nexi

2020 REPORT AND FINANCIAL STATEMENTS

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Working alongside our partner banks and leveraging the best technology, **we contribute to the digitalisation of Italy** and help make life easier for citizens, businesses and public institutions.

LETTER FROM THE CHAIRPERSON AND THE CEO

Dear Shareholders,

in light of the Covid-19 pandemic, 2020 has proved an extremely complex year both for Italy and for the world at large.

The year started on an encouraging footing for the digital payments industry, in line with the previous year's forecasts. With all businesses subsequently coming to a standstill and following weeks of lockdown, the impact on consumer spending and, hence, digital payments was severe.

Faced with undeniably negative human and economic outcomes, Nexi seized on 2020 as an opportunity to engage in a radical rethink of its operating model.

With the digital payments industry classified as "strategic" in respect of Italy's economy, its businesses and citizens, we were called upon to ensure business continuity at every stage of the healthcare crisis. In that context we have tackled our greatest challenge to date: securing the twin objectives of ensuring business continuity while safeguarding the health and safety of our people at Nexi, and providing a stable platform for the country's digital payment systems.

Right from the outset, more than 95% of Nexi's people were placed under remote work schemes with a view to maintaining standard levels of service and to protect their health. Payment card production continued, with staff working shorter shifts and facilities subject to frequent sanitisation. Support and maintenance for POS terminals and ATM machines continued - even inside the "Red Zones", the country's most at-risk healthcare districts - with service delivered in full compliance with health and safety rules and procedures.

On a commercial footing, the crisis accelerated the digital transformation of a wide range of products and services. A veritable culture shift has taken place: digitalisation is no longer an ancillary aspect of business; it is now an essential part of services and retail and is crucial for the business continuity of our partner banks, merchants and corporate clients.

Our services in the areas of corporate banking, self-banking and ATMs, remote banking and processing were delivered on a business-as-usual basis, reliably and to the highest standards of service. Nexi also stepped up to support banks in their digitalisation efforts, as, for instance, with respect to payment card sale and delivery processes - both of which were provided to customers remotely, so at to reduce visits to branches at a time in which banks are being required to reduce face-to-face customer service.

Nexi and its partner banks have also delivered concerted efforts in support of businesses, flanking merchants in their drive to adapt to new distribution models: through remote commerce, via Pay-by-Link services; through mobile commerce, via Mobile POS services designed even for the smallest of merchants; and through e-commerce and social commerce channels. With a further view to supporting retail and commerce, Nexi continued to apply its zero-fee policy to small-ticket transactions.

In 2020, at every stage of the healthcare emergency, Nexi has continued to invest in further improving its e-commerce products and services platform so as to cater for the evolving needs of both wholesale and retail operators as they sought to refocus their businesses from physical to online channels. In that regard, our drive towards multichannel services integration has resulted in a business offering that is both outstanding and competitive. Also in the area e-commerce, Nexi, in collaboration with leading trade associations, has delivered new service features designed to specifically address the business contingencies of some of the country's most hard hit business sectors such as, for instance, the hotel industry.

With an eye to the corporate sector, Nexi has also consolidated its portfolio of services designed for working capital optimisation and travel expense management. New commercial ties were established with an array of large and medium-sized Italian business, keen to leverage the flexibility of our credit card products for supply chain management and accounting purposes.

As regards the large businesses segment, Corporate Banking services evolution continued. Indeed, in the latter months of 2020 Nexi triggered a new line of development in the area of Open Banking services for businesses with recurring payments, for instance utilities, so as to improve the cash conversion cycle and to provide their customers with additional payment options.

Our role as digitalisation promoters, partners and supporters has had a positive impact not just within the retail and corporate sectors, but also with respect to consumers.

In 2020 digital payments have come to be viewed as a form of hygienic precaution, especially in the form of contactless card and smartphone payments, with consumers now accustomed to quick, secure and contact-free transactions.
Indeed, the year witnessed an increase in first-time purchases of basic goods via e-commerce platforms as well as an increase in online purchases by more accustomed users. In that context, a keener focus on topics relating to security has emerged, as well as a growing interest towards advanced payment methods that are capable of being used in both the physical and e-commerce spaces (i.e. credit cards, international debit cards, prepaid cards).

Generally speaking, such developments, though largely driven by healthcare concerns, have accelerated the adoption of digital payments in Italy, such payments now a part of even small day-to-day transactions, heralding further progress towards a gradual shift away from cash.

Despite the pandemic's stifling effect on the market, Nexi has held fast to its goals of investing in the future and of value creation for its Shareholders. Despite the fall in transaction volumes brought about by severe lockdown measures, EBITDA rose in 2020 thanks to commercial and innovation drives designed to stem the fall in revenues and thanks to concerted cost-cutting efforts at no impact to the quality of the services rendered.

Meanwhile, Nexi has continued to roll out investments at levels that are among the highest in Europe. Investments have been deployed in four major areas: innovation, so as to bring payment solutions to market that are able to cater for the evolving sales and consumer environments; technology, so as to ensure that our IT infrastructure is constantly up to date; security, so as to deliver - especially in light of rising contactless and e-commerce transaction volumes - to the highest, most advanced standards when it comes to our customers' digital payments; high-end human resources, so as to secure the specialist skills that are crucial to securing paytech leadership in the years to come.

The year 2020 also heralded major developments within the Nexi as a company. The first half of the year saw Nexi successfully complete the migration of the Intesa Sanpaolo merchant book into its client portfolio. It was the fourth such operation carried out by Nexi with a view to consolidating its ability to operate hands-on in the POS management and acquiring market.

The second half of the year heralded further strategic transformation, with Nexi securing two major agreements for mergers with SIA and Nets - mergers that will set Nexi on the path towards significant growth, both in terms of its business outreach and its cross-border presence.

These agreements signal the start of a new stage in Nexi's evolution and transformation, turning it from a domestic to a European leader in the paytech industry and affording it the scale that will enable it to invest in the human resources, technology and innovations needed to compete at the highest level within an increasingly international market.

In fact, the New Group will be in a position to cover the entire digital payments value chain and to serve all market segments, offering a full range of innovative payments solutions and leveraging a package of best-in-class technologies and outstanding professionals.

Subject to relevant authority approvals, once the mergers are completed Nexi will be in a position to serve the citizens of 25 European countries and to service 65% of the European Union's consumer spending. The Group will address the scale which its new role and responsibility will imply, by building on the solid foundations provided by Nexi, Nets and SIA - each with a proven track record in innovation, service and know-how.

Specifically, thanks to significant complementarity between Nexi and SIA, the merger with SIA will allow the new combined entity to cater for all parties within the digital payments ecosystem, from international to domestically-focused banks, from large corporates to small businesses, from the private sector to public sector - all such parties having always featured at the strategic heart of both Nexi and SIA, each of which standing to reap the benefits of such a business combination.

Increasingly, the New Group will rank as the go-to technological partner for the banking and finance sectors on account of its consolidated ties with system operators such as Bancomat S.p.A., CBI Scpa and even Borsa Italiana - in respect of the latter, for instance, Nexi already provides trading and post-trading services to MTS and Monte Titoli.

November last saw the signing of binding agreements for the business combination with Nets, a major pan-European paytech company with a leading presence in the Nordics - one of the world's most digitally advanced regions - as well as under-penetrated and high-growth potential markets such as Germany, Austria, Switzerland, Poland and South-East Europe.

The Nexi-Nets combination ranks as a watershed event for the European payments market, giving rise to one of the continent's largest players in terms of its scale, its customer base, its commercial distribution networks, its products and services portfolio - all of which further benefited by the merger with SIA. Building on these strategic combinations, the New Group will be in a position to establish the largest Europe-wide digital payments platform, one that will be able to achieve market prominence and lead the way in terms of products and efficiency.

The year 2020 also witnessed a significant acceleration in Nexi's strategic business sustainability drive, one fully espoused by the Board of Directors.

As part of that process, Nexi engaged all major stakeholders in developing initiatives geared towards achieving its short-term as well as long-term sustainability goals. On a practical note, these efforts came full circle with the approval of Nexi's Sustainability Policy and the updating of its Materiality Matrix, which combined establish operating guidelines for management on Environmental, Social and Governance (ESG) topics.

The Board also sought to bolster Nexi's Enterprise Risk Assessment processes by incorporating sustainability issues, and we are now committed to gradually implementing the guidelines set forth by the Financial Stability Board's Task Force on Climate-Related Financial Disclosures concerning evaluations for climate-related risks and opportunities. We have revised, expanded and provided for greater transparency in our greenhouse emissions reports, setting Nexi ambitious emission-curbing targets that are in line with the Paris Agreement's Science-Based Target Initiatives.

Furthermore, as committed to since the company's listing, in 2020 we have continued to liaise with sustainability performance consultants and analysts, securing Nexi's first-ever ESG rating with S&P Global, CDP and Standard Ethics.

Overall, all activities pursued in the course of 2020, including those dictated by unforeseeable market developments, were leveraged as potential opportunities for development and as central to attaining long-term strategic goals.

As we progress into the new year, poised for the SIA and Nets mergers, we prepare to embark on a new journey of transformation and further growth. We face such challenges in the knowledge that success will be grounded in the strength of our business and in the expertise and the ability of our people to address change.

We, along with all people at Nexi, are wholeheartedly committed to further pursuing our endeavours with partner banks, customers, merchants and institutions, to promote digital payments and to foster our company's future growth.

Our outlook continues to be underpinned by value creation for all stakeholders, both domestic and European, and by a vision for the nation's progress, one that now benefits from an even greater awareness as to the importance of the services we provide, given their role in providing access to services, in supporting the digitalisation of enterprises, and in making day to day life easier.

Chief Executive Officer
Paolo Bertoluzzo

Chairperson
Michaela Castelli

CORPORATE BODIES

at March 11, 2021

BOARD OF DIRECTORS

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

(*) Members of the Strategic Committee

BOARD OF STATUTORY AUDITORS

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

OFFICE OF THE GENERAL MANAGER

General Manager	Paolo Bertoluzzo

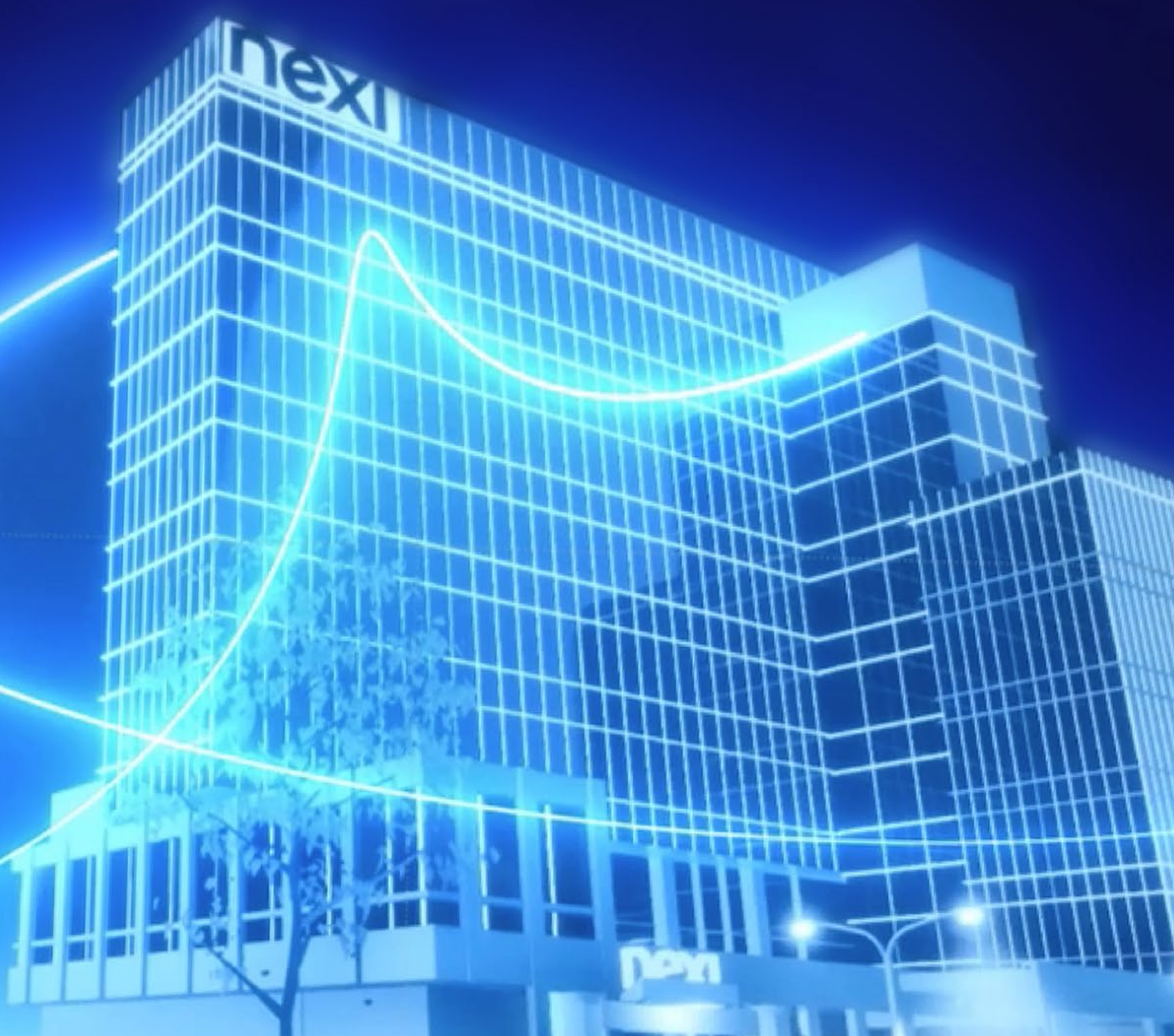
FINANCIAL REPORTS MANAGER

Enrico Marchini

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

2020 CONSOLIDATED REPORT AND FINANCIAL STATEMENTS



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2020 CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

1.1

BOARD OF DIRECTORS' REPORT ON GROUP OPERATIONS

BOARD OF DIRECTORS' REPORT ON GROUP OPERATIONS

Introduction

Nexi Group's Report was drafted, as per Legislative Decree 38 of February 28, 2005, pursuant to IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relevant IFRIC (International Financial Reporting Interpretations Committee) interpretations, endorsed by the European Commission, as provided for by Regulation (EC) 1606 of July 19, 2002. Furthermore, the Report as at December 31, 2020 was drafted taking into account the documents issued in 2020 and 2021 by ESMA and Consob with reference to the impact of the Covid-19 pandemic.
The Report consists of a Statement of Financial Position, an Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash Flows, the Notes and relevant comparative information, and also features the Board of Directors' Report on Group Operations addressing the Group's management, assets and liabilities, financial position and profit or loss performance. Furthermore, the Financial Statements as at December 31, 2020 were audited by PricewaterhouseCoopers.
The information concerning corporate governance and the controlling structures called for by article 123a of the Consolidated Law on Finance (i.e. *Testo Unico della Finanza*; hereinafter, "TUF") are included in a separate Report, approved by the Board of Directors, which can be consulted under the Governance section of Nexi's website (www.nexi.it).
Published as a separate document under the Sustainability section of the aforesaid website, the Non-Financial Consolidated Statement, drafted pursuant to Legislative Decree 254 of December 30, 2016 and to Consob resolution 20267 of January 18, 2018, addresses issues concerning the environment, the social sphere, staff, respect of human rights and the fight against corruption relevant to ensuring an understanding of the Group's activities, trends, performance and impacts.
The website also discloses, pursuant to article 123b of the TUF and as per the relevant approval procedures, information on remuneration.

Nexi Group

The group's parent company is Nexi S.p.A., a company listed on Borsa Italiana S.p.A.'s MTA equities market as of April 16, 2019. Italian leader in digital payments, Nexi Group as at December 31, 2020 is comprised of parent company Nexi S.p.A. and the following subsidiaries:

- Mercury Payment Services S.p.A.- 100% controlled;
- Nexi Payments S.p.A. - 99.071% controlled;
- Help Line S.p.A. - 70.32% controlled.

Consolidation scope also extends to non-core companies Orbital Cultura Srl (formerly BassmArt Srl), recognised as non-current assets held for sale as well as associate companies RS Record Store S.p.A., Bassnet Srl, K.Red.

Based on representations provided pursuant to art. 120 of Legislative Decree 58/1998 and on further information available, as at December 31, 2020, Nexi S.p.A.'s major shareholders are:

Shareholder	% Investment
Mercury UK Holdco	20.08
Intesa Sanpaolo S.p.A.	10.49
GIC	3.82
Trembland Capital LP	1.29
Norges Bank	1.06

International Economy

The year 2020 was characterised by a first half that witnessed the outbreak of the pandemic and subsequent crisis and recession, the worst since the end of World War II. The partial or total re-opening of economic activities at the end of the spring general lockdown provided for a partial rebound that marked, to different extents, the global economic trend in the summer months. Comforting recovery signals came from Europe and from the United States, while economic activity in China was already back up at pre-crisis levels.
After the summer, the pandemic evolved in increasingly different ways in Asia, Europe and the United States. China's economy continued its full-speed recovery, while western countries - particularly the European ones - had to face the second wave of the pandemic and were forced, once again, to adopt restrictive measures. Despite being less severe that the measures imposed between March and May, these measures severely hindered the recovery that had just begun. Services entailing physical proximity between people - from entertainment to retail - were the ones that mostly suffered this situation, especially from October onwards. In this context, the end-of-year outlook worsened dramatically, both in Europe and in the United States.
The year came to a close amid hope and great uncertainty, in terms of the economy and healthcare: while the availability of vaccines boosted confidence in finally overcoming the pandemic, mass vaccination will take several months to be completed. From an economic and geopolitical standpoint, the Brexit deal was finally sealed, and in the U.S., the Biden administration finally took office, albeit in a somewhat troubled way.
The European Council greenlighted the *Next Generation EU* plan, approved in December by the European Parliament. In the meantime, the Member States are drafting their National Recovery and Resilience Plans, to be submitted to the European Commission by the end of April 2021, and the Commission itself is working to define the policies for implementing the European Green Deal, whose exact measures and enforcement timing are still uncertain.

Italian Economy

Italy's GDP, after collapsing in the first half of 2020, bounced back in the third quarter, up 15.9% compared with the second quarter, before shrinking again by 1.9% owing to the restrictive measures enforced in the last months of the year in order to hold the pandemic at bay. At the end of the year, GDP fell 8.9%.
Consumption followed a similar trend, enjoying a significant growth (up 12.4%) in the third quarter before dropping 2.7% in the last quarter of the year, which is expected to close with a 9.9% drop.
Overall, the Italian economy turned out to be quite resilient, with domestic fiscal policy able to support revenues and ECB monetary policy supporting credit. Owing to the remarkable increase in private debt, non-performing loans are expected to rise: their impact on banks will be cushioned by their capital position and by the policies adopted by the government, including moratoriums and warranties.
What is particularly critical is how the crisis has differently affected the several segments of society, hitting the fragile categories particularly hard, such as young people and women, less specialised workers, with a lower education level, and small businesses, especially the ones operating in the sectors that mostly suffered the clampdown. Getting these actors of the labour market back on their feet will be a long and complex task.

Reference markets

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

Digital Payments and Digital Banking Solutions

Globally and in the Eurozone, the use of non-cash payments has been constantly increasing: according to the data of the Bank of Italy's latest Yearly Report, between 2005 and 2018, Eurozone per capita transactions soared from 166 to 272.
With payment cards most resorted to as an alternative to cash at points of sale, payment card usage has increased significantly: in the mentioned timeframe, their percentage of transactions made via alternative methods of payment jumped from 30.1% to 52.1%.
On an international footing, Italy is still lagging behind in terms of transactions with instruments other than cash: 125 per capita transactions were made in Italy, versus a European average of 272. Such a figure, however, still shows an increase compared with the 111 transactions in 2018.

In Italy, in a context that was hard hit by the pandemic and marked by an unprecedented shrink in consumption, the market of payment cards in 2020 was expected to drop: the losses experienced by the credit card segment, which stem from the devastating effects suffered by sectors such as tourism, travel and catering, were only partially offset by the positive results of other segments. Despite the crisis, the outlook for highly innovative payment instruments is still positive.

In 2020, Nexi expects international spending volumes (VISA and Mastercard) to fall 3.5% overall, as a result of a consistent drop in the use of credit cards (down 15.1% in terms of POS volumes), only partially offset by the increase in other products, in particular of international prepaid cards and debit cards, whose POS volumes were up 16.1% and 10.9%, respectively.
Still with reference to 2020, the Milan Polytechnic expects a 20-30% increase in the volumes of contactless payments, driven by the fact that such an instrument is safer to use in times of a pandemic, and an 80-100% increase in the most innovative payment methods (mobile phone payment in stores and wearable payment devices).
Even the revolving sector, surveyed by Assofin, suffered a slowdown in 2020, especially in terms of volumes financed by cards featuring the instalment payments option, which dropped 13.6%, while the number of transactions fell by 6.7%.

Regarding infrastructure, the figures of the Bank of Italy's latest Yearly Report show that in 2019 the use of POS devices of banks and BancoPosta increased by 10.7% on the whole, while the use of ATMs dropped by 1%, as a consequence of fewer bank branches and more BancoPosta ATMs. As for digital banking solutions, the use of home and corporate banking services increased in 2019; in particular, 2,332,791 enterprises were corporate banking clients in 2019 (up 3% compared with 2018), while almost 48 million families resorted to home banking services and devices (+3.2%).
The overall payment flows regulated by the TARGET2 system shrank by 7.6%, Interbank flows dropped by 11.2%.

Significant Events during the Reporting Period

Update on the acquisition of Intesa Sanpaolo's merchant acquiring business

This transaction was closed on June 30, 2020, as indicated in the Interim Report. On the same date, Intesa Sanpaolo ("ISP") transferred to Nexi the cash flow generated by its acquiring business in the first half-year 2020, namely about Euro 55 million. For further information, please refer to Note 40 of these financial statements.

SIA merger

On October 5, 2020, a Memorandum of Understanding (hereinafter, "MoU") was signed by Nexi, SIA, CDP Equity, FSIA and Mercury, the purpose being the integration of the two groups, to be executed via merger by incorporation of SIA into Nexi.

The transaction shall create a leading European company in the digital payments sector, with combined revenues on a pro-forma basis totalling Euro 1.8 billion and aggregate combined EBITDA, on a pro-forma basis, of Euro 1 billion in 2019.

The agreement provides for an incorporation of SIA into Nexi by means of a merger on an all-stock basis, in which SIA shareholders shall receive 270.1 million newly issued Nexi shares, equivalent to a pro-forma share of 30% in Nexi + SIA.

The strategic aggregation of SIA into Nexi shall ensure the completion of important business and financial synergies, at present quantified as accruing recurring target amounts of Euro 150 million per annum, of which c. Euro 100 million from lower operating costs, c. Euro 35 million from higher operating margins in turn issuing from revenue synergies worth Euro 50 million and c. Euro 15 million from capex efficiencies, as well as from one-off capex savings worth Euro 65 million. The transaction shall generate a two-digit increase in 2022 cash EPS.

The MoU provided for an agreement subject to, inter alia, the satisfactory outcome of the confirmatory due diligence on Nexi and SIA and the negotiation of the binding agreements. As further detailed in the *Significant Events After The Reporting Period* section, said activities have been closed and on February 11, 2021, the final agreement of the transaction was signed.

Nets merger

On November 15, 2020, Nexi and Nets signed a binding agreement for integrating the two companies via a merger to be executed on an all-stock basis.

The merger will allow the newly formed group to create the largest pan-European platform, whose extent can generate an absolute leadership in terms of products and efficiency, with estimated revenues totalling about Euro 2.9 billion and EBITDA about Euro 1.5 billion, on a pro-forma basis, for 2020, including fully running synergies and the closing of the SIA merger.

The agreement provides for a merger of Nets into Nexi to be executed on an all-stock basis, with Nets shareholders receiving 406.6 million newly-issued Nexi shares, equivalent to a share, on a pro-forma basis, of 39% in Nexi + Nets (31% considering Nexi + Nets + SIA).

The merger was approved by Nexi's Board of Directors, following the favourable opinion of Nexi's Related Parties Committee, as further detailed in the relevant section.

The Nets merger is an independent transaction in respect to the SIA merger. We expect the Nets and SIA transactions to undergo independent and sequential Antitrust authorisation procedures, with the former, concerning the Nets merger, to be closed earlier. The merger was subject to a shareholder whitewash vote at the extraordinary Shareholders Meeting on March 3, 2021.

The closing of the transaction is subject to the happening of the conditions provided for under the agreement, which include, inter alia, obtaining the required approval and regulatory authorisations and the closing of Nets' sale of Corporate Services to Mastercard; the Nets merger is expected to be signed in Q2 2021.

Changes in Group Debt

The financial structure of the Group has changed significantly in 2020, as a result of the transactions executed to fund the Intesa Sanpaolo merchant acquiring business acquisition. The transaction - worth Euro 1 billion - was funded by issuing an equity-linked bond, placed in April 2020 and due in April 2027, of aggregate principal amount of Euro 500 million (the "Convertible Bond"), by resorting to a floating rate, term bank loan, allocated on June 30 by a pool of major banks, face value Euro 465 million and maturing in June 2025 (the "Term Loan") and through available cash. Further details are provided in Note 41 of these financial statements.

Consequently, the Group's gross financial debt as at December 31, 2020 soared by about Euro 941 million compared with the debt at December 31, 2019: from Euro 1,840 million to Euro 2,781 million. Such debt mainly consists - aside from the Convertible Bond and the Term Loan - of Senior Fixed Rate Notes worth Euro 825 million with a half-yearly fixed rate coupon of 1.75% p.a. maturing in 2024 (the "Publicly Issued Fixed Rate Bond") and of the IPO Loan.

The IPO Loan consists of two lines of credit:
- a credit line worth Euro 1 billion (the "IPO Term Line"), entirely allocated at December 31, 2019 and with repayment due in full on May 31, 2024;
- a revolving credit line worth Euro 350 million, with a repayment date identical to that of the IPO Term Line and providing for variable allocations, tranches and currencies (the "IPO Revolving Line"). At time of publication, the IPO Revolving Line is entirely available.

At the time of publication Nexi's financial debt is not backed by collateral. Furthermore, no relevant financial debts were repaid in 2020.

It should also be noted that the increase in the overall debt has not generated a substantial impact on the relevant weighted average coupon cost, which - excluding the effect of direct transaction costs and non-monetary financial costs - increased slightly compared with the figures of late 2019, being roughly 2.1%.

It should be noted that at time of publication all covenants provided for by the loans - as detailed in Note 41 of these financial statements - have been complied with. In summary, as at December 31, 2020, the structure of gross debt is as follows:

(Amounts in Euro million)

Carrying Value	Dec. 31, 2020	Dec. 31, 2019
Senior Secured Fixed Rate Notes	820	819
Convertible Bond	445	
Term Loan	462	
IPO Loan	995	992
Other financial liabilities	59	29
Total	**2,781**	**1,840**

Other financial liabilities are mainly comprised of leasing contracts (Euro 31 million) accounted for as of 2019 following IFRS 16 first-time adoption, as well liabilities associated with the takeover of Intesa Sanpaolo S.p.A.'s merchant acquiring business (Euro 27 million).

Remuneration policies

On March 12, 2019, the Shareholders' Meeting of parent company Nexi S.p.A., with reference to Group personnel remuneration policies, approved the long-term incentive plan ("LTI"), which envisages the allocation of Nexi S.p.A. shares to a select panel of Group employees based on the internal broadbanding system and criteria applicable to individual performance. In the third quarter 2020, the plan assigned to recipients of such plan, as per the LTI Regulation, the rights referring to the second cycle. The cost accrued for in the 2020 financial statements, with balancing entry to the Balance Sheet, with reference to the LTI plan for the first and second cycle, was Euro 9 million, as further detailed within Note 39 of these financial statements.
Furthermore, as also further detailed within Note 39 of the financial statements, Mercury UK HoldCo has issued a share-based incentive plan ("Stock Grant" or "Plan") based on Nexi S.p.A. shares, ascribable to over 400 Group employees with balancing entry to the Balance Sheet of Euro 17 million.

Business Environment Following the Covid-19 Outbreak

Foreword

Throughout the year, Nexi's operations were inevitably affected by the SARS-CoV-2 ("Covid-19") health crisis that struck Italy, which officially started in late February - slightly earlier than in the rest of Europe - and then grew more intense as of the month of March, as rigid restrictive measures were enforced on the entire national territory. Said measures were then loosened and actually removed over the summer and eventually reintroduced in the last quarter of the year in several regions, depending on a number of risk indicators.
Ever since the very early stages of the epidemic, huge effort was put into a painstaking monitoring of the phenomenon. Under the coordination of a task force specifically set up to handle the crisis (which directly reported to the Executive Committee), continuity plans were promptly put in place to ensure that the business would keep on operating regularly, while guaranteeing the safety of staff and clients, in accordance with the guidelines issued by the relevant Authorities. The Group's companies swiftly enabled smart working for more than 95% of employees, including call centre staff, while always ensuring appropriate individual safety and protection standards for all the staff members physically present in the offices and monitoring operational continuity and service levels of the major outsourcers.
By implementing such measures, Nexi managed to promptly offer partner banks and end customers its usual top-notch quality services, even in the worst phases of the lockdown.

Initiatives supporting customers and social initiatives

In order to facilitate the daily operations of enterprises and small merchants, Nexi launched the Pay-by-Link service, specifically thought up for merchants lacking e-commerce channels, and the Nexi Welcome initiative (zero-fee Mobile POS). Moreover, regarding support for small merchants, fees on transactions worth up to Euro 10 have been cancelled until the end of 2021.
Regarding card holders, new momentum was given to communication campaigns promoting an aware and safe use of online and contactless payments, including among users who are less familiar with digital channels.
One of the social initiatives that is particularly worth mentioning is the contribution by Nexi's community (managers, employees, partner banks and end clients) to the enhancement of healthcare facilities at the forefront of curtailing the pandemic: a fund of Euro 1 million was allocated to set up over 200 new intensive care units in Milan.

Impact on business performance

Following a very positive two-month period (January-February), with overall volumes growing over 13% and 5% in terms of number and value, respectively, the quick spreading of the health crisis and the ensuing lockdown immediately impacted the flow of managed transactions, which by the second half of March had already dropped up to 45-50% YoY.

The gradual loosening of the lockdown resulted in a speedy recovery of the managed volumes, starting from May, and in a further boost in the summer months, the weekly peak being +6% in early August. However, in the last months of the year, client activity inevitably suffered the new measures introduced in Italy and in the rest of Europe to curb the "second wave" of Covid-19. Starting in late October, the number of transactions dropped once again, albeit without reaching the rock bottom touched during the first half-year.

Consistent with the trend of the benchmark market, the segments that were hit hardest were tourism, Ho.Re.Ca. (Hotels, Restaurants and Catering) and entertainment, while basic consumer goods experienced a two-digit growth and some consumer discretionary categories were more correlated to the extent of the restrictions imposed.

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

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

Strategic measures for mitigating Covid-19 impacts on performance

On top of business continuity plans, in order to mitigate the negative effects on business and financial performance, Nexi implemented strategic actions and emergency measures for curbing operating costs and for updating and rescheduling plans and investments, for an overall value in excess of Euro 100 million. Said measures, which involved consulting, marketing, performance-based compensations and less strategic or deferrable investments, were carefully analysed and assessed by the relevant business units, the goal being that of retaining the Group companies' usual focus on the business offer and on strategic development and growth.

From this standpoint, Nexi has concurrently rolled-out specific initiatives to support or anticipate product demand trends in the new market context, simultaneously with the expected acceleration towards omni-channel models.

In December, Nexi supported the launch of the Government-backed cash-back plan, devised to encourage the use of in-store digital payments, facilitating access to it via App and increasing its benefits. For those who signed up via Nexi Pay, all purchases made with a smartphone using Apple Pay, Google Pay and Samsung Pay were immediately included, as well as purchases made using cards. For YAP clients, the accumulated cashback was directly credited to the App, ready to be spent, online too. Plus, Nexi is working on a structured communication plan on all its channels to keep card holders and merchants informed, supporting the Government's initiative.

The drafting of the consolidated financial statements took into account the main risks the Group is exposed to, in order to assess the negative effects possibly deriving from the Covid-19 pandemic, which - in terms of intensity and unpredictability - represents an external factor that can be presumed to cause a loss in value. In particular, such elements of uncertainty have been considered for the purposes of the goodwill impairment test, as further detailed under Note 9.3 of these financial statements.

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

Further information is available within the Notes to these financial statements, under the *Intangible Assets: Impairment Testing and Nexi Group risks* sections.

2019-2023 Business Plan and Post-Covid Update

In 2019 Nexi started the executive phase of multi-year strategic plan, whose mission is to consolidate the Group's leading position in the domestic digital payments market by means of further investments in technology, services and skills. On a broader note, Nexi - firmly believing that "all payments will eventually be digital" - aims to guide, together with its partner banks, this transformation of the Italian market, offering a valuable contribution to the digitalisation process of the country.

In terms of financial performance, during the first year of the plan Nexi achieved and, based on certain metrics (first and foremost, EBITDA and financial leverage), exceeded the preset targets. As for the year 2020, after the very promising first two months, the epidemic-induced health emergency and the consequent paralysis of economic activities inevitably opened up a gap relative to the pre-Covid scenario. Considering the constantly evolving context, including in terms of restriction policies, and the significant uncertainty as to the timing and resumption of the country's economic activities, Nexi decided to temporarily suspend, out of precaution, the guidance on medium-term financial objectives referring to the 2019-2021 three-year period, as included in the Business Plan and announced ahead of the IPO.

Further information is available under the Business Outlook section.

Group Activities

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

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

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

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

Main indicators of the Group for financial year 2000		
5.7 billion transactions managed (-9.1%)	Euro 1,044 million in Operating Revenue (-2.8%)	Euro 135 million in Capex (-19.2%)
Transaction managed worth Euro 417 billion (-11.4%)	Euro 601 million in EBITDA (+2.5%)	Net Financial Position Euro (2,282) million

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

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

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

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

A. with the Direct and Referral models, the Group provides its services directly to selected merchants (the scope of Referral activities has increased in 2020, following the acquisition of Intesa Sanpaolo's pertinent business);

B. with partnership-based models (i.e. Licensing, Associate and Servicing models), the Group cooperates with partner banks in providing its acquiring and POS management services, leveraging their branches and their services relations to acquire and manage customers.

In 2020 the Merchant Services & Solutions business line generated - on a pro-forma basis - operating revenue worth approximately Euro 550 million (roughly 53% of total Group revenue), down 3.4% on the same period of the previous year, which reflects the trend of transactions performed by clients, down 12.9% in terms of number of transactions and down 14.5% in terms of value, owing to the mobility restrictions imposed by the Covid-19 emergency. E-commerce suffered a less significant impact than physical channels (-2% in terms of transaction value).

Cards & Digital Payments

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

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

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

In 2020, the Business Cards & Digital Payments business line generated operating revenue worth approximately Euro 380 million (or 36% of total Group revenue), down 1.9% compared with the same period of the previous year, owing to Covid effects, especially with reference to the cross-border component. The number of transactions made by clients dropped by 4.0% in number and by 7.6% in value, despite the number of managed cards edged up to roughly 43 million.

Digital Banking Solutions

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

ATM Management

The Group is responsible for installing and managing ATMs (down 2% to roughly 12,800 in December 2020) on behalf of partner banks.

Clearing Services

The Group operates in the Italian market as an Automated Clearing House (ACH) for domestic and international payments (some 900 million in 2020) pursuant to standard interbank regimes. The Group also provides ACH Instant Payment services, which differ from traditional clearing services in terms of the speed of transfers and its 24-hour availability.

Corporate Digital Banking Services

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

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

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

In 2020, the Digital Banking Solutions business line generated operating revenues worth approximately Euro 114 million (or 11% of total Group revenue), down 3.1% year on year, owing to a limited Covid impact on ATM maintenance and clearing traffic, and to less revenues from the resale of ATM terminals.

Performance of Parent and Group companies

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

Nexi S.p.A.

Listed on Borsa Italiana's MTA equities market as of April 16 2019, parent company Nexi S.p.A., while not directly involved in operating activities, carries out holding company and management and coordination functions with respect to the three companies presented below.

As at December 31, 2020, net equity stood at Euro 1,395 million, including yearly profits worth approximately Euro 50 million and the equity item of the convertible bond issued in 2020, worth Euro 54 million. In 2020, the company received dividends from subsidiaries worth approximately Euro 132 million and bore financial costs for the Group's debt service coverage (Euro 63 million) and other operating costs (Euro 41 million).

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

Nexi Payments S.p.A.

The company, of which Nexi holds 99.07% of the share capital, performs activities connected to electronic money issuing and payment management services. As a registered EMI company, it operates in all of the sectors described above.

As at December 31, 2020, net equity stood at Euro 2,242 million, comprising the profits of the period, namely about Euro 144 million, and a Euro 1 billion capital increase for the acquisition of Intesa Sanpaolo's book acquiring business unit.

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

- the marketing of the entire range of new SmartPOS products continued unabated, from the basic and mini versions (portable, mobile devices) to the cash register version (a solution integrated with desk cash registers, intended for Small and Medium Enterprises), which met with great success, in terms of sales, following the obligation, imposed by law, of electronically filing tax-related data;
- great momentum was given to the marketing of mobile payment solutions, particularly staking on the new Nexi Mobile POS, distributed on the Internet too and by the major national retailers;
- e-commerce kept on growing, driven by the marketing of physical POS solutions, the development of solutions for the Public Administration and partnership agreements with Developers and other parties; the use of remote payment services (Pay-by-Link), provided through promotional activity to merchants during the lockdown, was highly successful and spread quickly;
- the drive towards alternative cash instruments was accelerated, with many minor international schemes being activated, meal vouchers and Digital and C-Less activations for Italian debit cards;

- further development was carried out in terms of marketing payment solutions for large merchants in major business verticals (e.g. insurance companies, large retailers, travel and mobility, etc.), while pursuing a new multichannel solution;
- further marketing of the Nexi Business App saw registered merchants totalling about 290,000;
- the micro-payments promotional activity was launched to support small merchants, eliminating fees on transactions up to Euro 10; such a promotion has been extended to all of 2021;
- marketing of the licensed international debit card carried on relentlessly, a new credit-risk free product authorised for use on all channels and particularly well suited to the needs of bank customers in the e-commerce sector (stock at the end of December, for the bank licence model, was about 620,000 cards, up 69% YoY);
- the business offering of mobile payments continued (Apple Pay, Samsung Pay, Google Pay, Garmin, Fitbit): deals were signed with all partner banks covering the Android world and 33 deals were signed for the Apple world (accounting for 90% of all the cards than can be enabled); meanwhile, the Nexi Pay app is under constant development and now boasts new features and services (active users are now about 1.7 million);
- further momentum was given to the penetration of the YAP App, specifically designed for millennial prepaid cardholders, which now has about 870,000 clients (150,000 new clients since the beginning of the year - a trend that continued even during the lockdowns). Further momentum was recorded in December for the State cashback initiative, driven by the easy signing up for the service via the dedicated App;
- the entire range of digital business products for businesses was marketed: Travel Account and Corporate Pay virtual cards for managing B2B purchase processes. The business-corporate sector was significantly impacted by the lockdowns, with the marketing activity slowing down and only partially recovering in the second half year;
- customer value management activities have continued, via direct marketing campaigns targeting banks and aiming to increase the penetration of credit cards featuring new functions;
- more contents and services were added to the Loyalty programme: aside from the premium version of client engagement programme (iosiPLUS), the service now features the basic version (iosiSTART) with dedicated contents and prices. A point-based programme was started in the second half year;
- the marketing of the Easy Shopping service continued: this service provides for instalment payments via the use of credits cards (enabling plans up 65% compared with the previous year);
- further efforts were made to promote sales of the ACH Instant Payments service launched in 2018;
- the development and on-boarding of clients on the new Open Banking platform (CBI Globe), started in June 2019, carried on.

Mercury Payment Services S.p.A.

The company, which is directly controlled by Nexi S.p.A. via a 100% stake in share capital, is a registered PI company.

As at December 31, 2020, net equity stood at Euro 163 million, including the profits for the period, equivalent to about Euro 80 million.

The company pursued its activity with reference to the following services:

- processing for Intesa Sanpaolo ("ISP"), the major client;
- acquiring, limited to its clients.

As of July 1, 2020, downstream of Nexi Payments' acquisition of ISP's acquiring unit, the aforesaid processing activity carried out for ISP was turned to Nexi Payments, aside from ATM-related processing for ISP and Banca 5.

Issuing activities (namely, the issuing of proprietary payment cards) are a non-relevant sector in the overall operating picture.

With reference to the processing activities, the services provided between Mercury Payment Services, Intesa Sanpaolo and banks of the Intesa Sanpaolo Group are governed by specific agreements.

The development of business and innovative projects carried on in the area of acquiring services. The trade sectors mainly involved were Telecommunications, Public Transportation, Petrol, Large-scale Retail and Luxury/Fashion.

The following initiatives characterised the financial year, in terms of acquiring:

- support to Nexi Payments in closing the process for the acquisition and management of ISP's acquiring business;
- development projects supporting Mobile POS marketing: a component capable of decoupling payment apps from the POS device used to read the cards has been developed;
- further support to the creation of new digital channels and the implementation of electronic money services for card holders as part of integrated Multichannel Projects for ISP clients;
- making Alipay solutions increasingly available to Italian and foreign ISP clients, for both the acceptance of the physical POS device and for payments made directs from the Merchant's cash register;

- developing management of ABU Acquirer, the new Mastercard service that allows merchants to check the validity of Mastercard cards (including for recurring payments);
- integration of some external GTs (AEVI, AXIS) and enabling of acquiring services for the first clients that make use of such platforms; the integration of further Gateways (3C, PayTipper, Axerve) is underway;
- development of a software infrastructure that allows merchants to integrate business within several sales channels ("omni-channel architecture");
- development of a new Merchant Portal that supports the functions the 'old' portals featured and is enabled to host omni-channel functions.

The following are some of the cross-sector initiatives:

- marketing of the Acquiring application component developed for the Transit model and adopted by ATM Milano; the service has been activated in several Italian cities (for example, Rome and Turin) and in two French towns;
- further cooperation with ISP on the project aiming to replace the POS and Cards management/sale/post-sale system (Customer Journey);
- fulfilment of the tasks provided for by directive PSD2 in terms of both issuing and acquiring;
- applications aimed at reducing management complexity of ICT tools, thus supporting operators working in the Contact Unit, Chargeback Management and Acquiring Operations offices.

Finally, the following are the major initiatives taken in terms of issuing:

- completion of the pilot programme for the migration of all debit cards to the new XME Card Plus and Bancocard Base products;
- adjustment of the mailing of ISP cards, taking in due account the Covid-19 emergency;
- support to the migration of ISP's chip&signature and chip&pin credit cards;
- development of new initiatives such as the issuing of cards with a layout customised with gallery pics;
- preparations for launching new card products, aiming to offer new exclusive services to specific segments of ISP clients;
- continued development and enabling of new Mobile Payments services (e.g. Swatch Pay), tokenisation of Card On File for ISP (via Visa and Mastercard platforms) and tokenisation for co-badge cards;
- development of the Manual Cash Disbursement solution, which allows ISP and Banca 5 card holders to draw money from Banca 5 and SisalPay authorised tobacconists;
- implementation and development of a new Instant Issuing services that enables the issuing of cards, firstly in a digital format (thus allowing their immediate use), to be followed by the delivery of the physical card at the applicant's address;
- analysis and rollout of integration between ISP and UBI Banca, including the migration of cards, clients and integration of branches.

With a view to furthering group-level optimisation, the partial spinoff of the company into Nexi Payments has been approved, effective as of April 1, 2021.

Help Line S.p.A.

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

Upon closure of the financial year, equity stood at Euro 3.6 million, including the net result of the period, at break-even.

Group Performance

Reclassified Consolidated Income Statement as at December 31, 2020

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

The results shown in the table below include the contribution of Merchant Acquiring activities taken over from Intesa Sanpaolo group:

- on a reported basis: in financial year 2020 alone, starting from the second half of the year, since said activities were consolidated as of the acquisition date (June 30, 2020) pursuant to the provisions set forth under IFRS 3 accounting standard;
- on a pro-forma basis: including the relevant economic effects as of January 1, 2019, for merely illustrative purposes up to and including EBITDA.

The Group's operating revenues fell 2.8% - on a pro-forma basis - compared with the financial year closed on

(Amounts in Euro million)

	December 2020	ISP Merchant	Proforma (**)	December 2019 Reported	ISP Merchant	Proforma (**)	Delta % Reported	Delta % Proforma
Merchant Services & Solutions	500.0	50.0	549.9	479.0	90.2	569.2	4.4%	(3.4%)
Cards & Digital Payments	380.0	-	380.0	387.4	-	387.4	(1.9%)	(1.9%)
Digital Banking Solutions	114.0	-	114.0	117.7	-	117.7	(3.1%)	(3.1%)
Operating revenues	**993.9**	**50.0**	**1,043.9**	**984.1**	**90.2**	**1,074.3**	**1.0%**	**(2.8%)**
Personnel & related expenses	(155.1)	(1.3)	(156.3)	(166.6)	(2.5)	(169.1)	(6.9%)	(7.6%)
Operating costs	(285.1)	(1.1)	(286.2)	(315.0)	(3.5)	(318.4)	(9.5%)	(10.1%)
Total costs	**(440.2)**	**(2.3)**	**(442.5)**	**(481.6)**	**(6.0)**	**(487.6)**	**(8.6%)**	**(9.2%)**
EBITDA(*)	**553.7**	**47.7**	**601.4**	**502.5**	**84.2**	**586.7**	**10.2%**	**2.5%**
Amortisation and depreciation	(144.8)			(121.0)			19.7%	
Customer Contracts D&A	(32.2)			(36.8)			(12.3%)	
Interests & financing costs	(65.3)			(159.9)			(59.1%)	
Non-recurring items	(102.3)			(44.6)			129.6%	
Pre-tax profit	**209.0**			**140.3**			**49.0%**	
Income taxes	(79.7)			(4.2)			n.m.	
Minorities	(1.4)			(0.9)			50.3%	
Net profit	**127.9**			**135.2**			**(5.4%)**	

Note

(*) EBITDA shown above is Normalised EBITDA whose definition is provided in the Alternative Performance Measures section.

