 Post-employment benefits

	30 September 2018	31 December 2017
Post-employment benefits	18,087	1,261
Total	**18,087**	**1,261**

Section 10 — Provisions for risks and charges — Caption 100

10.1 Provisions for risks and charges: breakdown

	30 September 2018	31 December 2017
1. Provisions for credit risk related to commitments and financial guarantees given	-	-
2. Provisions for other commitments and other guarantees given	-	-
3. Company pension provisions	6	-
4. Other provisions for risks and charges	35,499	5,431
Total	**35,505**	**5,431**

Section 11 — Equity — Captions 110, 120, 130, 140, 150, 160, and 170

11.1 Share capital: breakdown – Caption 110

	30 September 2018	31 December 2017
1. Share capital		
1.1 Ordinary shares	50,000	50,000
1.2 Other shares	-	-
Total	**50,000**	**50,000**

11.4 Share premium – Caption 140

	30 September 2018	31 December 2017
Share premium	989,672	989,672
Total	**989,672**	**989,672**

11.5 Reserves – Caption 150

	30 September 2018	31 December 2017
Reserves	1,547,040	(3,551)
Total	**1,547,040**	**(3,551)**

11.6 Valuation reserves – Caption 160

	30 September 2018	31 December 2017
Valuation reserves	38,526	9
Total	**38,526**	**9**

Section 12 — Equity attributable to non-controlling interests—Caption 180

12.1 Equity attributable to non-controlling interests: breakdown

	30 September 2018	31 December 2017
1. Share capital	1,651	-
2. Treasury shares	-	-
3. Equity instruments	-	-
4. Share premium	71	-
5. Reserves	4,891	-
6. Valuation reserves	474	-
7. Profit (loss) for the period.	557	-
Total	**7,644**	**-**

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	9 months to 30 September 2018	9 months to 30 September 2017
1. Financial assets at fair value through profit or loss:					
1.1 Financial assets held for trading	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**
3. Financial assets measured at amortised cost:					
3.1 Loans and receivables with banks	-	315	-	315	72
3.2 Loans and receivables with financial institutions	-	86	-	86	-
3.3 Loans and receivables with customers	-	23,557	-	23,557	-
4. Hedging derivatives	**-**	**-**	**-**	**-**	**-**
5. Other assets	**-**	**-**	**-**	**-**	**8**
6. Financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**-**	**23,958**	**-**	**23,958**	**80**

1.3 Interest and similar expense: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
1. Financial liabilities at amortised cost:		
1.1 Due	5,861	1,696
1.2 Securities issued	38,516	-
Total	**44,377**	**1,696**

Section 2—Fees and commissions—Captions 40 and 50

2.1 Fee and commission income: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
a) finance leases	-	-
b) factoring transactions	-	-
c) consumer loans	263,466	-
d) guarantees given	-	-
e) services:		
- *funds management on behalf of third parties*	-	-
- *foreign exchange transactions*	-	-
- *product distribution*	-	-
- *other*	-	-
f) collection and payment services	120,128	108,379
g) securitization servicing services	-	-
h) other fee and commission	28,276	6,332
Total	**411,870**	**114,711**

2.2 Fee and commission expense: breakdown	9 months to 30 September 2018	9 months to 30 September 2017
a) guarantees received	-	-
b) distribution of third party services	-	-
c) collection and payment services	722	759
d) other fee and commission	171,266	551
Total	**171,988**	**1,310**

Section 3—Dividends and similar income—Caption 70

3.1 Dividends and similar income: breakdown

	9 months to 30 September 2018		9 months to 30 September 2017	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily valued at fair value	11	-	21	-
C. Financial assets at fair value through OCI	153	-	-	-
D. Equity investments	-	-	-	-
Total	**164**	-	**21**	-

Section 4 — Net trading income—Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income for 9 months to 30 September 2018 [(A+B)-(C+D)]	Net trading income for 9 months to 30 September 2017
1. Financial assets held for trading:						
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 OEIC units	-	-	-	-	-	-
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	-	-	-	-	-
2. Financial liabilities held for trading:						
2.1 Debt instruments	-	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial assets and liabilities: net exchange rate gains/ (losses)	X	X	X	X	19	(175)
4. Derivatives:						
4.1 Financial derivatives:	-	98	2,112	-	(2,014)	-
4.2 Credit derivatives	X	X	X	X	-	-
Total	**-**	**98**	**2,112**	**-**	**(1,994)**	**(175)**

Section 6—Net profit (loss) on sales or repurchases — Caption 100

6.1. Profit (loss) on sales or repurchases: breakdown

	9 months to 30 September 2018			9 months to 30 September 2017		
	Gains	Losses	Net Gains (Losses)	Gains	Losses	Net Gains (Losses)
A. Financial assets						
1. Financial assets measured at amortised cost	**-**	**3,702**	**(3,702)**	**-**	**-**	**-**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	-	3,702	(3,072)	-	-	-
2. Financial assets at fair value through OCI	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-	-
2.2 Financing	-	-	-	-	-	-
Total assets (A)	**-**	**3,702**	**(3,702)**	**-**	**-**	-
B. Financial liabilities measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	**-**	**3,702**	**(3,702)**	**-**	**-**	**-**

Section 7— Net gains (losses) on other financial assets and liabilities at fair value through profit or loss — Caption 110

7.2. Net gains (losses) on other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

	Gains (A)	Gains on sale (B)	Losses (C)	Losses on sale (D)	Net gains (losses) for 9 months to 30 September 2018 [(A+B)-(C+D)]	Net gains (losses) for 9 months to 30 September 2017
1. Financial assets:						
1.1 Debt instruments	-	-	-	-	-	-
1.2 Equity instruments	-	1	-	12	(11)	43
1.3 OEIC units	-	-	-	-	-	-
1.4 Financing	-	-	-	-	-	-
2. Financial assets and liabilities in currency: exchange differences	-	-	-	-	-	-
Total	**-**	**1**	**-**	**12**	**(11)**	**43**