(**) Proforma data are unaudited.

December 31, 2019, inevitably suffering the drop in client activity starting in March, when the measures taken to counter the Covid-19 emergency were taken on a national level, and despite the positive trend in fees and commissions deriving from the installed base. More specifically:

- despite benefitting from a greater contribution of the business taken over from Intesa Sanpaolo pursuant to the relevant protection clauses, the Merchant Services & Solutions business line witnessed a 3.4% decrease as a result of lower transaction flows associated with the sectors most hard hit by restrictions (international tourism, transport, Ho.Re.Ca., etc.) and a mix that, during the lockdown, relied more on large merchants rather than on small and medium enterprises;
- notwithstanding an increase in the overall number of managed cards, the Cards & Digital Payments business line reported a 1.9% decrease, still as a result of lower volumes, especially on international schemes, mostly due to the significant drop in international tourism flows and in the amount spent via commercial cards;
- the Digital Banking Solutions shrank by 3.1%, mainly because of the postponement of low-marginality projects with partner banks and less traffic on ATM terminals and Clearing platforms.

Costs fell more than 9% versus 2019 (on a pro-forma basis), reflecting, inter alia, a lower incidence of variable components, directly linked to volumes and to the Group's overall financial performance, the previously mentioned Covid mitigation measures, and the efficiency-boosting initiatives previously planned for the major cost centres. In particular, the cost-cutting targets - aimed at mitigating Covid effects - were achieved and exceeded during the year, providing for significant efficiency gains, especially in terms of discretionary costs. More in detail, the decrease in staff-related costs, connected to variable compensation and travel, was 7.6%, while operating costs fell 10.1%, including because of smaller volumes processed.

In the light of the revenue and costs trends (excluding amortisation) described above, pro-forma 2020 EBITDA topped Euro 601 million, up 2.5% year on year, despite the adverse market conditions. The EBITDA margin, in relation to total revenues, rose to 58%.

Despite the debt securities issued to fund the acquisition of Intesa Sanpaolo's merchant acquiring business, interests dropped significantly compared with 2019 (-59.1%), which was burdened by charges linked to the overall debt paydown and the IPO process.

Non-recurring items, which stood at a negative Euro 102 million, while on the one hand confirming the gradual downsizing of transformation costs deriving from the

Group's digital transformation process (-54% to Euro 24 million), on the other, also reflected impacts due to the ISP merchant business transaction costs (Euro 22 million), as well as those due to the announced business combinations (Euro 16 million), and those arising with reference to the Covid-19 emergency. Please note that the capital gain deriving from the sale of Oasi (Euro 109 million) was recognised in financial year 2019 as non-recurring revenue.

Financial Position Highlights

The main financial position indicators are listed below.

Investments

The following table details Capex investments as at December 31, 2020 and December 31, 2019.

(Amounts in Euro million)

	Dec. 31, 2020	Dec. 31, 2019
Ordinary tangible and intangible assets	100.3	102.8
IT and Strategy Transformation projects	34.9	64.5
Investments (Capex)	**135.2**	**167.3**

The Ordinary Tangible and Intangible Assets item accounts for electronic systems (mostly connected to POSs e ATMs) as well as software and technology development. The IT & Strategy Transformation Projects item refers to investments earmarked for the development of the Group's IT platforms and systems.

Net Financial Position as at December 31, 2020

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

The following table details the Group's Net Financial Position as at December 31, 2020 and as at December 31, 2019.

(Amounts in Euro million)

	Dec. 31, 2020	Dec. 31, 2019
A. Cash	159.1	115.4
B. Cash equivalents (*)	340.0	133.0
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**499.1**	**248.4**
E. Current financial receivables	**-**	**-**
F. Current payables to banks	(10.3)	(13.6)
G. Current position of long-term debts		
H. Other current financial liabilities	(4.4)	-
I. Current financial debt (F) + (G) + (H)	(14.7)	(13.6)
J. Net current financial position (I) + (E) + (D)	**484.4**	**234.8**
K. Non-current bank debts	(44.0)	(15.3)
L. Issued bonds	(1,265.8)	(819.0)
M. Other non-current financial liabilities	(1,456.6)	(992.6)
N. Non-current financial debt (K) + (L) + (M)	**(2,766.4)**	**(1,826.9)**
O. Net financial position (J) + (N)	**(2,282.0)**	**(1,592.1)**

(*) Available liquidity generated during the period.

The table below sets forth the breakdown of the Group's Liquidity, as per item D.

(Euro million)

	Cash Flow Statement (1)	Reconciliation (*)	Group's Liquidity (2)
Profit of the year	129.3	-	129.3
Amortisation. depreciation, unpaid taxes and other non-cash items	280.5	-	280.5
Change in working capital	(19.7)	-	(19.7)
Cash flows of operations	390.1	-	390.1
Cash Flows generated/(used) by financial assets and liabilities	(211.6)	207.0	(4.7)
Cash flow generated by operating activities	178.5	207.0	385.5
Cash flows used in investing activities	(1,080.4)	-	(1,080.4)
Cash flows used in financing activities	945.6	-	945.6
Cash flows generated/(used) in the year	**43.7**	**207.0**	**250.7**
Opening cash and cash equivalents	115.4	133.0	248.4
Cash flows generated/(used) in the year	43.7	207.0	250.7
Closing cash and cash equivalents	**159.1**	**340.0**	**499.1**

Note (1): Consolidated Cash Flow Statement, reporting cash available at parent company level only (Nexi S.p.A.) as "cash and cash equivalents".

Note (2): Liquidity of the Group included in the Net Financial Position: in addition to parent company's «cash and cash equivalents», includes the liquidity generated by the operating companies, which will be upstreamed to Nexi S.p.A. via cash dividend distribution.

(*) Difference in "cash and cash equivalents" definition (Euro 207 million) equal to 2020 Cash Flow generated by Operating companies (Euro 340 million) minus 2019 Cash Flow (Euro 133 million) distributed in 2020.

It should be noted that, at the time of publication, all the covenants provided for by the financings have been complied with. Such covenants and the negative pledges are further described under Note 41 of these financial statements.

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

Alternative Performance Measures

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

In 2020, the alternative performance indicators adopted by the Group were substantially unchanged compared with the previous financial year, in terms of both definition and calculation method.

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

Operating Revenues

Nexi defines Operating Revenues as the Financial and Operating Income normalised in respect of non-recurring expenses and income, excluding, where applicable, financial charges on bond loans. The following table details the reconciliation of the financial and operating income to Operating Revenues of financial years 2020 and 2019.

(Amounts in Euro million)

	2020	2919
Financial and operating income	927.0	813.7
Interests and financing costs (*)	65.2	159.9
Non-recurring costs/(income) (**)	2.0	10.5
Operating costs/(income)	(0.2)	-
Operating Revenues	**993.9**	**984.1**

(*) For the period running to December 31, 2020, the item includes interest and commissions on Nexi S.p.A. funding (Euro 63.2 million) and IFRS 16 interest (Euro 0.9 million), on top of interest expenses on other loans (Euro 1.1 million). Such costs are reported under the interest income in the income statement

(**) For the period running to December 31, 2020, the item mainly consists of non-recurring costs that, in the income statement, are reported under the item "Financial and operating income".

Normalised EBITDA

Nexi defines Normalised EBITDA as profits for the period adjusted for (i) profits/losses after tax from discontinued operations, (ii) income tax on continuing operations, (iii) profit/loss on equity investments and disposals, (iv) interest and financing costs (included in the net interest income), (v) amortisation and impairment losses for tangible and intangible assets, and (vi) Non-recurring expenses and income.

The following table details reconciliation of Group profits and Normalised EBITDA for the financial years 2020 and 2019.

(Amounts in Euro million)

	2020	2019
Profit for the period	129.3	136.1
Profits/losses, after tax, from discontinued operations	0.7	(99.5)
Period income tax on continuing operations	79.7	4.2
Profit/loss on equity investments and disposals	0.2	0.6
Interests and financing costs (*)	65.2	159.9
Amortisation and impairment losses for tangible and intangible assets	175.3	155.8
Non-recurring costs /(income) (*)	2.0	10.5
Other non-recurring expenses/ income impacting EBITDA (**)	101.3	135.0
EBITDA	**553.7**	**502.5**

(*) Please refer to the previous table.

(**) For the period running to December 31, 2020, the item mainly consists of non-recurring costs, associated with the stock grant assigned by Mercury UK and LTI (Euro 26.4 million), transformation costs (Euro 24 million) and other non-recurring costs (Euro 52 million, 21.9 million which incurred for the Intesa Sanpaolo acquiring business acquisition).

Investments (Capex)

Nexi defines investments as ordinary tangible and intangible assets acquired in the period. These are detailed in the relevant table in the Notes to these financial statements, which also presents year-on-year changes. Please note that as an Alternative Indicator it not include the tangible and intangible assets acquired following business combinations.

Net Financial Position

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

- securities issued, included under financial liabilities measured at amortised cost;
- IPO Facilities, included under financial liabilities measured at amortised cost;
- liabilities associated with business combinations, consisting of the earn-out debt recognised under "Financial Liabilities at Fair Value through Profit or Loss" and by the deferred financing cost recognised under "Financial Liabilities Measured at Amortised Cost";
- other financial liabilities, mostly consisting of liabilities under IFRS 16 and included under financial liabilities measured at amortised cost.

Financial assets are recognised as "Cash and Cash Equivalents" and, where they refer to liquidity generated by the subsidiaries during the period, as "Financial Assets Measured at Amortised Cost".

Governance and Control Structures

Board of Directors

On May 5, 2020 Nexi's Shareholders Meeting resolved to appoint Ms Elisa Corghi as director (previously co-opted by the Board of Directors on September 26, 2019, to replace resigning director, Mr Robin Marshall) until the approval of the financial statements on December 31, 2021. The breakdown of the Board of Directors is the following:

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

Internal Board Committees

On March 6, 2020, the Board of Directors resolved to appoint director Elisa Corghi as Chairperson of the Related Parties Committee and member of the Remuneration and Appointment Committee. The Internal Board Committees are composed as follows:

Remuneration and Appointments Committee (*)

Chairperson	Marinella Soldi
Members	Luca Bassi
	Luisa Torchia

Control, Risk and Sustainability Committee (*)

Chairperson	Elisa Corghi
Members	Francesco Casiraghi
	Marinella Soldi

Related Parties Committee (*)

Chairperson	Luisa Torchia
Members	Antonio Patuelli
	Marinella Soldi

(*) Committees provided for the Corporate Governance Code.

Strategic Committee

The following is the breakdown of the Strategic Committee, which has remained unchanged throughout the financial year.

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

Board of Statutory Auditors

The following is the breakdown of the Board of Statutory Auditors, which has remained unchanged throughout the financial year.

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

Financial Reports Manager

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

Independent Auditors

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

Group Internal Control Systems

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

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

During the year, the Audit Function continued to fine-tune the ICS assessment system, resorting to both the adjustment process started in the first half-year (Group changes and evolution) and by means of the standardisation and automation of information processing and analysis. Such measures will ensure a more structured and streamlines management of information, including the one proceeding from the Group's legal entities.

The full availability of audit tools and the information they contain ensured the development of a new, periodical management reporting system dedicated to all members of the Executive Board. Through this new system, each Executive Board member has a comprehensive view of the status of the audits in their area, the outcomes of the audits performed over a given period and the most relevant aspects that emerged.
Said measures aim to constantly improve the efficacy of the audit by means of an increasingly clear and direct association with the major corporate risks. To this end, constant liaising and collaboration with the Risk Management function is particularly useful.

As for on-site auditing, the impact of the Covid-19 emergency was limited, thanks to a prompt adjustment in the management of remote auditing and to specific training developed in-house and based on the best international practices, in order to set common guidelines for all Function members.

Finally, consistent with the programme defined with the Group's Supervisory Bodies, the Audit Function completed the update and approval of the Organisational and Control Models pursuant to Legislative Decree for all Nexi Group companies (i.e. Nexi S.p.A., Nexi Payments, Help Line S.p.A. and Mercury Payment Services S.p.A.).

Second level controls for the Group's supervised companies, which aim to help define the business risk measurement methods, check compliance with limits assigned by the various operating units and check that operations of individual production areas are consistent with assigned risk-return objectives and business operating rules, are entrusted to structures other than operations, and specifically to:
- the Risk Management Function, whose Operational Risks unit also features an Information Security Manager;
- the Compliance & AML Function, which includes the Anti-Money Laundering function and the Group DPO, which operate in specific reference to regulatory areas under their respective responsibilities;
- the Subject Matter Experts, namely business units with responsibility for continuously ensuring compliance of activities and processes with regulations under their respective responsibilities.

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

In February 2020, Nexi S.p.A.'s Board of Directors approved the Group's Enterprise Risk Management Policy (subsequently adopted by the Boards of the supervised companies), which defines:

- the benchmark principles the Enterprise Risk Management takes cue from;
- the roles and responsibilities of the bodies and corporate management top offices in the ERM model scope;
- the adopted risk management framework: activities, stakeholders and methodologies.

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

- identify, prioritise and periodically monitor corporate risks in order to direct investments and resources towards the most critical and relevant risks for the Group's business;
- assign roles and responsibilities for a clear and shared management of corporate risks;
- give due value to the existing Risk Management units, coordinating them and enhancing them if possible;
- spread a culture of risk awareness and a risk-based approach in the Group's decision-making processes, raising management's awareness of the major risks the company is exposed to.

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

With reference to the provision of payment services, operational risks are particularly relevant, including security-related risks and legal and reputational risks, which may derive from relations with clients. In this context, 2020 witnessed the continuation of the activities started in 2019, involving the alignment to the standards set forth by PSD2, which entailed the development of several works focusing on specific project streams, guided by the alignment roadmap setting the relevant deadlines indicated by the EBA.

In accordance with the relevant regulatory provisions and with the market best practices, Nexi further strengthened its management framework for operational and security risks, with particular reference to the ICT risk assessment and its interaction with a broader range of operating risks, so as to ensure an increasingly efficient constant monitoring of risks. The ORM Framework integrates and adds to the Enterprise Risk Management Framework; the results of the two methods, in terms of exposure to operational risks, converge consistently. Therefore, in October 2020, the Boards of Directors of Nexi Payments and Mercury Payment Services green-lighted the update of the Operational Risk Management Policy for managing and mitigating operational risks.

Following the Covid-19 health emergency, further risks stemming from the pandemic and its potential impact on Nexi's business were identified, including through the construction of several scenarios based on the varying lockdown timeframes and on the possible pace of the recovery and return to a pre-crisis situations.

The Compliance & AML Function of Nexi Payments, which continuously monitors its assigned rules according to a risk-based approach, during the year 2020 developed new reporting methods to the Managers of Supervised Companies in order to provide a clear and immediate picture of non-compliance risks, progress of the ongoing adjustment measures, regulatory novelties and adjustment measures ensuring compliance with enforcement timeframe. It is one of the tools that also allows the Function to promptly address open issues.

The Company completed the activities aimed at boosting the efficiency of the information instruments supporting the Function in all the areas it manages, as well as the standardisation activities - in the supervised companies - concerning the non-compliance risk management model. In 2021, all fine-tuning activities will carry on, so as to make such instruments more and more performant.

Throughout the year, great attention was given to the Law Decrees and recommendations/indications of the Supervisory Authority to face the Covid-19 health emergency. Following the issuing of such decrees and indications, the due alignment measures were devised and put in place, as well as the projects directly handled by the Compliance & AML Function, aimed at ensuring compliance with Directive EU 2015/849 and Directive EU 2018/843 - respectively, Anti-Money Laundering Directive IV and Anti-Money Laundering Directive V, respectively - and with the Provisions for protecting and making available documents, data and information, and with Directive 2015/2366/EU on internal market payment services (PSD2). Several adjustment measures were implemented in accordance with the provisions set forth under the directives.

The Group Companies continued their consolidation activities for the protection of data, pursuant to Regulation (EU) 2016/679 on data protection (GDPR).

Nexi Group Organisational Structure

The resolution of Nexi S.p.A.'s Board of Directors of February 12, 2020 updated Nexi S.p.A.'s organisational structure, with the introduction of the CAO ("Chief Administrative Officer") function which directly reports to the CEO ("Chief Executive Officer").

Nexi Payments S.p.A.

With reference to the guidelines of the 2019-2023 Business Plan, in continuity with the transformation process underway and with reference to parent company Nexi's listing on Borsa Italiana's MTA equities market, and to pursue the Group's integration path and consolidate the link with Mercury Payment Services ("MePS"), the main interventions carried out during the first half of 2020 addressed the following:

- establishment of formal reporting lines in MePS structures within the Nexi Payments structure. Such management-level integration entailed a target alignment between functional reporting staff in Nexi Payments and senior managers in MePS in order to strengthen knowledge-sharing mechanisms and convergence towards a common innovation roadmap. In particular:
  - within the C&EA Management: Corporate Affairs MePS towards Corporate & Regulatory Affairs and Physical Security MePS towards Security;
  - within the CFO Management: Planning & Control MePS towards BU & Commercial Bus. Partners and Administration MePS towards Administration;
  - within the CAO Management: Organisation MePS towards Organisation & Processes and General Services MePS, towards Real Estate Facility & General Services;
  - within the Operations Management: Chief Operations Officer MePS towards Operations and Issuing Operations MePS towards Operations Cards & Digital Payments;
  - within the CIO Management: IT Governance MePS towards IT Strategy & Governance; IT Security MePS towards CISO Area; Digital MePS towards Digital; IT Infrastructure MePS towards IT Service Management & Infrastructures.

- an organisational unit called AML Compliance was created, within the Compliance and AML control function, for the integrated management of AML operating processes and of regulatory impacts; the Operational AML team reports to such unit; concurrently, the organisational unit previously called Compliance was renamed Business Compliance;

- within the CIO Area, the IT Cards & Digital Payments structure was reorganised into three new functions: SDP Solution Design, for the definition of functional and architectural solutions; CDP Projects, focusing on project management; CDP Running & AM, whose goal is to manage small changes and provide support to incident management;

- also within the CIO Area, in the Digital structure, the POS Key Initiatives and POS Application Factory functions were blended into one single function called POS Digital Factory, in order to create synergies and enhance focus in terms of POS technical development;

- within the CAO Area, the Organisation & Processes function was reorganised so as to enhance monitoring and further support different project-related requirements, through the creation of the Regulatory/Compliance Process Development structure, which deals with the revision of processes linked to regulatory requirements, and via the creation of the Organisation & Processes Development Project structure, dealing with the development and projects of the organisation and of corporate processes. Furthermore, the function will be supported by two staff areas called, respectively, Organisation Major Project & Change Management and SME (Subject Matter Expert), which focus on corporate and business processes;

- also within the CAO Area, the Facility Management function was renamed Real Estate Facility & General Services and now encompasses legal activities linked to general services, previously managed by HR Operations & General Services and two structures dealing with real estate were created; furthermore, to support the function itself, staff activity for managing Special Projects will be set up;

- finally, also within the CAO Area, the HR Operations & General Services was renamed HR Operations; such function was tasked with the management of the new Payroll Services structure and staff activity for managing and monitoring HR Costs and KPIs and employee policies;

- within the Operations Management area, the new Business Operations & Risk Prevention structure was created, the goal being that of ensuring a coordinated management and the digital transformation of the Frauds & Credits, Disputes and Clearing & Transactions Management operating structures; moreover, within the Security Digital Banking function was created within the Frauds & Credits structure;

- also within the Operations Management area, the new Merchant Services Integration & Transformation Office structure was created in-staff to deal with the governance of strategic initiatives and digital transformation regarding merchant operations.

Additionally, during the second half of 2020 the following actions were taken:

- within Business Development Management, the Digital Customer Experience structure was reorganised into three new functions, namely Customer Journey & Functional Analysis, Digital Analytics & Strategy and User Experience & Service Design;

- within the Merchant Services & Solutions business unit:
  - the Acquiring Product & Services Development BSS function was renamed Products & Services MS&S and subsequent to renaming, with a view to bolstering synergies across POS product development and acquiring services, now oversees POS product and service development (previously managed by POS & VAS Products & Services Development); said function now oversees the POS Products & Services unit;
  - the Corporate Proposition function, with a view to ensuring close management of the LAKA product and service range, was reorganised into four new functions, namely: Product Management, tasked with management and oversight with reference to evolutions within the LAKA product range; Solution Design Management, tasked with developing proposals and solutions with reference to products and services; Commercial Planning & Pricing Management, tasked with pricing and commercial planning; Solution Factory Delivery Management, tasked with solutions development and release and with testing oversight;
  - nested within the Referral Books functions, the new ISP Onboarding & Business Support unit was established, tasked with Intesa Sanpaolo book referrals on-boarding;

- within the CIO Area:
  - the Merchant Services & Solutions IT structure was reorganised into five new functions, namely: Merchant Services Design & Build, tasked with defining feature and architecture solutions and implementing projects, especially with respect to Core services and On-Boarding; Merchant Services Testing, tasked with merchant services test design and testing; Merchant Services Running, tasked with managing operations, minor changes and incidents; Merchant Services Integration Platform, tasked with Middle Tier analysis and development; Merchant Services BAU Projects, tasked with programme and project management for projects submitted by business areas,
  - nested within the IT Strategy & Governance structure, the IT Governance function was created, tasked with managing governance within the entire CIO Area and with supporting the design of IT processes; in conjunction with changes within the IT Strategy & Governance structure, the Enterprise Architecture function was reassigned to the IT Service Management & Infrastructures area.
  - data governance staff activities at the Data & Analytics structure have neem transferred to the Data Architecture line management structure, in turn renamed Data Architecture & Governance.
  - a direct line of reporting was established from the Storage structure to the IT Service Management & Infrastructures function.

- within Operations Management:
  - the Customer Centricity and Merchant Services Integration & Transformation Office structures were merged, giving rise to the Customer Centricity & MS Transformation structure, tasked with collecting and analysing client data for continuing improvement purposes, and with managing strategic and digital transformation initiatives within the area of merchant operations;
  - the Operations Merchant Services & Solutions structure's Test, Installation & Maintenance function was renamed Test Lab; the LAKA CoE structure was established, tasked with bolstering operations monitoring in the LAKA segment, especially with respect to Intesa Sanpaolo customers; the Ops E-Commerce structure was established, tasked with e-commerce operations oversight;
  - the Business Operations & Risk Prevention structure was reorganised, with activities previously assigned to the Frauds & Credits structure now assigned to two new structures, namely Frauds Management, tasked with analysing and managing fraud (also in respect of Intesa Sanpaolo customers), and Credits Management, tasked with cardholder and merchant management and debt collection; the Disputes structure was renamed Disputes Management;

- the Risk Management structure was reorganised into two new functions, namely: C&DP, MS&S Operational Risks, tasked with analysing project and operational risks relative to the Cards & Digital Payments and Merchant Services & Solutions business units; DBS, IT & Financial Risks, tasked with analysing IT and the Digital Banking Solutions unit's financial, operational and project risks; furthermore, an Insurance & ERM unit was established, tasked with managing the Group's insurance policies, with conducting Enterprise Risk Management assessments, and with SME duties in respect of Environmental, Social & Governance risks.

- within Commercial Management:
  - the Planning, Offering & Bidding and Commercial Partnership Development structures were merged into the new Strategic Partnership Offering & Bidding structure;
  - in conjunction with the above, the Commercial Planning & Operations structure was renamed Commercial Governance & Support, tasked with a supporting role in respect of Commercial Management; the renamed structure is reported to by the Service Managers & Operational Support structure, tasked with preparing commercial and support agreements, proposals and/or contracts with respect to partner banks, by the Advisory & Trade Engagement sales structure, tasked with jointly identifying with partner banks growth-oriented commercial initiatives, and by the Executive Service Managers structure, tasked with a support role in respect of executives;
  - the Banking Partners structure was reorganised into the following structures: Partners Interregional Banks, tasked with managing relations with medium-sized partner banks; the Partnership Territorial Banks structure, tasked with manging relations with small partner banks;

- within the Digital Banking Solutions business unit, the Payments Marketing & Development function's Clearing Products structure was closed and its tasks were reallocated to the Payment Products structure;

- within the Audit function, a Holding Processes Audit unit was established, tasked with monitoring of risks at the Parent.

In December, furthermore, effective as of January 2021, changes were made within the Compliance function and in the area of Commercial Management.

Mercury Payment Services S.p.A.

In 2020, with a view to furthering integration within the Group and to consolidate ties with Nexi Payments, following approval by the Board of Directors, changes to the Group's organisational structure were implemented.

To that end, effective as of January 10, 2020, functional lines of reporting from Mercury Structures to Nexi Payments Structures were established so as to align goal-setting procedures between the officers at both ends, and so as to bolster knowledge-sharing and to breed convergence on a common innovation roadmap.

With reference to the above, the following changes were implemented:

- within the Compliance & AML Structure: for the purposes of operations optimisation and activities monitoring, creation of two new functions, namely Compliance and IT & Data Protection Compliance;

- within the Human Resources & Organisation structure:
  - subdivision of the Physical Security & General Services Function into two Functions, namely Physical Security and General Services; formal reporting line from the officer at the Physical Security Function to the officer at the Security Structure at Nexi Payments;
  - formal reporting line from the officer at the General Services Function to the officer at the Security Structure at Nexi Payments;
  - formal reporting line from the officer at the Organisation Function to the officer at the Organisation & Processes Function at Nexi Payments.

- within the Corporate Affairs Structure: formal reporting lines from the officer at the Corporate Affairs Structure to the officer at the Corporate & Regulatory Affairs Structure at Nexi Payments.

- reorganisation of the Administration, Planning & Control Structure into two new Level 1 Structures, namely Administration and Planning & Control;
  - formal reporting line from the officer at the Administration Structure to the officer at the Administration Structure at Nexi Payments;
  - formal reporting line from the officer at the Planning & Control Structure to the officer at the BU & Commercial Business Partners Structure at Nexi Payments.

- within the Chief Operations Officer Structure:
  - formal reporting line from the officer at the Issuing Operation Structure to the officer at the Operations Cards & Digital Payments Structure at Nexi Payments;
  - elimination of the Staff Supply Chain & Cards Perso Enhancement Structure.

- within the Chief Information Technology Officer Structure:
  - replacement of former IT Governance & Security Structure with two new Level 2 Structures, namely IT Security and IT Governance;
  - formal reporting line from the officer at IT Security Structure to the officer at the CISO Area at Nexi Payments;
  - formal reporting line from the officer at the IT Governance Structure to the officer at the IT Strategy & Governance Structure at Nexi Payments; creation

of two new Level 2 Structures, namely Authorisation Systems and Digital;
- formal reporting line from the officer at the Digital Structure to the officer at the Digital Structure at Nexi Payments;
- formal reporting line from the officer at IT Infrastructure to the officer at the IT Service Management & Infrastructure Structure at Nexi Payments.

The Branch in Viale G. Richard 7, Milan, has been closed and deregistered at the Registry of Companies on November 15, 2020.

Regulatory compliance

In 2020, efforts continued with reference to compliance with new regulations introduced by Directive (EU) 2015/2366 concerning payment services in the Common Market (the Payment Services Directive, or PSD2), as well as with ensuing secondary regulations issued by the EBA and transposition measures adopted by Italy - the latter including updates to Supervisory Provisions for Payment and Electronic Money Institutes. Activities concerning the transposition of Provisions on Banking and Financial Services Transparency were completed and the Compliance and AML Function started inspections aimed at ascertaining that the implemented solutions are compliant. A special emphasis was placed on enabling existing technological solutions to ensure their compliance with respect to e-commerce payment services provisions.

With reference to anti-money laundering and the Group's supervised companies, important measures aimed at making such companies compliant with the Law Decrees transposing Directive (EU) 2015/849 (Anti Money Laundering Directive IV) and Directive (EU) 2018/843 (Anti Money Laundering Directive V) and with the relevant enforcement provisions of the Bank of Italy. Activities aimed at ensuring full compliance are ongoing.

Constant efforts are being made in respect of consolidation activities aimed at protecting data, as provided for under Regulation (EU) 2016/679 ("GDPR"), as well as in the monitoring activities implemented by the Compliance and AML Function, aimed at ascertaining that the adopted solutions ensure compliance. A special emphasis was placed on principles pertaining to the minimisation, security and appropriate storage of personal data. Training activities continued too, within the scope of a plan that is reviewed on a yearly basis, which aims to raise the Group's awareness of the pertinent regulation and of data protection.

In 2020, particular attention was given to the Law Decrees and the recommendations/guidelines issued by the Supervisory Authority to face the Covid-19 health emergency, following which specific adjustment measures were taken. Measures required to guarantee the provisions set forth under Law Decree 124/2019 on tax credit for merchants were identified and carried out.

Furthermore, with reference to fees applicable to cross-border transactions within the European Union and to currency conversion fees, prospective actions aimed at ensuring compliance with the provisions set forth by Regulation (EU) 2019/518 of the European Parliament and of the Council of March 19, 2019, were addressed and agreed.

With reference to Nexi's listing on Borsa Italiana's MTA equities market, internal procedures were updated with respect to the processing of relevant/privileged information, and to the drafting and keeping of both the insider list and the relevant information list (i.e. the RIL), and to the Procedure regulating operations with related parties, pursuant to the applicable laws.

Group IT Systems

In 2020, the CIO Area's activities focused on pursuing the technological transformation process, implementing project initiatives aimed at supporting Group Business goals and ensuring adequate service levels to customers.
In addition to core activities detailed below, note that, in response to the Covid-19 health emergency and the ensuing remote working requirements placed on much of its workforce, Nexi promptly enabled and activated technological instruments Group-wide so as to ensure business continuity, to which end it also established an IT systems management operations protocol.
The measures taken in 2020 - though by and large consistent with the plans prior envisaged, also accounting for the impacts of the Covid-19 emergency - focused on the following aspects:
- continued implementation of the IT Strategy programme as planned with respect to the POS, Acquiring, Customer Interaction areas;
- implementation of IT projects supporting business activities;
- implementation of regulatory compliance programmes;
- implementation of measures concerning the consolidation, evolution and maintenance of technological infrastructure and security platforms;
- implementation of engineering activities envisaged

as part of corporate restructuring projects (e.g. acquisition of Intesa Sanpaolo's merchant book);
- monitoring of service levels, to be consistent with the market's best practices, provided to internal Business Units and to Group clients;
- consolidation of the organisation structure and enhancement of the in-house staff skills;
- management and optimisation of technological expenditure, with a specific view to the achievement of the Group's cost-efficiency goals.

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

On the **Issuing Systems** front, the following activities were carried out:
- development of the International Debit product (Carta Conto and its corporate version);
- expansion of the customer base of the International Debit product by integrating new banks;
- completion of the roll-out of client banks for the adoption of the contactless and PagoBANCOMAT Digit technologies for cards and terminals enabled to operate on the PagoBANCOMAT scheme;
- provision of the PIN View function to a selected pool of client banks;
- completion by close of year of upgrades mandated by international payment card schemes;
- participation in the tender called by Consorzio BANCOMAT for the development of a "New Supply Chain Governance Model";
- adoption of the "Custom Partnership" model in respect of new client banks;
- insourcing of push and SMS notification services via the development of a new proprietary platform.

Activities in the **Merchant Services** areas focused on:
- activation of new business offers (e.g. Welcome and Start; Micropayment Promotions) and new services (e.g. extension of acceptance of UPI, JCB cards) for SME customers;
- implementation of evolutionary measures on the Merchant On-Boarding platform; activation of said platform at client banks as scheduled;
- implementation of the new acquiring platform and said platform's integration within the Group's clearing system and other relevant IT systems.

Regarding **Payments systems**, the following activities were carried out:
- integration of Instant Payments into and functions evolution for the Remote Corporate Banking platform;
- start of the DEPObank Instant Payments intermediation service;
- functions enhancement on the Nexi Open platform so as to create an API marketplace for fintech company members;
- completion of the IBAN-based antifraud platform's evolution;
- evolution of the ATM commercial offering and consolidation of the payment terminals' management platform;
- implementation of ATM innovation actions.

In the area of **M&A, Operations, Corporate Systems and Mercury Payment Services**, activities focused on:
- activation on the new Dispute management platform of functions for licensed issuing products and development of functions for serviced issuing and acquiring services;
- renewal of the Contact Centre's support tool via the development of a single CRM software based on market technologies;
- creation of a data platform to facilitate ease of consultation in respect of financial and invoicing data;
- implementation of technological adjustments prerequisite to the acquisition Intesa Sanpaolo's merchant book;
- release of the Group's new clearing platform, which enables multi-acquiring features and real-time data lake feeds; platform integration with respect to the new Core Acquiring and Payment Gateway platforms;
- implementation of preparatory actions in the lead-up to the merger by incorporation of UBI into Intesa Sanpaolo and to the transfer of 600 branches to BPER;
- support for public sector "Digital Solidarity" initiatives, especially with reference to tax claims recovery.

In the **Digital** area, activities focused on:
- completion of the migration of former Consorzio Triveneto and Nexi POS devices to a new Group platform;
- production release of the new platform providing VAS services on traditional and Android POS;
- release of the New Settlement POS platform;
- release of the new for POS terminal life-cycle management platform;
- completion of the CSE Services Centre on-boarding with respect to the entirety of the Debit product;
- completion of IV AML Directive alignment with respect to all in-scope products;
- completion of integration with Visa and Mastercard schemes for Token Lifecycle Management services concerning Mobile Payments (Apple/Google/Samsung Pay);
- release of the domestic "*Sblocca Mercato*" offer and of the agreement process with FEA concerning the Merchant Online Store and launch of the remote payment service Pay-by-Link;

- continuous evolution of digital channels properties and architecture;
- activation of the new Marketing Automation platform and removal of the previous one;
- development of the YAP platform supporting the customer growth plan;
- release of the Group's new Payment Gateway platform and initial merchant activation;
- implementation of updates prerequisite to the government-backed cash-back plan;
- evolutions with respect to loyalty programmes;
- API layer on-boarding of new banks;
- cardholder authentication Access Control Service (ACS) platform upgrades and implementation of safer protocols (i.e. 3DS 2.1);
- release of the acquiring and sales process within the new Nexi Shop website;
- systems evolution for digital receivables so as to curtail operating costs.

In the **Data & Analytics** area, activities focused on the following:
- evolving Big Data infrastructure with a view to optimising refresh times and access to company data;
- development of AI acquiring and issuing algorithms;
- development of data analytics tools for partner banks;
- release, in line with the Data Strategy driving Nexi's transition towards a data-driven corporate model, of analytics tools for company directors and marketing.
- development of the Data Community organisation, with plans to establish a Data Academy and a central knowledge repository.

In the **Infrastructure** area, activities focused on the following:
- Group-wide adoption and implementation of advanced virtual collaboration and networking tools for the remote working needs of all Nexi employees, so as to ensure performance of daily operations, avert impacts on productivity and avoid service disruptions in light of restrictions to non-essential movement enforced as a consequence of the Covid-19 pandemic;
- completion of the components of the new Nexi Blu Data Centre concerning the customer interconnection Network (Nexi Customer Connect), the POS for the collection of transactions (Nexi POS Connect) and the Internet access infrastructure (Nexi Internet Connect);
- unification and rationalisation of Group infrastructure, managing the infrastructure of the Data Centres acquired in the corporate restructuring operations;
- completion of migration activities from Mercury Payments Data Centres to Nexi Blu and completion of Facility Management infrastructure re-insourcing at Nexi by OASI Diagram and PayCare;
- migration of the Bassilichi Data Centre;
- evolving monitoring systems to suit the specific requirements of the new IT Strategy platforms and of the new acquiring platform's control tools;
- monitoring of the Group's systems architecture reference model and evolution of support tools;
- monitoring on an ongoing basis of the evolution of the Group's systems architecture, so as to ensure its alignment with evolution guidelines and with the market's best practices.

In the area of **IT Security and Business Continuity**, as part of the continuous improvement of both IT security systems and measures to combat cybercrime, activities focused on the following:
- coordination of the business continuity team throughout the Covid-19 emergency;
- adoption and implementation of technical checks and organisational procedures during the Covid-19 pandemic;
- technical certification of the main Group applications in respect of compliance with IT Security and Business Continuity regulations (including PCI DSS Certification, PCI Card Production, PCI 3-D Secure, PCI PIN Security, ISO 27001, ISO 22301, etc.);
- ongoing activities aimed at improving IT Security and reducing potential vulnerabilities within Nexi Group IT systems (e.g. database firewall, identity management for networks, network segregation);
- adoption and boosting of technologies designed to increase security of services offered to end customers (e.g. multifactor authentication, identity & access);
- boosting of the 24/7 security events monitoring service and further development of the centralised security warnings platform.

In the area of **IT Strategy & Governance**, activities focused on the following:
- providing support in managing the impacts of the Covid-19 emergency on the CIO Area in respect of project planning and reviewing the IT investments portfolio;
- supporting IT competence with reference to the adoption and monitoring of spending review initiatives, including those adopted in response to the Covid-19 emergency;
- monitoring of and reporting on IT Strategy;
- overseeing the projects portfolio and relevant operational and management reporting, with a specific focus on the governance of priority programmes and Key Initiatives;
- defining (in collaboration with the Group's relevant functions) and implementing organisational evolution at CIO Area level;
- evolution of processes, methods and tools relevant to CIO Area governance.

Human Resources

With reference to human resources, Group workforce as at December 31, 2020 stood at 1,996 resources, compared to 1,942 as at December 31, 2019, broken down as follows among the legal entities.
With reference to seconded staff, note that said staff is head-counted within the relevant group company if and when their percentage secondment is ≥ 50%

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

2019	Nexi	Nexi Payments	Help Line	Mercury Payment Services	Orbital Cultura	Dec. 31, 2019
Senior Managers	2	84	1	7	1	**95**
Middle Managers	-	591	11	36	-	**638**
Employees	-	653	286	259	6	**1,204**
Other	-	2	-	-	3	**5**
Total	**2**	**1,330**	**298**	**302**	**10**	**1,942**
Open-ended	2	1,328	298	290		**1,918**
Fixed-Term	-	2	-	12		**14**

Information on staff and the environment

In the area of training, 2020 was characterised by the extraordinary, as much as unpredictable, developments brought about by the Covid-19 pandemic. The latter warranted a review and reprogramming of activities in terms of goals, content and priority and of methods (essentially relocating the entirety of training activities online).

Consequently, in 2020 significant emphasis was placed on:

- major Change Management initiatives throughout the Group with a view to building and sharing new ways of working together, and with a focus on discussion and listening avenues and on harnessing a team spirit and a sense of belonging;
- developing a Group-wide culture geared towards effectively managing new working methods so as to prepare Nexi's people for the "new normal";
- boosting employee Health & Safety training with reference to both office and remote settings,
- with training sessions for the entire employee population and with, given the heightened burden of complexity their duties entail, special training for health and safety delegates.

Training at Nexi builds on five pillars:

- **compulsory training**: the goal being to provide for the knowledge necessary to ensure continuing legal and regulatory compliance (e.g. in the areas of privacy, health & safety, competition etc.);
- **specialist training**: the goal being to provide for learning, updating and enhancement of technical and specialist knowledge relevant to specific professional categories and duties;
- **technical training**: these courses are provided by third-party training service providers and issue in certification, the goal being to instruct participants on required tools, methods and knowledge, to enhance their skills and promote cross-over of ideas among them;
- **OneNexi training**: this training reflects Nexi values and its goal is that of pursuing a common and shared path that aims to give value to experience diversity, to strengthen organisational leadership and individual soft skills. It includes activities that allow the individual to gain and enhance personal, operational and management skills;
- **business training**: to goal being to ensure an industry awareness and to breed knowledge of relevant market sectors and their trends, as well as Nexi's positioning, strategy, products and services.

In 2020 the *Train to Accelerate the Digital Transformation of Payments* plan funded under the 2018 Banking and Insurance Fund entered the final reporting stage. The plan was addressed at Nexi Group employees, especially those at Nexi, Nexi Payments S.p.A. and Help Line S.p.A.).

Also in 2020, the Prevention & Protection Service's activities largely focused on the Coronavirus (SARS-CoV-2) epidemic.
The Service carried out a Biohazards Risk Assessment with respect to the virus and measures were identified for the purposes of preventing and protecting against contagion.

Such measures addressed access procedures at corporate premises, cleaning and sanitation at the workplace, personal hygienic precautions, personal protective equipment, procedures for the use of individual and common workspaces, movements within the corporate premises, and suppler access.

Employees were informed and trained with respect to measures adopted and behaviours expected. Furthermore, a tier-based prevention and protection plan was adopted so as to implement measures most appropriate to any given regional alert tier.

Training and further information were also provided with respect to remote working, specifically on issues of ergonomics and workload management.

Throughout the pandemic, the Group's Health Surveillance protocols and designated medical professionals played a crucial role in assessing potential cases and identifying appropriate measures both prior to lockdown and after restrictions were lifted and work resumed on-site.

External Communication and Media Relations

With reference to the communications plan as implemented in 2020, note in particular:
- media initiatives aimed at ensuring communication consistent with the SIA merger into Nexi;
- media initiatives aimed at highlighting the strategic relevance of the Nets merger into Nexi at the European level;
- press office activities aimed at consolidating Nexi's standing as the banking sector's leading paytech provider and at promoting its corporate products and services, as well as its foremost commercial and business agreements;
- media relations engagement at sector-relevant physical and virtual events and conferences, with a view to promoting the company's standing;
- formal and informal engagement activities to internally disseminate Nexi culture and values and to speed up the company transformation process;
- organisation of meetings on Nexi projects and ongoing activities;
- content management and distribution of the internal newsletter.
- media relations content management for the Nexi corporate website.

Main Risks and Uncertainties

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

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

Risks linked to the execution of strategic business combinations with SIA and Nets

As prior detailed under *Significant Events during the Reporting Period*, given rapid paytech sector consolidation at the international and European level, during the second half of 2020 Nexi announced it had reached agreements concerning business integrations with market leaders SIA and Nets.
In the latter regard, further note that a detailed, focused and gradual integration and synergies plan is in place, and that said plan also accounts for whatever limited overlap may arise as a result of the Nexi-SIA and Nexi-Nets mergers.

The complexities attached to executing both acquisitions may, however, lead to delays in synergies and IT infrastructure consolidation.

Risks linked to economic conditions and political uncertainty in Italy

Nexi Group operates in and derives its revenue from the Italian market only, hence is vulnerable to risks linked to the weakness of the Italian economy.

Revenues from received fees, especially that generated in the Merchant Services & Solutions and the Cards & Digital Payments business lines, are dependent on the number and volume of payment transactions. The latter, in turn, track overall spending of consumers, businesses and public administration in Italy.

Any macroeconomic event that negatively impacts Italy's economic growth may impact Nexi Group revenue in terms of both volumes and product base (e.g. card, POS and ATM fees). In fact, a worsening of the macroeconomic scenario may negatively impact not just transaction volumes, but also the number of cards issued or the number of next-generation POS terminals distributed to merchants.

Uncertainty linked to Italy's economic policies may breed further strains in respect of Italian government bond yield spreads and of the institutional liquidity market and, hence, the banking sector's financial supply chain, triggering a general decline in ratings.

Any consequent rise in the average cost of funding for banks that finance Nexi Group, or any tightening in such banks' lending standards, may result in an increase in the cost of banking credit lines or a lower cap on lending. Furthermore, should economic conditions dictate that partner banks tighten credit requirements, the number of cardholders may dwindle and so too the number of digital payment transactions and the average spending per transaction.

Lastly, prospective domestic policy initiatives or provisions addressed at the payments market may impact its growth and profitability, accelerating or decelerating either of them.

As highlighted under the *Business Plan and Post-Covid Update* section, Italy was the first western country to adopt, in early March, some of the most restrictive measures, imposing a nationwide lockdown. The Covid-19 pandemic and the consequent containment measures generated a consistent decline in our country's business activities.

Given the emergency context, with electronic payments paramount to ensuring operations throughout the country's economy, Nexi strived to ensure the operation of services provided to partner banks and end customers with the usual quality and security. In tackling the complexity of the current context, Nexi can rely on a diversified and resilient business model, as roughly half of the total revenues generated by the Group as associated with the installed base - hence not directly impacted by volumes trends in the short term - and with 39% of variable costs associated with volumes and activity levels.

Risks linked to delay or failure in implementing growth strategy due to pandemic developments

The Group is exposed to the risk of either delayed attainment of, or failing to attain as expected, the goals envisaged under the growth programmes set in place by the 2019-2023 business. Considering the current, constantly evolving Covid-19 scenario and the inevitable uncertainty as to future recovery timing, Nexi devised and implemented a plan for curbing costs and investments worth in excess of Euro 100 million, while keeping the company focused on fulfilling strategic development and growth initiatives. The actions envisaged by the plan aimed to mitigate the Covid-19 impact on EBITDA and on cash flow, while also rephasing some less strategic projects and investments (for further details refer to the *Business Plan and Post-Covid Update* section).

With an eye to 2021, global economic growth forecasts are underpinned by significant vulnerabilities and downturn risks, both of which issuing from uncertainty as to the recovery in global trade and manufacturing and to the enduring geopolitical tensions spawned by the Covid-19 pandemic which, given it impacts on public health, business and retail, stands to adversely impact Group performance.
A prospective deepening of the economic crisis triggered by the pandemic, potentially compounded by further lockdown measures, may adversely impact Group revenues due to a drop in transaction volumes.

Risks linked to the Italian banking sector and to industry consolidation

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

In recent years, as a result of the enduring financial crisis, Italian banks have had to contend with the increasing volume of non-performing loans. The situation may further deteriorate in the face of greater than forecast economic slowdown or of enduring global trade tensions.

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

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

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

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

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

Furthermore, the takeover bid launched by Intesa Sanpaolo on UBI Banca on February 17, 2020, came to a close on July 30, 2020, securing 90.2% of its shares. Both banks are already key partners of Nexi Group, hence the transaction poses no relevant risks with respect to Nexi's business. Operating risks may arise, however, in the course of technical migration between the two entities' branches.

Such trends confirm the gradual consolidation and evolution that is underway in the banking sector, with the subsequent decrease in the number of banks and an increase in market concentration.

Risks linked to competition within Nexi Group's operations

The reference markets for Nexi Group's business lines are highly competitive and within each of them the Group faces competition in the following areas: technology, speed, performance, quality, reliability, reputation, customer support and pricing.

At present Nexi Group faces competition from the likes of processors such as SIA, specialising in transaction processing management in respect of payment transactions. Such suppliers provide services similar to those offered by Nexi to its partner banks. In the foreseeable future Nexi Group will face competition from both market entrants in the fintech sector and service expansion by incumbent competitors. Such risk profile may be subject to change following the merger between Nexi and SIA announced on October 5, 2020.

Currently, Nexi Group also faces new pressure from international competitors such as Adyen and Stripe and from non-traditional payment service providers such as Google, Apple and Samsung. Current competitors in the area of e-commerce and m-commerce include Amazon and PayPal. All of the above currently compete with Nexi Group on the level of one or more services. Said companies boast considerable financial resources, solid commercial networks and high levels of consumer uptake.
Also, prospective consolidation between European players - e.g. Ingenico and Worldline merger announcement - contributes to heightening competitive tensions.

Risks linked to reliance on third parties

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

Partnering with third parties allows Nexi to attain greater efficiency, to optimise operating costs and to focus on its core business. However, increased reliance on third parties may breed levels of dependence that may heighten Nexi risks in respect of service level oversight, data management and protection, systems continuity, concentration, compliance and reputation. Nexi strives to curb any third-party risk linked to any suppliers it collaborates with, especially outsourcers. To that end, throughout the lifetime of any partnership, Nexi engages in a through appraisal of its suppliers and outsourcers, implements a well-defined on-boarding process, and provides for constant monitoring.

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

While to date no appreciable issues have arisen in respect of outsourced activities, Nexi Group cannot rule out that outsources will not breach contractual obligations in the future, or fall short of consistently delivering to Nexi Group's required quality standards, to an extent such as to compromise Nexi Group's operations, all of which with clear negative impacts.

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

The risk profile in the latter respect may be subject to change following the merger between Nexi and SIA announced on October 5, 2020.

Risks linked to ICT infrastructure operations

The operational integrity, reliability and performance of the Group's ICT infrastructure and technology networks underpin the Group's activities, market prospects and reputation.

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

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

Malfunctions may result, for instance, wherever major infrastructure overhaul takes place, from migration towards new systems. One such instance occurred in 2014 when the Group carried out SEPA migration of its IT infrastructure, with providers EquensWorldline incurring service disruptions that bred temporary shutdowns and delays that cascaded down to the Group's clients. Shutdowns, albeit mitigated by procedures and systems already in place, may be caused by cyberattacks, human error and natural disasters (e.g. earthquakes, fires, flooding, etc.), or service infrastructure failures (e.g. grid power outages or network connectivity). In that respect, note that the Group rates system disruptions and cyberattacks based on severity, ranking them between "critical" and "low/null" impact. During the reporting period, no critical Group systems or third-party provider systems suffered critical malfunctions, no service infrastructure failures occurred, nor did any less severe instances occur that impacted on the economic, equity and/or financial position of the Group and any of its companies. Regarding the Covid-19 pandemic and the nationwide lockdown, Nexi promptly implemented effective business continuity plans in order to ensure the regular functioning of its business, while ensuring the safety and security of all its staff as well as top level services to partner banks and to end customers. Ever since the very first day of the emergency, Nexi has fielded a number of initiatives, consistent with both the directives issued by the relevant Authorities and with internal continuity plans, which immediately secured all activities, ensuring smart working for over 95% of staff, including call centre staff, and implemented the necessary precautions for the limited number of employees that necessarily had to come to work at the head office.

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

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

Should any of the above circumstances arise, they may negatively impact the economic- and/or financial position of the Issuer and/or Nexi Group.

Risks linked to personal data storage and processing

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

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

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

Although the Issuer's incident monitoring and management service operates 24/7 all year long, unauthorised personal data disclosures may occur, for instance, as a result of IT security violations, either due to human error or cyberattacks, malicious conduct or physical security breaches by unauthorised staff. Note that the Issuer classifies cyberattacks based on severity, ranking them between "critical" and "low/null" impact.

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

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

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

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

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

With reference to December 2020's Solarwinds cyberattack and events subsequent to it, please note that as at time of reporting no anomalies were reported at Nexi. The Group, however, adopted all appropriate countermeasures, so as to monitor prospective developments, and, as events unfold, is engaged in defining suitable detection and protection measures.

Risks linked to credit exposure with respect to partner banks and clients

The Group's risk exposure is as detailed below.

Credit risk in acquiring activities

The settlement between counterparties carried out as the acquirer implies that the merchant-customer receives the funds before the Group receives them:

- from the factor, for receivables generated by cards issued by the Group under the Factoring Contract;
- from the banks or card-holders, for all other receivables generated by credit cards issued by the Group and not subject to the Factoring Contract; and/or
- from the international schemeschemes of payment cards for the cards issued by other issuers.

Furthermore, in regard to the acquiring services provided under traditional, associate and referral licence agreements governed by the business line Merchant Services & Solutions, the Group, in its capacity as acquirer, is exposed to the counterparty risk arising from the amounts paid to merchants before the goods or services are provided to the consumer or contested by the cardholder. In this case, the amount of the transaction is normally charged back to the merchant and the purchase price is refunded by the Group, in its capacity as acquirer, to the cardholder. Also, wherever the Group should fail to recover the amounts charged back to the merchant, under international scheme rules, the acquirer is under obligations to refund the full transaction amounts, including fees, to the card issuer. In that instance the Group is liable for losses in respect of the amounts refunded to either the cardholders or, for cards issued outside the Group, international schemes.

Following the Covid-19 health emergency and the ensuing macroeconomic downturn, Nexi started a constant monitoring of charge-backs and insolvencies and has implemented risk mitigation actions that are detailed in the Notes.

Credit risk in issuing activities

Nexi Payments S.p.A., in its capacity as issuer, grants credit to the cardholders to fund their purchases using payment cards managed by the Cards & Digital Payments business lines.
Collection times from cardholders depend on the type of card used. If the purchase is carried out with a debit card, no exposure is expected for the issuer; vice versa, with credit cards, the issuer is often exposed to an average range between 15 and 45 days. If the cardholder is not able to pay the balance due to bankruptcy or insolvency, the partner bank arranges repayment of the amounts due from the cardholder. In the case of insolvency of a partner bank, the issuer can try to recover the amounts directly from the credit cardholder.
In this regard it should be noted that if the card of an insolvent cardholder is blocked, the partner bank remains liable for any insolvency related to purchases made in the 5 days following card revocation. Once that period has elapsed, if the issuer has not yet revoked the card, any additional amounts (i.e. purchases made as of the sixth day subsequent to card revocation) are under the responsibility of the issuer.

As at time of reporting, there has been no increase in direct-issue card insolvency directly associated with the Covid-19 emergency.

With reference to strategic corporate card initiatives (i.e. the Travel Account and Corporate Pay cards for B2B purchasing processes), which were mostly conducted during the second half of the year, despite significant impacts due to lockdown, there was no significant deterioration with respect to counterparties such as to cause insolvency.

Credit risk in servicing activities

With reference to the Cards & Digital Payments business line's servicing model and special agreements with banks, Nexi Payments is exposed to counterparty risk for the payment of services provided to these parties and to the credit risk associated with the POS and ATM management services with merchants and with customer banks of these services.

Any of the above events may negatively impact the economic- and/or financial position of the issuer and/or Nexi Group.

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

The Group may incur liabilities and may suffer damages, including reputational ones, related to fraudulent digital payment transactions, fraudulent receivables claimed by merchants or other parties, or fraudulent sales of goods and services, including fraudulent sales by merchants of the Group in the Merchant Services & Solutions and Cards & Digital Payments business lines. Examples of commercial fraud may include the sale of counterfeit goods, the malicious use of either stolen or counterfeit credit or debit cards, use by merchants or other parties of payment card numbers or of other card details to register a false sale or transaction, the processing of an invalid card, and the malicious failure to deliver goods or services sold within the scope of an otherwise valid transaction.
The parties engaging in criminal counterfeiting and fraud resort to increasingly sophisticated methods. Failure to identify theft, as well as ineffective risk management and fraud prevention, may increase the Group's chargeback liability or cause the Group to incur other liabilities, including penalty fees and fines. Although the Group is equipped with sophisticated monitoring, detection and alert systems that allow for verification of suspicious transactions and potential fraud, these may not prevent all and any fraud instances and are liable to technical malfunction. Furthermore, fraud may increase in the future. Increased charge-backs or any other liability arising from fraud may negatively impact profitability and the economic, equity and/or financial position of the issuer and/or Nexi Group.

The year 2020 stood out for a sizeable number of cyberattacks carried out using advanced social engineering tactics (e.g. vishing, smishing and more common phishing), which led to an increase in card-not-present purchases fraud, especially in respect of full-authentication.

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

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

The Group's performance and the future prospects of its business are also dependent on its ability to advantageously adapt to rapidly unfolding technological, social, economic and regulatory changes. To that end the Group must leverage as broad a set of diverse specialist skills as possible in the fields of engineering, technical servicing, finance and control, sales, administration and management. That places the Group under the constant requirement of having to attract, retain and motivate staff that is able to provide the professional skills and knowhow required to cater for the entire spectrum of the Group's activities.
The high-skills labour market is highly competitive and the Group may not be able to hire additional staff or may not be able to replace outgoing staff with equally skilled staff and/or may not be able to retain personnel that is key to the success of the SIA and Nets mergers. In that respect the Group places a special emphasis on selecting, recruiting and training its human resources, with a view to maintaining the utmost standards.

Risks linked to continuous developments in the regulatory environment

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

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

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

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

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

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

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

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

Non-compliance risk management is entrusted to Nexi organisational and operational functions established with a view to averting any departures from standing rules and regulations.
More specifically, within the context of Internal Control Systems, Nexi features the Compliance & AML function, tasked with overseeing compliance risk management.

The function identifies regulations applicable to Nexi S.p.A. on an ongoing basis, by tracking developments within its operating, strategic and/or regulatory environment. The Compliance & AML function also encompasses the Anti-Money Laundering function, a function tasked with preventing and fighting money laundering and the financing of terrorism.
The function's Compliance & AML Officer also serves as both Nexi's AML Manager and Money Laundering Reporting Officer. In the latter role, the Officer is responsible for reporting suspicious transactions pursuant to standing laws. The current Compliance & AML Officer has also been appointed Data Protection Officer (DPO).

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

Risks linked to debt refinancing and factoring
The Group's sizeable financial debt as at December 31, 2020 largely consists of the Senior Secured Fixed-Rate Notes, the IPO Loan, the Term Loan and the Convertible Bond. The Group incurs high financial charges that could generate negative effects on Nexi Group results and on its capacity to generate cash flows and distribute dividends, with potential effects on its capacity to repay debts at their due dates, as well as the capacity to support the investments necessary for business development.

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

With specific reference to the direct consequences of the economic crisis (triggered by the Covid-19 pandemic) on the Nexi Group's funding liquidity risk, at present there are no critical elements, even in view of the fact that the vast majority of credit lines are committed. However, Nexi Group cannot rule out that at a future date it may have to refinance its debt at due date or that, for whatever reason, it will not replace its current line of factoring and that that may not lead to higher charges and costs and/or lead to disruptions or delays in service provision also due to the required timeframe for replacement, to the extent that that may compromise Nexi Group operations.

Business Outlook

Overall, the outlook for Italy's digital payments market remains positive owing to a growing understanding as to the ease of use and safety of such methods of payment and to the new regulatory framework designed to discourage use of cash to promote greater transparency and security in commercial transactions. In the wake of the Covid-19 outbreak, Italy - which to date has lagged Europe in terms of penetration rates - has witnessed signs of an acceleration in use of digital payments.

Starting in January 2021 and carrying through to the first weeks of February, as restrictions were gradually being lifted, there were signs of a recovery in terms of transaction volumes, especially in the domestic cards segment. Assuming a gradual recovery during the first half of the year, forecasts for 2021, on an organic basis, can be summarised as follows:

- mid-high single digit year-on-year revenue growth;
- EBITDA margin stable year-on-year (up 3 p.p. vs. 2019)
- Capex/Revenue ratio stable year-on-year (anticipating M&A synergies)
- continued strong cash flow generation and deleveraging.

In the quest for organic growth a key role will be played by ongoing initiatives to consolidate product and service offering in respect of partner banks and clients by responding to a heightened demand for advanced services (e.g. omni-channel services for Large Merchants and SMEs, virtual B2B cards and Digital Issuing, etc.). Such initiatives stand to provide a tangible contribution to revenue generation, as will the commercial drive targeting the Intesa Sanpaolo merchant book and market inertial growth. Continued operating cost discipline will also be achieved by garnering further efficiencies in the areas of IT systems, procurement and customer support services, all of which accounting for the fact that a significant percentage of the Group's cost structure strictly correlates with transaction volumes.

As elsewhere highlighted in this Report, the Group boasts not only a robust cash position, but also a wide range of levers with which to tackle any unexpected stress scenarios . For the same said reasons, once normal market conditions are restored, Nexi will be best positioned to make the most of a recovery in transaction volumes.

Related-Party Transactions

Pursuant to relevant rules and regulations, Nexi S.p.A. has set up an internal procedure for related-party transaction approval and disclosure, the contents of which are published on its website. It is worth noting that Nexi Group has made use of temporary exemptions under article 10 of Consob Regulation 17221 of March 12, 2010. Said exemption allows a recently listed company to apply disclosure procedures normally applicable to less relevant transactions, until such time as the approval of its second annual financial statements from date of listing.

Pursuant to article 5(8) of said Regulation, the company has recognised the above-described Nets merger as a related-party transaction. Specifically, the merger qualifies as a related-party transaction owing to Nets' indirect shareholders including investment funds holding a major stake in Mercury UK Hodlco UK, Nexi's majority shareholder. Given that the merger ranks among transactions material to disclosure - as defined under point (a) of article 4(1) of said Regulation - and that it is, therefore, subject to identification within the aforementioned approval and disclosure procedure established pursuant to said Regulation's Annex 3 - the company has carried out said procedure and has, pursuant to article 5 of same said Regulation, made its disclosures available via its www.nexi.it website on November 20, 2020. The relevant disclosures also include the favourable opinion issued by the Related Parties Committee and the fairness opinions issued by the independent advisor and by the reviewer, the latter party having been selected for the purposes of additional scrutiny.

Note that in 2020, other than the herein referenced merger, no related-party transactions were carried out that significantly influenced either Nexi Group's consolidated balance of assets and liabilities or its business performance throughout the reference period.

Information pertaining to financial and economic transactions between Nexi Group companies and related parties are detailed under Note 38 of these financial statements.

Unusual or Non-Recurring Transactions

No unusual or non-recurring transactions, other than those described under Significant Events during the Reporting Period, were carried out in 2020.

Research & Development

Note that the Group did not undertake any research and development activities in 2020.

Treasury Shares

At time of reporting, no treasury shares are held by either the Parent or the Group's companies.

Financial Instruments

As well as receivables from operating companies, the Group holds Visa Class C shares convertible into ordinary shares. No derivatives contracts are in place.

Going Concern

The Directors confirm the reasonable expectation that the Group will continue to operate in the foreseeable future. We emphasise, therefore, that no indications have been found in the assets and financial structure and in operating performance that could constitute cause for uncertainty regarding the business as a going concern.

Regarding the Covid-19 pandemic and the nationwide lockdown, Nexi promptly implemented efficient business continuity plans in order to ensure the regular functioning of its business, while providing for the health and safety of all its staff and ensuring top levels of service to its partner banks and end customers. From the emergency's outset, Nexi has fielded a number of initiatives, consistent with both the directives issued by the relevant Authorities and with internal continuity plans, which immediately secured all activities, providing remote working options for more than 95% of its employees, including call centre staff, and implemented the necessary precautions for the limited number of employees whose services were required at the head offices.

Rating

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

	Moody's Investors Service	S&P Global Ratings	Fitch Ratings
Long-Term Corporate Family Rating/ Issuer Credit Rating/ Long-Term Issuer Default Rating	Ba3	BB- /Watch Pos(1)	BB- /RWP(2)
Outlook	Positive	Watch Pos(1)	RWP(2)
Issue Rating(*)	Ba3	BB- /Watch Pos(1)	BB- /RWP(2)

(*) Solely referred to the Senior Secured Fixed Rate Notes.
(1) CreditWatch Positive (Watch Pos)
(2) Rating Watch Positive (RWP)

Registered Office

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

Significant Events after the Reporting Period

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

With the Nets merger expected to reach closing ahead of the SIA merger, said agreement entitles CDP Equity to approve a SIA share capital increase, so as to offset the share dilution of its prospective stake in Nexi issuing from the Nets merger.

As standard for such operations, merger closing is subject to fulfilment of conditions precedent, among which obtaining relevant authorisations and permits, including relevant antitrust authority authorisations. The merger is further subject to approval by shareholder whitewash vote at an extraordinary Shareholders' Meeting. The merger is expected to be completed by close of Q3 2021.

On February 17, 2021, Nexi S.p.A. issued Senior Unsecured Equity-Linked Bonds of Euro 1 billion, maturing 2028. These zero-coupon bonds are convertible into the issuer's ordinary shares at an initial conversion price of Euro 24.5525. The net proceeds of the Offering will be used to partially refinance Nets indebtedness following the merger and/or for general corporate purposes. Some of the Managers or their affiliates are lenders under the bridge loan which is intended to be partially repaid with the proceeds of the issue in the context of the refinancing of the Nets indebtedness.
Please note that on March 3, 2021 Nexi's extraordinary Shareholders' Meeting approved the Nets-Nexi merger.

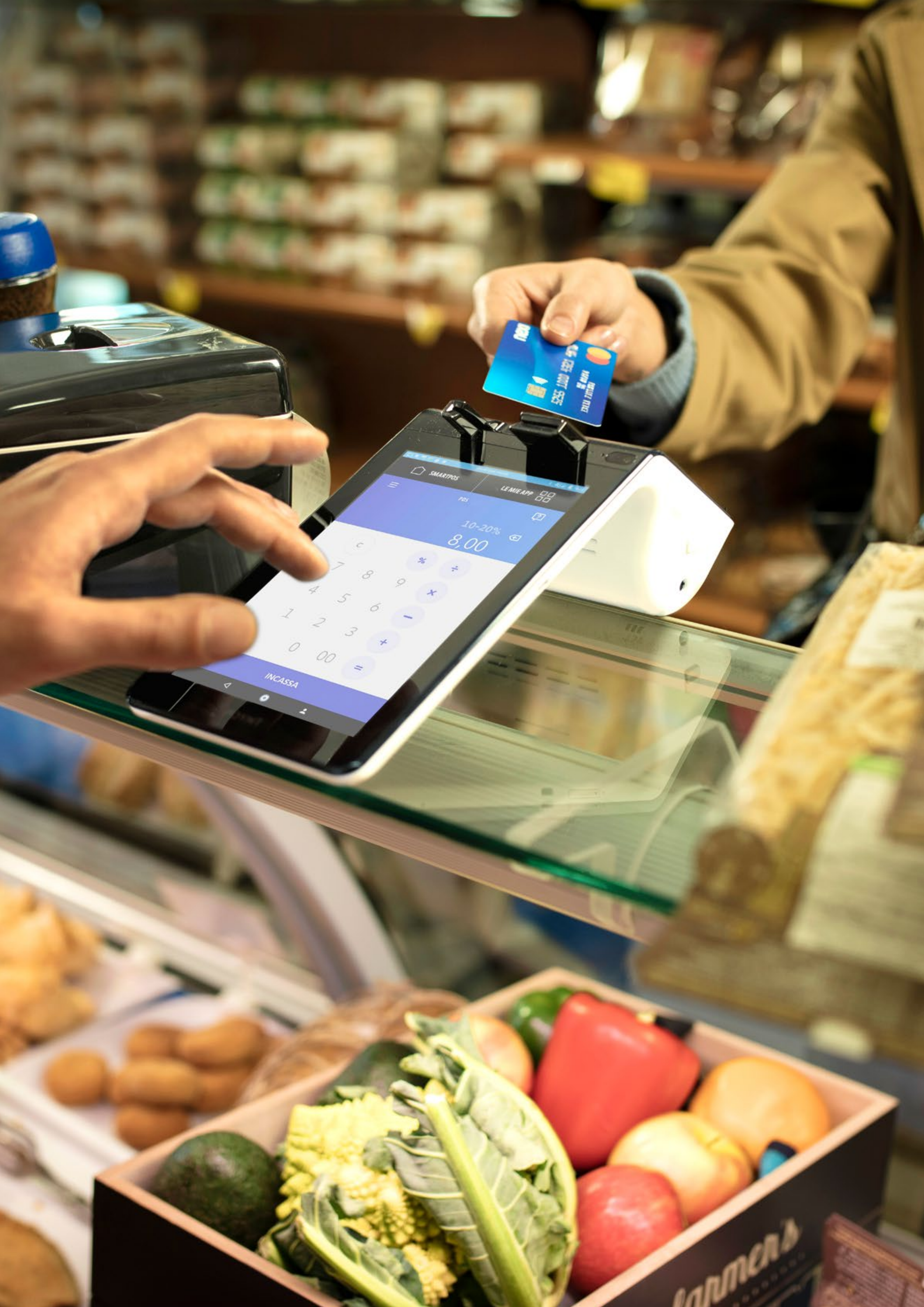
Reconciliation Summary

The table below details reconciliation between equity and profits of parent company Nexi and their corresponding value in the consolidated financial statements for Nexi Group.

(Amounts in Euro thousand)

	Net equity	Net profits
Balance of accounts for Parent Company at December 31, 2020	1,395,087	49,744
Effect of consolidation of controlled subsidiaries	108,961	210,565
Effect of measurement at net equity for controlled subsidiaries	-	-
Other adjustments including comprehensive income	44,018	-
Dividends collected for the period	-	(132,384)
Balance of consolidated accounts at December 31, 2020	**1,548,065**	**127,926**

Milan - March 11, 2021
The Board of Directors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CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

CONSOLIDATED BALANCE SHEET

(amounts in Euro thousand)

ASSETS	Note		Dec. 31, 2020		Dec. 31, 2019
Cash and cash equivalents	3		**159,084**		**115,388**
Financial assets measured at FVTOCI	4		**151,700**		**118,581**
Financial assets measured at amortised cost	5		**1,540,583**		**1,595,709**
a) loans and receivables with banks		578,696		507,024	
b) loans and receivables with financial entities and clients		961,887		1,088,685	
Equity investments	6		**-**		**-**
Property, equipment	7		**186,906**		**193,102**
Investment property	8		**2,101**		**2,229**
Intangible assets	9		**3,707,369**		**2,684,671**
Goodwill		2,856,460		2,093,428	
Tax assets	10		**54,991**		**101,909**
a) current		4,447		37,614	
b) deferred		50,544		64,295	
Non-current assets held for sale and discontinued operations	11		**1,697**		**2,262**
Other assets	12		**481,670**		**474,442**
Total assets			**6,286,101**		**5,288,293**

(amounts in Euro thousand)

LIABILITIES	Note		Dec. 31, 2020		Dec. 31, 2019
Financial liabilities measured at amortised cost	13		**3,862,904**		**3,140,389**
a) due to banks		2,226,418		1,952,072	
b) due to financial entities and clients		370,753		369,303	
c) securities issued		1,265,733		819,014	
Financial liabilities measured at FVTPL	14		**22,912**		**-**
Tax liabilities	10		**243,274**		**131,896**
a) current		19,125		1,820	
b) deferred		224,149		130,076	
Liabilities associated with non-current assets held for sale and discontinued operations	11		**509**		**335**
Other liabilities	15		**557,511**		**644,628**
Post-employment benefits	16		**14,808**		**14,528**
Provisions for risks and charges	17		**26,433**		**31,967**
Share capital	18.1		**57,071**		**57,071**
Share premium	18.2		**1,082,204**		**1,082,204**
Reserves	18.3		**236,846**		**29,428**
Valuation reserves	18.4		**44,018**		**13,609**
Profit (Loss) for the year	19		**127,926**		**135,166**
Equity attributable to non-controlling interests	18.5		**9,685**		**7,072**
Total liabilities and net equity			**6,286,101**		**5,288,293**

CONSOLIDATED INCOME STATEMENT

(amounts in Euro thousand)

	Note		2020		2019
Fee for services rendered and commission income	20		1,644,025		1,642,500
Fee for services received and commission expense	21		(637,796)		(647,071)
Net fee and commission income			**1,006,229**		**995,429**
Interest and similar income	22		15,375		18,036
Interest and similar expense	23		(87,930)		(183,543)
Net interest income			**(72,555)**		**(165,507)**
Profit (Loss) on held-for-trading/hedging/ financial assets and liabilities measured at FVTPL	24		(119)		(7,526)
Dividends and Profit (Loss) from investments and sale of assets at FVTOCI	25		(6,574)		(8,685)
Financial and operating income			**926,981**		**813,711**
Staff-related costs	26.1	(180,572)		(223,721)	
Other administrative expenses	26.2	(350,015)		(391,016)	
Total administrative costs	26		**(530,587)**		**(614,737)**
Other operating income, net	27		(4,388)		(2,056)
Net value adjustments on assets measured at amortised cost	28		(6,880)		(6,239)
Net accruals to provisions for risks and charges	29		157		6,455
Amortisation, depreciation and net impairment losses on tangible and intangible assets	30		(175,315)		(155,817)
Operating margin			**209,968**		**41,317**
Profit (Loss) from equity investments and disposal of investments	31		(212)		(598)
Pre-tax Profit (Loss) from continuing operations			**209,756**		**40,719**
Income taxes	32		(79,709)		(4,180)
Profit (Loss) after tax from discontinued operations	33		(739)		99,547
Profit for the year			**129,308**		**136,086**
Profit (Loss) for the year attributable to the owners of the parent			**127,926**		**135,166**
Profit (Loss) for the year attributable to non-controlling interests	34		1,382		920
Basic earnings per share	42		**0.21**		**0.22**
Diluted earnings per share	42		**0.20**		**0.22**

Note As detailed under section 19, the 2020 income statement cannot be compared with that of 2019 by virtue of the takeover of Intesa Sanpaolo's merchant book.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro thousand)

	2020	2019
Profit (Loss) for the period	**129,308**	**136,086**
Items that will be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	30,823	17,257
Hedging of equity instruments measured at FVTOCI	-	(39,951)
Defined benefit plans	(158)	(712)
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges	-	(161)
Other comprehensive income (net of tax)	**30,665**	**(23,567)**
Total comprehensive income	**159,973**	**112,519**
Comprehensive income attributable to non-controlling interests	1,638	643
Comprehensive income attributable to the parent company	**158,335**	**111,876**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(amounts in Euro thousand)

			Allocation of prior year profit		Changes for the period		2020 comprehensive income		
	Balance at Jan. 1, 2020	Change in opening balance	Reserves	Dividends	Change in reserves	Transac-tions on net equity	Profit for the period	Other comprehensive income items	Balance at Dec. 31, 2020
1. Group equity:	**1,317,479**	**-**	**-**	**-**	**72,251**	**-**	**127,926**	**30,409**	**1,548,065**
Share capital	57,071								57,071
Share premium	1,082,204								1,082,204
Reserves	29,429		135,166		72,251				236,846
Valuation reserves	13,609							30,409	44,019
Profit for the period	135,166		(135,166)				127,926		127,926
2. Equity attributable to non-controlling entities	**7,072**	**-**	**-**	**(573)**	**1,548**	**-**	**1,382**	**256**	**9,684**
Equity	**1,324,551**	**-**	**-**	**(573)**	**73,799**	**-**	**129,308**	**30,665**	**1,557,750**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

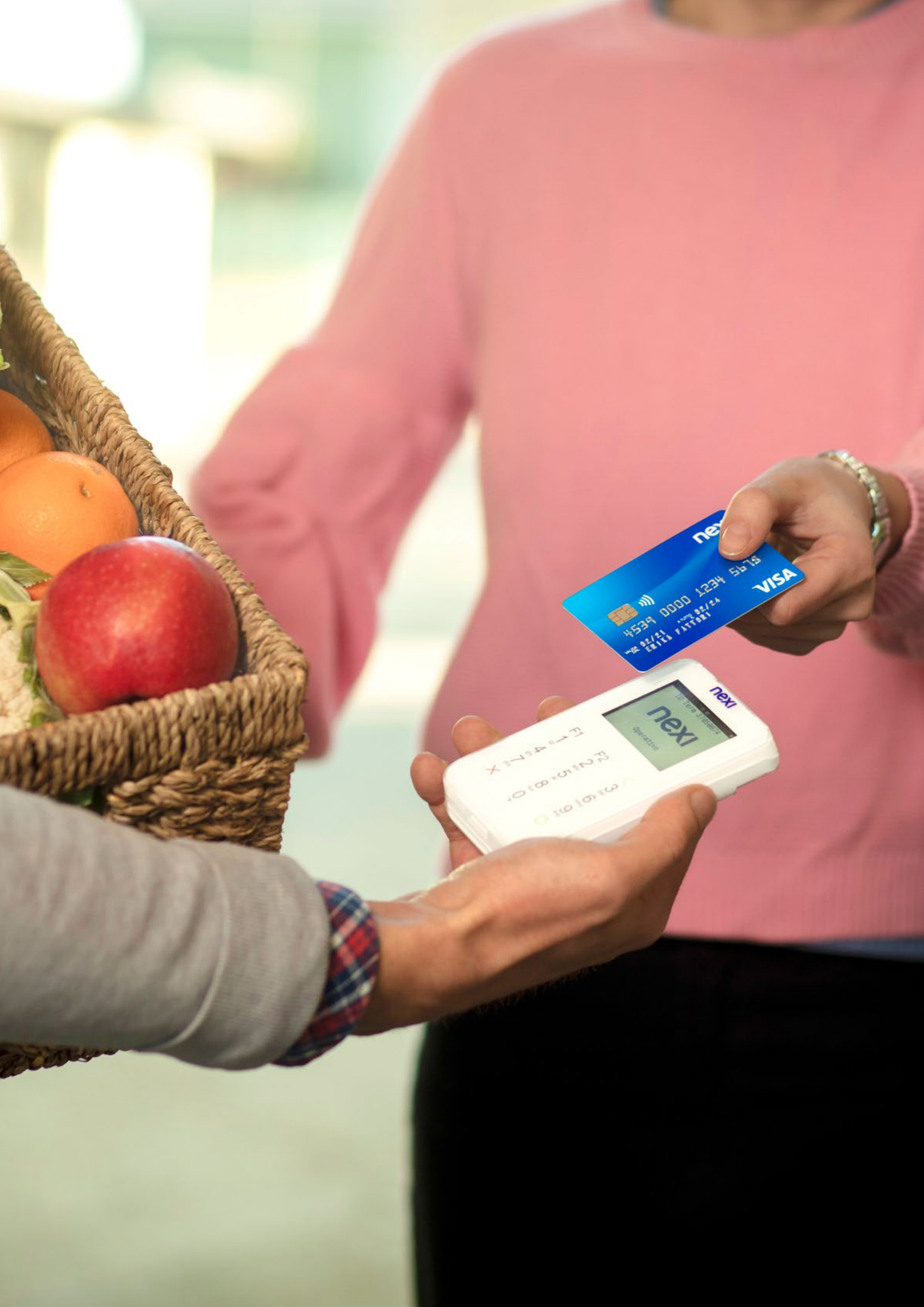
(amounts in Euro thousand)

			Allocation of prior year profit		Changes for the period		2019 comprehensive income		
	Balance at Jan. 1, 2019	Change in opening balance	Reserves	Dividends	Change in reserves	Transac-tions on net equity	Profit for the period	Other comprehensive income items	Balance at Dec. 31, 2019
1. Group equity:	**464,372**	**(28)**	**-**	**-**	**41,258**	**700,000**	**135,166**	**(23,290)**	**1,317,478**
Share capital	50,000					7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	(47,735)		35,905		41,258				29,428
Valuation reserves	36,899							(23,290)	13,609
Profit for the period	35,933	(28)	(35,905)				135,166		135,166
2. Equity attributable to non-controlling entities	**6,516**	**46**	**-**	**(841)**	**708**	**-**	**920**	**(277)**	**7,072**
Equity	**470,888**	**18**	**-**	**(841)**	**41,966**	**700,000**	**136,086**	**(23,567)**	**1,324,550**

CONSOLIDATED CASH FLOW STATEMENT: INDIRECT METHOD

(Amount in Euro thousands)

	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**390,127**	**198,880**
Profit for the year	129,308	136,086
Gains (losses) on financial assets held for trading and other financial assets/liabilities at FVTOCI and hedged assets	276	8,178
Net accruals for risks and charges and other costs/income	(157)	(6,455)
Net impairment losses on assets held for sale and disposal groups	-	10,166
Amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets	175,315	155,817
Unpaid taxes, duties and tax assets	64,551	(26,744)
Other adjustments	20,834	(78,168)
2. Cash flows generated by financial assets	**77,973**	**3,855**
Financial assets at FVTOCI	-	-
Financial assets held for trading	-	10
Loans and receivables with banks	(71,672)	54,024
Loans and receivables with customers	144,240	18,558
Assets held for sale	-	-
Other assets	5,405	(68,737)
3. Cash flows used by financial liabilities	**(289,896)**	**(22,523)**
Due to banks	(194,245)	163,735
Due to customers	(4,415)	(11,512)
Financial liabilities	-	(70,821)
Liabilities associated with disposal groups	-	-
Other liabilities	(90,936)	(103,925)
Net cash flows generated by operating activities	**178,504**	**180,212**
B. INVESTING ACTIVITIES		
Cash flows used by:		
Acquisition of property and equipment	(38,658)	(60,201)
Acquisitions of intangible assets	(96,540)	(107,078)
Acquisitions of subsidiaries and business units, net of cash acquired	(945,191)	150,641
Net cash flows used in investing activities	**(1,080,389)**	**(16,638)**
C. FINANCING ACTIVITIES		
Repayment of loans and securities	(8,391)	(2,589,812)
Dividends paid	-	-
Issues/purchases of equity instruments	-	684,197
Issues of debt securities	954,545	1,817,582
Dividends distributed to third parties	(573)	(841)
Sales/acquisitions of non-controlling interests	-	-
Net cash flows used in financing activities	**945,581**	**(88,874)**
NET CASH FLOWS GENERATED (USED) IN THE YEAR	**43,696**	**74,700**
Net cash flows for the year	43,696	74,700
Opening cash and cash equivalents	115,388	40,688
Closing cash and cash equivalents	**159,084**	**115,388**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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The Consolidated Financial Statements as at December 31, 2020 comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the financial statements, which include the criteria used for their preparation. The Consolidated Financial Statements also include the Board of Directors' Report on Group Operations setting out the operating performance, economic results achieved and equity and financial position of the Group.
The Consolidated Financial Statements include comparative information in respect of the preceding year for all amounts reported in the financial statements as at December 31, 2019.
The Consolidated Financial Statements as at December 31, 2020 are prepared in euros which is the Company's functional currency. Unless otherwise specified, figures are stated in thousands of euros.

The measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of relevance and significance of the accounting information and substance over form. Furthermore, no netting is made between costs and revenues or between assets and liabilities except in cases expressly provided for or accepted by the accounting standards in force.
The Board of Directors' Report Group on Operations and the Notes provide the information required by international accounting standards and the law, as well as any additional information that, although not mandatory, is considered equally necessary in order to assure a correct, truthful representation of the Group's results.
In preparing these Consolidated Financial Statements, the ESMA document of May 20, 2020 and the Consob document of July 16, 2020, concerning the report on the impact of the Covid-19 pandemic were taken into consideration, along with the ESMA document of October 28, 2020 and the Consob document of February 16, 2021, referring to orientations in terms of yearly financial statements 2020.
These Consolidated Financial Statements have been prepared in accordance with the IAS/IFRS international accounting standards in force to date.

These standards have changed from those used to prepare the 2019 financial statements, following the mandatory application, starting January 1, 2020 (for companies whose reference period is the calendar year), of the following new standards or amendments:
- Amendments to the Conceptual Framework of the IFRS, which aim to update, under several Accounting Standards and through different interpretations, the references to the previous Framework, replacing them with re-

ferences to the conceptual framework reviewed in March 2018. Bear in mind that the Conceptual Framework is not an Accounting Standard, hence is not subject to homologation, while this document is, since it modifies some IAS/IFRS.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors", which aim to shed light on the definition of material information and make it more easily comprehensible, highlighting that materiality depends on the nature and relevance - or both - of the piece of information itself. Plus, the entity verifies whether a piece of information, either individually or together with other information, is material in the overall context of the financial statement.
- Reform of the reference indexes for determining interest rates (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments brought about some changes in hedge accounting, in order to prevent the uncertainties as to the timing and amounts of cash flow generated by the rates reform from interrupting the existing coverage and from hindering the designation of new coverage relations.
- Definition of a corporate activity (amendments to IFRS 3 Business Combinations). The amendment was a necessary answer to the general concern about the problems experienced in the practical implementation of the "corporate activities" definition.
- Grants on the leases associated with the Covid-19 pandemic (amendment to IFRS Leasing), an amendment required to provide operating support connected to the Covid-19 emergency, optional and provisional, for tenants that benefit from lease payment suspensions.

The companies shall implement the amendments no later than June 1, 2020 for the financial years beginning on January 1, 2020 of thereafter.
The amendments to the aforesaid accounting standards have not significantly impacted the Group's financial statements.
Starting on January 1, 2021, following the European Union's homologation of the "Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9" and of "Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2" is mandatory; they are not expected to have significant impacts on the Group's financial statements.
The table below shows the standards for which amendments have been issued but not yet approved by the European Union.

IASB documents	**IASB publication date**
IFRS 17: Insurance contract including amendments to IFRS 17	18/05/2017 - 25/06/2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
Amendments to	
• IFRS 3 Business Combinations;	
• IAS 16 Property, Plant and Equipment;	
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets	
• Annual Improvements 2018-2020	14/05/2020
Amendments to IAS 1 Presentation of Financial Statements and	
IFRS Practice Statement 2: Disclosure of Accounting policies	
Amendments to IAS 8 Accounting policies, Changes in	12/02/2021
Accounting Estimates and Errors: Definition of Accounting	
Estimates	12/02/2021

Since none of these has been approved by the European Commission, they have not impacted the preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements are accompanied by a statement by the Managing Director - CEO and by the Manager in charge of preparing the corporate accounting documents, in accordance with article 154a of the TUF and subjected to a statutory audit by the independent auditing firm PricewaterhouseCoopers S.p.A..

Contents of the accounting statements

Balance Sheet and Income Statement

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

Statement of Comprehensive Income

The Statement of Comprehensive Income starts out from the Profit (Loss) for the year to show the items of income recognised as counter-entries in the valuation reserves, net of the relevant tax effect, in compliance with the international accounting standards.

Statement of Changes in Equity

The Statement of Changes in Equity shows the changes to equity accounts that took place during the reference period of the financial statements, divided up into share capital, reserves (capital reserves and net income reserves), valuation reserves and the profit (loss) for the period. Any treasury shares reduce equity. The "Equity" component included in the bonds issued, net of the direct transaction costs, increases equity.

Statement of Cash Flows

The Statement of Cash Flows provides information on cash flows for the period under review and the previous period, and has been prepared using the indirect method whereby, in reporting cash flows from operating activities, profit or loss is adjusted for the effects of non-monetary transactions.
Cash flows are broken down into those generated by operating, investing and financing activities.
The cash flows generated in the period are indicated with no sign, while the cash flows absorbed in the period are preceded by the minus sign.

Content of the Notes

The Notes give the information considered necessary to provide a correct, truthful representation of the economic and financial position.
The measurement criteria, described below, were adopted to determine all information given in these Consolidated Financial Statements.

Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

Regarding Covid-19, it caused no significant impacts on the financial risks this Group is exposed to, hence no relevant modifications had to be made to the management, risk control and risk assessment systems.
As for operational risks, effective corporate continuity plans were promptly put in place to ensure the regular operating of the business while also guaranteeing employee health and safety, as well as top service level for clients.
Further information on the topic is available under the Board of Directors' Report on Group Operations and under Note 36 of these consolidated financial statements.

Amendment to accounting standard IFRS 16

This case is not provided for, since the leasing contracts enforced have not been amended over the period in point.

Consolidation criteria

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

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

The Group therefore consolidates all types of entities when all three the control elements are present. As a rule, when an entity is mainly managed through voting rights, control derives from the holding of more than half of the voting rights.
Assessment of whether control exists may be more complex in other circumstances and require a greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the context of the Nexi Group, all the consolidated entities are controlled through voting rights. Accordingly, Nexi did not have to exercise judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates. The preparation of Nexi's consolidated financial statements as at December 31, 2020, required the use of i) the balance sheet project of parent company Nexi S.p.A. and, ii) the financial statements, as at December 31, 2020, of the in-scope companies, after reclassifications and adjustments to comply with the accounting standards of the Group.

Controlled companies have been consolidated by recognising all the assets, liabilities, revenue and costs on a line-by-line basis of the Balance Sheet and Income Statement aggregates of the accounting situations of subsidiaries. To this end, the following adjustments were made:

- the carrying amount of investments in the in-scope subsidiaries and the parent's share of their equity have been eliminated;
- non-controlling interests in equity and the Profit (Loss) for the year have been recognised separately.

The differences resulting from the above adjustments, if positive, are recognised - after any allocation to items of the assets or liabilities of the subsidiary - as goodwill in item "Intangible Assets" as at the date of first consolidation. Any negative differences are recognised in the income statement.
Intragroup assets, liabilities, revenue, costs, gains and losses are eliminated.
Revenue and costs of the subsidiaries are included in the consolidated financial statements from their acquisition date. Revenue and costs of an entity or a business sold during the year are recognised in the income statement up to the sales date, which is the date on which the Nexi loses control thereover.
Pursuant to IAS 28, the Consolidated financial statements also include the results of investees, i.e., entities over which the Group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement based on the Group's share of the investee's equity. The Group's share of the associate's profit or loss is recognised separately in the consolidated income statement.

The difference between the investment's carrying amount and the Group's share of its equity is included in the investment's carrying amount.
If there is indication of impairment, the Group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss.
At the date of preparation of these Consolidated financial statements, the in-scope companies are not party to joint arrangements as defined by IFRS 11 either in the form of joint ventures or joint operations (when the parties have rights to the net assets of the arrangement).

Investments in subsidiaries

The following table shows Nexi Group's scope at December 31, 2020:

Business name	Registered office	Head office	Type of relation [1]	Investor	Share %	Voting rights %	Share capital (Euro thousand)	Equity (Euro thousand)
Nexi S.p.A.	Milan	Milan	1	Mercury UK Holdco Ltd	20.08	20.08	57,071	1,395,087
Nexi Payments S.p.A.	Milan	Milan	1	Nexi S.p.A.	99.07	99.07	76,445	2,283,832
Mercury Payment Services S.p.A.	Milan	Milan	1	Nexi S.p.A.	100	100	7,109	162,594
Help Line S.p.A.	Cividale del Friuli / Milan	Cividale del Friuli	1	Nexi S.p.A.	69.24	69.24	2,139	3,094
			1	Nexi Payments S.p.A.	1.08	1.08		
Orbital Cultura srl (ex BassmArt Srl) [2]	Florence	Florence	1	Nexi Payments S.p.A.	95	95	855	1,188

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

The consolidation area of the Consolidated Financial Statements as at December 31, 2020 of Nexi Group includes not only the companies listed above and consolidated on a line-by-line basis, but also the following companies, which, considering the percentage held and/or related relevance, are measured using the equity method:

Business name	Registered office	Head office	Investor	Share %	Voting rights %
Rs Record store	Piacenza	Piacenza	Nexi Payments S.p.A.	30	30
Bassnet Srl	Monteriggioni	Monteriggioni	Nexi Payments S.p.A.	49.68	49.68
K.Red	Milan	Milan	Nexi Payments S.p.A.	50	50

Significant judgements and assumptions adopted to define the consolidation scope

As clarified above, since control is primarily exercised through majority stakes, no circumstances arose that would have required making either judgements or significant assumptions to determine the scope and method of consolidation.

Significant restrictions

Note that as for significant restrictions applicable to the transfer of resources within Nexi Group, Mercury Payment Services S.p.A. and Nexi Payments S.p.A. are subject to prudential rules under supervisory regulations. The ability of these subsidiaries to distribute capital or dividends is, therefore, subject to compliance with the relevant provisions on equity requirements.

Conversely, there are no significant limitations or restrictions to the exercise of voting rights held in subsidiaries.

Other information

No financial statements of subsidiaries used in preparing the consolidated financial statements refer to a different date to that of the consolidated financial statements.

At the date of publication, no other undertakings, connected to investments in associated companies, are in place with reference to the regulation in force.

Main accounting policies

Financial assets at Fair Value through Other Comprehensive Income (OCI)

Classification criteria

At time of reporting, this category only includes equity instruments other than those held for trading and which the Group has opted to measure at FVTOCI. Non-derivative financial assets held within the scope of the "Held to Collect and Sell" business model are, in fact, without recourse factored on a daily basis and, therefore, present a nil balance at the reporting date.
Under IFRS 9 general requirements on the reclassification of financial assets (excluding equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets is only permitted if an entity changes the business model within which the financial assets are held. Such cases, the occurrence of which should be extremely infrequent, allow reclassification of financial assets measured at Fair Value through other comprehensive income to one of two categories designated by IFRS 9 (i.e. "Financial assets measured at amortised cost" or "Financial assets at FVTPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the Fair Value at time of reclassification. Where financial assets at FVTOCI are reclassified to amortised cost, the Fair Value of the financial asset at the reclassification date is adjusted by the cumulative gains or losses presented in the valuation reserve. Where financial assets at FVTOCI are reclassified to financial assets at FVTPL, the cumulative gain or loss previously recognised presented in the valuation reserve is reclassified from equity to profit or loss for the period.

Recognition criteria

They are initially recognised at the settlement date and measured at Fair Value, which includes the transaction costs attributable to their acquisition.