Section 8 — Net impairment losses for credit risks — Caption 130

8.1 Net impairment losses for credit risks related to financial assets at amortised cost: breakdown

	Impairment losses			Reversals of impairment losses			
	Stage 1-2	Write off	Other	Stage 1-2	Stage 3	9 months to 30 September 2018	9 months to 30 September 2017
1. Loans and receivables with banks:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired loans acquired or originated..	-	-	-	-	-	-	-
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
Other loans and receivables.................	-	-	-	-	-	-	-
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
Impaired loans acquired.......................	-	-	-	-	-	-	-
2. Loans and receivables with financial institutions:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired loans acquired or originated..	-	-	-	-	-	-	-
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
Other loans and receivables.................	-	-	-	-	-	-	-
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
3. Loans and receivables with customers:	**163**	**-**	**-**	**-**	**(132)**	**32**	**5**
Acquired impaired loans and receivables	-	-	-	-	-	-	-
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Consumer loans	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
Other loans and receivables.................	163	-	-	-	(132)	32	5
—Leases	-	-	-	-	-	-	-
—Factoring..	-	-	-	-	-	-	-
—Consumer loans	-	-	-	-	-	-	-
—Pawn loans.......................................	-	-	-	-	-	-	-
—Other loans and receivables	-	-	-	-	-	-	-
Total	**163**	**-**	-	-	**(132)**	**32**	**5**

Section 10—Administrative expenses—Caption 160

10.1 Personnel expenses: breakdown

	9 months to 30 September 2018	**9 months to 30 September 2017**
1) Employees	48,907	23,125
a) wages and salaries	35,880	16,782
b) social security charges	11,068	5,462
c) post-employment benefits	441	560
d) pension costs	16	-
e) accrual for post-employment benefits	681	33
f) accrual for pension and similar provisions:		
—defined contribution plans	-	-
—defined benefit plans	-	-
g) payments to external supplementary pension funds:		
—defined contribution plans	*1,522*	*288*
—defined benefit plans	-	-
h) costs of share-based payment plans	620	-
i) other employee benefits	4,950	1,026
2) Other personnel	327	-
3) Directors and statutory auditors	346	124
Total	**55,851**	**24,275**

10.3 Other administrative expenses: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
—data processing	19,560	1,786
—post office, valuables transportation and couriers	4,769	2,161
—external services	34	-
—interbank network traffic	329	-
—professional services	26,453	-
—maintenance and lease	15,727	11,475
—building running costs, leases, heating and lighting	2,654	799
—stationery and printed matter	153	-
—insurance	498	-
—telegraph, telephone and telex	4,461	1,413
—card processing	7,247	-
—membership fees	9	-
—surveillance and cleaning	51	58
—other	64,458	29,308
—taxes and duties	15,685	125
Total	**162,086**	**47,126**

Section 11—Net accruals to provisions for risks and charges—Caption 170

11.3 Net accruals to provisions for risks and charges: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
Accruals to provisions	(3,620)	200
Total	**(3,620)**	**200**

Section 12—Depreciation and net impairment losses on property, equipment and investment property—Caption 180

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

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	30 September 2018 Total (a+b-c)	30 September 2017 Total
A. Property, equipment and investment property:					
A.1 Owned	14,788	-	-	14,788	**4,732**
A.2 Under finance lease	210	-	-	210	-
Total	**14,988**	**-**	**-**	**14,988**	**4,732**

Section 13—Amortisation and net impairment losses on intangible assets—Caption 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount for 9 months to 30 September 2018	Carrying amount for 9 months to 30 September 2017
A. Intangible assets:					
A.1 Owned	35,989	-	-	**35,989**	**2,680**
—Generated internally	-	-	-	**-**	**-**
—Other	35,989	-	-	35,989	2,680
A.2 Under finance lease	-	-	-	-	-
Total	**35,989**	**-**	**-**	**35,989**	**2,680**

Section 14—Other operating expense and income, net—Caption 200

14.1 Other operating expenses: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
Transfer of revenue from services	4,191	-
Other costs	11,968	-
Total	**16,159**	**-**

14.2 Other operating income: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
Recoveries of stamp duties from customers and post office expenses	18,869	-
Other income	92,328	27,492
Total	**111,197**	**27,492**

Section 15—Share of profits (losses) of investees—Caption 220

15.1 Share of losses of investees: breakdown

	9 months to 30 September 2018	9 months to 30 September 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	-	-
4. Other costs	-	-
2. Associates	-	-
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	-	-
4. Other costs	(8)	-
Total	**(8)**	**-**

Section 18 — Gains (losses) on sales of investments—Caption 250

18.1 Net gains on sales of investments: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
A. Property:		
1. Gains on sales	-	-
2. Losses on sales	-	-
B. Other assets:		
1. Gains on sales	21,016	-
2. Losses on sales	-	-
Total	**21,016**	**-**

Section 19 — Income taxes—Caption 270

19.1 Income taxes: breakdown

	9 months to 30 September 2018	9 months to 30 September 2017
Tax expenses	(18,807)	(20,759)
Total	**(18,807)**	**(20,759)**

Section 22 — Profit for the period attributable to non-controlling interests — Caption 310

22.1 Profit for the period attributable to non-controlling interests

	9 months to 30 September 2018	9 months to 30 September 2017
Help Line	516	-
Nexi Payments	38	-
Bassilichi	(0)	-
Sparkling 18.	4	-
Total	**557**	**-**