Measurement criteria

They are measured at Fair Value and recognised as a balancing entry in the statement of changes in equity (i.e. "Statement of Comprehensive income"). Fair Value is determined based on the criteria set out in the *Fair Value disclosure* section.
While dividends are recognised under profit and loss, any impairment loss and any gain or loss from their sale is not recognised in the income statement.

Derecognition criteria

Financial assets or parts of such assets are derecognised whenever the contractual rights to cash flows expire or are transferred, essentially transferring all the related risks and rewards.
More specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the assets' cash flows but concurrently assumes an obligation to pay these - and only these - cash flows to third parties without significant delay.
Where derecognition is applied to receivables transferred within the scope of non-recourse factoring contracts, the result of disposals, which is equal to the difference between the carrying value and the price of sale, is recognised under "Dividends and profit/loss from the investment and sale of assets at FVTOCI" on the income statement.

Financial Assets measured at amortised cost

Classification criteria

This category comprises non-derivative financial assets held in the "Held-to-Collect" business model, the contractual terms of which solely generate cash flows that are payments of principal and interest (SPPI criterion).
The item mainly accounts for receivables due from holders and merchants, their bank accounts, including positions towards international card schemes.
Under IFRS 9 general requirements on the reclassification of financial assets (excluding equity securities, for which no reclassification is allowed), reclassifications to other categories of financial assets is only permitted if an entity changes the business model within which the financial assets are held. Such cases, the occurrence of which should be extremely infrequent, allow reclassification of financial assets measured at Fair Value through other comprehensive income to one of two categories designated by IFRS 9 (i.e. "Financial assets measured at amortised cost" or "Financial assets at FVTPL"). The transfer value, which is applied prospectively from the reclassification date, is recognised as the Fair Value at time of reclassification. Gains or losses generated by the difference between the amortised cost of financial assets and their Fair Value are recognised either to profit and loss, where the assets are reclassified as "Financial assets at FVTPL", or to equity (and to the relevant valuation reserve), where the assets are reclassified as "Financial assets at FVTOCI".

Recognition criteria

They are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's Fair Value, which usually equals the amount disbursed including transaction costs.

Measurement criteria

They are subsequently measured at amortised cost using the effective interest method.
Financial assets at amortised cost are tested for impairment at each reporting date. The impairment rules described below also apply to loan commitments and financial guarantee contracts.
Impairment is calculated considering the financial asset's expected credit losses.
Application of the related method requires classification of the financial assets into three stages depending on whether there has been a significant increase in credit risk since initial recognition, which is based on the expected loss in the 12 subsequent months for Stage 1 (performing financial instruments that have not seen a significant increase in credit risk) and on lifetime expected losses of credits classified in Stage 2 and Stage 3 (including performing financial instruments that have seen a significant increase in credit risk and bad financial assets, respectively). Given the specific features of the Group's credits portfolio, the expected 12-month loss is itself the expected lifetime loss.
Regarding the trade receivables under the item in point, mainly consisting of merchant fees charged to the merchants, the Group resorted to the possibility of implemented the "simplified approach provided for by IFRS 9" which consists in measuring the depreciation of performing loans based on the expected lifetime losses, with no need to distinguish between Stage 1 and Stage 2.

With respect to impairment:
- the Group defined the methods to monitor changes in credit quality of its financial assets at amortised cost and Fair Value through OCI;
- since the IFRS definition of exposures at default is now aligned with the regulatory definition, the approach used to classify exposures as credit-impaired, which are now allocated to stage 3, has not changed.

The entity considers historical information and all the information available at the reporting date, including forward-looking information on the potential worsening in the historical losses.
Impairment losses are recognised in profit or loss as net impairment losses.

An entity recognises an impairment gain on credit-impaired debt instruments when the reasons for the impairment no longer exist and the gain is objectively related to an event that took place after recognition of the impairment loss.

Impairment gains are recognised in profit or loss and may not exceed the amortised cost the asset would have had had the impairment loss not been recognised.

Derecognition criteria

Financial assets or parts of financial assets are derecognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.
Specifically, transferred financial assets are derecognised when the entity retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to remit those cash flows to one or more recipients without material delay.

Equity Investments

This item includes equity investments in associates, measured using the equity method, as described in the *Consolidation criteria* section.
After applying the equity method, the investment is subjected to an impairment test if there is objective evidence of impairment that could have an impact on the investee's cash flows and therefore on the recoverability of the carrying amount of the investment itself.
Investments in entities other than subsidiaries, associates or joint ventures are classified in the portfolio of financial instruments measured at Fair Value trough the income statement or the portfolio of financial instruments measured at Fair Value trough comprehensive income.

Property, equipment and investment property

Classification criteria

Property, equipment and investment property include land, instrumental properties, furniture, furnishings, valuable artistic heritage, POSs and ATMs, electronic machinery and equipment of all types, expected to be used for more than one year. The item also includes rights of use acquired through lease contracts, as envisaged by IFRS 16.
Items of property and equipment held for use in production or for the supply of goods and services are classified as such under IAS 16. Property held for investment purposes held to earn rentals or for capital appreciation or both is classified as investment property under IAS 40.

Recognition criteria

Assets acquired on the market are recognised as assets when the *Main risks* and rewards connected with the asset are transferred. Initial recognition is at cost, which includes all directly related charges. The rights of use recognised in accordance with IFRS 16 are entered according to the current value of payments due, net of any transaction costs and prepaid charges. The entry is made when the asset is available for use.
Land is recognised separately, even when purchased jointly with the building, taking a component-based approach. The breakdown of the value of the land and that of the building is prepared on the basis of independent expert appraisals.
The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, when the criteria for capitalisation are met, while the costs of day-to-day servicing are recognised in the income statement.

Measurement criteria

Property, equipment and investment property with a finite useful life are subsequently measured at cost, adjusted for accumulated depreciation and any impairment losses or reversals thereof.

The depreciable value of property and equipment, equal to the cost of the assets insofar as the residual value at the end of the depreciation process is held to be insignificant, is split systematically on a straight-line basis throughout the estimated useful life, according to a criterion of allocation that reflects the technical-economic duration and the residual possible use of the individual elements.

The useful life with reference to the main categories of property, equipment and investment property is as follows:
- instrumental property: maximum 33 years;
- electronic office machines: 5 years;
- the instrumental ATMs and POSs, classified as electronic equipment, are respectively depreciated in 3 and 7 years, as this period is considered representative of the useful life of the assets.

Land is not depreciated insofar as it has an undefined useful life, and artistic heritage is not depreciated insofar as the useful life cannot be estimated and its value normally increases over time.
The rights of use recognised in accordance with IFRS 16 are depreciated over a period equal to the lesser of the asset's useful life and the term of the lease contract.
At each reporting date, the Group weighs up whether or not there is any indication showing that property, equipment, investment property and rights of use may have suffered a loss in value. If there is evidence of any such loss, the book value is compared with the recoverable value, intended as the greater of Fair Value and value in use.

Derecognition criteria

Property, equipment end investment property are derecognised when disposed of or when no further future economic benefit is expected from their use or decommissioning.

Intangible Assets

Classification criteria

The assets recognised among intangible fixed assets are non-monetary assets with no physical consistency, which can be identified and are able to generate future economic benefits that can be controlled by the company.

Recognition criteria

Intangible fixed assets are recognised at the cost of acquisition when the *Main risks* and benefits connected with the asset are transferred, but only if it is likely that the related future economic benefits will be realised and if the cost can be reliably measured. If not, the cost is recognised as profit and loss in the year in which it is incurred.
More specifically, the cost of software development includes only the expenses incurred that can be directly attributed to the development process and constitute intangible assets only if all the following conditions are met:
- the cost attributable to the development activity can be reliably determined;
- the entity has the intention, the availability of financial resources and the technical capacity to make the asset ready for use or sale;
- it can be demonstrated that the asset is able to produce future economic benefits.

There are also intangible assets linked to the customers represented by the valuation, during aggregations, of contracts with customers and permanent relations, again with customers.

Measurement criteria

All intangible assets recognised, other than goodwill, are considered of finite useful life and consequently amortised considering the cost of the individual assets and the related useful life.

More specifically, intangible assets based on technology, such as application software purchased with permanent user's licenses and the costs for software development, are amortised according to their expected technological obsolescence and in any case over a period of no more than five years, save for particular cases connected to the development of new platforms, analysed from time to time based on the technical features.
Assets arising from the purchase price allocation of business combination, have a useful life estimated individually for each transaction:
- Customer contracts: on the basis of the contract terms;
- Customer relationship: approximately 20 years.
The residual value of the various assets is assumed as equal to zero.
The Group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of Fair Value and value in use.

Derecognition criteria

An intangible asset is derecognised when disposed of or when no further future economic benefit is expected from its use or decommissioning.

Goodwill

The goodwill arising during a business combination is the difference between the purchase cost, including accessory expenses, and the Fair Value, as at the date of acquisition, of the Group's assets and liabilities acquired. If positive, it is entered at cost as an asset (goodwill), representing a payment made by the buyer in view of future economic benefits deriving from assets that cannot be identified individually and recorded separately. If negative, it is recognised directly as profit and loss (surplus on cost).
Goodwill is recognised in the statement of financial position at cost, net of any accrued losses, and is not subject to amortisation.
Even if there is no indication of impairment, goodwill is impairment tested once a year.
The goodwill deriving from a business combination is allocated to the cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. The value able to be recovered on an asset or CGU is the greater of its value in use ("VIU") and its Fair Value less costs of disposal ("FVLCD"). A loss of value is recognised if the book value of the CGU exceeds its recoverable value. Impairment of goodwill is recognised on the consolidated income statement and not restored in subsequent years.

Non-current assets held for sale and discontinued operations/liabilities associated with non-current assets held for sale and discontinued operations

"Non-current assets held for sale and discontinued operations" (in the assets) and "Liabilities associated with non-current assets held for sale and discontinued operations" (in the liabilities) include all non-current assets or groups of assets/liabilities for which a decision has been made to dispose and the sale of which is considered extremely likely.
These assets/liabilities are measured at the lower of carrying amount and Fair Value net of disposal costs. Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year, are presented in the income statement in a separate item.

Other assets

Other assets essentially include items awaiting arrangement and items that cannot be traced to other items of the balance sheet, including receivables deriving from the supply of non-financial goods and services (net of depreciation funds determined based on seniority), tax items other than those recognised under own item (for example connected with the activity of tax substitute), accrued income other than that capitalised on the related financial assets, including that deriving from contracts with customers in accordance with IFRS 15, paragraphs 116 et seq. and costs incurred to fulfil contracts with customers as envisaged by paragraphs 91 et seq. of IFRS 15. The item also includes inventories related to POS and ATM (including spare parts) and plastics for cards managed by the Group. These inventories are valued respectively at weighted average cost and at FIFO. At the end of the year, impairment losses are eventually recognised if the Fair Value minus the selling costs is lower than the book value.

Current and deferred tax

The provisions made for income tax are determined on the basis of a forecast of the current, prepaid and deferred tax expense.
Current tax, determined on the basis of the "tax consolidation", not yet paid as at the reporting date, in full or in part, is included amongst the tax liabilities on the balance sheet. If the payment for period current tax or previous years' current tax has exceeded the related tax payable, the surplus is entered amongst the assets of the balance sheet, under "Tax assets - a) current".
Current and deferred tax is recognised as profit and loss under "Income taxes" with the exception of that relating to profit or loss recorded in specific valuation reserves (defined benefit plans, financial instruments measured at Fair Value through other comprehensive income and related hedging derivatives); these latter are instead allocated directly to the same valuation reserves, which, therefore, are stated net of the relevant tax.
Deferred tax assets and liabilities are recognised as equity with open balances and without netting, stating the first under "Tax assets" and the second under "Tax liabilities".
The provision for income taxes is determined on the basis of a forecast of the current and deferred tax expense. Deferred tax assets and liabilities are computed in respect of the temporary differences arising between the value assigned to an asset or a liability, according to statutory criteria, and their corresponding assumed value for tax purposes. For temporary deductible differences that will reverse over the next few years and for previous tax losses that have not been used, a deferred tax asset has been recognised insofar as, on the basis of the strategic plans, it is considered likely that over that time frame, taxable income will be recognised against which said asset can be used.
Deferred tax liabilities are calculated on all taxable timing differences.
Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the year in which the tax asset is realised or the tax liability will be extinguished, in accordance with current tax legislation.
Deferred tax assets and liabilities are systematically measured to reflect any alterations to tax rules or rates as well as any possible changes in the Group Companies' subjective positions.

Financial liabilities measured at amortised cost

Classification criteria

A financial instrument issued is classified as a liability when, on the basis of the substance of the contractual agreement, a contractual obligation is held to deliver money or another financial asset to a third party. More specifically, the item mainly includes loans in place and facilities in place in support of the Group's electronic money business, as well as lease debts. Please note that the item also included the "debt" component of the convertible bonds issued.

Recognition criteria

Payables are recognised as at the date on which the contract is stipulated, which normally coincides with the time when the amounts collected are received and debt securities issued.
Financial liabilities are initially measured at Fair Value, which normally coincides with the amount collected or issue price, plus the directly related costs/income. Internal administrative costs are excluded. Lease payables are initially recognised at the current value of payments due, calculated considering the implicit rate in the contract, where existing. Alternatively, the incremental rate is determined according to the market rates curves and the lessee's spread.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.
Interest is recorded under the "Interest and similar expense" item of the income statement.

Derecognition criteria

Financial liabilities, or part thereof, are derecognised when extinguished, i.e. when the obligation has been met, cancelled or expired.

Financial liabilities held for trading and financial liabilities measured at Fair Value through Profit and Loss

As at December 31, 2019, the item "Financial liabilities held for trading" included the negative value of derivative trading contracts.
The "Financial liabilities measured at FVTP&L" comprise, as at December 31, 2020, the contingent consideration deriving from the Purchase Price Allocation process of the acquiring books.
All the items included in this caption, are valued at Fair Value with the allocation of the result of the measurement to the income statement.
The Fair Value is determined on the basis of the criteria explained in the *Fair Value disclosure* section.

Share-based payments

Staff share-based remuneration plans are recognised in the income statement with a corresponding increase in equity, on the basis of the Fair Value of the financial instruments attributed at the assignment date, breaking up the expense throughout the plan period.
If options are present, their Fair Value is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The measurement model measures, separately, the option and the probability of fulfilment of the conditions on which basis the options have been assigned.
The combination of the two values is the Fair Value of the stock option. Any reduction in the number of financial instruments assigned is recognised as the cancellation of a portion of such.

Employee benefits

Employee benefits are all types of remuneration disbursed by the company in exchange for the work of employees.
Employee benefits are divided up into:
- short-term benefits (other than benefits due to employees for the termination of the contract of employment and remunerative benefits in the form of a share in the capital), expected to be paid in full within twelve months of the

end of the year during which the employees worked and recorded fully on the income statement at the time they are accrued (this category includes, for example, wages, salaries and "extraordinary" provisions);
- post-employment benefits due after the termination of the contract of employment that oblige the company to make a future payment to employees. These include severance indemnity and pension funds, which, in turn, can be divided up into defined contribution plans and defined benefits plans or corporate retirement funds;
- benefits for the termination of the contract of employment, i.e. compensation that the company acknowledges to employees in exchange for the termination of the contract of employment following its decision to terminate the contract of employment ahead of the standard retirement date;
- long-term benefits other than the foregoing, which are not expected to be extinguished in full within twelve months of the end of the year in which the employees worked.

Post-employment benefits

Post-employment benefits are a form of deferred staff remuneration paid at the end of the contract of employment. They accrue proportionally to the duration of the contract and is an additional element of the payroll costs.
As payment is certain, but when it will be made is not, just like for defined benefits plans, severance indemnity ("TFR") is classified as a post-employment benefit.
Following the complementary welfare reform, as per Italian Legislative Decree 252 of 5 December 2005, portions of severance indemnity accrued by staff starting January 1, 2007, are determined without applying any actuarial method, as the expense, paid by the companies, is limited to the contribution at their charge, as defined by the provisions of the Italian Civil Code (defined contributions plan in accordance with IAS 19).
Severance indemnity, accrued as at December 31, 2006, instead continues to be recognised as a defined benefits plan, in accordance with the provisions of IAS 19. Actuarial gains and losses are recognised to the Statement of Comprehensive Income, whilst interest accrued on the net liabilities is carried as profit and loss.

Provisions for risks and charges

Provisions for risks and charges include all provisions made in relation to current obligations originating from past events for which an economic outlay is probable, as long as a reliable estimate can be made of the relevant amount.
At the close of all financial statements, the provisions made are periodically reviewed and, if the incurrence of possible expenses should become unlikely, the provisions are entirely or partially released to profit and loss. When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. The provision is recognised on the income statement.

Foreign currency transactions

Initial recognition

At initial recognition, foreign currency transactions are converted into the money of account, applying the exchange rate current at the date of the transaction.

Subsequent recognition

At the time of recognition, at the next reporting date:
- the monetary elements are converted at the current exchange rate in force at the reporting date;
- non-monetary items measured at historical cost are converted at the exchange rate as at the date of the transaction;
- non-monetary items measured at Fair Value are converted at the exchange rate in force on the date on which the Fair Value is determined.

Exchange differences relative to monetary items are recognised to profit and loss when they arise; those relating to non-monetary items are entered as equity or profit and loss consistently with the method of entering profits and losses that include this component.

The costs and revenues in foreign currencies are recognised at the exchange rate current as at the time of booking or, if being accrued, at the exchange rate current as at the reporting date.

Other information

Income statement and statement of comprehensive income

Interest and similar income and expense

Interest income and expense is recognised on the income statement for all instruments measured in accordance with the amortised cost criterion, using the effective interest method, including commissions and transaction costs.

Fee for services rendered and commission income

Commission income other than that included in the amortised cost and fee for services provided are recognised when the obligation of the provision is satisfied, transferring the service to the client or when all the following conditions are met:
- the contract with the client must have been identified - in order to identify a contract, the parties must have approved the contract (in writing or in compliance with other standard commercial practices) and must have undertaken to fulfil their respective obligations;
- the performance obligations contained in the contract must have been identified - the goods and services to be transferred must be identified;
- the price has been determined - the prices and payment methods must be defined; - the price has been allocated to the individual performance obligations contained in the contract - if a contract envisages the delivery/supply of multiple goods or services, the prices agreed must be allocated to the individual goods/ services;
- the performance obligations set out in the contract must have been satisfied - goods and services must be effectively transferred to the client.

Additionally, in accordance with IFRS 15, the service is transferred to the client and, therefore, revenues can be recognised:
- at a specific moment in time, when the entity fulfils the obligation to do, transferring the good or service promised to the client, or
- over time, gradually, as the entity fulfils the obligation to do, transferring the good or service promised to the client.

The asset is transferred when, or during the period in which, the client acquires control over such.

The variable components of the prices, mainly relating to year-end balances and variable incentives, are included in the price if they can be reliably determined and if any refund is considered to be a remote or unlikely event.

Specifically:
- association fees are entered on the income statement according to the credit card validity date;
- commission income from merchants and systems are entered on the income statement, according to the trading date and expenses incurred by the holders;
- up-front revenues connected with the start of new clients, new products, are recorded throughout the expected term of the contracts;
- revenues for design activities specifically requested by clients are recorded during development (over time), if any of the following conditions apply:
  a. the client simultaneously receives and uses the benefits deriving from the provision, as it is made;
  b. the provision is provided on client's assets;
  c. the asset produced has no alternative uses and Nexi has the right to be paid for the work carried out up to that point; if not, the costs and revenues of the project are suspended and recorded at the end of the design phase;
- the revenues connected with recurring services (mainly maintenance and rental of POSs and ATMs and processing servi-ces) are split in a linear fashion throughout the contract term.

It is also noted that, in application of IFRS 15, the value of the commission is rectified in order to take the Fair Value of the premiums connected with the Loyalty program into account. The Fair Value of the catalogue is calculated as the avera-ge unitary value of the points with respect to the market value of the premiums, including VAT and delivery expenses, so as to link the Fair Value to the value perceived by the client. The unitary Fair Value is applied to the number of points in circulation, net of the points that, on the basis of the analysis performed, are expected not to be redeemed (on the basis of the redemption estimates). Deferred commission is recorded as profit and loss according to point redemption.

Commission considered in the amortised cost to calculate the effective interest rate are excluded and recognised instead under interest income.

Commission expense
Commission expense, other than that included in the amortised cost, is recognised when incurred or when the related revenues are recorded.

Fees for services received
Fee for services received are recognised when incurred or when the related revenues are recorded.
Costs for the implementation of the contract with the client (such as, for example, costs for the emission of cards and ICT services incurred during the start-up of new clients/products or non-substantial contractual changes) are recognised on a straight-line basis in connection with the useful life of the underlying contracts.

Dividends
Dividends are recognised in the income statement when their distribution is resolved upon.

Basis for presentation of the segment disclosure
The segment disclosure of the Nexi Group is based on the elements that the management uses to make its operative decisions and is therefore consistent with the information requirements envisaged by IFRS 8.
More specifically, although the Nexi Group identifies two different CGUs, which substantively coincide with the two operative legal entities of the Group (the Electronic Money CGU, coincides with Nexi Payments S.p.A. and the Mercury CGU coincides with Mercury Payment Services S.p.A.), they relate to a single operating segment, i.e. that of electronic money and the technological services related to the payments segment.
More specifically, the identification of a single operating segment is based on the consideration that the information that the "chief operating decision maker" (i.e. the highest operative decision-making level, as defined by IFRS 8) receives and uses for the purpose of decision-making in regard to the resources to be allocated and the assessment of results, prepared exclusively on a consolidated basis.

Business combinations
Business combinations Business combinations are accounted for using the "purchase method", which requires: (i) the identification of the buyer; (ii) the determination of the combination costs; (iii) the purchase price allocation ("Purchase Price Allocation").
According to the IFRS 3, an acquirer is identified for all business combinations. The acquirer is the entity that obtains control over another entity, which is the power to determine the financial and management policies of that entity in order to receive benefits from its activities.
The consideration transferred in a business combination is equal to the Fair Value, at the acquisition date, of the assets sold, the liabilities incurred and the equity instruments issued by the buyer in exchange for obtaining control of the acquiree. The consideration that the buyer transfers in exchange for the acquired entity includes any assets and liabilities resulting from an agreement on the "potential consideration", to be recognised on the acquisition date on the basis of Fair Value.
Based on the purchase method, on the acquisition date, the buyer must allocate the cost of the combination (so-called PPA, "Purchase Price Allocation") to the identifiable assets acquired and the liabilities measured at the relative Fair Value on that date, also recognising the value of the minority interests of the acquired entity.

Use of estimates and assumptions in preparing the Consolidated Financial Statements

In accordance with the IAS-IFRS international accounting standards, the implementation of some accounting standards illustrated above for the several balance sheet aggregates can entail the adoption, by Corporate Management, of estimates and assumptions capable of significantly impacting the values recognised in the consolidated Balance Sheet and in the consolidated Income Statement.

The estimates and relevant assumptions are based on previous experiences and take due account of all the information available at the financial statements drafting date. Such processes are largely based on estimates of future recoverability of the amounts recognised in the balance sheet according to the rules provided for by the current laws and have been implemented with a view to corporate continuity.

The measurement process is particularly complex, considering how uncertain the macroeconomic and market contexts are, hence it is not possible to rule out that the envisaged hypotheses, while being reasonable, may not be confirmed in the future scenarios in which the Group shall operate. The parameters and information used to check the aforesaid amounts are therefore considerably affected by such factors, which may quickly change in a way that is not currently foreseeable, to the point that future balance sheet amounts might be affected.

Among the several elements of uncertainty that may impact the future scenarios for the Group are the effects of the Covid-19 pandemic, further detailed within the relevant section of the Board of Directors' Report and the Notes to these consolidated financial statements.

In that respect, please also note that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the income statement of the year in which the change is made and, potentially, those of future years. While stressing that the use of reasonable estimates is key when drafting financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant, both in terms of the materiality of the values to be recognised in the balance sheet and impacted by such policies, and in terms of the complexity of the measurements, which entails the resorting to estimates and assumptions by Corporate Management:
- measurement of the financial instruments measured at Fair Value (including derivatives) not listed on active markets and of share-based payments;
- measurement of the financial assets measured at amortised cost and loan commitments;
- measurement of intangible fixed assets, including goodwill and the relevant Purchase Price Allocation;
- measurement and estimated useful life of tangible fixed assets;
- quantification of provisions made for risks and charges and payables for Loyalty programmes;
- quantification of deferred taxation.

Significant Events after December 31, 2020

Since the reference date of these financial statements, no significant events have taken place over and above those described in the Board of Directors' Report on Group operations.

Transfers between portfolios of financial assets

No transfers of financial assets between portfolios occurred.

Fair Value disclosure

The international accounting standards IAS/IFRS prescribe the Fair Value measurement for financial products classified as "Financial assets at FVTOCI" and "Financial assets at FVTPL".
Accounting standard IFRS 13 regulates the Fair Value measurement and related disclosure.
More specifically, the Fair Value is the price that would be received for the sale of an asset, or which would be paid for the transfer of a liability in a regular transaction between market operators (i.e. not in a compulsory liquidation or sale below cost) as at the valuation date.
In determining the Fair Value of a financial instrument, IFRS 13 establishes a hierarchy of criteria in terms of the reliability of the Fair Value, according to the degree of discretion applied to businesses, giving precedence to the use of parameters that can be observed on the market, which reflect the assumptions that the market participants would use in the valuation (pricing) of the asset/liability. Three different levels of input are identified:

- Level 1: inputs consisting of listed prices (unadjusted) on active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2: inputs other than the listed prices included on Level 1, which can be observed, directly (as in the case of prices) or indirectly (insofar as deriving from the prices) for assets or liabilities to be measured;
- Level 3: inputs for assets or liabilities that are not based on observable market data.

The measurement method defined for a financial instrument is adopted continuously over time and modified only following significant changes in market conditions or subjective conditions of the financial instrument issuer.

For financial assets and liabilities recognised on the financial statements at cost or amortised cost, the Fair Value given in the Notes is determined according to the following method:

- for bonds issued: Fair Value obtained from active markets where the liability is traded;
- for assets and liabilities at fixed rates in the medium/long-term (other than securities issued): discounting of future cash flows at a rate obtained from the market and rectified to include the credit risk;
- for variable rate, on demand assets or those with short-term maturities: the book value recognised net of the analytical and collective impairment is considered a good approximation of the Fair Value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk;
- for variable rate and short-term fixed rate liabilities: the book value is considered a good approximation of the Fair Value, for the reasons given above.

Qualitative disclosure

Fair Value Levels 2 and 3: measurement techniques and inputs used

The information requested by IFRS 13 concerning accounting portfolios measured at Fair Value on a recurring basis and not measured at Fair Value or measured at Fair Value on a non-recurring basis is reported below.

Assets and Liabilities measured at Fair Value on a recurring basis

Preferred Class C Visa Shares: these are measured according to the market value of Visa Inc class A shares, listed on active markets where the portfolio shares (class C) will be converted, adjusting the value to reflect both the liquidity risk of class C shares and the potential adjustments to the conversion ratio, as communicated by Visa under the specific section of the company's website, which varies depending on potential future liabilities of Visa Europe, a company that has been incorporated into Visa Inc US.
Share-based payments: the Group has implemented remuneration plans similar to share-based payments. Further details on the measurement processed adopted for determining the amounts to be recognised in the Financial Statement, please see the note.
Contingent consideration: Fair Value is the current value, based on the market rates and spread at measurement date, of the expected cash-outs based on the earn-out mechanisms provided for by contracts.

Assets and Liabilities measured at Fair Value on a non-recurring basis

Financial Assets not measured at Fair Value, including payables and receivables to clients and banks are not managed on a Fair Value basis. For said assets, Fair Value is calculated solely for the purpose of complying with the request of disclosure to the market and has no impact on the financial statement or on profit and loss. Furthermore, since these assets are not generally traded, the determining of Fair Value is based on the use of internal parameters not directly detectable on the market, as defined under IFRS 13.
Cash and cash equivalents: given their short-term nature and their negligible credit risk, Fair Value is approximately that of cash and cash equivalents.
Financial Assets measured at amortised cost: for variable rate, on demand assets or those with short-term maturities, the book value recognised net of the analytical and collective impairment is considered a good approximation of the Fair Value, insofar as it incorporates the change in rates and the change in the counterparty's credit risk.
Tangible assets held for property investment: the Fair Value of Tangible assets held for property investments is determined on the basis of an measurement made by independent experts holding duly acknowledged and pertinent professional expertise, who conduct their measurement mainly on the basis of an indirect knowledge of assets through the information made available by the holders with reference to property location, consistency, venue use, and in view of market analyses.
Financial liabilities measured at amortised cost: book value is considered to approximately be equivalent to Fair Value for floating and fixed rate, short term liabilities. As for debt securities issued, Fair Value is calculated based on active markets where liabilities have been traded.

Measurement process and sensitivity

Not applicable due to the absence of level 3 instruments.

Fair Value hierarchy

Transfers between Fair Value levels derive from the empirical observation of intrinsic phenomena of the instrument taken into account or the markets on which it is traded.
Changes from Level 1 to Level 2 are brought about by a lack of an adequate number of contributors or the limited number of investors holding the float in issue.
Conversely, securities that at issue are not very liquid but have high numbers of contracts - thereby classified as Level 2 - are transferred to Level 1 when the existence is seen of an active market.
There have been no transfers between categories of financial assets and liabilities between Level 1, Level 2 or Level 3.

Quantitative disclosure

Fair Value hierarchy

Assets and liabilities measured at Fair Value on a recurring basis: distribution based on Fair Value levels

	Dec. 31, 2020			Dec. 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at Fair Value through profit and loss	-	-	-	-	-	-
Financial assets measured at FVTOCI		151,700			118,581	
Tangible assets	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Total	**-**	**151,700**	**-**	**-**	**118,581**	**-**
Financial liabilities at Fair Value through profit and loss		22,912			-	
Hedging derivatives	-	-	-	-	-	-
Total	**-**	**22,912**	**-**	**-**	**-**	**-**

The item "Financial assets measured at Fair Value through OCI" consists of capital assets not held for trading, which the company has irrevocably chosen to classify and measure at FVTOCI. In particular, in September 2020 50% of Visa Class C shares in the portfolio were converted into Class A Preferred shares. The latter can be promptly converted into ordinary shares at a predefined, non-modifiable rate. Hence for such portion of shares, there was no need to adjust the market value of the corresponding Class A shares.

The item "Financial liabilities at Fair Value through profit and loss" consists of the recognised contingent considerations with reference to the purchase transactions that envisage earn out mechanisms.
There have been no transfers between Level 1, Level 2 or Level 3 financial asset and liability categories.

Annual change of assets measured at Fair Value on a recurring basis (level 3)

No variations.

Annual change of liabilities measured at Fair Value on a recurring basis (level 3)

No variations.

Assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis: Fair Value level distribution

	Dec. 31, 2020				Dec. 31, 2019			
	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3	Carrying amount
Loans and receivables from banks	-	578,696	-	578,696	-	507,024	-	507,024
Loans and receivables from financial entities and clients	-	958,631	3,255	961,886	-	1,087,181	1,504	1,088,685
Tangible assets held for investments	-	2,204	-	2,101	-	2,244	-	2,229
Total	**-**	**1,539,423**	**3,255**	**1,542,683**	**-**	**1,596,449**	**1,504**	**1,597,938**
Payables to banks	-	2,226,417	-	2,226,417	-	1,952,072	-	1,952,072
Payables to financial entities and clients	-	370,754	-	370,753	-	369,303	-	369,303
Bonds issued	-	1,457,227	-	1,265,733	-	850,208	-	819,014
Total	**-**	**4,054,398**	**-**	**3,862,903**	**-**	**3,171,583**	**-**	**3,140,389**

Information on “day one profit or loss”

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

2. Balance Sheet

(Amounts in Euro thousand)

ASSETS

3. Cash and cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
a) Cash	27	27
b) Deposits and current accounts	159,057	115,361
Total	**159,084**	**115,388**

The “Deposits and current accounts” item refers to the liquid funds freely available in the current accounts of Nexi S.p.A..
The change is largely ascribable to dividends collected from subsidiaries (net of interest and similar expense, following funding transactions with reference to the acquisition of Intesa Sanpaolo’s merchant acquiring business) during the reporting period.
The item total for “Deposits and current accounts” is included in the Net Financial Position.

4. Financial assets measured at FVTOCI

4.1 BREAKDOWN BY PRODUCT

	Dec. 31, 2020			Dec. 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt instruments	-	-	-	-	-	-
Equity instruments	-	151,700	-	-	118,581	-
Financing	-	-	-	-	-	-
Total	**-**	**151,700**	**-**	**-**	**118,581**	**-**

4.2 BREAKDOWN BY ISSUER

	Dec. 31, 2020	Dec. 31, 2019
a) Banks	41	60
b) Financial institutions	151,659	118,521
- Visa Europe Limited	-	-
- Visa Inc.	*151,615*	*118,478*
- Other companies	*44*	*44*
c) Non-financial institutions	-	-
Total	**151,700**	**118,581**

The "Other financial companies" item refers to financial assets over which the Group does not exercise control, joint control or significant influence. More specifically, the item is almost entirely comprised of preferred shares in Visa Inc., assigned following the sale of the equity investment in Visa Europe. The portfolio breaks down as follows:
- roughly 50% of the portfolio consists of Visa Series C Shares eligible for conversion into Visa Series A Shares at a variable conversion rate dependent on expenses arising from contingent liabilities associated with the former Visa Europe.
- the remaining 50% of the portfolio consists of Visa Class A Preferred shares, assigned to the Group following the conversion, in September 2020, of half of the Class C shares in the portfolio last year. Said Visa Class A Preferred shares can be quickly converted into ordinary shares at a predefined and non-modifiable rate. Consequently, for said portion of shares, there is no need to adjust the market value of the corresponding Class A shares.

The 2020 increase in this item is linked to a value increase in the Visa shares portfolio, also owing to the partial conversion described above.

5. Financial assets measured at amortised cost

5.1 DUE FROM BANKS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020					Dec. 31, 2019				
	Carrying amount		Fair Value			Carrying amount		Fair Value		
	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3	Stages 1 and 2	Stage 3	Level 1	Level 2	Level 3
Loans and receivables with banks										
Deposits and current accounts	443,479	-	-	443,479	-	353,753	-	-	353,753	
Prepaid cards liquidity	49,624	-	-	49,624	-	37,440	-	-	37,440	-
Other assets	85,593	-	-	85,593	-	115,831	-	-	115,831	-
Total	**578,696**	**-**	**-**	**578,696**	**-**	**507,024**	**-**	**-**	**507,024**	**-**

The current account balance includes the daily settlement balance of transactions processed by Mercury Payment Services S.p.A. on behalf of Intesa Sanpaolo and the liquidity at the level of the operating entities only. Note that the deposits and current accounts include Euro 340 million in liquidity generated by the operating companies during the period, which has been included in the Group's Net Financial Position. Said amount is also inclusive of cash acquired via the acquisition of Intesa Sanpaolo's merchant acquiring business (see Note 40) and of the operating companies' working capital, all of which calculated as per Notes 12 and 15.

The liquidity of the prepaid cards relates to the electronic money business carried out on said cards. Such liquidity is considered as separate from operational liquidity to the extent that it is deposited in a restricted current account held with DEPObank, transactions on which are limited to covering uses of prepaid cards by cardholders.

The "Other assets" item refers to receivables for services for Euro 32.4 million (Euro 57.3 million as at December 31, 2019), mainly relating to services provided by Mercury Payment Services S.p.A. to Intesa Sanpaolo S.p.A.. The item also includes the escrow accounts connected with the factoring transactions on the balances of credit cards (Euro 53 million, on par with the balance as at December 31, 2019). A Euro 50.5 million pledge in favour of the factoring company is attached to said restricted accounts.

5.2 LOANS AND RECEIVABLES WITH FINANCIAL ENTITIES AND CLIENTS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020						Dec. 31, 2019					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Stages 1 and 2	Stage 3					Stages 1 and 2					
		Purchased	Other	L1	L2	L3		Purchased	Other	L1	L2	L3
Ordinary credit cards	335,728	-	2,157	-	335,728	2,157	375,399	-	-	-	375,399	-
Receivables from international schemes and merchants	314,381	-	1,098	-	314,381	1,098	398,821	-	1,504	-	398,821	1,504
Revolving credit cards	233,327	-	-	-	233,327	-	225,875	-	-	-	225,875	-
Personal loans	2,339	-	-	-	2,339	-	3,589	-	-	-	3,589	-
Other assets	72,856	-	-	-	72,856	-	83,497	-	-	-	83,497	-
Total	**958,631**	**-**	**3,255**	**-**	**958,631**	**3,255**	**1,087,181**	**-**	**1,504**	**-**	**1,087,181**	**1,504**

The "Ordinary credit cards" item refers to charge cards and is the balance at the end of each month of the amount cumulatively spent up to that date by the cardholders during the last operative month. Via the partner banks this amount is generally debited to the current accounts of holders on the 15th day of the following month. The group adopts a model according to which the receivables deriving from ordinary credits cards are the object of a factoring agreement with a major Italian bank, for the daily sale of receivables. The balance at December 31, 2020 included Euro

167.9 million worth of receivables sold on a with recourse basis and which therefore have not been derecognised.
Positions in respect of international schemes refer to the daily settlement balances on the Visa-Mastercard schemes of which Nexi Payments S.p.A. and Mercury Payment Services S.p.A. are direct members and include the deposit paid by Nexi Payments S.p.A. to its customer merchants on transactions that are yet to be settled. All such positions are settled within a few days (generally 1 to 3 days). Moreover, these year-end balances are influenced by the number of non-working days running across the end of each period, days on which settlement systems are closed, determining a greater build-up of transactions and a consequent drawdown of funding facilities.
The item "Revolving credit cards" mainly includes- receivables guaranteed by partner banks.
"Other assets" mainly included the amount due from the factoring company of Euro 70.2 million (Euro 77.0 million in 2019), connected with the balance to be settled daily with the counterparty.

5.3 LOANS AND RECEIVABLES WITH CLIENTS: GROSS AND NET VALUES AND WRITE-OFFS OF PERFORMING AND NON-PERFORMING LOANS

	Dec. 31, 2020				Dec. 31, 2019			
	Gross	Fund	Net	Overall partial write-offs	Gross	Fund	Net	Overall partial write-offs
Performing loans								
- Stage 1	960,337	1,706	958,631		1,089,198	2,017	1,087,181	
- Stage 2	-	-	-		-	-	-	
Non-performing loans	-							
- Stage 3	12,824	9,569	3,255		8,815	7,311	1,504	
Total	**973,161**	**11,275**	**961,886**		**1,098,013**	**9,328**	**1,088,685**	

6. Equity investments

The balance of this item is zero as a result of disposals and recognised depreciations in the previous years.

7. Property and equipment

7.a) Property and equipment: breakdown of assets measured at cost

	Dec. 31, 2020	Dec. 31, 2019
Property		
a) Land	18,228	18,228
b) Buildings	44,522	46,926
c) Furniture	1,961	1,779
d) Electronic equipment/systems	87,189	100,465
e) Other	6,653	166
Rights of use from leasing contracts		
a) Land	-	-
b) Buildings	18,357	19,762
c) Furniture	-	-
d) Electronic equipment/systems	8,929	4,306
e) Other	1,067	1,467
Total	**186,906**	**193,099**

The value of real estate includes the effect of the write-back to Fair Value of the assets acquired in 2015 with the establishment of the Mercury Group, as a result of the completion of the price allocation process (PPA).
The amount entered is net of depreciation up until the reporting date. Note that the "Electronic equipement/systems" item includes POS terminals and ATMs.
The "Rights of use from lease contracts" item refers to assets recognised following the application of IFRS 16. At the date of publication there are no restrictions as to the usage of such rights of use. Furthermore, there are no contracts for which Nexi Group resorted to the possibility of exclusion from IFRS 16 for less than 12 months and/or contract value worth less than Euro 5,000.

7.b) PROPERTY AND EQUIPMENT: CHANGES

December 31, 2020	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance	**18,228**	**66,688**	**1,779**	**104,771**	**1,633**	**193,099**
B. Increases	**-**	**5,735**	**519**	**46,861**	**303**	**53,418**
B.1 Purchases	-	456	519	37,662	21	38,658
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive fair value adjustments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	5,279	-	9,199	282	14,760
C. Decreases	**-**	**9,545**	**337**	**48,917**	**813**	**59,612**
C.1 Sales	-	-	-	220	-	220
C.2 Depreciation	-	9,545	337	47,302	805	57,989
of which of rights of use	-	6,683	-	4,396	673	11,752
C.3 Impairment losses recognised in:	-	-	-	1,126	-	1,126
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	1,126	-	1,126
C.4 Negative fair value adjustments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	269	8	277
D. Net closing balance	**18,228**	**62,878**	**1,961**	**102,715**	**1,123**	**186,905**

8. Investment property

8.a) Investment property: breakdown of assets measured at cost

	Dec. 31, 2020				Dec. 31, 2019			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned								
a) land	413	-	-	-	413	-	-	-
b) buildings	1,688	-	-	-	1,816	-	-	-
2. Rights of use acquired through leasing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**2,101**	**-**	**2,204**	**-**	**2,229**	**-**	**2,244**	**-**

This item has changed as a result of depreciation recognised during the year.

The item includes the following properties:
- Via Selvamaggio, Colle di Val d'Elsa (Siena), owned by Nexi Payments S.p.A.;
- Strada delle Frigge, Monteriggioni (Siena), owned by Nexi Payments S.p.A.;
- Via Nazionale 3, San Giovanni al Natisone (Udine), owned by Help Line S.p.A..

These investments are recorded in accordance with IAS 40 and include properties held (whether through ownership or finance leases) either to obtain remuneration by way of their rental, or to benefit from a return on invested capital as they appreciate in market value. It should be noted that the annual rent generated by these properties amounts to Euro 180 thousand.
Investment property is measured at cost, net of depreciation.
As at the reporting date, there are no:
- restrictions or limits to the sale of property or collection of rental charges;
- obligations or contractual commitments for the purchase, construction, development, repair or extraordinary maintenance of these properties.

8.b) Investment property: changes

	Dec. 31, 2020	
	Land	**Buildings**
A. Opening balance	**413**	**1,816**
B. Increases:	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Reversals of impairment losses	-	-
B.4 Positive fair value adjustments	-	-
B.5 Exchange rate gains	-	-
B.6 Transfers from investment property	-	-
B.7 Other increases	-	-
C. Decreases:	**-**	**128**
C.1 Sales	-	-
C.2 Depreciation	-	128
C.3 Impairment losses		
C.4 Negative fair value adjustments	-	-
C.5 Exchange rate loss	-	-
C.6 Transfers	-	-
C.7 Other decreases	-	-
D. Net closing balance	**413**	**1,689**

9. Intangible assets

9.1 INTANGIBLE ASSETS: BREAKDOWN BY TYPE OF ASSET

	Dec. 31, 2020		Dec. 31, 2019	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill		2,856,460		2,093,428
A.2 Intangible assets - Customer contracts	631,762		386,912	
A.3 Other intangible assets	219,147		204,331	
Total	**850,909**	**2,856,460**	**591,243**	**2,093,428**

Goodwill increased by Euro 763 million compared with the balance of the previous year following Nexi Payment's acquisition of Intesa Sanpaolo's merchant book business, effective as of July 1, 2020. Further details of the transaction are available under Note 38 of these consolidated financial statements.

Goodwill as at December 31, 2020 is as follows:
- goodwill arising from the 2016 acquisition of Mercury Payment Services S.p.A. for Euro 590.8 million already net of the allocated amount, upon completion of PPA, as detailed below;
- goodwill arising from the consolidation of equity investments held in Nexi Payments S.p.A. and Help Line S.p.A. purchased in 2018 and equal to Euro 931 million;
- goodwill recognised in Nexi Payments S.p.A.' s Financial Statements for the Group interest, in the amount of Euro 1,335 million, as follows:
  - Euro 452 million relative to the acquisition of the merchant acquiring businesses of Monte dei Paschi di Siena, Deutsche Bank and Banca Carige, upon completion of PPA as detailed below;
  - Euro 120 million relative to the payments business unit acquired from DEPObank in 2018 following the reorganisation of Nexi Group;
  - Euro 763 million relative to the goodwill for the year 2020 assigned to the acquired Intesa Sanpaolo's merchant acquiring

business effectively closed on July 1, 2020. Such value is net of the amount allocated following the PPA as further detailed below (for further information please refer to Note 40 of these consolidated financial statements).

The other intangible assets consist of:
- software purchases and technological developments;
- intangible assets with a finite useful life as resulting from the above PPA processes. More specifically, said assets, net of amortisation accrued as at the reporting date, consist of:
  - Mercury Payment Services customer contracts for Euro 254 million; with reference to said customer contract, in 2020 its useful life was extended in order to transpose the effects of the extension of the contract in force with reference to issuing processing, with an impact of Euro 10 million;
  - customer relationship from the acquisition of merchant acquiring businesses for Euro 378 million (i.e. MPS book acquiring, Euro 93 million; DB book acquiring, Euro 10 million; Carige book acquiring, Euro 4 million, ISP Euro 280 million).

9.2 INTANGIBLE ASSETS: CHANGES

Dec. 31, 2020		Other acquired intangible assets		Other intangible assets: other		
	Goodwill	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Total
A. Opening balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**
A.1 Net impairment	-	-	-	-	-	-
A.2 Net opening balance	**2,093,428**	**386,912**	**-**	**204,331**	**-**	**2,684,671**
B. Increases	**763,032**	**277,088**	**-**	**98,688**	**-**	**1,138,808**
Purchases	-	-	-	96,541	-	96,541
Other increases	763,032	277,088	-	2,147	-	1,042,267
C. Decreases	**-**	**32,238**	**-**	**83,872**	**-**	**116,110**
Sales	-	-	-	-	-	-
Amortisation	-	32,238	-	83,834	-	116,072
Other decreases	-	-	-	38	-	38
D. Net closing balance	**2,856,460**	**631,762**	**-**	**219,147**	**-**	**3,707,369**
D.1 Net amortisation	-	-	-	-	-	-
E. Gross closing balance	**2,856,460**	**631,762**	**-**	**219,147**	**-**	**3,707,369**

9.3 INTANGIBLE ASSETS: IMPAIRMENT TESTING

Nexi Group ran the impairment test on intangible assets with indefinite useful life only, since no triggers were detected with reference to intangible assets with definite useful life.
Impairment test were carried out with the support of independent experts, for the following CGUs identifiable at the reference date.

CGU	Carrying value (Group share)	of which Goodwill
CGU Monetica Nexi Payments S.p.A.	3,201,923	2,265,632
CGU Mercury Payment Services S.p.A.	923,250	590,828
Total	**4,125,173**	**2,856,460**

The allocation of goodwill recognised in the CGUs above was made in continuity with the CGUs identified for the impairment test 2019.

The CGUs were identified taking into account the way in which each Group activity generates cash flows, as well as the method with which the management monitors the Group's operations. Such criteria led to the identification, for 2020, of two separate CGUs that substantially coincide with the Group's two operating legal entities: the Monetica CGU coinciding with Nexi Payments S.p.A. and the Mercury CGU coinciding with Mercury Payments Services S.p.A..

Furthermore, it should be noted that no separate impairment tests were carried out on intangible assets with a defined useful life associated with customer contracts and customer relationships deriving from Purchase Price Allocation processes carried out with reference to the acquisition of Mercury Payment Services S.p.A. and MPS, DB, Carige and Intesa Sanpaolo corporate businesses, since no events requiring such checks emerged.
The recoverable value of a CGU is the greater of the following:
- Fair Value less costs of disposal;
- Value in Use.

Regarding the determination of the Value in Use, the method of discounted cash flow in the unlevered version ("DCF") was adopted. Such method is based on the general concept that the value of a company is equivalent to the discounted amount of the two following elements:
- the cash flows it will generate within the forecast horizon;
- the terminal value, namely the overall corporate value deriving from the period that lies beyond the forecast horizon.

In order to reflect the specific growth expectations of the reference sector and of the CGUs being tested, the H-model variant of the DCF was implemented, assuming two growth stages beyond the explicit planning period. More in detail, the first stage entails a gradual and linear decrease of the growth rate expected in the latest explicit planning period, which ends up aligning to the long-term growth rate.
Cash flows are discounted using the weighted average capital cost (WACC) which is the weighted average of the cost of equity and the cost of debt, after taxation. The formula for estimating WACC is the following:

$$\mathrm{WACC} = \mathrm{Ke} * \frac{\mathrm{E}}{\mathrm{D+E}} + \mathrm{kd} * (1 - \mathrm{t}) * \frac{\mathrm{D}}{\mathrm{D+E}}$$

where:
- Ke = cost of equity;
- E/(D+E) = percentage of equity capital in the overall invested capital (equity + debt) equivalent to that of a sample of comparable companies;
- Kd = cost of debt before taxation; t = tax rate ("tax shelter ");
- D/(D+E) = percentage of the debt in the overall invested capital (equity + debt) equivalent to that of a sample of comparable companies;

The cost of equity is the expected return, in a situation not affected by contingent phenomena, on the relevant sector; it is calculated through the Capital Asset Pricing Model, the formula being:

$$\mathrm{Ke} = \mathrm{Rf} + \beta * (\mathrm{Rm} - \mathrm{RF})$$

where:
- Rf = is the risk-free rate, equivalent to the medium-long term yield of investments such as government bonds. The adopted parameter, which refers to December 31, 2020, is 1.1%;
- Beta = "beta" coefficient expressing the risk of the specific enterprise in the market. The considered observations refer to a sample of similar companies and to a 5-year period, on a monthly basis. The adopted parameter is 1.33 on a levered basis;
- Rm - Rf = equity risk premium, namely the additional return requested by a risk averse investor compared with the return of risk-free assets; it is equivalent to the difference between the average return of the stock market and the risk-free rate. The considered parameter, referring to December 31, 2020, is 5.22% (source: Prof. A. Damodaran).

The cost of financial debt (Kd) is the interest rate with which the company may finance itself. This rate is usually estimated based on market rates, considering a spread to reflect the bargaining power of companies before debt capital suppliers. The debt cost must be considered net of the tax rate "t", in order to take into account the tax shield on interest costs. The relevant parameter is 1.5% (before taxation).

Capital costs	
Risk-free rate Dec. 31, 2020	1.1%
Equity market risk premium	5.22%
Average Beta (levered)	1.33
Ke	8.1%
Kd (after taxation)	1.1%
WACC	**6.6%**
Growth rate	**2.0%**

The estimated WACC was 6.6 %.
In order to estimate the long-term growth rate, the ECB's target inflation rate for the Euro Area, namely 2.0%, was referred to.

In view of the current macroeconomic scenario and the ongoing pandemic, in accordance with ESMA recommendations and considering the strategic transactions that Nexi Group is currently completing, solely for the purpose of the CGU impairment test as at December 31, 2020, multiple scenarios were developed so as to reflect the volatility deriving from the current macro-economic context:
- Baseline scenario: the DCF has been developed starting from the 2019-2023 Business Plan (including the effects of the acquisition of Intesa Sanpaolo's merchant book) and from the 2021 Budget of Nexi Group, approved by Nexi S.p.A.'s Board of Directors.
- ESMA scenario: the DCF has been developed starting from (i) the 2021 budget approved by Nexi's Board of Directors on December 22, 2020 and (ii) the 2022-2023 outlook deriving from the 2019-2023 Business Plan of Nexi Group, adjusted according to the EBITDA shortfall in 2020 - (Business Plan vs actual) and in 2021 (Business Plan vs Budget) in terms of the individual CGUs.

Regarding Fair Value, the Equity market multiples method was referred to; in particular EV/EBITDA market multiples were adopted, from the same peer group used to estimate the discount rate.

The checks, carried out by means of the above impairment testing, have shown that the book values can be fully recovered.

Since the Value in Use is determined through estimates and assumptions that may feature elements of uncertainty, sensitivity analyses were conducted - as provided for by IAS/IFRS standards - for verifying the sensitivity of the results obtained upon variation of some basic parameters and hypotheses.
In particular, we tested the impact - on the Value in Use - of a change of up to 25 bps more (for discount rates) and less (for growth rates) in terms of Terminal Value. Plus, we conducted analyses on the change of Value in Use following a negative change of cash flows used for Terminal Value. No cases of impairment emerged for any of the CGUs being tested.
The following table shows the sensitivity (in percentage terms) of the Value in Use of the CGUs for which intangible assets with an indefinite useful life remain, to changes of growth rate "g" or of the discount rate by -/+ 25 bps, and to the 10% negative change of cash flows used to calculate Terminal Value.

	Growth rate (g) -25 bps	Discount rate (WACC) + 25 bps	Terminal Value flow -10%
CGU Nexi Payments	(4.9%)	(5.4%)	(9.2%)
CGU Mercury Payment Services	(4.8%)	(5.2%)	(8.9%)

Taking into account the indications provided by ESMA in October 2020, a further stress scenario, in conditions basically unchanged compared with 2021 Budget, was developed. It should be noted that this scenario too revealed no potential long-lasting loss for the CGUs analysed.

10. Tax assets and liabilities

10.1 CURRENT TAX ASSETS AND LIABILITIES

As at December 31, 2020, the financial statements show Euro 4.4 million (Euro 37.6 million as at December 31, 2019) relative to current IRES tax assets, Euro 2.4 million, and IRAP, Euro 2.0 million; current tax liabilities of Euro 19.1 million (Euro 1.8 million as at December 31, 2019) refer to payables for additional IRES tax, Euro 11.4 million, and for IRAP tax of Mercury Payment Services S.p.A. and Nexi Payments S.p.A. Euro 7.7 million.
Note that the current tax consolidation scheme refers not just to the Parent company Nexi S.p.A., but extends to subsidiaries Mercury Payment Services S.p.A., Nexi Payments S.p.A. and Help Line S.p.A..

10.2 DEFERRED TAX ASSETS: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Deferred taxes		
- of which: recognised in equity	548	553
- of which: recognised in profit and loss	49,996	63,742
Total	**50,544**	**64,295**

Deferred tax assets comprise the following:
- tax recognised in equity arising from deferred TFR tax;
- tax recognised in profit and loss mainly arising from adjustments to loans, the effects of first-time adoption of IFRS 15 and tax assets issuing from the transfer to Nexi of certain DEPObank S.p.A. equity investments.

10.2.2 Changes in deferred tax assets (recognised in equity)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**553**	**1,299**
2. Increases	**6**	**3,002**
2.1 Deferred tax assets recognised in the year	6	3,002
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**11**	**3,748**
3.1 Deferred tax assets derecognised in the year	11	
3.2 Decrease in tax rates	-	-
3.3 Other decreases		3,748
4. Closing balance	**548**	**553**

10.2.3 Changes in deferred tax assets (recognised in profit and loss)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**63,742**	**32,275**
2. Increases	**9,428**	**38,623**
2.1 Deferred tax assets recognised in the year	7,421	19,354
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,007	19,269
3. Decreases	**23,174**	**7,156**
3.1 Deferred tax assets derecognised in the year	23,174	7,156
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**49,996**	**63,742**

10.3 DEFERRED TAX LIABILITIES: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax liabilities		
- of which: recognised in equity	7,026	4,725
- of which: recognised in profit and loss	133,211	34,690
- of which: recognised in profit and loss due to elimination from equity	83,911	90,660
Total	**224,148**	**130,075**

Deferred tax liabilities comprise the following:
- tax recognised in equity mainly arising from deferred tax relative to the Fair Value measurement of the Visa Shares portfolio;
- tax recognised in the profit and loss statement arising from temporary differences in goodwill and the effects of first-time adoption of IFRS 15 and from deferred taxes identified in the Purchase Price Allocation of the Merchant Book business acquired from Intesa Sanpaolo;
- tax recognised in the profit and loss statement arising from the elimination of equity investments in Mercury Payment Services S.p.A. and the allocation of part of the purchase price to intangible assets with a finite useful life.

10.3.1 Changes in deferred liabilities (recognised in equity)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**4,725**	**3,439**
2. Increases	**2,301**	**1,286**
2.1 Deferred tax liabilities recognised in the year	2,301	1,286
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**7,026**	**4,725**

10.3.2 Changes in deferred tax liabilities (recognised in profit and loss)

	Dec. 31, 2020	Dec. 31, 2019
1. Opening balance	**125,350**	**128,617**
2. Increases	**101,638**	**8,824**
2.1 Deferred tax liabilities recognised in the year	8,407	8,824
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	93,231	
3. Decreases	**9,866**	**12,091**
3.1 Deferred tax liabilities derecognised in the year	9,866	12,091
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**217,122**	**125,350**

The item "Other increases" refers to the deferred taxes of the Purchase Price Allocation of the Merchant Book business business - acquired from Intesa Sanpaolo, as further detailed under Note 40.

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

	Dec. 31, 2020	Dec. 31, 2019
A. Assets held for sale		
A.1 Financial assets	1,474	2,123
A.2 Property, equipment	27	17
A.3 Intangible assets	102	16
A.4 Other assets	94	106
Total (A)	**1,697**	**2,262**
B. Liabilities held for sale		
Payables to banks		
B.1 Other liabilities	509	335
Total (B)	**509**	**335**

These are assets and liabilities referring to Orbital Cultura Srl (formerly BassmArt Srl). Concerning said company, a decision to carry through with the sale has been reached.
There are no circumstances warranting the recognition of impairment on assets held for disposal in respect of the expected value of the sale.

12. Other assets

	Dec. 31, 2020	Dec. 31, 2019
Tax assets	57,489	55,964
Assets for commissions to be collected	221,867	220,647
Deferred costs	84,085	65,329
Inventories	8,751	7,195
Other assets	109,478	125,307
Total	**481,670**	**474,442**

(*) 2019 figures have been reclassified consistent with the table in 2020.

Accounts relative to e-money settlements are excluded from the calculation of the working capital of the Group's operating companies (see Note 5), and are presented, instead, under "Other assets", above. Amounts recognised under "Other assets for commissions to be collected" are reported excluding the effects of the merchant book acquisition, worth Euro 12.6 million.
The caption "Other assets for commissions to be collected" refers to receivables net of the relevant risk provisions.
The item "Inventories write downs" mainly refers to plastic materials, ATMs and spare parts net of the relevant amortisation fund.
The "Deferred costs" item included deferred expenses relating to costs to fulfil contracts with customers (IFRS 15.91) for Euro 59.6 million, other costs associated with customer contracts worth Euro 1.6 million and deferred expenses for costs paid but not yet accrued.
The caption "Other assets" includes accounts relative to e-money settlement.

LIABILITIES

13. Financial liabilities measured at amortised cost

13.1 FINANCIAL LIABILITIES DUE TO BANKS (BREAKDOWN BY PRODUCT)

	Dec. 31, 2020				Dec. 31, 2019			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Financing	1,639,517	-	1,639,517	-	1,289,480	-	1,289,480	-
2. Other liabilities	576,448	-	576,448	-	647,233	-	647,233	-
3. Lease liabilities	10,453	-	10,453	-	15,359	-	15,359	-
Total	**2,226,418**	**-**	**2,226,418**	**-**	**1,952,072**	**-**	**1,952,072**	**-**

The "Financing" item refers to:
- the IPO facility for Euro 994.7 million, namely a syndicated loan granted by a group of leading banks, with a maturity of five years. The carrying amount as at the reporting date included direct residual transactions costs, not yet amortised, for Euro 7.2 million;
- the Term Loan for Euro 462.0 million, namely a floating-rate loan granted June 30, 2020 by a group of leading banks, with maturity in June 2025. The carrying amount as at the reporting date included direct residual transaction costs, not yet amortised, of Euro 4.5 million.

The item also includes bilateral facilities in support of revolving cards and the facilities with Intesa Sanpaolo used by Group for the daily settlement of transactions with ISP customers.
The "Other liabilities" item includes facilities used to finance the settlement of the acquiring and payments services, the residual portion of direct issuing services not covered by the factoring facilities, as well as payables for commercial services used by Group companies.
The item total includes Euro 1,456.7 million in debt facilities (i.e. the IPO Loan and the Term Loan) and Euro 11.1 million in other debts, principally lease debts, and Euro 4.4 million for deferred price included in the Net Financial Position.

13.2 FINANCIAL LIABILITIES DUE TO FINANCIAL ENTITIES AND CUSTOMERS: BREAKDOWN BY PRODUCT

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financing	300,838	-	300,838	-	318,436	-	318,436	-
2. Other liabilities	49,684	-	49,684	-	38,099	-	38,099	-
3. Lease liabilities	20,231		20,231		12,768		12,768	
Total	**370,753**	**-**	**370,753**	**-**	**369,303**	**-**	**369,303**	**-**

The item "Financing" refers for Euro 299.3 million to payables due to the factoring company for advances on ordinary credit cards transferred with recourse and, as for the remainder, to the technical balance in place with the factoring company.
The "Other liabilities" item refers to prepaid cards in place.
The item "Lease liabilities" includes the liability deriving from the application of IFRS 16 to operating leases, equal to the current value of the payment flows envisaged by current contracts.
The "Lease liabilities" total is included in the Net Financial Position.

13.3 SECURITIES ISSUED (BREAKDOWN BY PRODUCT)

The following table refers to securities issued by Nexi in 2019 and in 2020.

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Fixed-rate securities	1,265,733	-	1,457,227	-	819,014	-	850,208	-
2. Floating-rate securities	-	-	-	-	-	-	-	-
Total	**1,265,733**	**-**	**1,457,227**	**-**	**819,014**	**-**	**850,208**	**-**

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

As further detailed in the Board of Directors' Report, the year 2020 saw the issue of convertible bonds of aggregate principal amount of Euro 500 million with a 1.75% p.a. coupon payable semi-annually, maturing April 2027. As required under IAS 32, the Group has recognised the equity and liability components separately (see Note 41). The liability component as at December 31, 2020 amounted to Euro 445 million, including direct transaction costs for Euro 6 million
Furthermore, the item also refers to the existing senior fixed rate notes of Euro 820 million, including direct transaction costs, not yet amortised, of Euro 7 million.

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

14. Financial liabilities at Fair Value through profit and loss

The item, worth about Euro 22.9 million, refers to the contingent considerations provided for by contracts with reference to the merchant book acquired from Intesa Sanpaolo. Such liability was initially recognised at Fair Value at the business combination date and included in the values considered for the purpose of recognising it. Subsequently, as provided for by IFRS 3, the liability was measured at Fair Value and recognised in the profit and loss statement.

14.1 FINANCIAL LIABILITIES AT FVTPL: CHANGES

	Dec. 31, 2020
Opening balance	**21,890**
Interest accrued over the period	745
Changes in Fair value	276
Other changes	-
Closing balance	**22,912**

15. Other liabilities

	Dec. 31, 2020	Dec. 31, 2019 (*)
Tax liabilities	8,906	8,741
Due to employees	29,547	48,467
Other liabilities for fees and commissions	243,973	242,771
Unsettled transactions	126,362	174,942
Other liabilities	62,454	59,060
Deferred loyalty fees and other revenues	55,283	63,199
Prepaid cards unsettled transactions	1,108	1,104
Cash advance to be settled	29,878	46,344
Total	**557,511**	**644,628**

(*) 2019 figures have been reclassified consistent with the table in 2020.

Accounts relative to e-money settlements are excluded from the calculation of the working capital of the Group's operating companies (see Note 5), and are presented under the captions "Unsettled transactions", "Prepaid-card unsettled transactions", "Other liabilities" and "Cash advance to be settled". Amounts recognised under "Other liabilities for fees and commissions" are presented minus the effects of the merchant book acquisition, worth Euro 12.8 million.
The item "Deferred loyalty fees and other revenues" mainly includes liabilities associated with Loyalties programmes in place, worth Euro 37.4 million, aside from the liabilities deriving from customer contracts, worth Euro 10.1 million, mainly associated with one-off revenues for projects concerning the goodwill of new clients or new products.
The item "Unsettled transactions" refers to transaction associated with different processing stages of the settlement of transactions in the first days of the following month.
The item "Unsettled cash advance" refers to "cash advance" transactions yet to be settled on international schemes.

16. Post-employment benefits

Italian legislation establishes that upon termination of a contract of employment the employee has a right to receive severance indemnity defined according to the annual salary and the inflation rate. As at December 31, 2020, amounts payable pursuant to IAS 19 requirements for post-employment benefits totalled Euro 14.8 million (Euro 14.5 million as at December 31, 2019).

16.1 POST-EMPLOYMENT BENEFITS: CHANGES

	Dec. 31, 2020	Dec. 31, 2019
A. Opening balance	**14,528**	**14,084**
B. Increases	**468**	**1,248**
B.1 Accruals	-	168
B.2 Other increases	468	1,080
- Business combinations	*81*	-
- Other increases	*387*	*1,080*
C. Decreases	**188**	**804**
C.1 Payments	145	778
C.2 Other decreases	43	26
- Business combinations	-	-
- Other decreases	*43*	*26*
D. Closing balance	**14,808**	**14,528**

16.2 MAIN DEMOGRAPHIC AND ACTUARIAL ASSUMPTIONS USED TO MEASURE POST-EMPLOYMENT BENEFITS AT DECEMBER 31, 2020

Mortality among aged pensioners	Rate for the Italian population broken down by age and gender shown in the RG489 mortality tables published by the State General Accounting Office
Mortality among total and permanent disability pensioner	Rate inferred from the INPS invalidity tables, broken down by age and gender
Annual advances rate	1.92%
Annual turnover	1.90%
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	0.80%
Annual discount rate	0.34% inferred, in accordance with IAS 19.83, from the Iboxx Corporate AA duration 10+ index at the measurement date, using the return on an instrument with a duration comparable to the duration of the remaining useful life of the relevant employees

16.3 MAIN DEMOGRAPHIC AND ACTUARIAL HYPOTHESES FOR THE MEASUREMENT OF THE POST-EMPLOYMENT BENEFITS SENSITIVITY ANALYSIS

As required by IAS 19, a sensitivity analysis has been performed on the obligation relating to post-employment benefits with respect to the actuarial hypotheses considered most significant. This aimed to show how much the liability recognised would vary in connection with the reasonably possible oscillations of each of the actuarial hypotheses. More specifically, the table below provides evidence of the change in post-employment benefits provision in the event that the main parameters used should increase or decrease.

		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Discount rate			
Change	(0.50%)	739	4.99%
Change	0.50%	(689)	(4.65%)
- Turnover rate			
Change	(0.50%)	76	0.51%
Change	0.50%	(72)	(0.48%)

17. Provisions for risks and charges

17.1 . PROVISIONS FOR RISKS AND CHARGES: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
1. Internal pension funds	-	-
2. Other provisions for risks and charges	26,433	31,967
2.1 Legal and tax disputes	2,250	2,619
2.2 Employees	2,008	1,538
2.3 Other provisions	22,175	27,810
Total	**26,433**	**31,967**

The "Legal and tax disputes" item of Euro 2.25 million (Euro 2.6 million as at December 31, 2019) refers to the provisions made for litigations for which the risk is considered probable", Euro 2.1 million, aside from provisions for contract penalties.
The "Other provisions" of Euro 22.2 million (Euro 27.8 million as at December 31, 2019) mainly refer to:
a. provisions for contractual commitments made during the acquisition of the equity investment held in Bassilichi, for Euro 10.5 million, down compared with December 31, 2019 due to period use;
b. provisions for disposal costs of non-core equity investments held by the Bassilichi Group, for Euro 2.1 million (Euro 5.3 million as at December 31, 2019) mainly due to period use;
c. provisions for risks connected with transactions placed on hold and other disputes relating to routine operations, for approximately Euro 8.5 million, consistent with the previous year;
d. provisions for fraudulent transactions, of Euro 1.2 million.
With reference to the ongoing arbitration against Cedacri - details as to which are provided in the Board of Directors' Report on Group Operations and central to which is Cedacri's request of a Euro 74.1 million price adjustment - please note that the Group, also based on the opinion of its legal advisers, cannot rule out the risk of an adverse ruling.

17.2 PROVISIONS FOR RISKS AND CHARGES: CHANGES

	Funds for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	-	-	31,967	31,967
B. Increase	-	-	4,404	4,404
C. Decrease	-	-	9,938	9,938
D. Closing balance			26,433	26,433

Use includes Euro 6 million associated with the settlement of existing liabilities whose values are substantially consistent with the estimates in the previous year's financial statement.

18. Shareholders' equity

As at 31 December 2020, the caption Shareholders' equity comprises the following items:

	2020	2019
Share capital	57,071	57,071
Share premium	1,082,204	1,082,204
Reserves	236,846	29,428
Valuation reserves	44,018	13,609
Profit (Loss) for the year	127,926	135,166
Equity attributable to non-controlling interests (+/-)	9,685	7,072
Total equity	**1,557,750**	**1,324,550**

The "Equity attributable to non-controlling interests" item of Euro 9.7 million, mainly refers to minority stakes in Nexi Payments S.p.A. (Euro 8.8 million) and Help Line S.p.A. (Euro 0.9 million). Reserve increases for the period largely reflect retained earnings from 2019 (Euro 135 million) and the convertible bonds' equity component (Euro 55 million net of direct transaction costs of Euro 0.8 million), as well as stock grants and the LTI plans (Euro 26 million).
As at December 31, 2020, the share capital comprised 627,777,777 fully paid-up ordinary shares. Besides, Nexi and its subsidiaries did not hold parent company shares at the reporting date.

19. Income statement

(Amounts in Euro thousand)

The figures of the Income Statement 2020 are not comparable to 2019 owing to the effects of the takeover of Intesa Sanpaolo's merchant book, completed on June 30, 2020, as further detailed under Note 40.

20. Fees for services rendered and commission income

	2020	2019
Issuing & Acquiring fees:	1,254,653	1,268,607
- Trading fees	*1,043,616*	*1,035,220*
- Fees from cardholders	*211,037*	*233,387*
- Other fees	-	-
Revenues from services	389,372	373,893
Total	**1,644,025**	**1,642,500**

The "Issuing & acquiring fees" item mainly consists of:
- commissions from counterparties, which include the interchange fees recognised by the schemes, the acquiring commissions paid by merchants and the commissions for processing issuing/acquiring and servicing paid by partner banks;
- commissions from cardholders, which include commissions debited to licensed cardholders, mainly relating to charges.

The item "Revenue from services" mainly consists of POS and ATM rental and maintenance charges, of revenue from Digital & Corporate Banking services, and revenue from activities linked to Payment Services and revenues connected with Help Desk services.
Revenues recognised, in accordance with the provisions of IFRS 15 "At a point in time" mainly refer to revenues connected with transaction volumes, which, as at December 31, 2020 came to approximately Euro 993 million.

Note that, as required by IFRS 15.116, fees for services rendered and commission income include revenues recognised during the year, included in the opening balance of liabilities from customer contracts for Euro 6 million.

21. Fees for services received and commission expense

	2020	2019
Bank charges:	632,779	642,964
- fees due to correspondents	*423,191*	*444,624*
- fees due to banks	*209,588*	*198,340*
Other fees	5,017	4,107
Total	**637,796**	**647,071**

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

22. Interest and similar income

	2020	2019
Receivables from banks		
Receivables from customers	15,290	17,950
Other assets	70	86
Total	**15,360**	**18,036**

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

23. Interest and similar expense

	2020	2019
Financial liabilities measured at amortised cost:		
- payables to banks and customers: leases	*919*	*1,319*
- payables to banks and customers	*58,522*	*178,811*
- securities issued	*27,504*	*3,145*
Other liabilities and provisions	970	268
Total	**87,915**	**183,543**

Interest expense mainly refers to:
- recourse credit facilities attached to the factoring - agreement entered in 2018 by Nexi Payments S.p.A.;
- debt securities, as detailed in the Board of Directors' Report and Note 41, increased during the year following the issue of the Convertible Bonds;
- the IPO Loan entered into in 2019 and the Term Loan entered into in 2020.

24. Profit (Loss) on held-for-trading/hedging assets and liabilities measured at FVTPOL

	2020	2019
Net trading income on financial assets	157	(7,526)
Net income on financial liabilities at FVTPL	(276)	-
Net hedging income on financial assets	-	-
Total	**(119)**	**(7,526)**

This item, in 2019, mainly included Fair Value change for the derivative stipulated against price and market risks linked to the Visa Shares portfolio for the portion classified as held for trading. The derivative matured in September 2019.
The item also includes the exchange gains/losses deriving from the Nexi Group's recurring operating activities, which have a limited impact to the extent that the risks connected with foreign exchange positions are mitigated by offsetting foreign currency positions which naturally reduce exposure to said risk and the effect deriving from the measurement at fair value of "Financial liabilities at fair value through profit and loss".

24.1 NET TRADING INCOME (EXPENSE): BREAKDOWN

	2020			2019		
	Trading income	Trading losses	Total	Trading income	Trading losses	Total
Financial assets held for trading - debt instruments	-	-	-	-	-	-
Other financial assets and liabilities: exchange differences	3,344	(3,187)	157	5,436	(4,785)	652
Financial derivatives	-	-	-	-	(8,178)	(8,178)
Total	**3,344**	**(3,187)**	**157**	**5,436**	**(12,963)**	**(7,526)**

25. Dividends and Profit (Loss) from investment and disposal of financial assets at FVTOCI

	2020	2019
Dividends	204	532
Profit/loss from disposal of financial assets at FVTOCI	(6,778)	(9,217)
Net result	**(6,574)**	**(8,685)**

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

26. Administrative costs

26.1 STAFF-RELATED COST: BREAKDOWN

	2020	2019
1) Employees		
a) wages and salaries	109,239	121,108
b) social security charges	28,952	30,619
c) post-employment benefits	1,414	1,338
d) pension and similar costs	28	25
e) accrual for post-employment benefits	538	197
f) accrual for pensions and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution plans	*7,864*	*7,205*
- defined benefit plans	-	-
h) costs of share-based payment plans	26,362	53,811
i) other employee benefits	5,218	7,217
2) Other personnel	**957**	**2,201**
Total	**180,572**	**223,721**

Payroll costs also include costs linked to the stock grant plan (guaranteed by Mercury UK) for Nexi Group employees and the costs connected with the Long-Term Incentive plan, as further detailed in Note 39.

26.2 OTHER ADMINISTRATIVE COSTS: BREAKDOWN

	2020	2019
1. Third-party services	154,353	191,460
2. Lease and building management fees	2,443	2,381
3. Insurance companies	2,438	2,008
4. Rentals	8,635	6,452
5. Maintenance	43,557	47,107
6. Shipping costs	16,667	18,336
7. Telephone and telegraph	12,654	12,114
8. Cards and accessories	5,266	4,822
9. Printed material and stationery	5,005	4,336
10. Other taxes	6,964	8,043
11. Legal, notary and consultancy services	46,704	35,112
12. Agents' commissions and expense reimbursement	78	61
13. Advertising	2,888	5,181
14. Promotional material and competition prizes	17,320	24,948
15. Other commercial costs	463	1,841
16. Other general expenses	24,580	26,814
Total	**350,015**	**391,016**

As required by IFRS 15.128, note that the costs for the execution of customer contracts recognised during the year and included in the opening balance of assets deriving from customer contracts, amounted to Euro 3.7 million.

27. Other operating income (expenses)

	2020	2019
Other operating income	2,925	8,112
Other operating expenses	(7,313)	(10,168)
Total	**(4,388)**	**(2,056)**

28. Net value adjustment on assets measured at amortised cost

The item, worth Euro 6.9 million, refers to the net value adjustments applied to receivables due from customers mainly connected with direct issuing and acquiring operations carried out by Nexi Payments S.p.A..

	Impairment losses			Reversals of impairment losses		2020	2019
		Stage 3					
	Stages 1 and 2	Write-off	Other	Stages 1 and 2	Stage 3	Total	Total
A. Loans and receivables with banks	-	-	-	-	-	-	-
B. Loans and receivables with customers	48	-	7,153	(311)	(10)	6,880	6,239
Total	**48**	**-**	**7,153**	**(311)**	**(10)**	**6,880**	**6,239**

29. Net accruals for provisions to risks and charges

The item totalling a Euro 0.2 million reflects changes to the provision for risks and charges.

	2020	2019
Net accruals to provisions	(33)	(7,622)
Net accruals to provisions for frauds of Nexi Payments	(124)	1,167
Total	**(157)**	**(6,455)**

30. Amortisation, depreciation and net impairment losses on tangible and intangible assets

	2020	2019
Depreciation and net impairment loss on property, equipment and investment property	59,244	61,772
Amortisation and net impairment loss on intangible assets	116,071	94,045
Total	**175,315**	**155,817**

30.1. AMORTISATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS: BREAKDOWN

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount|
A. Intangible assets				
A.1 Owned	116,071			116,071
- Acquired	32,238			32,238
- Other	83,833			83,833
A.2 Leased				-
Total	**116,071**	**-**	**-**	**116,071**

30.2 AMORTISATION, DEPRECIATION AND NET IMPAIRMENT LOSSES ON TANGIBLE ASSETS: BREAKDOWN

	Amortisation	Impairment losses	Reversals of impairment losses	Carrying amount
A. Tangible assets				
A.1 Owned				
- Property, equipment	46,238	1,126	-	47,365
- Investment property	128	-	-	128
A.2 Under Finance Lease	-			-
- Property, equipment	11,752			11,752
- Investment property	-			-
A.3 Under operating lease	-			-
Total	**58,118**	**1,126**	**-**	**59,244**

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

	2020	2019
Profit		
Profits from investments	-	-
Profits from sales of fixed assets	7	226
Loss		
Loss on investments	-	-
Loss on sales of fixed assets	(219)	(824)
Net result	**(212)**	**(598)**

32. Income taxes

	2020	2019
Current tax expenses	(62,193)	(19,876)
Changes in current taxes in previous years	152	233
Changes in deferred tax assets	(17,407)	12,197
Changes in deferred tax liabilities	(261)	3,266
Total	**(79,709)**	**(4,180)**

The item “income taxes” for 2019 benefitted from the impact of the use of previous tax losses, which ended in 2020.

32.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNISED

IRES	2020
Theoretical tax rate	27.50%
Non-deductible expense	4.2%
Deductible expense and othere decreases	(3.2%)
Effective tax rate	28.5%

IRAP	2020
Theoretical tax rate	5.57%
Non-deductible expense	6.0%
Deductible expense and othere decreases	(2.1%)
Effective tax rate	9.5%

33. Profit (loss) after tax from discontinued operations

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

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

These are minorities mainly referring to Nexi Payments S.p.A. for Euro 1.4 million and Help Line S.p.A. for Euro 0.02 million, and Orbital Cultura for negative Euro 0.04 million.

35. Information on Group operations

Amounts in Euro thousand

CONSUMER CREDIT

Breakdown by technical form

	Total at Dec. 31, 2020			Total at Dec. 31, 2019		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
1. Unimpaired assets						
- personal loans	2,339		2,339	3,589		3,589
- special purpose loans	233,742	416	233,326	226,272	345	225,927
- salary-backed loans						
2. Impaired assets						
Personal loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Special purpose loans						
- non-performing exposures						
- probable default	5,523	3,366	2,157	695	486	208
- impaired past due exposures						
Salary-backed loans						
- non-performing exposures						
- probable default						
- impaired past due exposures						
Total	**241,604**	**3,782**	**237,822**	**230,556**	**831**	**229,724**

CLASSIFICATION BY RESIDUAL LIFE AND QUALITY

Timeframes	Unimpaired financing Total at Dec. 31, 2020	Unimpaired financing Total at Dec. 31, 2019	Impaired financing Total at Dec. 31, 2020	Impaired financing Total at Dec. 31, 2019
- up to 3 months	73,703	71,601		
- from 3 months to 1 year	139,958	131,182		
- from 1 year to 5 years	22,004	26,733	2,157	208
- over 5 years				
- open terms				
Total	**235,665**	**229,516**	**2,157**	**208**

OTHER INFORMATION

WARRANTIES AND COMMITMENTS

PERFORMANCE OF VALUE ADJUSTMENTS/COMPREHENSIVE PROVISIONS

Reasons/Categories	Amount
A. Value adjustments/ initial total provisions	**831**
B. Increases	**3,103**
B.1 Value adjustments from impaired financial assets acquired or originated	
B.2 Other value adjustments / provisions	3,103
B.4 Contractual changes without cancellation	
B.5 Other increases	
C. Decreases	
C.1 Valuation value gains	
C.2 Value recoveries	
C.3 Gain for sale	
C.4 Write-off	
C.5 Contractual changes without cancellation	
C.6 Other decreases	153
D. Value adjustments/final total provisions	**3,935**
Total	**3,935**

ELECTRONIC MONEY ISSUE AND PAYMENT SERVICES

Quantitative information

Liquid funds of customers held at banks

Liabilities	Dec. 31, 2020 Closing balance	Dec. 31, 2020 Maximum period balance	Dec. 31, 2020 Average balance	Dec. 31, 2019 Closing balance	Dec. 31, 2019 Maximum period balance	Dec. 31, 2019 Average balance
DEPObank	54,462	74,833	43,473	41,853	47,809	41,544
Total	**54,462**	**74,833**	**43,473**	**41,853**	**47,809**	**41,544**

Payables for electronic money in issue

Payables for electronic money	Dec. 31, 2020	Dec. 31, 2019
For registered instruments:		
a) rechargeable	49,624	37,485
b) not rechargeable		
For anonymous instruments		
Total	**49,624**	**37,485**

Commission income: electronic money

Commission income	Dec. 31, 2020	Dec. 31, 2019
From electronic money buyers		
a) registered instruments	1,822	3,183
b) anonymous instruments		
From authorised retailers	353,950	217,774
For other business carried out		
Other		
Total	**355,772**	**220,957**

36. Information on risks and related hedging policies

Nexi Group is mainly exposed to Liquidity Risk, Operational Risk (which includes Fraud Risk, Legal and Conduct Risk and IT Risk) and Reputational Risk.

Other risks monitored in the Nexi Group are the Strategic Risk, Credit Risk, Interest Rate Risk and -Market Risk as shown in the table below:

	NEXI S.p.A. (Parent)	NEXI PAYMENTS (IMEL regulated)	MERCURY PAYMENT SERVICES (IP regulated)	HELP LINE (Ancillary)
Strategic risk	x			
Reputational risk	x	x	x	x
Operational risk		x	x	x
Credit risk		x	x	
Liquidity risk	x	x	x	
Interest rate risk	x	x	x	
Market risk		x	x	

These risks are analysed in these Notes, with the exception of Strategic Risk, further detailed under the section on *Main risks and uncertainties* of the Board of Directors' Report on Group Operations.

Risk management at Nexi Group

With reference to risk management, the model adopted by Nexi establishes that the parent company monitors strategic risk and the Group's Internal Control System.
The Internal Control System - namely the organisational, regulatory and methodological environment for the effective and economical assurance of guidance and strategic, managerial and technical and operational control - is a process aimed at offering reasonable certainty as to the attainment of such corporate objectives as efficiency and effectiveness of operations, reliability of the information on the financial statements and conformity with the laws and regulations in force.
The rules governing relations between the parent company, Nexi, and Nexi Group companies (hereinafter the "Subsidiaries") are set out in specific regulations aimed at standardising organisational rules and conduct with a view to focusing development policies and Group management strategies towards convergent objectives, in line with the strategic guidelines issued by the parent company.
Such regulations also address safeguards to management autonomy as with reference to subsidiaries that are regulated and which operate in the payment services and electronic money sectors (hereinafter "Regulated Companies"), said companies operating subject to compliance with special legislation.
Parent company Nexi's own Audit Function, among its other duties, supports the parent company's Board of Directors via the Risk Committee, verifying that the Group's companies define an Internal Control System in line with group-level strategic guidelines and risk management policies defined by Nexi's Board of Directors.

Monitoring, provided via the Group's Internal Control System in accordance with mandatory rules applicable to regulated companies, ensures permanent oversight as to all risks that may impact the Group. To that end, the parent company's Board of Directors:
- defines guidelines applicable to the Group's Risk Management and Internal Control System in accordance with mandatory rules as applicable to the regulated companies;
- ensures control of the Group's comprehensive exposure to business risks;
- along with the Boards of Directors and Boards of Auditors of the Subsidiaries, is informed by the Company's Audit Function as to whether the controls carried out by the relevant organisational units of the Subsidiaries have made significant findings or revealed abnormal, problematic situations. Responsibility for the design, management and oversight of the Risk Management and Internal Control System (hereinafter the "RMICS") of each Nexi Group company rests with the Boards and managers of each Subsidiary individually, even in respect of compliance to special regulations on regulated companies. Said companies assure the establishment and adequate and effective maintenance of the RMICS, implementing the guidelines defined by the parent company.

The Subsidiaries:
- are responsible for implementing the risk management strategies and policies;
- provide the parent company's Audit departmentwith reports, defined each time according to Group needs, on a scheduled basis or upon request, in order to ensure standardised consolidated management of risk;
- organise corrective interventions to remove/mitigate anomalies and problems encountered, in line with any indications received from the parent company.

In accordance with current supervisory provisions, regulated companies' Internal Control Systems are structured around a three-tier control system:
- Tier 1 controls - line controls aimed at assuring proper fulfilment of operations; these controls are hierarchical and carried out by the production units themselves and are generally incorporated into their own procedures or alternatively performed as part of back-office activities;
- Tier 2 controls:
  - risk management controls aimed at defining the methods employed to measure risk, verify respect for limits assigned to the various operational functions and to check the consistency of the operations of the individual production areas with risk/return objectives;
  - control of compliance with standards aimed at overseeing the risks connected with failure to comply with internal and external regulations;
- Tier 3 - internal audits aimed at identifying any performance anomalies, breaches of procedures and both internal and external rules and regulations, as well as at assessing the overall Internal Control System function.

Risk management activities, compliance checks with rules and internal audits are carried out by non-operational, independent functions.

Nexi Group risks

Liquidity and interest rate risks

The Group has significant financial debt mainly comprising, as at the date of these statements, Fixed-Rate Notes, the IPO Loan, the Term Loan and the Convertible Bonds, with respect to which it incurs considerable interest expenses; this may have a negative impact on the Group's results and its capacity to generate cash and distribute dividends, with consequent possible effects on the capacity to repay debt at due dates and on its capacity to make the investments necessary to develop the business.

The Group is exposed to the risk that failure to respect the obligations and covenants envisaged by contractual documentation relative to this financial debt and, more specially, the Fixed-Rate Notes, the IPO Loan, the Term Loan and the Convertible Bonds and bank and factoring credit facilities in place, may result, amongst others, in the application of the acceleration clause, also due to cross-default clauses included in some of the contracts, regulating the Group's financial debt and facilities to support working capital needs generated by the subsidiaries. For further information please refer to Note 38 of these consolidated financial statements.

Sustainability of Nexi Group's debt level is correlated, first and foremost, to its operating results and thus to is capacity to generate sufficient liquid funds and to refinance debt at maturity.
The risk profiles correlated with the provided guarantees are associated with any defaults on the underlying loan contracts and, consequently, the possibility that lenders may, through the contract remedies available, enforce guarantees to protect their credit rights, thus negatively impacting Nexi Group's economic, equity and financial position.

The risk is limited by clauses in the contracts that come under the "standard" conditions used in similar transactions.

The Group is exposed to the risk that significant changes may take place with respect to interest rates and that the policies adopted to neutralise such changes may prove inadequate. The fluctuation of interest rates depends on various factors, which are outside the Group's control, such as monetary policies, macroeconomic performance and economic conditions and political uncertainty in Italy.

Changes in interest rates impact the market value of the company's financial assets and liabilities and the level of interest expenses, as some of the loans subscribed are variable rate.
In this regard, as at December 31, 2020 the Group was exposed for a significant percentage to sources of funding at a variable interest rate; more specifically, 53% of the amount of funding sources used, which represent financial debt, were index-linked to the Euribor variable interest rate: more specifically, via the IPO Term Line for Euro 1,000 million and the Term Loan for Euro 466.5 million. Although not representing financial debt, both the factoring agreement and most of the bilateral facilities were also index-linked to the Euribor variable interest rate.

Note that as at the date of these Notes, the Group has not subscribed any instruments to hedge the interest rate risk, which are periodically analysed and measured.
Furthermore, the Group has credit facilities which it deems sufficient, in terms of operational modalities and amounts, to cover the financial needs of its working capital requirements, specifically:
(1) a daily factoring agreement entered into by Nexi Payments and Unicredit Factoring S.p.A. valid for the majority of the working capital generated on an ongoing basis via the issue of charge cards under the licensing model. Such agreement governs the transfer of Nexi's account receivables whose default risk is assumed by partner banks;
(2) a series of bilateral credit facilities with different technical forms (hot money, committed, revolving, etc.) to cover acquiring activities, receivables from issuing activity not covered by the factoring agreement or by revolving credit facilities (as defined below) and other potential short-run operational funding needs;
(3) bilateral credit facilities aimed at covering receivables from issuing activities that are paid in instalments upon request of cardholders (revolving credit facilities).

It is not possible to rule out that, in the future, Nexi Group might have to replace - for any reason whatsoever - one or more of its major lenders of such credit facilities and that such potential circumstance may entail greater charges and costs and/or result in discontinuity and/or delays in the provision of services, also due to the time needed to complete the replacement, which could be prejudicial to the operations of Nexi Group.

The Group has set up procedures aimed at identifying, monitoring and managing liquidity and interest rate risks, which include the regular monitoring of the interest rates market curve to which the debt is indexed, the performance of its listed securities and the country risk, as well as other macroeconomic market indicators.

Finally, with reference to interest rate risk arising in connection with the specific nature of Nexi Payments S.p.A.'s business, it is worth stressing that exposures are mostly concentrated in the "within one month" category and, as such, mostly result in minimum risk exposure, except for exposures related to revolving cards, which have an average maturity of 10 months.
Exposure to this type of risk is, to all intents and purposes, irrelevant.
The other Group companies are not exposed to interest rate risks.

Breakdown of assets in terms of residual life

	Current	Non-current	Total
Cash and cash equivalents	159,084		**159,084**
Current financial receivables	1,463,395	77,188	**1,540,583**
Financial assets held for trading			**-**
Net trade receivables	221,867		**221,867**
Inventories	8,751		**8,751**
Other current assets	255,499		**255,499**
Discontinued/to be discontinued assets			**-**
Total	**2,108,596**	**77,188**	**2,185,784**

Breakdown of liabilities in terms of residual life

	Within 1 year	1 to 5 years	Over 5 years	Total
Payables to:				**3,862,905**
- Banks	761,786	1,464,632		**2,226,418**
- Financial entities and clients	358,136	12,617		**370,753**
- Securities issued		820,360	445,373	**1,265,733**
Other financial liabilities		22,912		**22,912**
Trade payables	243,972			**243,972**
Other current liabilities	332,664			**332,664**
Total	**1,696,558**	**2,320,521**	**445,373**	**4,462,452**

Covid-19 pandemic impacts on liquidity and interest rate risks

With specific reference to the impact on funding liquidity risk of the economic crisis triggered by the Covid-19 pandemic, as at the date of these notes there are no indications as to significant critical issues, insofar as available liquidity is deemed consistent with the Group's medium-term financing and investment needs. Consider that the most of the aforesaid lines of credit are committed and that parent company Nexi S.p.A. has a further revolving credit facility of Euro 350 million to be used to support any possible and temporary cash-related requirements.
Regarding interest rate risks, there are no specific critical points, including in view of the current context, which shows generally negative short-term interest rates.

Operational risk

The Group may incur liability and, therefore, may suffer damages, including to its reputation, in connection with fraudulent digital payment transactions, fraudulent loans made by merchants or other parties or fraudulent sales of goods or services, including fraudulent sales made by Group merchants under the scope of the Cards & Digital Payments and Merchant Services & Solutions business lines.

Examples of fraud may include the intentional use of stolen or counterfeit debit or credit cards, of payment card numbers or other credentials to book sales or false transactions by merchants or other parties, the sale of counterfeit goods, the intentional failure to deliver goods or services sold under the scope of a transaction that is otherwise valid. Failure to identify thefts and the failure to effectively manage fraud risk and prevention may increase the Group's charge-back liability or cause the Group to incur other liability, including fines and sanctions.
It is worth noting that the overriding risk of external fraud relates to fraud in the issuing sector, which in the year 2020 accounted for 0.08% of spending by cardholders (gross fraud).

In order to tackle such risks, Nexi has set up a specific framework for the identification, management and monitoring of risks, comprising policies, processes, organisational measures and instruments. The framework incorporates the national and international regulatory provisions and requirements and best practices for the development and enhancement of supporting methods and instruments.

The Group has sophisticated systems in place for transaction control and detection suitable organisational measures to prevent fraud and control risk management.
In line with the high degree of technological innovation of the services supplied by the Group and given the sensitive nature of operations involving the management of payment data, specific policies and methods have been set in place to identify and manage IT risk (including cybersecurity risk) and specific organisational measures have been implemented under the scope of the Information Security Management System for line controls and risk management control.

Operational risk is also mitigated via specific insurance cover.

Covid-19 pandemic impacts on operational risk

The drastic measures taken to counter the health emergency on a national level called for the adoption of the measures envisaged by the Business Continuity plan for addressing, above all, the risk of business interruption. Said measures promptly enabled all staff to safely carry on working remotely and set up prevention initiatives aimed at preserving the health and safety of on-site employees and at efficiently communicating the crisis, thus planning the handling of the transition period that will lead to a new situation of normality.

The awareness of an exposure to the business interruption risk also gave further momentum to the initiatives previously started in terms of Vendor Risk Management, in particular the development of identification and assessment procedures for the critical areas of the supply chain and a more thorough, permanent monitoring of outsourced functions, especially of key or relevant functions.

Cyber risk is a crucial risk and a growing threat, globally speaking. The widespread use of remote work and the strong drive fostering the digitalisation of activities and services, sparked by the pandemic, further boosted, in all spheres, the IT security risks companies and users are exposed to.
In this context, Nexi Group's major risks are the possible direct attacks on infrastructure and corporate IT systems, or on technological providers; other risks stem from the weak points of smart working (e.g. the use of non-duly protected remote connections).

Hence, the Group - aside from pursuing the IT security initiatives provided for by the strategic plan and periodically checking its efficacy - has taken specific countermeasures in terms of governance and IT security, also organising staff training and awareness-raising sessions on the emerging risks and conduct to be followed. Finally, with specific reference to the payment services provided in the scopes of Corporate Banking and ATM & Self, several actions were taken to step up the security level of the exposed systems and applications, and to prevent users from falling victim to cyberattack fraud.

Reputational risk

Reputational risk is defined as the current or prospective risk of a loss, of a downturn to the business volume or profits or of a decline in the value of securities that is the product of a negative perception of the Group's image by customers, counterparties, shareholders, investors or by the relevant supervisory authorities. Such circumstances stand to impact Nexi's ability to either maintain or establish business relations and to continue to access funding resources, including through capital markets or banking channels.

Given the scope and nature of reputational risk and its prospective negative impacts, the Group has established dedicated subunits tasked with preventing operational and compliance risk factors that may impact the Group's reputation. These are assigned to:
- AML controls;
- privacy controls;
- IT risk monitoring and risk control;
- business continuity management;
- brand management and communication (for Nexi-branded cards);
- crisis management (i.e. the reputational risk management task force);
- compliance and operational risk monitoring and Tier 2 controls.

Furthermore, the Group operates on an ongoing basis with respect to all actions geared towards preventing and monitoring risk factors that may impinge on the Group's reputation (especially in respect of the Nexi brand holder, Nexi Payments S.p.A.). Such actions include:
(i) the assessment of reputational risk issuing from the periodic assessment of compliance and process operational risk;
(ii) the assessment of potential reputational risk during the design of new services/products; (iii) the assessment of potential impacts on reputation in the event of operating "incidents"; (iv) a behavioural and reputational risk-monitoring dashboard.

Credit risk

The Group is exposed to credit risk as further detailed herein.

Credit risk in the acquiring business

Settlement between counterparties results in the merchant-customer receiving the funds before the Group, as the acquirer, receives them:
(i) from the factor, for the receivables generated by cards issued by the Group under the factoring contract;
(ii) from the banks of the cardholders, for all other receivables generated by cards issued by the Group and not covered by the factoring agreement;
(iii) and/or, where cards are issued by other issuers, from the international payment card schemes.

In respect of acquiring services supplied by means of traditional and referral license contracts, as the acquirer, the Group is also exposed to counterparty risk issuing from the amounts paid to merchants before the goods or services are supplied to the consumer or disputed by the cardholder. In such an event, the amount of the transaction is usually charged back to the merchant and the purchase price is reimbursed by the Group, as acquirer, to the cardholder.

The Group is also subject to credit risk for (a) the amount of the international payment card scheme commissions and (b) its commission due by merchants. When the acquirer pays the customers/merchants the amount of transaction payment, it does not always deduct commissions owed, but in some cases debits them later, on a monthly basis. If the merchant refuses or delays payment of such receivables, the Group may suffer the ensuing loss.

Credit risk in the issuing business

The Group's regulated companies, as issuers, grant credit to cardholders in order to finance purchases made using the payment cards of such customers (retail and corporate).
Timing of collection in regard to cardholders depends on the type of card used. If the purchase is made with a debit card, issuer exposure is not envisaged; vice versa, with charge cards, the issuer is exposed for an average period ranging between 15 and 45 days, which can extend up to 3 months for some types of 'corporate pay' cards.
If the cardholder is not able to pay off the balance, due to bankruptcy or insolvency, the partner bank ensures reimbursement of the amounts due by it. In the event of partner bank insolvency, the issuer can seek to recover the amounts directly from the cardholders.
In this regard, note that even in the event of an insolvent holder's card being blocked, the partner bank remains liable for any insolvencies for spending in the 5 days following. Once these 5 days have passed, if the issuer has not blocked the card, any additional amounts (namely, spending from the sixth day onwards) are the responsibility of the issuer.
As for directly issued card, in the event of the cardholder's insolvency, the credit risk is entirely borne by Nexi.

Credit risk in the servicing and associate business

If agreements are in place with banks in the "servicing" and "associate" model, the Group is exposed to the counterparty risk for the services rendered and the credit risk linked to the POS and ATM management service with the merchants and customer banks of such services.

Credit risk monitoring

Credit risk is monitored constantly, ensuring that exposures fall within the set budget limits for each year. Careful scoring is also carried out prior to any Direct Issuing agreements being drawn up with new merchants or new cardholders.
The Risk Management Function constantly monitors credit risk performance and in the event of a budget overrun it activates the required escalation measures.
In order to control and measure the risk, specific maximum limits are set for gross and net insolvency and the related incidence on spending, monitored constantly together with the performance of expected losses with respect to effective losses recognised and the performance of losses incurred in connection with business performance.

Credit risk control is also carried out upstream via the Tier 1 functions, starting with the credit evaluation and approval process, which involves the following:
- internal checks;
- consistency checks;
- positive and negative Credit Bureau use;
- credit-scoring algorithms.

Further processes with a bearing on credit risk involve the monitoring and collection of debt from merchants and holders, designed to limit the impact of the risk events.
In the area of servicing activities, the Group has no direct credit risks with respect to retail customers to the extent that its business is focused on Issuing servicing and acquiring servicing. Such credit risk, therefore, lies with the banks that are the issuing and/or acquiring license holders.

Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Non-performing exposures	Probable default	Impaired past due exposures	Unimpaired past due exposures	Other unimpaired exposures	Total
1. Financial assets measured at amortised cost		3,441		2,372	1,534,770	1,540,583
2. Financial assets measured at FVTOCI					151,700	151,700
3. Financial assets at Fair Value to profit and loss						-
4. Other financial assets mandatorily valued at Fair Value						-
5. Non-current assets held for sale and discontinued operations					1,697	1,697
Total at Dec. 31, 2020	**-**	**3,441**	**-**	**2,372**	**1,688,166**	**1,693,980**
Total at Dec. 31, 2019	**-**	**1,677**	**13**	**29,968**	**1,684,895**	**1,716,552**

Breakdown of financial assets by portfolio and credit quality (goss and net amounts)

Portfolio/Quality	Impaired				Unimpaired			Total (net exposures)
	Gross exposure	Total value adjustments	Net exposure	Total write-off	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	13,010	9,569	3,441		1,538,897	1,755	1,537,142	1,540,583
2. Financial assets measured at FVTOCI					151,700		151,700	151,700
3. Financial assets at Fair Value to profit and loss								
4. Other financial assets mandatorily valued at Fair Value								
5. Non-current assets held for sale and discontinued operations					1,697		1,697	1,697
Total at Dec. 31, 2020	**13,010**	**9,569**	**3,441**	**-**	**1,692,294**	**1,755**	**1,690,538**	**1,693,980**
Total at Dec. 31, 2019	**9,001**	**7,311**	**1,690**	**-**	**1,716,929**	**2,066**	**1,714,863**	**1,716,553**

Loans and receivables with banks and off-statement of financial positions: gross and net values

Exposure categories/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Impaired	Not impaired			
A. Cash credit exposure					
a) Non-performing exposures		X			
- of which: subject to grant		X			
b) Probable default		X			
- of which: subject to grant		X			
c) Impaired past due exposures		X			
- of which: subject to grant		X			
d) Unimpaired past due exposures	X				
- of which: subject to grant	X				
e) Other unimpaired exposures	X	578,696		578,696	
- of which: subject to grant	X				
Total A	**-**	**578,696**	**-**	**578,696**	
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	
Total (A+B)	**-**	**578,696**	**-**	**578,696**	

Loans and receivables with customers and financial entities on and off-statement of financial position: gross and net values

Exposure categories/amounts	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs
	Impaired	Not impaired			
A. Cash credit exposure					
a) Non-performing exposures	2,035	X	2,035	-	
- of which: subject to grant		X			
b) Probable default	10,975	X	7,533	3,441	
- of which: subject to grant		X			
c) Impaired past due exposures		X		-	
- of which: subject to grant		X			
d) Unimpaired past due exposures	X			-	
- of which: subject to grant	X				
e) Other unimpaired exposures	X	960,201	1,755	958,446	
- of which: subject to grant	X				
Total A	**13,010**	**960,201**	**11,324**	**961,887**	**-**
B. Off-statement credit exposure					
a) Impaired		X			
b) Unimpaired	X				
Total B	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**13,010**	**960,201**	**11,324**	**961,887**	**-**

On-balance sheet exposures to customers and financial institutions: trends in gross impaired exposures

Categories	Non-performing exposures	Probable default	Impaired past due exposures
A. Initial gross exposure	**2,264**	**6,718**	**3**
- of which: transferred exposures not derecognised			
B. Increases	**647**	**8,017**	**-**
B.1 Income from unimpaired exposures	647	147	
B.2 income from impaired financial assets acquired or originated of impaired exposures			
B.3 Transfer from other impaired exposure categories			
B.4 Contractual changes without cancellation			
B.5 Other increases	1	7,870	
C. Decreases	**876**	**3,760**	**3**
C.1 Outflows to unimpaired exposure			
C.2 write-offs		48	
C.3 Collections	164	80	3
C.4 Gain from sale			
C.5 Loss from sale	650	3,632	
C.6 Transfer to other impaired exposure categories			
C.7 Contractual changes without cancellation			
C.8 Other decreases	62	-	
D. Final gross exposure	**2,035**	**10,975**	**-**
- of which: transferred exposures non derecognised			

On-balance sheet impaired exposures to customers and financial institutions: trends in comprehensive value adjustments

	Non-performing exposures		Probable default		Impaired past due exposures	
Categories	**Total**	**Of which: subject to grant**	**Total**	**Of which: subject to grant**	**Total**	**Of which: subject to grant**
A. Initial gross adjustments	**2,264**		**5,047**			
- of which: transferred exposures not derecognised						
B. Increases	**471**		**6,387**			
B.1 Value adjustments from impaired financial assets		X		X		X
B.2 Other value adjustments						
B.3 Loss from sale						
B.4 Transfer from other impaired exposure categories						
B.5 Contractual changes without cancellation		X		X		X
B.6 Other increases	471		6,387			
C. Decreases	**699**		**3,901**			
C.1 Valuation reversals						
C.2. Value recoveries						
C.3. Gain from sale						
C.4. Write-offs						
C.5 Transfer to other impaired exposure categories						
C.7 Contractual changes without cancellation		X		X		X
C.8 Other decreases	699		3,901			
D. Final gross adjustments	**2,035**		**7,533**			
- of which: transferred exposures not derecognised						

Covid-19 pandemic impacts on credit risk

The persistence of great uncertainty as to the future evolution of the pandemic and its economic and social repercussions make it difficult to draft a reliable outlook on Italy's economic recovery trends, since it is still not possible to thoroughly assess the actual effectiveness of the measures aimed at supporting income and enterprises and of the economic policies adopted by the government.

A number of adverse, yet plausible, macro-economic scenarios, envisaged by international bodies and agencies (IMF, ECB, OECD, rating agencies), which include the negative effects of the shock suffered by the sectors particularly affected by the measures taken to curb the pandemic, all depict a significant impairment of credit quality, especially with reference to exposures to retail/SME customers, which show less resilience in terms of extended financial difficulties.

While the quantification of the expected credit losses (ECL) is therefore greatly affected by volatility, Nexi Group has worked very hard to estimate the increase in risk levels (both current and future) in the most vulnerable economic sectors, which are most likely to suffer the long-term effects of the pandemic, intensifying the monitoring of sector exposure. The set of internal indicators was also adjusted in order to identify potential probable defaults (if possible, including in terms of individual debtors), trying to sufficiently differentiate between temporary financial difficulties, eligible for relief, and structural impairment of credit.

At the date of publication of these Notes, despite facing potentially critical situations, the impact of Covid19 -related events on credit risk is rather limited, owing to the proper and prompt handling of such risk, to the monitoring activities and to the mitigation measures taken.
Duly accounting for the nature of its operations and the credit risk factors outlined above, the Group has identified three potential factors conducive to further losses:

1) Increased losses due to chargeback for undelivered goods / services not rendered (especially in the hardest hit sectors, such as the travel, tourism and entertainment sectors).

This risk factor, which stands to have potentially conspicuous impact also in light of a prospective rise in claims in the medium term, was studied in depth over the year. This phenomenon, stemming from the possibility, for the card issuer, to charge the acquirer the amount of non-rendered services or goods not delivered to the hold, witnessed just a slight increase compared with 2019, but it was particularly relevant for the Travel industry, because of the restrictions called for by the health emergency. The chargeback trend stabilised at year-end, with the final figures aligned - both in terms of volumes and amounts - to the months that immediately preceded the start of the pandemic.

Nexi Group has responded by constantly monitoring such instances and setting mitigation measures in place, among which:

- bolstering of fraud prevention efforts in order to reduce losses and limit the number of disputes and claims leading to compensation;
- effective claims management;
- ongoing dialogue with payment card circuits concerning the correct implementation of relevant rules with respect to force majeure representations made by counterparties (e.g. supply chain interruptions, workforce shortages, limitations to free movement of people) and to the consequences of certain relief measures in favour of private citizens and businesses approved by the Italian government.

An effective management of this type of risk, while burdening the operations of all corporate functions involved, ensured a significant mitigation of the effects on the income statement. In fact, at the date of publication of these Notes, total gross insolvencies are no greater than in 2019.

2) Increased default risk among merchants (especially SMEs).

As at the date of these Notes, there is nothing to indicate either any sizeable short-term increase in customer defaults or in any of the relevant risks thereto, save for potential delayed timeframes with respect to merchants' payment of commissions.
The mitigation measures set in place by Nexi include initiatives designed to help small and medium-sized merchants address temporary payment difficulties due to liquidity issues ("digital solidarity" initiative; refund of fees for electronic payments worth less than Euro 10).

3) Increased cardholder insolvency.

As at the date of these Notes there has been no appreciable increase in direct-issue card insolvency as a direct consequence of the cardholders' reduced economic means.

Market risk (price and currency)

Nexi Group is exposed to the risk of unfavourable movements in the price of its Visa Inc. Class C Shares and Visa Inc. Class A Shares, as well as negative effects on the value of said shares due to movements in the EUR/USD exchange rate. Visa Preferred Class C shares (convertible into Visa ordinary Class A shares at a conversion factor that varies based on the costs deriving from potential liabilities of ex Visa Europe, acquired by Visa Inc.), are illiquid financial instruments and, as such, are characterised by possible obstacles (in law or de facto) or restrictions on divestment within a reasonable time and at fair market conditions; Visa preferred Class A shares can be promptly converted into ordinary shares at a predefined and non-modifiable rate; Visa ordinary Class A shares are liquid financial instruments listed on regulated markets.

As at the reference date of these Notes, based on the measurement at Fair Value of the stock in the context of the reference markets, hedging against market risks via a derivative instrument was deemed unnecessary.
The Group companies are also marginally exposed to the foreign exchange risk, to the extent that the payments and collections, respectively for transactions to be paid or collected in relation to the Mastercard and Visa schemes, are denominated in euros.
Market risks have not been significantly impacted by the Covid-19 pandemic.

Breakdown of asset, liabilities and derivatives by currency

	Currency					
Items	**US dollar**	**Pound sterling**	**Yen**	**Canadian dollar**	**Swiss Franc**	**Other currencies**
1. Financial assets	**151,858**	**159**	**149**	**79**	**58**	**239**
1.1 Debt instruments						
1.2 Equity instruments	151,614					
1.3 Loans and receivables	244	159	149	79	58	239
1.4 Other financial assets						
2. Other assets						
3. Financial liabilities	**13**	**-**	**-**	**-**	**-**	**-**
3.1 Liabilities	13	-	-			
3.2 Debt instruments						
3.3 Other financial liabilities						
4. Other liabilities						
5. Derivatives	**-**					
5.1 Long positions						
5.2 Short positions						
Total assets	**151,858**	**159**	**149**	**79**	**58**	**239**
Total liabilities	**13**	**-**	**-**	**-**	**-**	**-**
Difference (+/-)	**151,845**	**159**	**149**	**79**	**58**	**239**

37. Statement of comprehensive income

(Amounts in Euro thousand)

Items	2020	2019
Profit (loss) for the year	**129,308**	**136,086**
Items that will not be reclassified subsequently to profit or loss		
Financial assets at FVTOCI:		
a) Fair Value changes	33,124	18,546
b) transfers to other equity components		
Hedging of equity instruments designated at FVTOCI:		
a) Fair Value changes (hedged instrument)		(42,935)
b) Fair Value changes (hedging instrument)		
Defined benefit plans	(216)	(977)
Income taxes related to high income components without profit and loss reversal	(2,243)	1,960
Items that will be reclassified subsequently to profit or loss		
Cash flow hedges:		
a) Fair Value changes		(222)
b) income statement reversal		
c) other changes		
Income taxes related to high income components with profit and loss reversal		61
Other comprehensive income (net of tax)	**30,665**	**(23,567)**
Comprehensive income (Items 10 + 190)	**159,973**	**112,519**
Comprehensive income attributable to non-controlling interests	**1,638**	**643**
Comprehensive income attributable to the owners of the parent	**158,335**	**111,876**

38. Related Parties

The purpose of IAS 24 (Related party disclosure) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the equity-financial position and economic results may have been altered by the existence of related parties and transactions and balances applicable with said parties.

In accordance with these indications, applied to the organisational structure and governance of the Nexi Group, the following are considered as related parties:

a) entities that, directly or indirectly, by law or de facto, including through subsidiaries, trusts or intermediaries, control Nexi, included jointly, or exercise significant influence over it;
b) the subsidiaries or entities under the joint control of the entities listed at the point above;
c) the subsidiaries, associates or entities under the joint control of Nexi S.p.A.;
d) key management personnel of the Nexi Group and its direct Parent company and its subsidiaries, entities under its joint control or subject to its significant influence;
e) close family members of the natural persons included under letters a) and d) above;
f) the complementary pension fund established in the favour of employees of Nexi S.p.A. or its related entities.

38.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

Below are the fees paid, in the reference period, to the directors and managers and key management personnel.

(Amounts in Euro thousand)

	Directors	Board of Statutory Auditors	Key Management Personnel
Corporate bodies remuneration	1,367	699	-
Short-term benefits	-		4,352
Benefits subsequent to the termination of employment	-		524
Other long-term benefits	-		-
Indemnities for termination of employment	-		-
Total	**1,367**	**699**	**4,876**

38.2 INFORMATION ON RELATED-PARTY TRANSACTIONS

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

	Controlling company	Other related parties	Directors, Executives and other Supervisory Bodies
Cash and cash equivalents		7,128	
Financial assets measured at amortised cost		370,090	
Intangible assets		2,562	
Other assets	-	28,844	
Financial liabilities measured as amortised cost		-	
Other liabilities		21,497	
Fees for services rendered and commission income		29,577	
Fees for services received and commission expense		2,567	
Interest and similar income		403	
Interest and similar expense		1,738	
Other administrative expenses		8,086	
Other operating income (expense)			6

Note that these contracts are regulated by the terms and conditions in line with market terms and conditions.
The main contracts in place with related parties refer to the following relations entertained during the period with DEPObank (included in the category "other related parties" until March 1, 2021, date as of which the company is no longer related to Nexi Group):

- outsourcing contract for the supply of IT services by Nexi Payments S.p.A. to DEPObank. The price varies according to the effective use of internal and external resources; the contract was renegotiated in 2020, extending the deadline and reviewing the prices;
- agreement for the provision of commercial services that defines the terms and conditions on which basis Nexi Payments S.p.A. offers its customers the products and services of DEPObank through its commercial network. The price, identified upon completion of a market benchmark check, is correlated with the annual business volumes accrued by DEPObank as a result of the commercial activity of Nexi Payments S.p.A.;
- credit mandate contract whereby DEPObank provides a financing service through the advance of the daily settlement of issuing/acquiring transactions relative to servicing and associate banks. The price is measured to market conditions in place as at the contract stipulation date;
- outsourcing contract whereby Nexi Payments S.p.A. supplies DEPObank with a clearing service and accounting activities relative to a specific contract. The price is measured to the effective use of internal resources;
- deed of assessment stipulated with DEPObank, aimed at considering the effects deriving from the results of the query raised in respect of the tax asset pertaining to Nexi as a result of the spin-off;

- credit facility granted by DEPObank, used as a current account overdraft to manage the financial needs and guarantees. The contract is regulated by conditions in line with market conditions;
- current account contracts held with DEPObank. The contract is regulated by conditions in line with market conditions.

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

39. Share-based payments

39.1 STOCK GRANT

Mercury UK HoldCo Ltd ("Mercury UK") in 2019 adopted two incentive plans (the "Plans"), with Nexi S.p.A. ("Nexi") shares as the underlying.
The Plans are reserved to certain selected employees (the "Beneficiaries") of Nexi Payments S.p.A., Help Line S.p.A. and Mercury Payment Services S.p.A. (together with Nexi, the "Group").

The Plans give Beneficiaries the right to receive free of charge a certain number of Nexi shares (the "Benefit in Shares"), for which Beneficiaries are not required to pay any strike price. The Benefit in Shares consists of ordinary shares in Nexi for which no restrictions are envisaged with respect to either voting rights or dividend distributions.

The Benefit in Shares is subject to a period of deferral.
More specifically, for some Beneficiaries, the shares are assigned as follows:
- 50% of the Benefit in Shares is assigned at the date of Nexi's stock exchange listing, which occurred on April 16, 2019;
- 25% of the Benefit in Shares is assigned after the first anniversary of Nexi's stock exchange listing;
- 25% of the Benefit in Shares is assigned after the second anniversary of Nexi's stock exchange listing.

For other Beneficiaries, however, the Plan envisaged delivery of 100% of the Benefit in Shares with a deferral period of at least 100 days from the date of Nexi's stock exchange listing.
In all cases of termination of the contract of employment before the first date of share assignment in accordance with the Plans, the Beneficiary forfeits the right to receive the entire Benefit in Shares. In the event of termination of the contract of employment after the first date of share assignment for certain selected causes not the fault of the Beneficiary, if the Benefit in Shares is deferred in multiple tranches, the Beneficiary maintains the right to the assignment of part of the deferred Benefit in Shares (on a pro-rata temporis basis throughout the deferral period). By contrast, in all other cases of suspension of the contract of employment (other than those specified above), after the first assignment date, the Beneficiary forfeits the right to the assignment of the deferred Benefit in Shares.

In addition, during 2020, Mercury UKuk adopted a new incentive plan, based on the shares of Nexi S.p.A. ("Nexi") and vesting period until April 16, 2022. This plan, reserved for selected employees of the companies of the Nexi Group, whose main characteristics (eg in the event of termination of the relationship) are similar to those of the existing plans, except for the presence of additional shares that can be assigned to employees based on the market performance of Nexi shares.
Beneficiaries ") of the companies of the Nexi Group, whose main characteristics (eg in the event of termination of the relationship) are similar to those of the existing plans, except for the presence of additional shares that can be assigned to employees based on the trend in the market price of the shares

The shares allocated to the Plans are reported below:

Description	Number of shares
Total shares allocated to the Plans	9,127,355
Shares assigned definitively in accordance with the Plans	(5,316,980)
Shares forfeited from the Plans in 2019 and 2020	(161,833)
Shares in place as at Dec. 31, 2020	**3,648,542**

On the basis of that envisaged by IFRS 2, although not having made any commitments to Beneficiaries, as the Nexi Group is the entity that receives the services (the "receiving entity"), it must book, in its consolidated financial statements, the Plans in question on the basis of the accounting rules envisaged for the "plans settled with equity instruments".

More specifically, IFRS 2 establishes that, in the plans settled with equity instruments with employees, the entity must:
- measure the cost for the services it has received on the basis of the Fair Value of the representative instruments as at the assignment date;
- book the Fair Value of the services received, throughout the accrual period, making a counter-entry as an increase in Equity on the basis of the best estimate available of the number of equity instruments expected to accrue;
- review this estimate, if the subsequent information indicates that the number of equity instruments to be accrued differs from previous estimates.

The Fair Value of the "Stock Grant" Plan has been determined, for the Plans of 2019, taking into account the price of the IPO, which has also determined the time of delivery to most Beneficiaries of 50% of the granted shares and that, considering the short space of time that has passed between the assignment of the shares and the IPO, is considered a consistent indicator in terms of representing the share value at the grant date. For the 2020 Plan, Fair Value was determined, for base shares, considering the forward price of Nexi stock on 16.04.22. As for additional shares, the Monte Carlo method was adopted in order to simulate, for an adequate number of scenarios, the number of additional shares and the price of Nexi stocks. Implicit volatility was that obtained from info-providers as relevant to Nexi stock options with time-to-maturity set at equal to that of the plan.

Base on the above, the overall cost of the plan for 2020 is about Euro 17.4 million.

39.2 LONG TERM INCENTIVES

In 2019, the medium/long-term incentive Plan was implemented, as approved by the Shareholders' Meeting on March 12, 2019, in implementation of the remuneration policy adopted by the Company by Board of Directors' resolution passed on February 13, 2019. This plan, according to the provision of IFRS 2 described above with reference to the Stock Plan, must be accounted for as a transaction with employees to be settled with equity instruments of the entity.
The Plan is structured into three cycles, each with a three-year duration (2019-2021/2020-2022/2021-2023) and envisages the assignment of rights to receive ordinary shares in the Company once a year. These shares are not subject to any restrictions to voting rights or dividend distribution. As at the date of these financial statements, the first two cycles of the Plan has already been assigned in regard to which a vesting period is envisaged ending respectively on December 31, 2021 and on December 31, 2022.

More specifically, the process of assigning the rights to receive shares was completed as follows:
- First tranche: for most of the employees, on July 19, 2019, and for employees hired later, on September 30, 2019.
- Second tranche: for most of the employees, on July 15, 2020, and for employees hired later, on September 30, 2020.
- These dates are the grant dates for the purpose of IFRS 2.
- The rights to be assigned in the context of the LTI plan are divided up into:
- Performance Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) only upon achieving predetermined business performance objectives, referring to a specific period of time; and
- Restricted Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) regardless of whether or not the predetermined business performance objectives are achieved. These rights will accrue after the vesting period, subject to the beneficiary remaining in the Company.

A condition for the accrual of the rights and, therefore, the attribution of the shares for both the types described above is that the employee remains in service until the delivery date of the share attribution letter.
More specifically, with reference to Performance Share Rights:
- accrual is first and foremost subject to achieving - at the end of the Vesting Period of each Cycle - at least 80% of the Operating Cash Flow Target (the "Entry Gate");

- once the Entry Gate is satisfied, accrual of Performance Share Rights is also subject to achieving specific objectives at the end of the related Vesting Period, comprising two components:
  - a market-based component, linked to the achievement of objectives related to the performance of the market price of Nexi shares with respect to a benchmark, during the measurement period (weighing for 50%). The benchmark is determined as the mathematical average of three market indicators identified in the Plan regulation;
  - a non-market-based component, linked to the achievement of the Company's performance objectives in terms of Operating Cash Flow (weighing for 50%)

Changes in the number of rights assigned are reported below:

Description	No. of performance share rights	No. of restricted share rights	Total
Outstanding rights at the grant date	1,564,834	743,372	2,308,206
Accrued rights			
Forfeited rights in 2019 and 2020	(10,478)	(11,226)	(21,704)
Outstanding rights at Dec. 31, 2020	**1,554,356**	**732,146**	**2,286,502**

The rights assigned were measured, reflecting the financial market conditions valid as at the grant date. Determination of the total plan value, as established by IFRS 2, is impacted by the number of rights that will accrue in accordance with the rules set out by the performance and Fair Value conditions of each right.
Measurement was carried out considering the two components of the Performance Shares and Restricted Shares included in the plan, separately. Moreover, within the Performance Share component, consideration was given to the presence of the aforesaid specific objectives.
More specifically, the market-based component was estimated using the Monte Carlo Method, a stochastic simulation technique which, based on a set of starting conditions, produces a wide array of outcomes within a specified time horizon. More specifically, for each outcome scenario, share price projections are computed as of the initial value according to geometric Brownian motion, whose formula is as follows:

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

According to above formula, for a given time interval, Δt, changes in share price, ΔS, are dependent on price variability (σ) and on a random variable (ε) governed by standard normal distribution. Starting conditions for the simulation include an expected dividend yield of zero for the 2019-2021 time interval so as to also reflect the Board of Directors' resolutions dating February 13, 2019 concerning the distribution of dividends. Based on market sources at the reference date, other starting conditions include a risk-free rate in Nexi share returns of 1% p.a. and a share price volatility of 25% for the first tranche and 47% for the second tranche (reasonable estimates based on historical volatility as at the measurement date).
At the grant date the simulation delivered a unit value of Euro 11.9 for shares assigned on July 12, 2019, and of Euro 11.6 for the first tranche and Euro 25.87 and 25.71 for the second tranche (respectively, with reference to the shares issued in July and September).
As for the likelihood of beneficiaries leaving, the annual exit probability was assumed to be zero.
In accordance with IFRS 2, the non-market-based component is a condition that rather than be measured at the time of assignment is to be updated periodically at each reporting date, so as to take into account the expectations in relation to the number of rights that may accrue. For these components the unit Fair Value is Euro 9.57 and Euro 9.36 for the first tranche and Euro 15.59 and Euro 17.12 for the second (respectively, with reference to the shares issued in July and September).

The overall cost of the plan for 2020 was about Euro 9 million.

40. Business combinations

40.1. TRANSACTIONS CARRIED OUT DURING THE PERIOD

Acquisition of the Intesa Sanpaolo merchant acquiring business

As detailed in the Board of Directors' Interim Report, the acquisition of Intesa Sanpaolo Group's merchant acquiring business, agreed to on December 19, 2019, was completed on June 30, 2020.

As a result of the transaction, Nexi Payments S.p.A. has acquired the merchant contracts formerly managed by Intesa Sanpaolo, with reference to both traditional and alternative payment methods and POS terminal management. With Nexi leading on the innovative product and services development front, Intesa Sanpaolo will ensure placement of such products and services.
The acquisition resulted in the transfer of Intesa Sanpaolo's acquiring business into Nexi Payments for Euro 1 billion, an amount reflected in a like increase in the transferee's equity.

Pursuant to a master and distribution agreement and reflecting long-standing ties between the Nexi and Intesa Sanpaolo groups, Intesa Sanpaolo will act as distributor for Nexi's acquiring services.
Since the transaction falls within the scope of a business combination, it has been accounted for pursuant to the IFRS 3 - Business Combinations standard. The latter defines a business combination as "a transaction or other event in which an acquirer obtains control of one or more businesses" and states that any assets acquired (including any intangible assets not featured in the acquiree's statements) and any liabilities assumed or contingent are subject to Fair Value consolidation as at the acquisition date, and that the same applies for measurement at goodwill of the difference between the Fair Value of the identifiable assets and the considerations transferred. Purchase price allocation process was completed on December 31, 2020.
The purchase price allocation mainly addressed the valuation of contracts with customers. Furthermore, the contract also provides for the Fair Value of the earn-out mechanism, included in the overall value of the transaction. In particular, the acquisition contract for Intesa Sanpaolo's merchant acquiring book envisaged an earn-out payment mechanism to Intesa Sanpaolo, in 2025, should the merchant book achieve revenues, in the first 4 years, exceeding initial expectations upon takeover. The relevant Fair Value was determined based on the most recent estimates of the expected profitability of the merchant acquiring book. Note that, the earn-out, in terms of the IFRS 3, is a contingent consideration whose initial value is equivalent to Fair Value at the acquisition date.

The transaction was recognised, in compliance with the provisions of IFRS3, starting from the date of acquisition (30 June 2020) with the consequence that the effects on the income statement deriving from it will be effective from the second half of 2020. Note that the costs incurred to execute the transaction, during the year amount to Euro 21.9 million.

The provisional goodwill arising from said business combination totals c. Euro 763 million broken down as follows:

Intesa Sanpaolo acquiring book	Provisional Fair Value (*)	PPA allocation	Final Fair Value
Cash consideration paid	**1,000,000**	**-**	**1,000,000**
Contingent consideration/deferred price	**4,416**	**21,890**	**26,306**
Minority interests	**(8,672)**	**1,517**	**(7,155)**
Cash and cash equivalents	54,810	-	54,810
Financial assets (**)	24,322	-	24,322
Intangible assets	2,147	276,721	278,868
Tax assets	4	-	4
Other assets	12,629	-	12,629
Other liabilities (***)	(22,985)	(91,512)	(114,497)
Net assets	**70,910**	**185,210**	**256,120**
Goodwill	**924,834**	**(161,802)**	**763,031**
Cash consideration paid	1,000,000	-	1,000,000
Cash acquired	54,810	-	54,810
Net cash consideration	**945,190**	**-**	**945,190**

(*) The "provisional FV" column includes the final values of some items of the business's balance sheet and the amounts of the price due with reference to the price adjustment mechanisms that had been determined provisionally for the half-year report 2020.

(**) Mainly receivables from merchants and relevant payments

(***) Mainly payables for processing services

40.2 RETROSPECTIVE ADJUSTMENTS

In 2020 no retrospective adjustments were carried out since the PPA process was not completed in the same financial year in which the business combination was completed.

40.3 OTHER INFORMATION

As provided for by IFRS 3, the following table shows, for the aforesaid corporate transaction, the figures, on a pro-forma basis, of revenues and costs if the transaction had been completed as at 1.1.2020.

(amounts in Euro million)	Income statement 2020	ISP business 1H 2020	Pro-forma 2020
Operating revenue	993.9	50.0	1,043.9
Operating costs	(440.2)	(2.3)	(442.5)
EBITDA	**553.7**	**47.7**	**601.4**
Pre-tax profit	209.0	26.9	235.9
Net profit	127.9	16.3	144.2

40.4 TRANSACTIONS AFTER THE REPORTING PERIOD

As detailed in the Board of Directors' Report on Group Operations, the binding framework agreement governing the merger by incorporation of SIA into Nexi was signed on February 11, 2021. The closing of the merger, expected by Q3 2021, is subject to the fulfilment of certain customary conditions precedent, among which obtaining appropriate authorisations and permits from relevant antitrust authorities. The transaction had no impact on the financial statements for the year ended December 31, 2020 other than to the extent of Euro 4 million in direct transaction costs.

41. Group funding transactions

The proceeds of financing transactions carried out by Nexi Group in 2020 have been entirely allocated to funding the acquisition of the Intesa Sanpaolo SpA's merchant acquiring business. Said acquisition was completed on June 30, 2020 pursuant to agreements between the parties and as announced on December 19, 2019, and upon fulfilment of conditions precedent.

The consideration towards the acquisition, which totalled Euro 1 billion, was funded via the April 2020 issue of equity-linked bonds of aggregate principal amount of Euro 500 million due April 2027, and a floating-rate syndicated loan granted June 30, 2020 by a group of leading banks of principal amount Euro 466.5 million and due June 2025 (i.e. the "Term Loan"). The residual amount towards the purchase price was funded with available cash. Said transactions replace the initial bridge loan of Euro 1 billion due by end of 2021.

ISSUE OF CONVERTIBLE BONDS

With a view to extending the average maturity of its debt and to curbing its average cost and also to strengthen the company's liquidity in view of the prospective acquisition of Intesa Sanpaolo's merchant acquiring business, Nexi S.p.A. issued equity-linked bonds (the "Convertible Bonds") with the following characteristics:

- settlement date: April 24, 2020;
- aggregate principal amount: Euro 500 million;
- issue price: 100% of par value;
- maturity date: April 24, 2027;
- coupon: 1.75% p.a. payable semi-annually;
- conversion rights for settlement in the Issuer's ordinary shares at conversion price of Euro 19.47 per share.

A share capital increase, excluding shareholder pre-emption rights pursuant to article 2441(5) of the Italian Civil Code, in service to the conversion of the equity-linked bonds and involving the issue of a maximum of 25,680,534 Nexi S.p.A. shares on terms equal to ordinary shares in issue, was approved by the Extraordinary Shareholders' Meeting on June 29, 2020.

The Convertible Bonds are classified as compound financial instruments under IAS 32, pursuant to which the debt host contract and the equity component for the Fair Value of the conversion rights (into Nexi S.p.A. shares) are recognised separately. Initial recognition values for both were determined as follows:

- the host contract component is the present value of the bond, calculated based on a discount rate equivalent to the fair market value of the interest rate that Nexi would have secured had it issued bonds of equal maturity but barring conversion rights. Said value, net of direct issuing costs, was equal Euro 438 million. This component is subject to subsequent measurement at amortised cost;
- the equity component is equal to the difference between the face value of the bond and the value of the host contract, namely Euro 55 million. This component is not subject to subsequent measurement.

Costs directly associated with the issue of the Convertible Bonds were allocated to debt (Euro 6 million) and equity (Euro 0.8 million) in amounts proportional to the abovementioned initial value.

COVENANTS AND OTHER GUARANTEES LINKED TO FUNDING TRANSACTIONS

In line with financing transactions of similar nature and complexity, the IPO Loan, the Term Loan and, to a lesser extent, the Fixed-Rate Notes and the Convertible Bonds envisage compliance by Nexi S.p.A., Nexi Payments S.p.A. and Mercury Payment Services S.p.A. (jointly, the "Obligors") with certain obligations, including:

i. financial maintenance covenant: financial maintenance covenant: at each "test date" (i.e. June 30 and December 31 of each year), starting June 30, 2020, respect for a financial leverage ratio (essentially the "leverage ratio", the ratio of net debt and consolidated LTM EBITDA), which will be tested with regard to the consolidated and separate financial statements and consolidated interim reports, which shall not exceed 5.75:1 throughout 2020 and shall eventually decrease to 5.25:1. Note that said covenant only applies to the IPO Loan and Term Loan;

ii. negative pledge: each Obligor must abstain from establishing or allowing for the continuation of collateral over its assets, with the exception of certain expressly permitted guarantees and restrictions;

iii. ban on carrying out any spin-off, merger or corporate restructuring, other than the specifically permitted transactions.

Note that as at December 31, 2020 all obligations attached to the abovementioned loans have been fulfilled.

Note that in Q4 2020, Nexi secured a bridge loan from leading banks for an overall available amount of Euro 1.7 billion, for the business combination of Nexi and Nets groups, announced in November 2020, to be completed via a merger on an all-stock basis.
Note that the consummation of such transaction shall not imply new financial debt, but will only generate a debt for Nets Group to be refinanced, secured by the aforesaid bridge loan, which, therefore, at the date of publication of these Notes, was entirely available.

42. Earnings per share

The share capital of Nexi S.p.A. is made up entirely of ordinary shares.
The indicator "Earnings per share" (or "EPS") is presented on both basic and diluted basis: the basic EPS is calculated by considering the ratio of profit theoretically attributable to shareholders to the weighted average of the shares issued, whilst the diluted EPS also takes into account the effects of any future issues.

Furthermore, as envisaged by IAS 33, below are details of earnings per share, deriving from the result of the continuing and discontinued operations:

Basic earnings per share	2020	2019
Profit from continuing operations attributable to the Group's ordinary shares	0.21	0.06
Income (Loss) after tax from discontinued operations	0.00	0.16
Total basic earnings per share	**0.21**	**0.22**
Diluted earnings per share	**2020**	**2019**
Profit from continuing operations attributable to the Group's ordinary shares	0.20	0.06
Income (Loss) after tax from discontinued operations	0.00	0.16
Total diluted earnings per share	**0.20**	**0.22**

Result attributed to ordinary shares

Below is a reconciliation of the profit attributed to ordinary shares, divided up between the result deriving from the continuing operations and the result deriving from discontinued operations.

Description	2020	2019
Profit from continuing operations	130,047	36,539
Income (Loss) after tax from discontinued operations	(739)	99,547
Profit for the year	**129,308**	**136,086**

Average number of ordinary diluted shares

The average number of outstanding shares used for the calculation of diluted earnings includes the effects of future potential issues of shares in service to the LTI Plan, for the tranche already assigned to employees, and the Convertible Bonds.

Description	2020	2019
Average number of ordinary shares used to compute basic earnings per share	627,778	612,068
Deferred Shares (*)	14,787	1,226
Average number of ordinary and potential shares used to compute diluted earnings per share	**642,564**	**613,294**

(Amounts in share thousand)
(*) Shares attributed to employees according to the first tranche of LTI Plan and potential shares in issue upon conversion of the convertible bonds issued June 29, 2020.

43. Segment reporting

The segment disclosure has been prepared in compliance with the IFRS 8 international accounting standard.
The disclosure by business segment reflects the organisational and business structure with which the Nexi Group operated during the year. The comparative data shown below refers to pro-forma data that is consistent with that stated in the Board of Directors' Report on Group Operations.

The disclosure by business segment includes a single operating segment, represented by electronic money and payment services and which includes the central structures. A greater level of breakdown is given for net revenues from operations, which are divided up into three business lines that can be identified under the scope of the Nexi Group organisation and, therefore, specifically:
- Merchant Services & Solutions;
- Cards & Digital Payments;
- Digital Banking Solutions.

Allocation of the financial results to the various business lines is based on the accounting standards used in the preparation and presentation of the Consolidated Financial Statements.
The tables below thus provide a net revenue breakdown by business line, since the current structure does not require specific allocations by service line at the equity level.

Note 43.2 presents a reconciliation of the income statement drafted by means of segment disclosure and the income statement prepared in the Financial Statements that, in addition to including the effects of the various classifications, also highlights the impact deriving from the different contribution of the companies affected by the spin-off and the Payments BU, as described above. There is no provision for any alternative allocation of net revenues by geographic distribution, to the extent that business is conducted with reference to a nationwide customer base, which is thus managed as a whole.

43.1 SEGMENT REPORTING: INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

(amounts in Euro thousand)

Nexi Group P&L	Payments	Consolidation adjustments	Total segment Reporting
Merchant Services & Solutions	557,400	(57,420)	499,980
Cards & Digital Payments	381,708	(1,696)	380,012
Digital Banking Solutions	113,954	-	113,954
Operating revenues	**1,053,061**	**(59,116)**	**993,945**
Staff costs	(155,058)	(196)	(155,254)
Administrative costs	(330,970)	58,376	(272,595)
Adjustments and net operating provisions	(12,560)	196	(12,364)
Operating costs after amortisation	**(498,588)**	**58,376**	**(440,212)**
EBITDA	**554,473**	**(740)**	**553,733**
Amortisation and depreciation	-	-	(144,980)
Operating margin	**-**	**-**	**408,753**
Amortisation and depreciation (Customer contracts)	-	-	(32,238)
Interest and financing costs	-	-	(65,157)
Non-recurring items	-	-	(102,343)
Pre-tax profit	**-**	**-**	**209,014**
Income taxes	-	-	(79,709)
Profit for the year	**-**	**-**	**129,306**
Profit for the year attributable to non-controlling interests	-	-	(1,382)
Profit attributable to Group	**-**	**-**	**127,924**

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

43.2 SEGMENT REPORTING: RECONCILIATION OF SEGMENT REPORTING ON THE INCOME STATEMENT WITH INCOME STATEMENT FOR FY 2020

(amounts in Euro thousand)

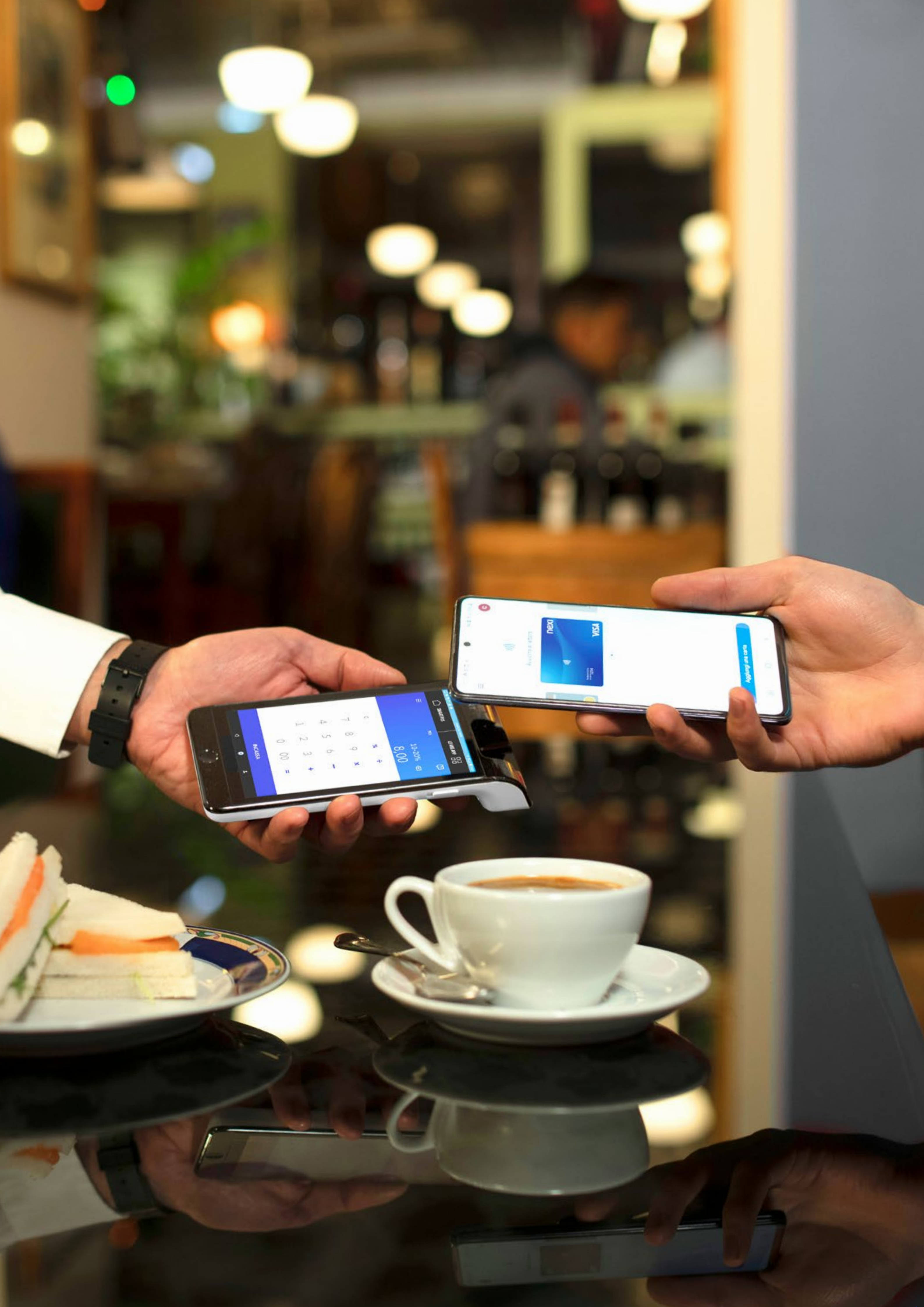
Nexi Group P&L	Segment reporting	Reconciliation	Financial statements
Operating revenues/Financial and operating income	**993,945**	**(66,966)**	**926,979**
Staff costs	(155,254)	(25,318)	(180,572)
Administrative costs	(272,595)	(77,420)	(350,015)
Adjustments and net operating provisions	(12,364)	1,251	(11,112)
Operating costs net of amortisation	**(440,212)**		
EBITDA	**553,733**		
Amortisation and depreciation	(144,980)	(30,334)	(175,315)
Operating margin	**408,753**		
Amortisation and depreciation (Customer contracts)	(32,238)	32,238	-
Interest and financing costs	(65,157)	65,157	-
Non-recurring items	(102,343)	101,392	(951)
Pre-tax profit	**209,014**	**-**	
Income taxes	(79,709)	-	(79,709)
Profit for the year	**129,306**	**-**	**129,306**
Profit for the year attributable to non-controlling interests	(1,382)	-	(1,382)
Profit attributable to Group	**127,924**	**-**	**127,924**

44. Independent auditors' fees for audits and for services other than auditing as per article 149 duodecies of Consob Regulation 11971

(amounts in Euro thousand)

	Nexi S.p.A		Nexi Group	
Type of service	**PwC**	**PwC network**	**PwC**	**PwC network**
Audit (*)	121	-	305	-
Other certifications (**)	125	-	-	-
Other services:	-	-	-	-
- Due diligence	-	600	-	-
- Agreed verification procedures	-	-	-	-
- Methodological support on specific issues	-	-	-	-
Total	**246**	**600**	**305**	**-**

(*) including legal audit of consolidated financial statements and limited audit of the interim financial statements.
(**) including certification services assigned to audit firms pursuant to specific provisions and laws, aside from the audit of the non-financial statement.



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CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

Certification of the Consolidated Financial Statements

Certification of the Consolidated Financial Statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer of Nexi S.p.A., and Enrico Marchini, as Manager in charge of preparing the corporate accounting documents of Nexi S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2020.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
   3.1 the Consolidated Financial Statements:
      a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information contained in the accounting ledgers and records;
      c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;

3.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Milan, March 11, 2021

Chief Executive Officer
Paolo Bertoluzzo

Manager in charge of preparing
the corporate accounting documents
Enrico Marchini

1.5

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Nexi SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nexi Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Nexi SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key matters	*Audit procedures in response to the key matters*
Measurement of intangible assets with indefinite useful life – Goodwill	
Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets *"Balance Sheet", paragraph 9. Intangible Assets – Goodwill* As of December 31, 2020 the goodwill recognised in the consolidated financial statements as Intangible Assets amounts to Euro 2,856 million and comprises roughly 45% of total consolidated assets. This goodwill, which was recognised in connection with business combinations of current and past periods, is tested annually for impairment in accordance with IAS 36 – "Impairment of Assets". The recoverable amount of goodwill is determined on the basis of its value in use. Parent Company's directors allocated goodwill in accordance with IFRS 3 – Business Combination, to two identified cash-generating units ("CGUs"): Monetica Nexi Payments and Mercury Payments Services. The determination of the recoverable amount of the assets subject to impairment test, determined according to the value in use methodology, requires the directors to draw up estimates which, by their nature, contain significant elements of professional judgment regarding: - the identification of Cash Generating Units to which an activity and / or group of activities can be attributed and - the definition of the assumptions underlying the estimate of the expected cash flows of the CGUs identified and discounted as at 31 December 2020, for the purpose of determining the recoverable value of the assets.	The identification and measurement process of the recoverable amount of intangible assets with indefinite useful life requires in-depth knowledge of the relevant markets and specialised expertise. In carrying out of the audit procedures in this area, we were assisted by our corporate valuation experts. We gained an understanding of the assessments and the criteria used by Management to identify the CGUs, and we verified that they were consistent with the management reporting and the Group's organisational and operating structure. We have carried out an understanding over the process adopted in preparing the estimates of the expected future cash flows used for the purpose of the impairment test, adjusted to include the effects of the extraordinary transactions carried out during the 2020 financial year and the specificities deriving from the spread of the pandemic COVID-19. We verified the accuracy and reasonableness of the forward-looking data used to determine the future cash flows of the identified CGUs. We conducted a critical analysis on the reasonableness of the key assumptions used by Management to determine the recoverable amount of the CGUs, which included applying specific sensitivity analysis. We verified that the disclosures in the Notes to the Financial Statements concerning intangible assets with indefinite useful life were adequate and complete, particularly with respect to the description of how the impairment test was conducted, the inclusion of the key assumptions used, the quantitative results obtained and the sensitivity analyses

Key matters	*Audit procedures in response to the key matters*
Given the complexity and subjectivity of estimates of expected cash flows and financial assumptions, as well as the materiality of goodwill recognised in the financial statements and in light of the current context of macro-economic uncertainty due to the Pandemic Covid-19 ,we considered impairment testing of Goodwill as a key matter in the audit of the Group's consolidated financial statements as at and for the year ended December 31, 2020.	performed also in response to the current uncertainty of the macro-economic context.
Recognition of revenue	
Notes to the consolidated financial statements "Main Accounting Policies", paragraph Fee Income and Other Service Revenue *"Income Statement" paragraph 20. Fee Income and Other Service Revenue* The Nexi Group's fee income and service revenue amounted to Euro 1,644 million at December 31, 2020 and refers to the provision of services in the electronic payment sector, including any related services. The process of recognizing revenues is particularly complex due to the multiplicity of existing commercial schemes, the large number of counterparties and transactions, as well as the interfaces with different and complex IT platforms. The integrity, reliability and operating performance of the Group's Information Communication Technology (ICT) infrastructure and its technological network, which is mostly outsourced to service providers outside the Nexi Group, are key for the accurate recognition of revenues. Furthermore, the service invoicing process consists of several manual steps. Fee income and service revenue are considered as a key audit matter due to the complexity and multi-faceted nature of their recognition and	We performed the audit procedures with the assistance of our IT experts, who supported us in the performance of the understanding, evaluation and validation of: - general IT controls for ICT systems that supported payment acceptance activities ("Acquiring ") and issuing and management of payment cards ("Issuing"). - relevant controls in place for the management of transactions and the consequent generation of commission income and remuneration for Services. We verified that, for the main commercial offers, the accounting policies and measurement criteria used to recognise revenue were compliant with IFRS 15 – "Revenues from contract with Customers". We reconciled management data with accounting data for the main financial statements items relating to revenue from the provision of services in the electronic payment sector. We carried out a trend analysis for some types of commission income recognized to the Nexi Group in the Acquiring and Issuing sector in the various service models, in correlation with the volumes and the relative physical drivers.

Key matters	***Audit procedures in response to the key matters***
measurement and because of their materiality.	We verified, on a sample basis, the consistency between the accounting records, contractual information, invoicing and evidence demonstrating that the service was effectively provided in the proper reporting period. We sent, on a sample basis, letters to clients requesting a confirmation of balances. We verified the adequacy and completeness of the disclosures in the Notes to Financial Statements regarding Fee Income and Service Revenue, in accordance with the requirements of international accounting standards.

Purchase Price Allocation of Goodwill from Intesa Sanpaolo's Acquiring Book acquistition *Notes to the consolidated financial statements "Main Accounting Policies", paragraph Intangible Assets* *"Other information", section 40, Business Combination* During the 2020 financial year, the Nexi Group completed the purchase of the acquiring book from Intesa Sanpaolo for a value of Euro 1,000 million. The extraordinary operation took place through the transfer of the acquiring book business unit from Intesa Sanpaolo (hereinafter also the "Acquiring Branch") to the subsidiary Nexi Payments. The acquisition of the Acquiring Branch was accounted for on the basis of the acquisition method in accordance with the provisions of IFRS 3 "Business combinations" and involved, at the acquisition date, the recognition at fair value of the assets acquired and the liabilities assumed relating to the acquiring branch (the so-called	The following activities were carried out with the support of our corporate valuation experts. We verified the appropriate identification of the Acquiring Branch underlying assets and liabilities and the correct determination of the amount of the consideration paid (price paid). We carried out a critical examination of the reasonableness of the main assumptions used by the Management in determining the *fair value* of the identified assets and liabilities as well as the allocation of the price paid. We verified the adequacy and completeness of the information provided in the Notes to Financial Statements regarding to the allocation of the price paid for this acquisition.

Key matters	*Audit procedures in response to the key matters*
Price Allocation Process, hereinafter also PPA). The process was finally concluded with the recognition of residual goodwill. The management of the Group determined, with the support of external experts, the fair value of these assets and liabilities identified using methods based on the discounting of future cash flows and the related commissions to be recognized to Intesa Sanpaolo. This methodology requires the use of information and assumptions, resulting in a high level of complexity in the estimation processes with particular reference to: • the evolution of the volumes expected from the transferred contracts as a function of the expected residual life and an estimate of the related future flows; • the financial assumptions used to determine the discount rate. In consideration of the significance of the transaction, the values emerging from the PPA and the complexity of the assumptions used to determine the *fair value* of the assets acquired and liabilities assumed, we considered the process of allocating the price paid for the acquisition of the merchant book from Intesa Sanpaolo as a key audit matter of the consolidated financial statements at 31 December 2020.	

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Nexi SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated

financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 13 February 2019, the shareholders of Nexi SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Nexi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Nexi Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Nexi

Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Nexi Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Nexi SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 6 April 2021

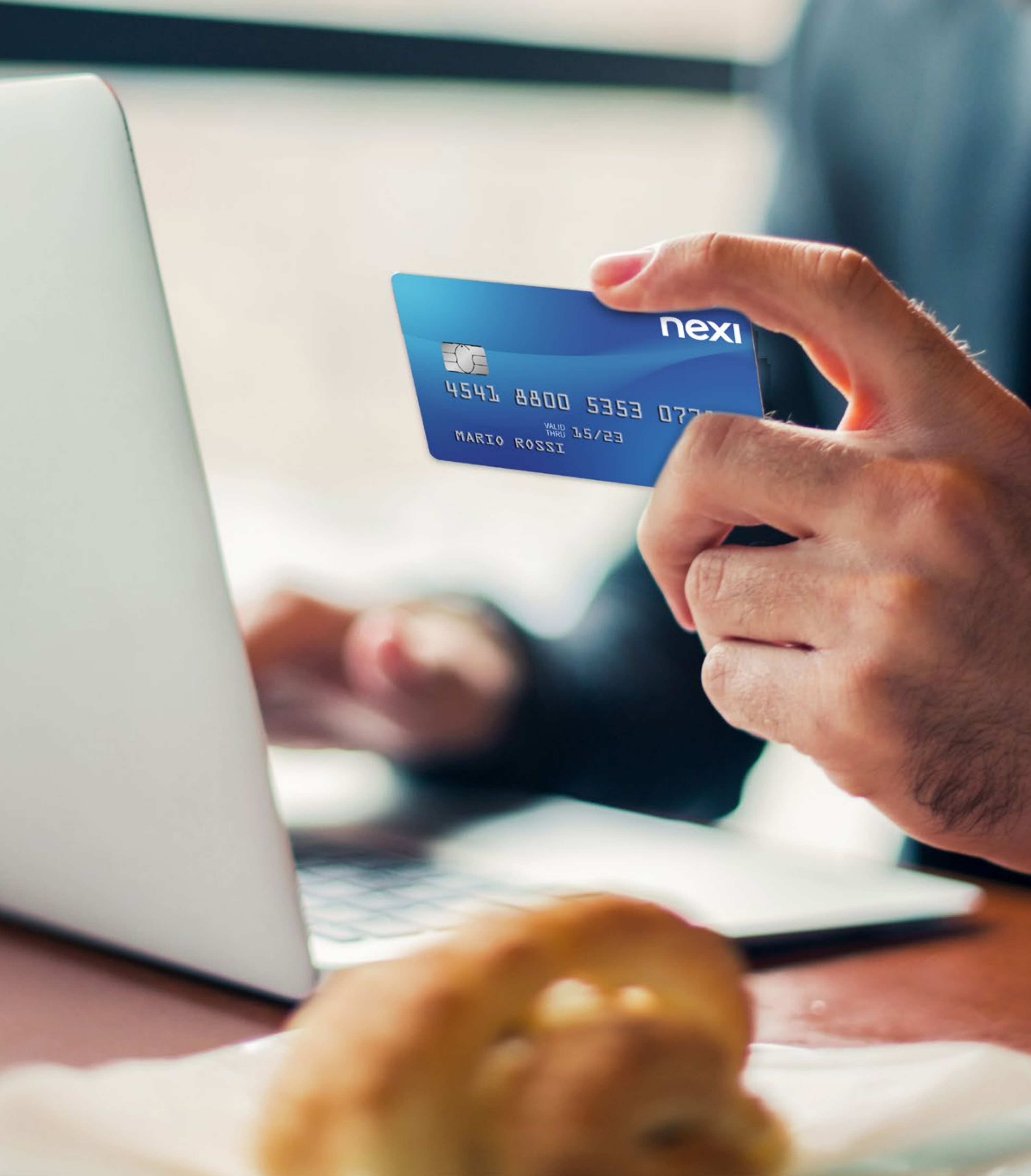
PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

2020 PARENT COMPANY REPORT AND FINANCIAL STATEMENTS



2

2020 PARENT COMPANY REPORT AND FINANCIAL STATEMENTS

2.1

BOARD OF DIRECTORS’ REPORT ON OPERATIONS

BOARD OF DIRECTORS' REPORT ON OPERATIONS

Financial year 2020 closed with a profit for the period of Euro 49.8 million, following a Euro 103.9 million profit in 2019. Equity stood at Euro 1,395.1 million, compared with Euro 1,264.3 million at December 31, 2019.

Relations with Other Group Companies

Pursuant to articles 2497 and following of the Civil Code, the Company carries out management and coordination activities for Help Line S.p.A., Nexi Payments S.p.A. and Mercury Payment Services S.p.A.. Relations with the Group Companies, further detailed in the explanatory notes, aim to foster fruitful cooperation and, pursuant to the applicable laws governing operations with related parties, the pertinent contractual and economic terms have all been regulated complying with the procedures and values adopted by the market and similar services.

For information concerning developments in the Group's organisational structure refer to the Board of Directors' Report on Group Operations.

Regulatory Compliance

Please refer to the *Regulatory Compliance* section in the Board of Directors' Report on Group Operations.

Human Resources

The Company workforce, as at December 31, 2020, stood at 7 resources.
With reference to seconded staff, note that said staff is head-counted within the relevant group company if and when their percentage secondment is ≥ 50%.

	Dec. 31, 2020	Dec. 31, 2019
Executives	6	2
Middle management	1	0
Employees	0	0
Other	0	0
Total	**7**	**2**
Open-ended	7	2
Fixed-term	0	0

Information on Staff and the Environment

Please refer to the *Information on Staff and the Environment* section in the Board of Directors' Report on Group Operations.

Business Environment Following the Covid-19 Outbreak

Please refer to the Business Environment Following the Covid-19 Outbreak section in the Board of Directors' Report on Group Operations.

Operating Performance

Profit for the period stood at Euro 49.8 million and was largely ascrivable to dividends received from subsidiaries totalling approximately Euro 132.4 million, all of which net of interest expenses for Euro 63.2 million and other expenses for Euro 44.6 million, and to the positive effects of taxes for Euro 25.2 million.

The Statement of Financial Position and the Income Statement are reported below.

Financial Statement highlights

Statement of Financial Position

The balance sheet at December 31, 2020 presents Total Assets at Euro 4,164.4 million, compared with Euro 3,131.1 million at December 31, 2019.

ASSETS
(Amounts in Euro million)

	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	159.1	115.4
Equity investments	3,970.0	2,947.0
Other assets	35.3	68.7
Total Assets	**4,164.4**	**3,131.1**

LIABILITIES
(Amounts in Euro million)

	31.12.2020	31.12.2019
Financial liabilities measured at amortised cost	2,722.5	1,811.6
Other liabilities	46.8	55.2
Equity	1,345.3	1,160.4
Profit (Loss)	49.8	103.9
Total Liabilities	**4,164.4**	**3,131.1**

In particular, the following emerged from the analysis of the aggregates that contribute to the total assets:
- Cash and cash equivalents refer to the available cash in bank accounts;
- Equity investments total Euro 3.970 million, versus Euro 2,947 million as at December 31, 2019.
  The increase is due to the increased stake in Nexi Payments following the acquisition of the Intesa Sanpaolo merchant book, and to the inclusion of the Stock Grant and of the LTI Plan that, as plans granted to subsidiary employees, have been recognised at investment value;
- Other assets total Euro 35.3 million, compared with Euro 68.7 million for the previous period. They mainly consist of tax consolidation receivables, current tax assets and deferred tax assets.

Regarding liabilities:
- financial liabilities measured at amortised stood at Euro 2,722 million compare with Euro 1,812 million the previous year. The increase is linked to funding operations carried out in 2020, as further detailed in the Board of Directors' Report on Group Operations;
- Other liabilities total Euro 47 million, compared with Euro 55 million at December 31, 2019 and mainly consist of payables to suppliers and invoices to be received;
- Net equity, including profit for the period, stood at Euro 1,395 million, up from Euro 1,264 million as at December 31, 2019.

The change is mainly due to:

(i) a 2019 profit carryover of Euro 104 million;
(ii) recognition of the IFRS2 reserve, totalling Euro 26 million, following the stock grant assigned by holding company Mercury UK and the LTI plan the company assigned to the employees of Nexi Group companies;
(iii) recognition of Euro 55 million as the value of the Convertible Bond's equity component net of direct transactions costs;
(iv) profit for the period of Euro 49,8 million.

Income Statement

The following table shows the income statement at December 31, 2020 vis-à-vis the previous year.

As at December 31, 2020, the Company's profit stood at Euro 49.8 million, compared with a Euro 103.9 million loss at December 31, 2019.

INCOME STATEMENT
(Amounts in Euro million)

	Dec. 31, 2020	Dec. 31, 2019
Net interest income	**(63.2)**	**(158.3)**
Dividends and profit (loss) from investments and sale of assets at FVTOCI (formerly AFS)	132.4	129.8
Financial and operating income	**69.2**	**(28.5)**
Total administrative expenses	**(41.2)**	**(24.5)**
Net accruals to provisions for risks and charges	-	4.0
Profit (loss) from equity investments and disposals of investments	(3.4)	-
Pre-tax profit (loss) from continuing operations	**24.6**	**(49.0)**
Income taxes	25.2	43.6
Profit (Loss) after tax from discontinued operations	-	109.3
Profit for the year	**49.8**	**103.9**

In view of such data, with reference to the items that concurred in forming the profit for the period:
- interest and similar expense totalled Euro 63.2 million, compared with Euro 158.3 million in 2019 and mainly consisted of interests on issued securities and current loans;
- administrative expenses totalled Euro 41.2 million, versus Euro 24.5 million in 2019 and mainly arising with respect to the announced strategic transactions, on top ofother general expenses.

Such items, net of the positive effects of income tax for Euro 25 million, bring profit for the period to Euro 49.8 million.

Joint Document of the Bank of Italy/ Consob/Isvap No. 4 of March 3, 2010 - and No.2 of February 6, 2009

The following is a summary report as to going concern, financial risks and uncertainties in the use of estimates.

Going Concern

The Board of Directors confirms its reasonable expectation that the Company will continue to operate as a going concern into the foreseeable future. The Directors also wish to point out that, based on the Company's financial and equity structure and on its business performance, nothing would suggest any cause for uncertainty as to going concern.

With reference to the Covid-19 pandemic and the nationwide lockdown, Nexi Group promptly implemented effective business continuity plans in order to ensure the regular functioning of its business, while ensuring the safety and security of all its staff as well as top level services to partner banks and to end customers. Ever since the very first day of the emergency, Nexi Group has fielded a number of initiatives, consistent with both the directives issued by the relevant Authorities and with internal continuity plans, which immediately secured all activities, providing remote working options for more than 95% of its employees, including call centre staff, and implemented the necessary precautions for the limited number of employees whose services were required at the head offices.

Information on Risks

Please refer to the *Nexi Group Risks* section in the Notes to the Consolidated Financial Statements.

Business Outlook

Please refer to the *Business Outlook* section in the Board of Directors' Report on Group Operations.

Significant Events after the Reporting Period

Please refer to the *Significant Events after the Reporting Period* section in the Board of Directors' Report on Group Operations.

Other Information

Please note that Nexi S.p.A. is not subject to either management or coordination by other companies or entities, pursuant to articles 2497e and 2497f of the Italian Civil Code.

In 2020 Nexi S.p.A. did not carry out any research and development activities.

Treasury Shares

The Company does not hold any treasury shares, whether directly or indirectly through intermediaries or trusts.

Distribution of Financial Year Profit (Loss)

Dear Shareholders,
the financial statements submitted to you, which we ask you to approve, show a profit of Euro 49,774,349.

We propose that the financial year profits be carried forward.

Milan - March 11, 2021
The Board of Directors

2.2

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

BALANCE SHEET

(Amounts in Euro)

ASSETS	Notes	31.12.2020	31.12.2019
Cash and cash equivalents	3	**159,057,917**	**115,361,574**
Equity investments	4	**3,970,003,905**	**2,947,016,630**
Property, equipment	5	**5,740**	**20,959**
Tax assets	6	**21,068,864**	**55,621,943**
a) current		1,412,166	25,411,449
b) deferred		19,656,698	30,210,494
Other Assets	7	**14,255,272**	**13,122,327**
Total assets		**4,164,391,698**	**3,131,143,433**

LIABILITIES	Notes	31.12.2020	31.12.2019
Financial liabilities measured at amortised cost	8	**2,722,480,756**	**1,811,617,616**
a) due to banks		1,456,741,072	992,582,464
b) due to financial entities and customers		6,445	21,314
c) securities issued		1,265,733,239	819,013,838
Tax liabilities	6	**10,376,948**	**-**
a) current		10,376,948	-
Other liabilities	9	**36,447,188**	**55,180,954**
Share capital	10	**57,070,707**	**57,070,707**
Share premium	10	**1,082,204,039**	**1,082,204,039**
Reserves	10	**206,067,710**	**21,098,849**
Profit (Loss)	10	**49,744,349**	**103,971,268**
Total liabilities		**4,164,391,698**	**3,131,143,433**

INCOME STATEMENT

(Amounts in Euro)

ITEMS		2020	2019
Interest and similar expense	12	(63,200,816)	(158,281,918)
Net interest income		**(63,200,816)**	**(158,281,918)**
Profit (loss) on held-for-trading/hedging assets and liabilities measured at FVTPOL	13	(3,770)	(1,997)
Dividends and profit (loss) from investments and sale of assets at FVTOCI	14	132,384,123	129,773,477
Financial and operating income		**69,179,537**	**(28,510,438)**
Personnel expenses	15.1	(2,452,120)	(835,689)
Other administrative expenses	15.2	(38,845,613)	(23,793,205)
Total administrative expenses		**(41,297,733)**	**(24,628,894)**
Net other expenses/income	16	(1)	154,529
Net provisions for risks and charges	17	-	4,017,107
Amortisation, depreciation and net impairment losses on tangible and intangible assets	18	(11,976)	(9,980)
Operating Margin		**27,869,826**	**(48,977,676)**
Profit (Loss) on investments and disposals	19	(3,374,936)	-
Profit (Loss) before tax from continuing operations		**24,494,890**	**(48,977,676)**
Income taxes	20	25,249,459	43,572,417
Profit (Loss) after tax for disposals	21	-	109,376,527
Profit (Loss) for the year		**49,744,349**	**103,971,268**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro thousand)

ITEMS	2020	2019
Profit (loss) for the year	**49,744**	**103,971**
Items that will not to be reclassified to profit or loss	-	-
Other comprehensive income (net of tax)	-	-
Total comprehensive income	**49,744**	**103,971**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in Euro thousand)

			Allocation of prior year profit		Change for the period		2020 Comprehensive income		
December 31, 2020	**Balance as at January 1, 2020**	**Change in opening balance**	**Reserves**	**Dividends**	**Change in Reserves**	**Transaction on net equity**	**Profit for the year**	**Other comprehensive income items**	**Balance at December 31, 2020**
Equity									
Share capital	57,071								57,071
Share premium	1,082,203								1,082,203
Reserves	21,099		103,971		26,362	54,636			206,068
Valuation reserves	-								-
Profit for the year	103,971		(103,971)				49,744		49,744
Equity	**1,264,344**	**-**	**-**	**-**	**26,362**	**54,636**	**49,744**	**-**	**1,395,087**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

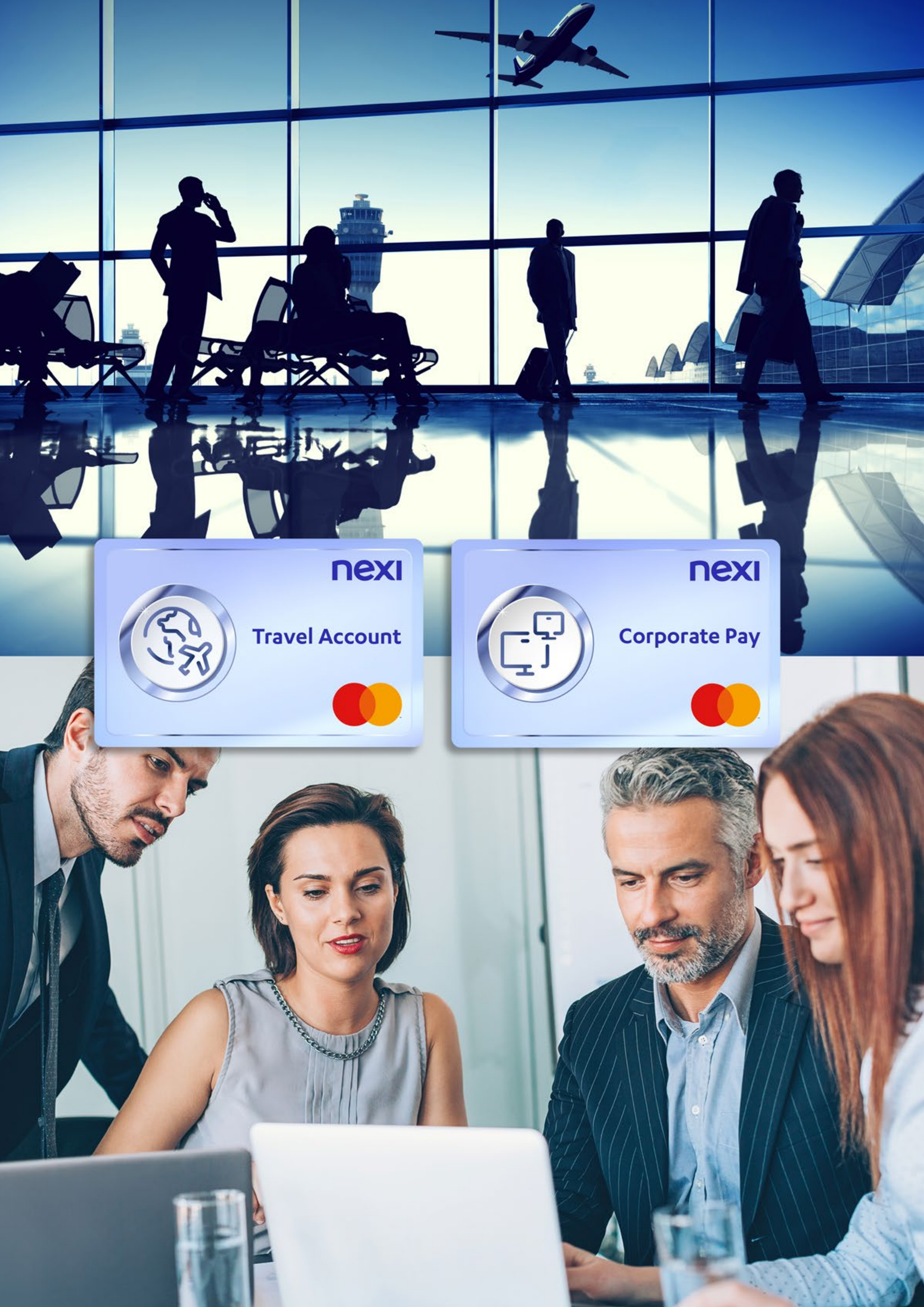
(Amounts in Euro thousand)

			Allocation of prior year profit		Change for the period		2019 Comprehensive income		
December 31, 2019	**Balance as at January 1, 2019**	**Change in opening balance (*)**	**Reserves**	**Dividends**	**Change in Reserves**	**Issuing of new Shares**	**Profit for the year**	**Other comprehensive income items**	**Balance at December 31, 2019**
Equity									
Share capital	50,000					7,071			57,071
Share premium	389,275					692,929			1,082,204
Reserves	30,192		(50,893)			41,800			21,099
Valuation reserves	-								-
Profit for the year	(50,893)		50,893				103,971		103,971
Equity	**418,574**	**-**	**-**	**-**	**-**	**741,800**	**103,971**	**-**	**1,264,345**

STATEMENT OF CASH FLOW

(Amounts in Euro)

	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**(75,427,835)**	**(188,968,115)**
Profit (Loss) for the year	49,744,349	103,971,268
Net accrual to provisions for risks and charges and other costs/revenues	-	(4,017,107)
Amortisation, depreciation and net impairment losses on property, equipment and intangible assets	11,976	9,980
Unpaid taxes, duties and tax assets	(25,249,459)	(54,457,329)
Other adjustments	(99,934,702)	(234,474,926)
2. Cash flows generated by (used for) financial assets	**-**	**(21,022,797)**
Other assets	-	(21,022,797)
3. Cash flows generated (used) by financial liabilities	**32,196,000**	**89,937,473**
Due to customers	(11,627)	-
Other liabilities	32,207,627	89,937,473
Net cash flows generated (used) by operating activities	**(43,231,835)**	**(120,053,438)**
B. INVESTING ACTIVITIES		
Dividends from equity investments	132,384,123	129,773,477
Sale/purchase of investment in subsidiaries or business units	(1,000,000,000)	152,999,251
Net cash flows generated (used) by investing activities	**(867,615,877)**	**282,772,728**
C. FINANCING ACTIVITIES		
Issues of debt securities and new loans	954,544,056	1,817,603,778
Issues/purchases of equity instruments	-	684,196,557
Repayment of loans and securities	-	(2,589,812,078)
Net cash flows generated by (used in) financing activities	**954,544,056**	**(88,011,744)**
NET CASH FLOWS GENERATED (USED) IN THE YEAR	**43,696,343**	**74,707,546**
Net cash flows generated (used) for the year	43,696,343	74,707,546
Opening cash and cash equivalents	115,361,574	40,654,028
Closing cash and cash equivalents	**159,057,917**	**115,361,574**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Travel Account
nexi
Corporate Pay

2.3

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

In compliance with the provisions of European Community Regulation no. 1606 of 19 July 2002, the Company has prepared this financial statements as at December 31, 2020 in compliance with the international accounting standards, international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), as approved by the European Commission and adopted by the Italian legislator with Italian Legislative Decree no. 38/2005. In preparing the financial statements, the IAS/IFRS standards in force as at December 31, 2020, were applied. No derogations were made from the IAS/IFRS standards.

Basis of preparation

The financial statements as at December 31, 2020 consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the financial statements, which include the criteria used for their preparation; it is also accompanied by a Directors' Report on operating performance, the economic results achieved and the Company's equity and financial position.

The financial statements as at December 31, 2020 are in euros which is the Company's functional currency; the figures given in the Notes to the financial statements are instead expressed in thousands of euros.

The financial statements as at December 31, 2020 are prepared with the application of the recording and measurement criteria envisaged by the international accounting standards approved by the European Commission and in line with the general assumptions envisaged by the Systematic Framework for the preparation and presentation of the financial statements, prepared by the IASB.
The measurement criteria are adopted considering the corporate business as a going concern with entries made on an accruals basis, respecting principles of the significance of the accounting information and substance over form. Furthermore, no compensation is made between costs and revenues or between assets and liabilities except in cases expressly provided for or accepted by the accounting standards in force.

These Financial Statements include comparative information in respect of the preceding year for all amounts reported in the current year's financial statements.
These Financial Statements have been prepared in accordance with the international accounting standards (IAS/IFRS) in force to date.

These standards have changed from those used in the preparation of the 2019 financial statements following the mandatory application, as of January 1, 2020 (for companies whose reporting period is the calendar year), of the following new standards or amendments:
- "Reference to the Conceptual Framework" (IFRS), issued May 2020. The amendments updated references to an old version of the Conceptual Framework for Financial Reporting replacing them with references to the latest version, which was issued in March 2018. Note that while the Conceptual Framework is not an accounting standard and, as such, does not require ratification, said document does since it amends several IAS/IFRS standards.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These amendments aim to clarify definitions of what constitutes material information and improve the understandability of said definitions. The amendments highlight that materiality is dependent on the nature or relevance of the information or both. Entities, furthermore, should ensure that information, whether individually or in combination with other information, is material with reference to the scope of the financial statements as a whole.
- Interest rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7). The amendments modify specific hedge accounting requirements to avert the prospect of uncertainty over the timing and amount of cash flows (arising from the interest rate benchmark reform) causing hedging relationships to be discontinued or causing uncertainty as to how to designate new hedging relationships.
- Definition of a business (amendments to IFRS 3 - Business Combinations). The amendment was in response to concerns over difficulties arising in respect of the application of the definition of " business" in practice.
- Covid-19 concessions on merchant fees (amendments to IFRS 16 Leases). These amendments reflect Covid-19 contingencies and the prospective need to account for temporary, voluntary relief to any lessees granted a suspension of lease payments. Adopted as of June 1, 2020, these amendments apply throughout to the financial year 2020, starting January 1, 2020.

The standards, amendments and interpretation described above had no significant impact on the Group's consolidated financial statements.

Starting 1 January 2021, the following new standards or amendments must now be applied, following their approval by the European Union:
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS19
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2

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

IASB documents	IASB publication date
IFRS 17: Insurance contract including amendments to IFRS 17	May 18, 2017 - June 25, 2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 23, 2020
Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	May 14, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2	August 27, 2020
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	February 2, 2021
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	February 2, 2021

As none of these has been approved by the European Commission, they have not impacted the preparation of these financial statements of Nexi S.p.A..

Contents of the accounting statements

Balance Sheet, Income Statement

The statement of the balance sheet and the income statement consist of items, sub-items and additional, more detailed information. In the income statement, revenues are indicated with no sign, while costs are preceded by the minus sign.

Statement of Comprehensive Income

The statement of comprehensive income starts out from the profit (loss) for the period to show the items of income recognised as counter-entries in the valuation reserves, net of the relevant tax effect, in compliance with the international accounting standards.

Statement of Changes in Equity

The statement of changes in equity shows changes to the equity accounts made during the reference period.

Statement of Cash Flows

The statement of cash flows provides information on cash flows for the period under review and the previous period, and has been prepared using the indirect method whereby, in reporting cash flows from operating activities, profit or loss is adjusted for the effects of non-monetary transactions.
Cash flows are broken down into those generated by operating, investing and financing activities.
Considering that liquid funds include Cash and cash equivalents, the period changes are all financial movements.

The cash flows generated in the period are indicated with no sign, while the cash flows absorbed in the period are preceded by the minus sign.

Contents of the Notes

The notes provide all information envisaged by the international accounting standards.
The measurement criteria, described below, were adopted to determine all information given in these financial statements.

Events after the reporting period

After the reporting date of these financial statements no significant events have occurred over and above those described in the Board of Directors' Report on Operations.

Other aspects

These financial statements are subject to the independent audit of PricewaterhouseCoopers S.p.A..

Main accounting policies

Investments

Equity investments held in subsidiaries and associates are entered and measured at cost, which is equal to the Fair Value of the price paid, save for any subsequent impairment losses as may be applied. At each reporting date, the investment is subjected to an impairment test if there is objective evidence of impairment that may have an impact on the investee's cash flows and therefore on the recoverability of the carrying amount of the investment itself.

In order to establish whether or not there is control over the subsidiaries and significant influence in associates, no situations are noted that called for any specific assessments or significant assumptions.

Property, equipment

Classification criteria

Property, equipment refers to rights of use assets acquired through lease contracts, as envisaged by IFRS 16.

Recognition criteria

The rights of use recognised in accordance with IFRS 16 are entered according to the current value of payments due, net of any transaction costs and prepaid charges. The entry is made when the asset is available for use.

Measurement criteria

The rights of use recognised in accordance with IFRS 16 are depreciated over a period equal to the lesser of the asset's useful life and the term of the lease contract.

Derecognition criteria

Property, equipment are derecognised when disposed of or when no further future economic benefit is expected from their use or decommissioning.

Current and deferred tax

Current and deferred tax is recognised as profit and loss under "Income taxes" with the exception of that relating to profit or loss recorded in specific valuation reserves (defined benefit plans, financial instruments measured at Fair Value through other comprehensive income and related hedging derivatives); these latter are instead allocated directly to the same valuation reserves, which, therefore, are stated net of the relevant tax.

Deferred tax is recognised as equity with open balances and without netting, stating the first under "Tax assets" and the second under "Tax liabilities".

The provision for income taxes is determined on the basis of a forecast of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences arising between the value assigned to an asset or a liability, according to statutory criteria, and their corresponding assumed value for tax purposes. For temporary deductible differences that will reverse over the next few years and for previous tax losses that have not yet been used, a deferred tax asset

has been recognised insofar as, on the basis of the strategic plans, it is considered likely that over that time frame, taxable income will be recognised against which said asset can be used.
Deferred tax liabilities are calculated on all taxable timing differences.
Deferred tax assets and liabilities are determined using the tax rates expected to be applied in the year in which the tax asset is realised or the tax liability will be extinguished, in accordance with current tax legislation.

Deferred tax assets and liabilities are systematically measured to reflect any alterations to tax rules or rates as well as any possible changes in the Company's subjective position.

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

"Non-current assets held for sale and discontinued operations" (in the assets) and "Liabilities associated with non-current assets held for sale and discontinued operations" (in the liabilities) include all non-current assets or groups of assets/liabilities for which a decision has been made to dispose and the sale of which is considered extremely likely.
These assets/liabilities are measured at the lower of carrying amount and Fair Value net of disposal costs.
Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year, are presented in the income statement in a separate item.

Other assets

Other assets essentially include items that cannot be traced to other items of the balance sheet, including tax items other than those recognised under their own item (e.g. connected with tax substitute activities), accrued income other than that capitalised on the related financial assets and deferred expenses.

Financial liabilities measured at amortised cost

Classification criteria

A financial instrument issued is classified as a liability when, on the basis of the substance of the contractual agreement, a contractual obligation is held to deliver money or another financial asset to a third party.

Recognition criteria

Payables are recognised as at the date on which the contract is stipulated, which normally coincides with the time when the amounts collected are received and debt securities issued.
Financial liabilities are initially measured at Fair Value, which normally coincides with the amount collected or issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.
Interest is recorded under the "Interest and similar expense" item of the income statement.

Derecognition criteria

Financial liabilities, or part thereof, are derecognised when extinguished, i.e. when the obligation has been met, cancelled or expired.

Other liabilities

This category includes:
- intragroup liabilities, such as non-derivative financial liabilities other than those held for trading;
- other liabilities, mainly relating to trade payables.

These liabilities are measured at cost or amortised cost

Provisions for risks and charges

Provisions for risks and charges include all provisions made in relation to past events for which an economic outlay is probable, as long as a reliable estimate can be made of the relevant amount.
At the close of all financial statements, the provisions made are periodically reviewed and, if the incurrence of possible expenses should become unlikely, the provisions are entirely or partially reversed to profit and loss statement. When the effect of the time value of money is material, the amount of the provisions is discounted at current market rates. The provision is recognised on the income statement.

Interest income and expense

Interest income and expense is recognised on the income statement for all instruments measured in accordance with the amortised cost criteria, using the effective interest method, including direct costs and commissions of the transaction in the calculation.

Dividends

Dividends are recognised in the income statement when their distribution is resolved.

Other items of the income statement

Costs are recognised on the income statement on an accruals basis; costs relating to the obtaining and fulfilment of contracts with customers are recognised on the income statement in the periods in which the related revenues are recognised.

Use of estimates and assumptions in preparing the financial statements

Financial statement aggregates are measured according to the standards set out above.
The application of these standards sometimes involves the adoption of estimates and assumptions that can have a significant impact on the values entered on the balance sheet and income statement..

In stressing that the use of reasonable estimates is an essential part of preparing financial statements, without this factor being held to affect their reliability, below are the items in which the use of estimates and assumptions is most significant:
- quantification of provisions made for risks and charges;
- quantification of the equity component of to the convertible bond;
- quantification of deferred taxation.

To this end, please also note that an estimate can be adjusted following changes to the circumstances on which it was based or new information or even additional experience. Any change to the estimate is applied prospectively and therefore impacts the income statement of the year in which the change is made and, potentially, those of future years.

2. Balance sheet

(Amounts in Euro thousand)

ASSETS

3. Cash and cash equivalents

	31.12.2020	31.12.2019
a) Cash in hand	-	-
b) Deposits and current accounts	159,058	115,362
Total	**159,058**	**115,362**

The item "Deposits and current accounts" refers to the liquid funds available in the bank current accounts, mainly held with DEPObank S.p.A..

4. Equity investments

4.1 EQUITY INVESTMENTS

Company	Registered office	Operating office	Investment %	Voting rights %	Carrying amount	Fair Value
A. Wholly-controlled subsidiaries						
1. Mercury Payment Services S.p.A.	Milano	Milano	100.00	100.00	1,009,196	X
2. Nexi Payments S.p.A.	Milano	Milano/Roma	99.07	99.07	2,958,632	X
3. Help Line S.p.A.	Cividale del Friuli	Cividale del Friuli/ Milano	69.24	69.24	2,176	X
B. Jointly-controlled entities						X
C. Associates						X

Please note that the impairment testing carried out on the consolidated financial statements also supports the full recovery of the carrying values of the separate financial statements for equity investments in Nexi Payments and Mercury Payment Services S.p.A.. Indeed, as better described in the notes to the consolidated financial statements, to which we would refer you, the test was carried out with reference to the legal entities Nexi Payments S.p.A. and Mercury Payment Services S.p.A. and the value in use calculated exceeds the carrying amounts listed in the separate financial statements.

As regards equity investments in Help line, the Parent's financial statements as at December 31, 2020 include approximately Euro 3 million impairment losses, so as to better reflect the Parent's closing equity, offsetting increased equity against macroeconomic uncertainty due to the Covid-19 pandemic.

4.2 EQUITY INVESTMENTS: ANNUAL CHANGES

	Dec. 31, 2020	Dec. 31, 2019
A. Opening balance	**2,947,017**	**2,893,206**
B. Increases		
B.1 Purchases		
B.2 Reversals of impairment losses		
B.3 Fair Value gains		
B.4 Other increases	1,026,319	53,811
C. Decreases		
C.1 Sales		
C.2 Impairment losses	3,331	-
C.3 Other decreases	-	-
D. Closing balance	**3,970,004**	**2,947,017**

The increase is related to the Nexi Payment's share acquired during 2020 in connection to the acquisition of the merchant book of Intesa Sanpaolo and to the effects of the share based payment as indicated in section 25.

5. Property, equipment

5.1 PROPERTY, EQUIPMENT: BREAKDOWN OF THE ASSETS MEASURED AT COST

	Dec. 31, 2020	Dec. 31, 2019
1. Owned	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. Rights of use deriving from lease contracts	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	5,740	20,959
Total	**5,740**	**20,959**

5.2 PROPERTY, EQUIPMENT: CHANGES

Dec. 31, 2020	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance				-	**20,959**	**20,959**
B. Increases	-	-	-	-	-	-
B.1 Purchases	-	-	-	-		-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment losses	-	-	-	-	-	-
B.4 Positive fair value adjustments allocated to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**15,218**	**15,218**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	-	-	11,976	11,976
C.3 Impairment losses allocated to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.4 Negative fair value losses allocated to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	3,242	3,242
D. Closing balance	**-**	**-**	**-**	**-**	**5,740**	**5,740**

6. Tax assets and liabilities

6.1 CURRENT TAX ASSETS: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Current tax assets:		
IRES	57	24,056
IRAP	1,355	1,355
Total	**1,412**	**25,411**

6.2 CURRENT TAX LIABILITIES

	Dec. 31, 2020	Dec. 31, 2019
Current tax liabilities:		
IRES	10,377	-
Total	**10,377**	**-**

6.3 DEFERRED TAX ASSETS: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets:		
- of which: recognised in profit and loss	19,657	30,210
- of which: recognised in equity		
Total	**19,657**	**30,210**

6.4 DEFERRED TAX ASSETS: CHANGES

	Dec. 31, 2020
1. Opening balance	**30,210**
2. Increases	-
2.1 Deferred tax assets recognised in the year	2,717
2.2 New taxes or increases in tax rates	-
2.3 Other increases	928
3. Decreases	**-**
3.1 Deferred tax assets de-recognised in the year	14,198
3.2 Decrease in tax rates	-
3.3 Other decreases	-
4. Closing balance	**19,657**

7. Other assets

	Dec. 31, 2020	Dec. 31, 2019
Taxes and revenue stamps	36	-
Guarantee deposits	800	-
Deferred costs	4,308	5,241
Other assets	9,111	7,882
Total	**14,255**	**13,123**

LIABILITIES

8. Financial liabilities measured at amortised cost

8.1 FINANCIAL LIABILITIES DUE TO BANKS: BREAKDOWN OF PAYABLES TO BANKS

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financing	1,456,741	-	1,456,741	-	992,582,464	-	992,582,464	-
2. Lease debts								
3. Other liabilities	-	-	-	-	-	-	-	-
Total	**1,456,741**	**-**	**1,456,741**	**-**	**992,582,464**	**-**	**992,582,464**	**-**

Financial liabilities due to banks of Euro 1,456 million as at December 31, 2020 (Euro 992 million as at December 31, 2019) have risen as a result of borrowing in respect of the Term Loan financing the acquisition of the Intesa Sanpaolo merchant book, as to which further details are provided under Note 40 of the consolidated financial statements.

8.2 FINANCIAL LIABILITIES DUE TO CUSTOMERS: BREAKDOWN OF PAYABLES TO CUSTOMERS

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financing	-	-	-	-	-	-	-	-
2. Lease debts	6		6		21		21	
3. Other liabilities	-	-	-	-	-	-	-	-
Total	**6**	**-**	**6**	**-**	**21**	**-**	**21**	**-**

8.3 SECURITIES ISSUED

	Dec. 31, 2020				Dec. 31, 2019			
		Fair Value				Fair Value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Fixed rate bond	1,265,733	-	1,457,227	-	819,014	-	850,208	-
2. Floating rate bond	-	-	-	-	-	-	-	-
Total	**1,265,733**	**-**	**1,457,227**	**-**	**819,014**	**-**	**850,208**	**-**

Securities issued increased following the issue of the Convertible Bond to finance the acquisition of the Intesa Sanpaolo merchant book, as to which further details are provided under Note 39 of the consolidated financial statements.

9. Other liabilities

	Dec. 31, 2020	Dec. 31, 2019
Suppliers	17,708	6,742
Tax authorities	2,258	176
Other liabilities	16,481	48,263
Total	**36,447**	**55,181**

10. Shareholders' equity

10.1 SHARE CAPITAL: BREAKDOWN

As at December 31, 2020, share capital comprised 627,777,777 ordinary shares, all fully paid up.

	Dec. 31, 2020	Dec. 31, 2019
1. Share capital		
1.1 Ordinary shares	57,071	57,071
1.2 Other shares	-	-

10.2 SHARE PREMIUM: BREAKDOWN

	Dec. 31, 2020	Dec. 31, 2019
Share premium reserves	1,082,204	1,082,204

10.3 RESERVES: BREAKDOWN AND CHANGES

	Legal	Other - Extraordinary Reserve	Other	
Possible use (*)	**B**	**A, B, C**	**A, B, C**	**Total**
A. Opening Balance	**10,000**	**(30,701)**	**41,800**	**21,099**
B. Increases				
B.1 Allocation of profit for the year				-
B.2 Other Increases	1,414	102,557	80,997	184,968
C. Decreases				
C.1 Utilisation				-
C.2 Other Decreases				-
D. Closing Balance	**11,414**	**71,856**	**122,797**	**206,067**

(*) A: capital increase; B: to cover losses; C: dividend distribution.

The reserves increase reflects recognition of share-based payments, as to which further details are provided in section 25, *Share-based payments* and the equity component related to the convertible bond issued during the year.

Other information

Nothing to report.

11. Income Statement

(Amounts in Euro thousand)

12. Interest and similar expense

	2020	2019
Due to banks	35,697	155,137
Securities issued	27,504	3,145
Total	**63,201**	**158,282**

13. Profit (Loss) on held-for-trading/hedging financial assets and liabilities measured at FVTPOL

	2020	2019
Net trading income on financial assets	(4)	(2)
Net hedging income on financial assets	-	-
Total	**(4)**	**(2)**

14. Dividends and profit (loss) from investments and sale of assets at FVTOCI

	2020	2019
Dividends	132,384	129,773
Profit (loss) from investments and sale of assets at FVTOCI	-	
Net result	**132,384**	**129,773**

Dividends for 2020 refer to the amounts collected from subsidiaries Mercury Payment Services S.p.A. and Nexi Payments S.p.A..

15. Administrative expenses

15.1 PERSONNEL EXPENSES: BREAKDOWN

This item, totalling Euro 2.452 thousand, refers to the cost of seconded staff.

	2020	2019
1) Employees		
a) wages and salaries	-	-
b) social security charges	-	-
c) post-employment benefits	-	-
d) pension and similar costs	-	-
e) accrual for post-employment benefits	-	-
f) accrual for pension and similar provisions:		-
- *defined contribution plans*	-	-
- *defined benefit plans*	-	-
g) payments to external supplementary pension funds:		-
- *defined contribution plans*	-	-
- *defined benefit plans*	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	-	-
2) Other personnel	**2,452**	**836**
Total	**2,452**	**836**

15.2 OTHER ADMINISTRATIVE EXPENSES: BREAKDOWN

	2020	2019
Third-party services	2,028	302
Insurance	522	391
Rental	9	6
Other taxes	2,155	3,823
Legal, notary and consultancy expenses	30,836	14,519
Other general expenses	3,295	4,736
Total	**38,846**	**23,793**

16. Other operating income, net

	2020	2019
Other operating income	-	154
Other operating expense	-	-
Total	**-**	**154**

17. Net accruals to provisions for risks and charges

	2020	2019
Net provisions for risks and charges	-	4,017
Total	**-**	**4,017**

18. Amortisation, depreciation and net impairment losses on tangible and intangible assets

	2020	2019
Amortisation/net impairment losses on tangible net assets	12	10
Amortisation /net impairment losses on intangible net assets	-	-
Total	**12**	**10**

19. Profit (loss) from equity investments and disposals of investments

	2020	2019
Profit		
Profit on investments	-	-
Profit on sale of investments	-	-
Loss		
Loss on investments	3,375	-
Loss on sale of investments	-	-
Net Result	**(3,375)**	**-**

20. Income taxes

	2020	2019
Current tax expense	39,929	28,882
Changes in current tax expense from previous periods	(482)	
Change in deferred tax assets	(14,198)	14,690
Change in deferred tax liabilities	-	-
Total	**25,249**	**43,572**

Current income taxes refer to estimated taxes on the tax losses of the company. Further note that as of 2019 the Group tax filings, already including Mercury Payment Services S.p.A., also include Nexi Payments S.p.A. and Help Line S.p.A.

20.1 RECONCILIATION BETWEEN THEORETICAL TAX CHARGE AND EFFECTIVE TAX CHARGE RECOGNISED

IRES	2020
Theoretical tax rate	24%
Non-deductible costs	7.2%
Non-taxed revenues and other decreases	(134%)
Effective rate	(103%)

The item "Non-taxed revenues and other decreases" mainly refers to revenues for dividends and capital gains that benefit from the Pex regimen and benefits deriving from the application of the ACE concession.

21. Profit (Loss) after tax from discontinued operations

	2020	2019
1. Profit		
2. Loss		
3. Valuation of disposal group and associated liabilities		
4. Profit (Loss) from disposal	-	109,377
5. Tax and duty		
Profit (Loss)	**-**	**109,377**

Relative to 2019, the item refers to the capital gain for the sale of the equity investment in Oasi Diagram S.p.A..

22. Information on risks and related hedging policies

Please refer to the Information on *Risks and Related Hedging Policies* section in the Notes to the Consolidated Financial Statements.

23. Related-party transactions

23.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The table below summarises the fees paid by Nexi S.p.A. to the directors and managers and key management personnel, as defined in section 25.2.

	Directors	Board of Statutory auditors	Key management personnel
Corporate bodies remunerations	1,013	286	
Short-term benefits			
Benefits subsequent to the termination of employment			
Other long-term benefits			
Indemnities for termination of employment			
Total	**1,013**	**286**	

1. Information on related-party transactions

The purpose of international accounting standard no. 24 (Related party disclosure) is to make sure that the financial statements of an entity contain the additional information necessary to highlight the possibility that the equity-financial position and economic results may have been altered by the existence of related parties and transactions and balances applicable with said parties.

In accordance with these indications, applied to the organisational structure and governance of Nexi S.p.A., the following are considered as related parties:

a) all entities that, directly or indirectly, in law or de facto, including through subsidiaries, trusts or intermediaries, control, individually or jointly, Nexi, or that are able to exercise significant influence over it;
b) the subsidiaries or entities under the joint control of the entities listed at the point above;
c) the subsidiaries, associates or entities under the joint control of Nexi S.p.A.;
d) key management personnel of the Nexi Group and its direct Parent Company and its subsidiaries, entities under its joint control or subject to its significant influence;
e) close family members of the natural persons included under letters a) and d) above;
f) the complementary pension fund of employees at Nexi S.p.A. or at entities related to it.

The effects of transactions with related parties as defined above are summarised in the table below.

(Amounts in Euro thousand)

	Parent Company	Other Group companies	Other related parties
Cash and cash equivalents		-	7,128
Financial assets measured at amortised cost		-	-
Other Assets	-	9,107	-
Financial liabilities measured at amortised cost		-	-
Other liabilities		4,324	15,554
Fees for services rendered and commission income		-	-
Fees for services received and commission expense		-	-
Interest and similar income		-	-
Interest and similar expense		-	210
Other administrative expenses		4,089	41

Please note that these transactions are governed by terms and conditions which are in line with market terms and conditions and, for the purposes of intercompany service contracts, are governed taking into account actual recourse to such contracts by each Group company.
Transactions with Group companies mainly refer to the national tax consolidation scheme.
Transactions with other related parties mainly refer to current accounts held with DEPObank, the deed of assessment stipulated with DEPObank so as to consider the effects deriving from the results of the application in relation to the tax asset pertaining to Nexi as a result of the spin-off.

24. Group funding operations

The Company's financial structure changed significantly in 2020 largely in conjunction with financing transactions for the acquisition of Intesa Sanpaolo S.p.A.'s merchant acquiring business, as executed, pursuant to agreements between the parties, on June 30, 2020, and as disclosed on December 19, 2019, and upon fulfilment of conditions precedent.

The consideration towards the acquisition, which totalled Euro 1 billion, was funded via the April 2020 issue of equity-linked bonds of aggregate principal amount of Euro 500 million and due April 2027, and a floating-rate syndicated loan granted June 30, 2020 by a group of leading banks of principal amount Euro 466.5 million and due June 2025 (i.e. the "Term Loan"). The residual amount towards the purchase price was funded with available cash. Said transactions replaced the initial bridge loan facility of Euro 1 billion due by end of 2021.

For further information please refer to Note 39 of the Consolidated Financial Statements.

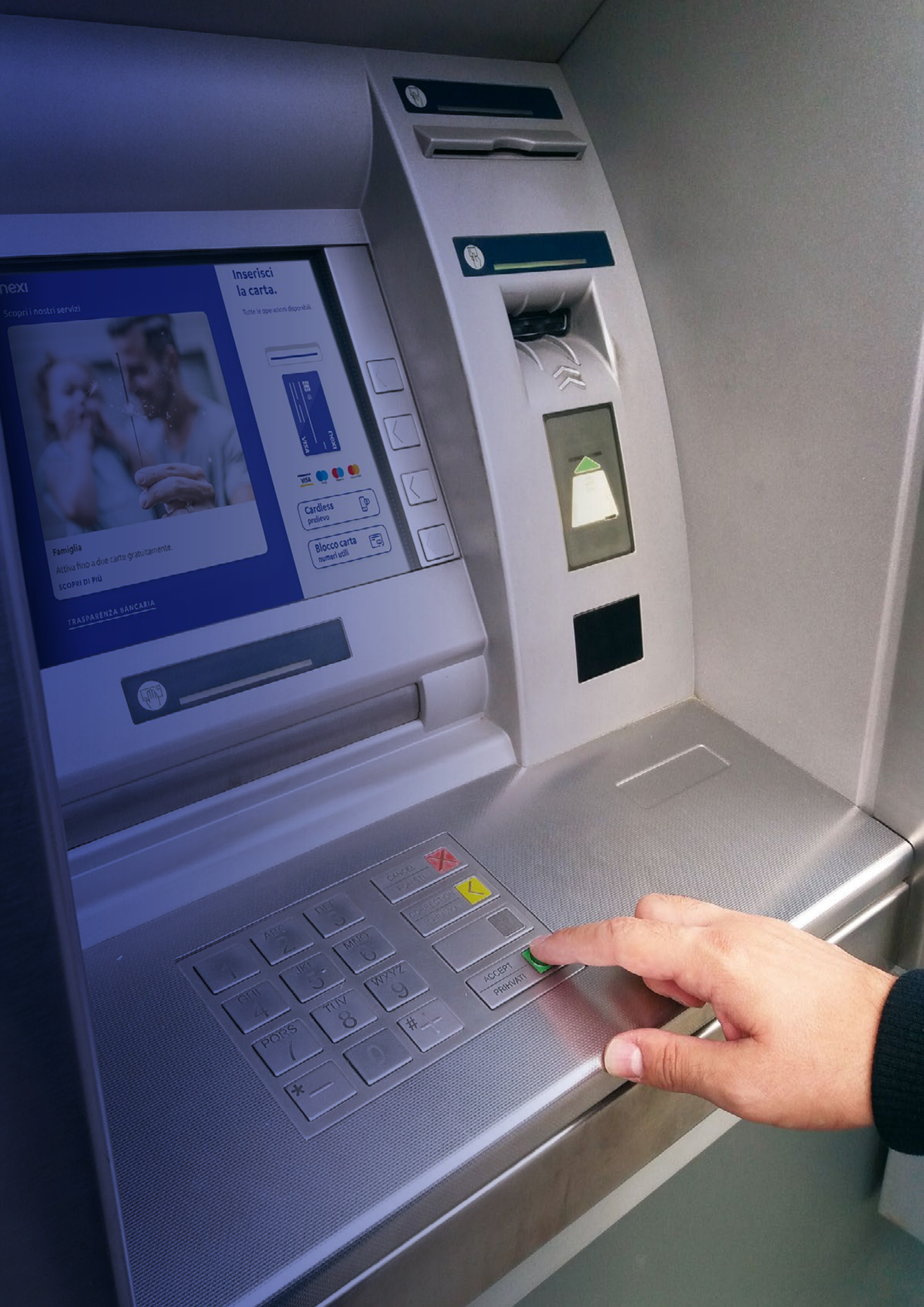
25. Share-based payments

Please refer to the Notes to the Consolidated Financial Statements for a description of share-based payments in place as at the reporting date.

In particular, please note the following:
- in accordance with IFRS 2, plans must be recognised within both the Parent's financial statements and the consolidated financial statements as "Equity-settled transactions";
- the measurement criteria applied to the full amount of the grant-date fair value of the plans and to its breakdown throughout the vesting period are described in the Notes to the Consolidated Financial Statements;
- in the Parent's financial statements, since the beneficiaries of said share-based payments are employees of the Parent, the Equity increase is recognised through "Equity investments", not, as in the consolidated financial statements, within the Income Statement.

Increases in equity investments as recognised within the Parent's 2020 financial statements break down as follows:

	LTI	Stock Grant	Total
Help Line	23	21	44
Mercury Payment Services	431	675	1,106
Nexi Payments	8,528	16,685	25,212
Nexi	**8,982**	**17,380**	**26,362**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Inserisci
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Scopri i nostri servizi
Cardless
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Famiglia
Attiva fino a due carte gratuitamente.
SCOPRI DI PIÙ
TRASPARENZA BANCARIA
ACCEPT
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2.4

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

Certification of the Financial Statements

Certification of the Financial Statements pursuant to article 154-bis, paragraph 5 of Legislative Decree no. 58/98

1. The undersigned Paolo Bertoluzzo, as Chief Executive Officer of Nexi S.p.A., and Enrico Marchini, as Manager in charge of preparing the corporate accounting documents of Nexi S.p.A., certify, also taking into account the contents of article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of administrative and accounting procedures for the preparation of financial statements in the year 2020.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:

3.1 the Financial Statements:
a) are prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the information contained in the accounting ledgers and records;
c) provide a true and fair representation of the equity, economic and financial situation of the issuer;

3.2 the Report on Operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, March 11, 2021

Chief Executive Officer
Paolo Bertoluzzo

Manager in charge of preparing
the corporate accounting documents
Enrico Marchini

2.5

BOARD OF STATUTORY AUDITORS' REPORT

Report of Nexi SpA's Board of Statutory Auditors to the Shareholders' Meeting pursuant to Legislative Decree 58/1998 and article 2429(2) of the Civil Code

To the Shareholders.

The Board of Statutory Auditors (hereinafter, also the "Board") is held to report to the Shareholders' Meeting of Nexi SpA (hereinafter, also the "Company" or "Nexi") with reference to the supervisory activity conducted throughout the and the omissions and censurable actions detected, pursuant to article 153 of Legislative Decree 58/1998 (TUF) and article 2429(2) of the Civil Code. The Board may also remark upon and make proposals concerning the financial statements, their approval and other matters within the scope of its competence.

Throughout the financial year 2020, the Board of Statutory Auditors carried out its statutory tasks in compliance with governing laws and taking due account of the Rules of Conduct set forth by the National Councils of Tax Consultants and Accounting Experts, and by Consob and by the Corporate Governance Code for listed companies

1. Appointment and meetings of the Board of Statutory Auditors

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 13 February 2019 and it consists of Mr Piero Alonzo (Chairperson), Mr Marco Giuseppe Zanobio and Ms Mariella Tagliabue (Statutory Auditors) and by Mr Tommaso Ghelfi and Mr Andrea Carlo Zonca (Alternate Auditors).

Note that the Board of Statutory Auditors also acts as the Supervisory Board, as per Legislative Decree 231 of 2001.

The Board met 13 times in 2020 and attended all 18 meetings of the Board of Directors held in 2019, as well as the two Shareholders' Meetings held in 2020.

Furthermore, in 2020 the Board attended all nine meetings of the Risk, Control and Sustainability Committee, all seven meetings of the Remuneration and Appointments Committee and all 14 meetings of the Related Parties Committee.

The Board wishes to further note that, on June 25, 2019, it established the qualitative and quantitative criteria and procedures applicable to its self-assessment, based on the information provided by its members. During the meeting held on February 1, 2021, the Board of Statutory Auditors performed the Self-Assessment process, the results of which are included in the Board's 2020 Self-Assessment Report. The Board has drafted a summary of said Report, titled Self-Assessment Report, and submitted it to the company's Board of Directors during the meeting held on March 11, 2021. More specifically, with reference to the requirements and expertise of the individual members and of the board as a whole, the following has emerged:

- all Statutory Auditors, as well as meeting integrity and professionalism requirements and not falling within the situations of incompatibility provided for by the governing laws, also possess required independence envisaged under the Corporate Governance Code;
- the Board of Statutory Auditors' membership provides for diversity with respect to gender, age, professional backgrounds and know-how;
- each Statutory Auditor has firm knowledge and experience in several fields of expertise;
- the Board of Statutory Auditors' overall expertise is suited to its mandate.

Size, operations and reporting are adequate and show no shortfalls or critical areas.

2. Significant events of the financial year

The Board of Statutory Auditors regularly received, whether from the Board of Directors directly or by attending the meetings of the Board of Directors and of the Internal Board Committees, information on the activities carried out and on the foremost economic, financial and equity transactions approved and performed during the financial year by the Company and Nexi Group companies (hereinafter, also the “Group” or “Nexi Group”), including those pursuant to article 150(1) of the TUF. Based on the available information, the Board of Statutory Auditors can reasonably assure that such transactions are compliant in respect of Law and of the Articles of Association and are not patently imprudent, reckless, contrasting with Shareholders' resolutions, nor do they compromise the integrity of Group's fundamentals. Furthermore, all and any operations potentially entailing a conflict of interest have been approved in compliance with the Law, with regulatory provisions and with corporate bylaws.

As at 31 December, 2020, Nexi Group consisted of the Company and the following subsidiaries, with respect to which said Company also carries out management and coordination:

• Mercury Payment Services SpA – fully owned, 100%;

• Nexi Payments SpA – 99.07% owned;

• Help Line SpA – 69.24% owned.

The Group continued to consolidate its position in the digital payments core business, and has done so also via extraordinary transactions involving takeovers in the merchant acquiring business and via mergers, as further detailed below.
The Company and the Group's most sizeable transactions and operations in 2020 have included:

- completion of the acquisition of Intesa Sanpaolo's merchant acquiring business;
- filing for arbitration in respect of the sale of stakes in Oasi SpA to Gruppo Cedacri;
- signing of a Memorandum of Understanding between Nexi, SIA, CDP Equity, FSIA and Mercury concerning the merger of the two groups through SIA's incorporation into Nexi. The merger will issue in the birth of a European paytech leader whose combined pro-forma 2019 revenues and EBITDA stand at Euro 1.8 billion and Euro 1 billion respectively. The final merger agreement was signed on February 11, 2021;
- signing of a binding agreement for the all-stock merger of Nets into Nexi. Prospectively ranking as the largest pan-European paytech platform, the group issuing from said business combination would compete at scale, delivering market leadership in respect of products and efficiency, and would account for a combined pro-forma 2020 revenue and EBITDA of Euro 2.9 billion and 1.5 billion respectively (including long-term synergies and assuming the SIA merger's closing). The Nexi Board of Directors also approved the merger also on the grounds of the favourable opinion of Nexi's Related Parties Committee. The Nets merger is independent of the merger with SIA and its closing is conditional to fulfilment of the agreement's conditions precedent, which include obtaining relevant regulators' authorisations and permits and Nets' closing of the sale of its Corporate Services business to Mastercard.
- significant changes in the Group’s financial structure, also as a direct consequence of the need to procure financial resources in service to the acquisitions.

Debt structure as at December 31, 2020 is as follows:

(Amounts in Euro million)

Description	Dec. 31, 2020	Dec. 31, 2019
- Senior Secured Fixed-Rate Notes	820	819
- Convertible Bond	445	
- Term Loan	462	
- IPO Loan		

	995	992
- Other financial debts	59	29
Total	**2,781**	**1,840**

For a complete list and detailed description of significant events during the financial year ended December 31, 2020, see the Board of Directors' Report on Group Operations, which – to the Board of Statutory Auditors' best of knowledge – provides a comprehensive review of major events at Nexi Group for 2020 and for the period up to the approval of these financial statements.

3. The Covid pandemic

In 2020 both the Company and the Group were affected by the healthcare crisis triggered by SARS-CoV-2 ("Covid-19"). From the outset of the pandemic the Company and the Group, coordinated by an internally established emergency task force reporting to the Executive Committee, promptly rolled out continuity plans so as to ensure regular business operations and the safety of their staff and clients, all of which pursuant to the relevant public authorities' guidelines. Group Companies also established remote working facilities for 95% of employees, including call centre staff, ensured that appropriate individual safety and protection standards were upheld in respect of any employees physically present at company premises, and monitored the business continuity and service levels of its largest outsourcers. While transaction volumes and revenues were invariably affected by public lockdown measures, as pointed out in the Board of Directors' reports on operations, for any given period, approximately half of Group revenues are independent of transaction volumes. As also highlighted in said reports, Nexi and Group Companies implemented a number of strategic actions, prioritising on curbing operating costs and reviewing investment plans. Furthermore, in light of the uncertain economic outlook triggered by the pandemic, the Company has temporarily allowed for departure from the 2019-2021 financial targets as set out in its revised Industrial Plan at time of IPO. For further details please refer to Board of Directors' Report on Group Operations.

4. Significant events after the reporting period

As prior mentioned, the final agreement for the merger by incorporation of Nets into Nexi was signed on February 11, 202. As standard for such transactions, closing is conditional to fulfilment of certain conditions precedent, among which obtaining authorisations and permits from the relevant antitrust authorities. Closing is also subject to a whitewash vote by the Shareholders' Meeting. Furthermore, should closing be subsequent to the Nets merger, CDP Equity shall hold rights to approve a SIA share capital increase so as to offset share dilution issuing from Nets' merger into Nexi. Also, on February 17, 2021 the Company issued a Convertible Bond of Euro 1 billion whose proceeds will be used to service a portion of Nets' debts at time of merger. On March 3, 2021, subject to a whitewash vote, the Nexi Shareholders' Meeting approved the merger of Nets into Nexi. For further details please refer to the Board of Directors' Report on Operations.

5. Atypical or unusual operations

The financial statements, the information received during the Board of Directors' meetings and the information received from the Chairperson and the Chief Executive Officer, from the management and the Independent Auditors provide no indication of any atypical and/or unusual operations, including any with an intragroup or related-party scope.

6. Related-party transactions

Pursuant to article 2391a of the Italian Civil Code and to regulations issuing from Consob Resolution 17221 of 12 March, 2010, the Company arranged and adopted a "Procedure for Related-Party Transactions" (hereinafter, also "RPT Procedure") and set up a "Related Parties Committee". It should be noted that Nexi Group resorted to waivers provided under article 10 of said Consob resolution, which, in respect of major transactions, allows recently listed companies to adopt, until approval of the financial statements for second financial year following the year of listing, the authorisation process envisaged for minor transactions.

The Board of Statutory Auditors monitored both the RPT Procedure's compliance in respect of any rules and regulations applicable from time to time, and its full and proper implementation. The Board attended all 14 meetings of the Related Parties Committee and was regularly updated concerning all and any transactions carried out.

In 2020 the Company, in accordance with article 5(8) of said Consob regulation, qualified the Nets-Nexi merger as a related-party transaction so as to duly reflect the fact that Nets' shareholders include investment funds which also hold significant stakes in Mercury UK Holdco UK, Nexi's majority shareholder.

To that end the Company implemented the RPT Procedure in full and on November 20, 2020 provided disclosure on its www.nexi.it corporate website pursuant to article 5 of said Consob regulation. The disclosure's annex also features the favourable opinion of the Related Parties Committee and, on grounds of further due diligence, the fairness opinions of both an independent advisor and a reviewer.

In respect of the aforesaid transaction the Board of Statutory Auditors has ascertained the Company's abidance and compliance with the Related Parties Procedure, and has raised no exceptions, holding that said transaction was, to the best of its knowledge, properly managed and that RPT Procedure was fully and properly implemented.

In its Report on Group Operations, the Board of Directors expressly states that, save for the aforesaid transaction, no other third-party transactions carried in 2020 significantly affected the Group's consolidated assets or financial performance during the reporting period.

Any financial and business ties between Group Companies and related parties are detailed within the relevant section of the Notes to the Consolidated Financial Statements (Note 36).

7. Oversight of management standards and organisational structure

Pursuant to article 114(2) of the TUF, the Board of Statutory Auditors secured knowledge and provided oversight as to organisational structure, as to compliance with the standards of proper management, and as to the appropriateness of any instructions provided by the Company to any subsidiaries, by securing information both from relevant corporate officers and at meetings held with the independent auditors in the context of mutual reporting on relevant data and information.

Pursuant to the requirements of all rules and regulations applicable from time to time, to its Corporate Governance Code and reflecting broader domestic and international corporate best practices, the body of the Company's governance instruments includes:

- the Articles of Association;
- the Shareholders' Meeting Regulation;
- the Board of Directors' Regulation;
- the Guidelines for the Strategic Committee's Operations;
- the Control, Risk and Sustainability Committee Regulation;
- the Remuneration and Appointments Committee Regulation;
- the Related-Party Transactions Procedure and the Related Parties Committee Regulation (pursuant to article 2391a of the Italian Civil Code and to the RPT Regulation);
- the Nexi Group General Regulation on Management and Coordination;
- the Regulation on Relevant or Privileged Information and on the Drafting and Keeping of the RIL and of the Insiders and Internal Dealing List;

The Board of Statutory Auditors attended the meeting during which the Board of Directors examined the outcomes of the Board Review performed with the assistance of an external advisor. The manner in which the Board Review was conducted and the positive findings issuing from the review are detailed in Nexi's Report on Corporate Governance, as requested in the 'Recommendations of the Committee for 2020', issued by the Corporate Governance Committee.

Organisational structure is deemed suitable to the company's size and to the conduct of its business. Please further note that the herein mentioned business combinations will lead to changes with respect to organisational structure, to certain key management processes at the Company, and to supporting IT systems.

The Reports on Operations, the information gathered in the Board of Directors' meetings and the information received from the Chief Executive Officer, from management, from the subsidiaries' Boards of Statutory Auditors and from the independent auditors, revealed no evidence of atypical and/or unusual operations conducted with Group companies, third parties or related parties.

Finally, the Board of Statutory Auditors has reviewed the corporate processes that led to the definition of the Company's remuneration policies, with a specific focus on the remuneration criteria for the Chief Executive Officer, top management and the heads of the control functions.

8. Oversight of the internal control and risk management system

The Board of Statutory Auditors has monitored the appropriateness of the internal control and risk management systems by:

- meeting with the Company's top managers to examine the internal control and risk management system;
- regularly meeting with the Internal Audit function, the Compliance function and the Anti-Laundering function so as to assess work planning methods, based on the identification and evaluation of the major risks in organisational units and processes;
- meeting with the Chief Executive Officer, the CFO, the Group HR Manager, the Risk Manager, the Chief Information Officer and the CISO;
- reviewing the Control function's periodical reports, including the ones concerning the outcome of activities supervising the implementation of the identified adjustments;
- meeting with the Control Committee Chairperson;
- meeting with the Financial Reports Manager and with the independent advisors the Company entrusted to review the methods adopted as to Purchase Price Allocation and Impairment Test;
- meeting with the Company's Investor Relator;
- gathering information from the Company and Group Corporate Functions managers, in order to examine the outcomes of the audits they conducted, including to ensure regular reporting with reference to corporate risks monitoring;
- regularly attending the Company's Control and Risks and Sustainability Committee, and when specific agenda items called for it, jointly addressing them with the committee.

Whilst performing its audit activity, the Board of Statutory Auditors constantly liaised with the Control Functions.

The Internal Audit function operates on the basis on a yearly plan, which defines the activities and processes to be audited with a risk-based approach. The plan is approved every year by the Board of Directors. The activities carried out by the Function during the financial year have encompassed the entire planned scope. Such activity revealed no significantly critical profiles.

The Compliance Function focused on checking and updating the specific rules that involve the Group, Corporate Governance, Market Abuse, conflict of interest and related parties, remuneration policies and process 231 verifications. Such activities revealed no critical risk profiles worth pointing out.

The Board of Statutory Auditors acknowledges that the yearly reports of the Control Functions give a favourable opinion on the overall internal controls structure.

Based on the activities carried out, on the information gathered, on the contents of the Control Functions' Reports, the Board of Statutory Auditors reckons there are no critical elements that may undermine the structure of the control and risk management system.

9. Oversight of accounts administration and of financial reporting

The Board of Statutory Auditors, acting as Internal Control and Accounting Auditing Committee, has monitored the process and checked the efficacy of the internal control and risk management systems as far as financial reporting is concerned.

The Board of Statutory Auditors points out that, pursuant to article 154b of the TUF, the Board of Directors, in the meeting held on February 25, 2019, it appointed Mr Enrico Marchini (previously Head of Administration at subsidiary Nexi Payments S.p.A.) as manager in charge of drafting accounting documents ("Financial Reports Manager"), effective as of the commencement date of the Company shares trading on Borsa Italiana's MTA equities market. Mr Marchini was previously Head of Administration at subsidiary Nexi Payments SpA.

The Board of Statutory Auditors has regularly met with the Financial Reports Manager to share information on the administrative-accounting system and on its reliability in terms of a correct representation of management.

The administrative and accounting procedures for the drafting of the individual and consolidated financial statement, as for any other financial communication, have been set up under the responsibility of the Financial Reports Manager who, together with the Chief Executive Officer, certifies its adequacy and effective implementation.

During the regularly held meetings, the Financial Reports Manager reported no shortfalls, in the operational and control process, that may negatively affect the judgement of adequacy and effective enforcement of the administrative-accounting procedures, for a correct economic, asset-related and financial representation of management, in compliance with the international accounting standards.

Nexi's activity – financial reporting in particular – has been impacted by the Covid-19 epidemic. In early 2020, ESMA (European Securities and Markets Authority) and CONSOB urged the Company to intervene on its financial reporting an price-sensitive communications to the market, providing all the required disclosures and making any due adjustments, in view of the pandemic's impact.

Please note that both the Report on Group Operations' section on "Business Environment following the Covid-19 outbreak" and the financial statements' "Major Risks and Uncertainties" section of the Notes duly report on macroeconomic instability factors and impacts following from the Covid-19 pandemic.
Nexi also took measures to swiftly identify potential impacts on model 262 (procedures most affected by the new modus operandi and to be enforced), in order to ensure the execution of the audit and to permanently monitor elements of discontinuity compared with the existing model. The testing activities of model 262 allowed us to record the actual performing of monitoring activities by the Control Owners, including within the scope of the Covid-19 emergency.
The Board of Statutory Auditors has also reviewed the declarations of the Chief Executive Officer and of the Financial Report Manager, pursuant to the provisions set forth under article 154a.
As regards the drafting of the consolidated financial statements, the Board of Statutory Auditors acknowledges that the Board of Director, at the meeting held on February 11, 2021, approved (as called for by the joint Bank of Italy/CONSOB/Isvap document of March 3, 2021) the procedure of impairment.
Nexi Group resorted to an independent advisor for the impairment test review.
The heads of the Independent Auditors, in the meetings held regularly with the Board of Statutory Auditors, reported no critical situation that may undermine the internal control system concerning administrative and accounting procedures.

In view of the information gathered and of the conducted review, the Board reckons that the administrative and accounting system in place is adequate on the whole and complies with the current laws of reference.

The Board still firmly recommends continuing to address and implement the actions planned by the management for financial year 2021 so as to optimise financial reporting processes while also starting the integration of the framework in the Group's future scope, ahead of the expected mergers with Nets Group and SIA Group.

10. Enforcement of corporate governance rules

While performing its tasks, the Board of Statutory Auditors, as provided for by article 2403 of the Civil Code and article 149 of the TUF, monitored the modalities of a concrete enforcement of the Corporate Governance rules envisaged by the codes of conduct, which Nexi declares to abide by. Nexi complies with the Self-Regulatory Code promoted by Borsa Italiana SpA and has drafted, pursuant to article 123a of the TUF, the annual Report on Corporate Governance and Controlling Structures, which provides information on:

i. the Corporate Governance practices effectively set in place;

ii. the main characteristics of the risk management and internal control systems;

iii. the operating mechanisms of the Shareholders' Meeting, its main powers, the Shareholders' rights and the exercise modalities of such rights;

iv. the composition and functioning of administration and control bodies and of the internal board committees, as well as other information provided for by article 123a of the TUF.

The Board of Directors carried out a self-assessment of its own functioning, size and breakdown, and of the internal board committees, assisted by an independent advisor. The outcome of said process is illustrated in the Corporate Governance Report. Concurrently, the Board of Directors also ascertained whether the independence requisites connected to the risk of conflicts of interest were met.

The Board of Statutory Auditors also verified the appropriate implementation of the verification criteria and procedures adopted by the Board of Directors for evaluating the independence of its members.

On March 11, 2021, the Board of Directors approved the Report on Corporate Governance and Controlling Structures, which also transposes some recommendations provided for under the new 2020 Corporate Governance Code.

11. Oversight of independent audits

The Board points out that, on February 13, 2019, the Shareholders' Meeting appointed PricewaterhouseCoopers SpA (hereinafter, also “PWC”) as independent auditors for the nine-year period spanning from 2019 to 2027, following the expiry of the term ascribed to independent auditors KPMG SpA. The independent auditors PricewaterhouseCoopers SpA are also the independent auditors of the Group, since they were also appointed legal auditors by the subsidiaries.

The Board stresses that, in 2019, the Company approved the internal procedure for the approval of services to be entrusted to the company tasked with the legal audit and to its network.

Pursuant to article 19 of legislative decree 39/2010, the Board of Statutory Auditors also acts as Internal Control and Accounting Audit Committee and carried out said supervision of the legal audit of annual accounts and of consolidated financial statements.

The Board of Statutory Auditors regularly met with the independent auditors PWC, as provided for by article 150(3) of the TUF, in order to share information. During such meetings, PWC reported no actions, nor facts, deemed reprehensible, nor any irregularity that required specific flagging, pursuant to article 155(2) of the TUF. During such meetings, the Board was informed about the fundamental issues that emerged during the audit, which concerned assessment-related issues, in particular the *impairment test* and the *purchase price allocation*, as well as

the main implications of the major operations of 2020.
Whilst supervising the 2020 Financial Statements, the Board of Statutory Auditors met with PWC on June 23, 2020, to examine the activities concerning the limited audit of the interim consolidated financial statements as at June 30, 2020, and to better understand the Covid-19 pandemic impact on auditing. Throughout the subsequent period and until the date of publication of this report, the Board of Statutory Auditors met four more times to examine the progress of the audit plan for the interim financial statement of Nexi Group (July 28, 2020), to analyse the 2020 audit plan of Nexi S.p.A. and Nexi Group (December 17, 2020) and to further assess progress as to auditing and impairment test auditing (March 5 and 25, 2021).
The project concerning the balance sheet closing on 31 December 2020, featuring the Board of Directors' Report on Group Operations and the certification of the Chief Executive Officer and of the Appointed Manager, was submitted to the approval of the Board of Directors at the meeting held on March 11, 2021, and was concurrently made available to the Board of Statutory Auditors.
On March 11, 2021, the Company's Board of Directors approved the financial statement and the consolidated financial statement.
On April 6, 2021, the independent auditors published, pursuant to article 14 of legislative decree 39/2010 and article 10 of Regulation (EU) 537/2014, the audit reports of Nexi's financial statement and Nexi Group's consolidated financial statement at December 31, 2020.
With reference to the judgement and certifications, in its Accounting Audit Report the independent auditors have:
- published a judgement which states that Nexi's financial statements and Nexi Group's consolidated financial statements are a truthful and correct representation of the assets and financial situation of Nexi and Nexi Group as at 31 December 2020, of the economic performance and cash flows of the financial year ending on said date, in accordance with the International Financial Reporting Standards adopted by the European Union and of the issued measures for the enforcement of article 9 of legislative decree 38/2005;
- presented the key elements of accounting and auditing that, from their professional standpoint, are foremost and factor in the formulation of an overall assessment of the financial statements;
- published a judgement of coherence, which states that the Board of Directors' Reports on Group Operations, which are part of the financial statements and consolidated financial statements at December 31, 2020 and the information of the Report on Corporate Governance and Controlling Structures indicated under article 123a(4) of the TUF, which fall within the responsibility of Nexi Board of Directors' members, are consistent with the financial documents and compliant with the laws;
- declared, with reference to potential significant errors in the Board of Directors' Reports on Group Operations, based on the Company's knowledge and understanding and on the

pertinent context that emerged during the audit, that they have nothing to report.

On April 6, 2021, the independent auditors also submitted, to the Board of Statutory Auditors, the additional report provided for by article 11 of Regulation (EU) 537/2014, which shows no significant shortfalls in the internal control system, with reference to the financial reporting, worth signalling to the heads of governance activities.

The independent auditors submitted to the Board of Statutory Auditors the declaration concerning independence, as requested by article 6 of Regulation (EU) 537/2014, which revealed that there are no situations that are prejudicial to independence.

The independent auditors were assigned the following further tasks in 2020, remuneration for which was included in the attachment to the financial statement, as provided for by article 149-L of the Issuers Regulation, and recognised in the profit and loss statement:

(Amounts in Euro thousand)

	Nexi		**Nexi Group**	
Type of service	**PWC**	**PWC network**	**PWC**	**PWC network**
Audit (*)	121	-	305	-
Other certifications (**)	125	.	-	-
Other services:				
Due Diligence	-	600	-	-
Agreed-to verification procedures	-	-	-	-
	-	-	-	-
Methodological support on specific topics	-	-	-	-
Total	**246**	**600**	**305**	**-**

(*) including legal audit of yearly financial statements and limited audit of interim financial statements;

(**) includes the following certifications: issued comfort letters and Non-Financial Information

12. Non-Financial Statement

In drafting the Non-Financial Statement as per Legislative Decree 254/2016 and as per Consob Resolution 20267 of January 18, 2018 (hereinafter, also “NFS”), the Company followed the GRI (global reporting initiative) reporting standards.

The Board monitored the drafting of the NFS, not only checking the mere fulfilment of the tasks imposed by the regulation, but also, and above all, the adequacy of reporting, in order for systems devised to collect, treat and consolidate the data required for drafting the NFS to ensure completeness, accuracy, truthfulness and verifiability of the entire data reporting. The Board attended meetings of the Risk and Sustainability Committee, which the Board of Directors tasked with specific, sustainability-related duties. Attending the Committee meetings, the Board of Directors acknowledged the attention it gave to the proper management reporting (needed for the drafting of the NFS) with subsidiaries, focusing, in this context, on the Nexi Group structure and on the drafting of the NFS.

The Board viewed the Report drafted by the independent auditors on the consolidated non-financial statement, for which PWC was given the task of conducting a limited assurance engagement, following which they declared that it revealed no elements that lead to believe that such statement was not drafted, in all its relevant aspects, in compliance with the laws and with the *Global Reporting Initiative Sustainability Reporting Standards* defined in 2016 by the *Global Reporting Initiative*.

13. **Remuneration policy**

The Board of Statutory Auditors has checked the corporate processes that led to the definition of the Company's remuneration policies, with particular reference to the remuneration criteria for the Chief Executive Officer, the CFO, the managers holding strategic responsibility and the heads of the Control Functions.

In 2020, the Board of Directors put in place the 2019-2021 Medium to Long-Term Stimulus Plan, approved by the Shareholders' Meeting on 12 March, 2019, for top and senior management at Nexi Group (cf. relevant paragraph of the Notes to the Financial Statement).

Furthermore, Mercury UK, parent company of Nexi, issued a Nexi shares-based incentive plan (Stock Grant). The plan involved some employees of subsidiaries Nexi Payments SpA, Help Line SpA and Mercury Payment Services SpA. Nexi Group took on no obligations with said subjects and has recognised the plan in its financial statement, complying with accounting standard IFRS2, being the recipient of its services (for further details, see the pertinent paragraph of the Consolidated Financial Statement).

14. Omissions or reprehensible actions, opinions given and initiatives undertaken

During the financial year 2020, no reports were filed pursuant to article 2408 of the Italian Civil Code against the Board of Statutory Auditors, nor was it sued by third parties.

The Board of Statutory Auditors released the opinions requested by the governing laws.

During the activities undertaken, and on the basis of the information gathered, no omissions, reprehensible actions, irregularities or significant circumstances worth reporting to the Supervisory Authority or signalling in this Report, emerged.

15. Conclusions

Taking into account all the above, the Board of Statutory Auditors, considering the contents of the reports drafted by the independent auditors, having acknowledged the certifications jointly provided by the Chief Executive Officer and by the Appointed Manager, backs the approval of Nexi's financial statement as at December 31, 2020 and the carry-forward of the financial year profit of Euro 49,774,349 proposed by the Board of Directors.

Concluding, with this report the Board of Statutory Auditors wishes to thank the Board of Directors, the Management, the Company and Nexi Group Staff for the remarkable commitment and for the constant, fruitful cooperation shown throughout the activities carried out.

Milan, April 6, 2021

The Board of Statutory Auditors

Mr. Piero Alonzo

Ms. Mariella Tagliabue

Mr. Marco Giuseppe Zanobio

2.6

INDEPENDENT AUDITORS' REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

Independent auditor's report
in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Nexi SpA

Financial Statements as of 31 December 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Nexi SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexi SpA (the Company), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key matters	*Audit procedures in response to the key matters*
Measurement of Equity Investments and the Impairment Process	
Notes to the separate financial statements "Main Accounting Policies", paragraph Equity Investments Nexi SpA holds equity investments in subsidiaries totalling Euro 3,970 million (equal to 95% of total assets in the Balance Sheet). In accordance with IAS 36 – "Impairment of Assets", the equity investments are recognised at acquisition cost, net of any impairment losses. If there is any indication that an equity investment may be impaired, Management estimates its recoverable amount, determined using the value-in-use method, which reflects the future cash flows expected to arise from the equity investment, discounted at December 31, 2020. Considering the significance of professional judgement in the process by which the recoverable amount of equity investments recognised in the financial statements is estimated, and the materiality of equity investments in proportion to the Company's total assets, as well as in light of the current context of macro-economic uncertainty due to the Pandemic Covid-19, we have considered this process a key audit matter.	The identification and measurement process in preparation for the identification of any impairment of equity investments recognised in the financial statements requires in-depth knowledge of the relevant markets and specialised expertise. Moreover, it requires the preparation of estimates that, by their nature, contain elements of professional judgement. Accordingly, in the performance of the audit procedures in this area, we were assisted by our business valuation experts. We gained an understanding of the measurement criteria used by Management and verified that they were applied consistently in the determination of the recoverable amount of equity investments. We verified, on a sample basis, that the forward-looking data used to determine the future cash flows of the individual equity investments were accurate and reasonable. We assessed the reasonableness of the key assumptions used by Management to determine the recoverable amount of the Equity Investments, which included specific sensitivity analyses also in response to the current uncertainty of the macro-economic context.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 13 february 2019, the shareholders of Nexi SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Nexi SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Nexi SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Nexi SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Nexi SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 6 April 2021

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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